[illegible] RECORD

[illegible] OF THE UNITED STATES

[illegible] TERM, 1962

No. 83

UNITED STATES, APPELLANT,

vs.

THE PHILADELPHIA NATIONAL BANK, ET AL.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA.

FILED MARCH 14, 1963
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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1962

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118	Document entitled "Excerpt of Minutes and Resolutions Adopted by the Board of Directors of the Philadelphia National Bank, December 20, 1960"	6048	2718
119	Document entitled "Agreement of Consolidation between Girard Trust Corn Exchange Bank and the Philadelphia National Bank, Under the Charter of of The Philadelphia National Bank, Under the Title of 'Philadelphia Girard National Bank and Trust Company'"	6049	2718
123	Letter dated December 22nd, 1960, to Mr. Robert A. Bicks from Frederic A. Potts and Geoffrey S. Smith	6064	2728
125	Document entitled "Answer of the Philadelphia National Bank to Questions 9 and 10"	6070	2732
126	Letter dated July 16, 1953, from Arthur Littleton to L. A. Jennings, Esq.	6071	2733
126-A	Memorandum for the Files, dated July 9, 1953, signed by L. A. Jennings	6072	2734
127	Document entitled "Summary of Findings and Conclusions, Survey of Branch Banking in the Philadelphia Area, 1946 to 1957"	6074	2736
128	Document headed "Excerpt from the Minutes of a Regular Meeting of the Board of Directors of Girard Trust Corn Exchange Bank Held on November 15, 1960," dated December 13, 1960	6090	2756
129	Document headed "Excerpt of Minutes and Resolutions Adopted by the Board of Directors of Girard Trust Corn Exchange Bank," dated December 20, 1960	6091	2757

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued			
132	Document dated November 22, 1960, being from E. L. Worstall, subject: "Mutual Accounts—Girard Corn & P. N. B." (excerpts)	6092	2758
133	Document being headed "Lines and Outstandings to Finance Companies, June 30, 1960"	6093	2759
134	Document headed "Dealers"	6100	2763
137	Document headed "Exhibit E, Classification of Regular Checking Accounts According to Size"—1. Personal 2. Business	6105	2766
137-A	Document dated July 28, 1960, to Mr. Frederic A. Potts, president, headed "Report of the Service Charges Committee"	6117	2778
138	Memorandum dated 12-2-60, entitled "Merger Memorandum, Re: Priority of Branch Sites"	6125	2790
141	Memorandum dated January 17, 1961, signed H. T. Enssler, to V. E. Furey and E. L. Worstall, re: Equipment Loans—Progress Report #1	6127	2793
142	Memorandum dated January 11, 1961, from Bill Whiteford to Mr. E. L. Worstall	6128	2794
144	Document dated January 16, 1961, the first line reading "Numbers Assigned"	6129	2796
146	Document headed "Answer of the Philadelphia National Bank to Questions 4 and 5 of Questions Propounded by Plaintiff"	6130	2796
147	Document comprising the questions propounded by plaintiff for answer by defendants	6132	2798
G-148	Transmittal letter from Morgan, Lewis & Bockius to George D. Reycraft, Justice Department, dated May 3, 1961 with memorandum entitled, "Modifications of Questions propounded by plaintiff on April 28, 1961, as agreed upon by counsel for the parties, May 2, 1961"	6142	2807
G-149	Transmittal letter from Morgan, Lewis & Bockius to George D. Reycraft, Justice Department, dated May 8, 1961 with memorandum entitled, "PNB—Girard Merger"	6146	2810

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
GOVERNMENT'S EXHIBITS—Continued			
150	Two letters, dated December 9, 1953 and December 15, 1953, from Arthur Littleton to Mr. L. A. Jennings, Deputy Comptroller of the Currency	6150	2813
151	Letter dated July 22, 1955, addressed to the Honorable L. A. Jennings, Deputy Comptroller of the Currency, signed E. L. Worstall	6154	2817
152	Letter dated September 27, 1955, from E. L. Worstall to Honorable L. A. Jennings, Deputy Comptroller of the Currency	6156	2818
153	Letter dated July 18, 1956, from Frederic A. Potts to Honorable Ray M. Gidney, Comptroller of the Currency	6157	2819
158	Letter from Frederic A. Potts addressed to Honorable R. M. Gidney, Comptroller of the Currency, dated April 23, 1958	6159	2821
161	Transmittal letter dated March 1, 1961, from Board of Governors of the Federal Reserve System to W. Wallace Kirkpatrick, Esq., Acting Assistant General, with "Report by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency, etc."	6160	2822
162	Letter dated January 19, 1961, from Robert A. Bicks, Assistant Attorney General, to Hon. Ray M. Gidney, Comptroller of the Currency, together with a one-sheet summary	6171	2834
163	Document entitled "Analysis of Competitive Factors," the Philadelphia National Bank, Philadelphia, Pennsylvania	6181	2845
164	Document entitled "Advance Extract from Annual Report to the Congress of the Comptroller of the Currency"	6187	2857
165	Inter-office memorandum dated July 3, 1956, from Third & Arch Streets to Mr. R. D. Conner, Main Office, with sheet indicating the various percentages by locations (excerpts)	6191	2862
170	Document headed "Analysis Survey of Philadelphia Banks Regular Checking as of September 20, 1960"	6194	2865
171	Document entitled "Analysis Survey of Philadelphia Banks Regular Checking as of March 31, 1961"	6197	2867

Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued		Original	Print
172	Memorandum re "Proposed First Pennsylvania Company Branch Springfield, Delaware County Shopping Center," dated September 3, 1958, from Robert C. Allen	6200	2869
173	Letter of Girard Trust Corn Exchange Bank, from Geoffrey S. Smith, president, to the Honorable Robert L. Myers, Jr., Secretary of Banking of State of Pennsylvania	6202	2871
174	Memorandum dated September 11, 1958, from Robert C. Allen to Mr. S. S. Gardner, vice-president	6204	2874
175	Memorandum dated February 10, 1959, from S. S. Gardner to Messrs. Geoffrey S. Smith, George H. Brown, Jr., and O. H. Beadle	6205	2875
181	Document headed "Number of Commercial and Industrial Loans of Philadelphia National Bank and Girard in Philadelphia, Bucks, Montgomery, and Delaware Counties, Pennsylvania, as of October 5, 1955"	6206	2877
183 (Revised)	Document entitled "Changes in the Number of Banks with Head Offices in Philadelphia Shown by Size of Bank"	6207	2878
184	Document entitled "Commercial Banks in the Four County Area (December 1960)"	6208	2878
185	Document entitled "Changes in Commercial Banking in Philadelphia Four County Area as Measured by Changes in the Number of Independent Banks with Head Office in the County"	6209	2879
187	Document headed "Commercial Banks with Head Offices in the Four-County Area and Location of Their Offices within the Four Counties (December 1960)"	6218	2886
188	Transmittal letter of the Philadelphia National Bank from Frederic A. Potts to The Honorable Ray M. Gidney, Comptroller of the Currency, dated January 26, 1961 with "Comments regarding competitive factors in proposed merger between The Philadelphia National Bank and Girard Trust Corn Exchange Bank"	6222	2889

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued			
191	Document headed "Loan Limits of Commercial Banks with Head Offices in Philadelphia, Montgomery, Delaware, and Bucks Counties, Pennsylvania, as of December 31, 1960"	6229	2897
192	Inter-office memorandum dated March 8, 1960, from S. S. Gardner to Mr. O. H. Beadle	6232	2898
194	Two-page memorandum, The Philadelphia National Bank, Robert B. Lowry to Henry Satterfield, dated February 20, 1961	6233	2900
195	Document headed "Proportion of Demand Deposit Accounts Under $10,000 of Philadelphia National Bank and Girard Trust Corn Exchange Bank Originating in Philadelphia, Bucks, Delaware and Montgomery Counties as of April and May 1961"	6235	2902
196	Document entitled "Concentration of Deposits Loans and Capital Funds of Commercial Banks in Philadelphia, Bucks, Delaware and Montgomery Counties as Shown by Relative Size of Six Largest Banks and Effect of Proposed Consolidation of Philadelphia National Bank and Girard Trust Corn Exchange Bank on Such Concentration as of October 3, 1960"	6236	2903
197	Document headed "Comparison of Growth by Acquisitions with Other Growth of Philadelphia National Bank and Girard Trust Company, December 31, 1949 to December 31, 1959"	6237	2904
198	Document entitled "Percentage Analysis of Growth of Philadelphia National Bank and Girard Trust Company, December 31, 1949 to December 31, 1959"	6238	2905
199	Document entitled "Answer of Girard Trust Corn Exchange Bank to Questions 4 and 5 Submitted by Plaintiff"	6239	2906
200	Document headed "Question 6"	6240	2906

Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued		Original	Print
201	Document, the first page headed "Deposit Balances with Girard of 26 Corporations (All Demand Deposits, and Listed to the Nearest $1000)" and the second page headed "Answer of Girard Trust Corn Exchange Bank to Question 10 Submitted by Plaintiff"	6254	2918
206	Document, consisting of memorandum dated July 7, 1960, from S. S. Gardner to G. H. Brown, Jr.; memorandum from S. S. Gardner and R. C. Allen, dated July 7, 1960, re: Broad Street Trust Application—Drexel Line Shopping Center; and a memorandum dated June 2, 1960, from S. S. Gardner to G. H. Brown, Jr. and O. H. Beadle	6256	2918
207	Letter dated July 26, 1960, from Hubert J. Horan, Jr. to George H. Brown, Jr.	6261	2924
208	Inter-office memorandum dated July 28, 1960, from S. S. Gardner to Branch Administration Files re: Competitive Banks' Locations—Not Protested	6262	2925
214	Memorandum dated November 22, 1960, from S. S. Gardner to Competitive Bank Sites	6263	2926
215	Memorandum dated December 19, 1960, from S. S. Gardner, to Mr. G. H. Brown, Jr. and Mr. O. H. Beadle, together with memorandum dated December 19, 1960, from S. S. Gardner to Branch Administration Files, re: Competitive Bank Sites—Not Protested	6265	2927
216	Inter-office memorandum dated January 5, 1961, from G. H. Brown, Jr. to Mr. S. S. Gardner, re: Stenton Avenue	6266	2929
217	Memorandum dated January 10, 1961, from S. S. Gardner to Mr. George H. Brown, Jr., re: Proposed Broad Street Trust Branch, Stenton Avenue near Washington Lane	6267	2930
218	Memorandum dated January 12, 1961, from S. S. Gardner to Competitive Bank Sites — Not Protested — File, Bank of Old York Road Application for a Branch at the Intersection of Routes 309 and 202—Montgomeryville, Montgomery County	6268	2931

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania Continued			
Government's Exhibits Continued			
220	Memorandum dated December 15, 1959, from Robert C. Allen to Mr. S. S. Gardner, re: Beneficial Savings at Lawrence Park	6269	2932
221	Memorandum dated December 9, 1959, from S. S. Gardner to Mr. G. H. Brown, Jr., President, re: Beneficial Mutual Savings Bank Application at Lawrence Park, & memorandum dated November 18, 1959, from Robert C. Allen, re: Lawrence Park Lease (excerpts)	6271	2934
222	Inter-office memorandum dated March 2, 1960, from S. S. Gardner to Mr. G. H. Brown, Jr. and Mr. O. H. Beadle, re: Beneficial Mutual Savings Fund Branch in Lawrence Park	6273	2936
224	Memorandum dated April 7, 1959, from S. S. Gardner to Mr. Geoffrey S. Smith, President, re: Saving Fund Society of Germantown Proposed Wynnewood Location	6274	2937
225	Inter-office memorandum dated April 8, 1959, from S. S. Gardner to Mr. G. H. Brown, Jr. and Mr. O. H. Beadle, re: Saving Fund Society of Germantown Proposed Wynnewood Location, (excerpts)	6276	2939
226	Memorandum dated January 15, 1960, from S. S. Gardner to Competitive Banks' Branch Locations Not Protested File, re: Savings Fund Society of Germantown Wynnewood Shopping Center Branch	6277	2940
227	Memorandum dated December 4, 1956, from R. C. Allen to Competitive Banks' Site—Not Protested, re: Saving & Loan—New Office	6278	2941
231	Memo of July 11, 1956, to R. Strunce from Don Breth	6279	2942
232	Memo dated April 29, 1957, from F. G. Erb to E. L. Worstall with memo attached from E. L. Worstall to E. B. Ridgway, dated May 7, 1957	6281	2943
233	Memo dated April 16, 1958, from R. Lowry to W. E. Brown, and memo dated May 19, 1958, from R. Lowry to W. E. Brown	6283	2944

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Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued			
234	Document headed "Home Modernization—Girard Corn Plan," dated 7/22/58	6285	2946
235	Memo dated March 31, 1959, from R. R. Strunce to Mr. E. B. Ridgway, "Home Modernization Plan—Reserve Bonus"	6286	2946
236	Memo dated April 1, 1959, from R. R. Strunce to E. B. Ridgway re: "Consolidation Plan for Home Modernization Dealers"	6287	2948
237	Memo dated April 7, 1959, from R. R. Strunce to E. B. Ridgway, subject: "Bonus Plan"	6288	2949
238	Memo dated April 22, 1959, from R. R. Strunce to E. B. Ridgway, subject: "Special Home Modernization Plan," together with two-page outline of "Special Home Modernization Plan"	6289	2950
239	Two-page memo dated April 26, 1960, from R. R. Strunce to H. D. Satterfield, subject: "Dealer Bonus Plan"	6292	2953
240	Memo dated May 18, 1959 from H. D. Satterfield to E. B. Ridgway with a memo dated May 12, 1959, from D. C. Buzby to H. D. Satterfield and memo dated May 4, 1959, from D. C. Buzby to H. D. Satterfield and memo dated January 2, 1959 from D. C. Buzby to R. Strunce, re: Insurance Auto Agents Plan	6294	2955
241	Document headed "Floor Plan Rate," bearing dates 8/3/59 and 8/6/59	6298	2958
242	Memo dated March 25, 1960, from C. Gillam to H. Satterfield, subject: "Auto Agent Plan"	6299	2960
243	Memo dated December 9, 1960, from H. D. Satterfield to E. B. Ridgway	6300	2962
244	Memo dated April 29, 1960, from R. R. Strunce to E. B. Ridgway	6303	2965
246	Document headed "Lines of Credit Held by Pennsylvania Power and Light Company from 1956 to Date, the Amount of Each Line of Credit and the Bank With Which Each Line of Credit Was Carried"	6304	2965
248	Memorandum dated May 26, 1955, from Harry Kilpatrick to Mr. Geoffrey S. Smith	6310	2970

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Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
GOVERNMENT'S EXHIBITS—Continued			
249	Letter dated November 28, 1955, from Geoffrey S. Smith to Walter Reller, President, Ambler National Bank	6311	2971
250	Memorandum signed by Geoffrey S. Smith, dated January 4, 1957, re: Ambler National Bank	6315	2975
251	Document headed "The Atlantic Refining Company (Only) Notes Payable to Banks—1956-1960", etc.	6316	2977
252	Document headed "Rohm & Haas Company Lines of Credit Held from January 1, 1956, to May 31, 1961"	6325	2984
253	Document headed "Rohm & Haas Company Total Loans Outstanding January 1, 1956, to July 24, 1958"	6326	2985
254	Document headed "Rohm & Haas Company Bank Account Balances—Beginning of Business September 1, 1956, 1957, 1958, 1959, 1960"	6328	2987
255	Document headed "Lines of Bank Credit—Bankers' Securities Corporation (Merchandising Division) in Response to Question 1"	6330	2989
DEFENDANTS' EXHIBITS:			
1e	Document entitled "Monthly Review of Credit and Business Conditions, Federal Reserve Bank of New York," Volume 39, May, 1957, No. 5, article, "The Location of Business Customers of Second District Banks"	6334	2992
3	Document headed "Financing Small Business, Table 10—Business Loans of Member Banks, October 1955 and October 1957, By Size of Bank and Relative Size of Borrower"	6340	3007
10	Document entitled "Distances From All Philadelphia National Offices To The Nearest Girard Trust Corn Exchange Office"	6341	3008
11	Document entitled "Distances From All Girard Trust Corn Exchange Offices To The Nearest Philadelphia National Office"	6342	3010

Record from the United States District Court for the Eastern District of Pennsylvania—Continued		Original	Print
DEFENDANTS' EXHIBITS—Continued			
12	Document entitled "The Philadelphia National Bank list of each of its offices, giving each office of a competing institution located within a radius of one mile from each Philadelphia National city office and within a radius of two miles for each Philadelphia National suburban office	6343	3012
12-A	Paper headed "Addendum to Defendants' Exhibit D-12"	6357	3026
13	Document entitled "Girard Trust Corn Exchange Bank list of each of its offices, giving each office of a competing institution located within a radius of one mile for each Girard city office and within a radius of two miles for each Girard suburban office"	6358	3026
13-A	Paper headed "Addendum to Defendants' Exhibit D-13"	6379	3047
14	Letter dated February 28, 1961, from H. S. Haggard, Deputy Comptroller of the Currency, to Mr. Frederic A. Potts, president of the Philadelphia National Bank	6380	3049
15	Document headed "Commercial Banks With Head Office Located in Ten-County Area by Counties on December 31, 1960"	6382	3052
16	Document entitled "Alternative Sources of Credit from Commercial Banks Located in Delaware Valley"	6387	3059
17	Document headed "Number of PNB Loans to Customers Located Within the 4-County Area, Distributed by Size and Type of Loan"	6388	3059
18	Booklet entitled "Comparison of Relative Growth of Deposits of Banks in the Delaware Valley with Deposit Growth of the Philadelphia National Bank and Girard Trust Corn Exchange Bank (1951-1960)"	6389	3060

Record from the United States District Court for the Eastern District of Pennsylvania—Continued

DEFENDANTS' EXHIBITS—Continued

	Volume IV	Original	Print
19	Booklet entitled "Loans, Deposits and Loan-Deposit Ratios, Before and After Merger, for Offices Acquired by The Philadelphia National Bank (1950-1960)".	6413	3084
20	Chart entitled "Size of Banks Relative to Population, 1959-1960"	6430	3097
21	Series of sheets showing statistical information with regard to banks in reserve cities	6431	3099
22	Document headed "Assets of Largest Commercial Bank as Per Cent of Total Assets of All Commercial Banks in Reserve Cities and Central Reserve Cities"	6487	3152
23	Document entitled "Assets of Five Largest Commercial Banks as Per Cent of Total Assets of Commercial Banks in Reserve Cities and Central Reserve Cities"	6488	3153
24	Document headed "Lending Limit Date, 12/31/60"	6489	3154
25	Document entitled "A Comparison of General Economic Growth With Bank Growth in the Delaware Valley (1940-1959) (except as noted)" with chart	6491	3157
26 (Revised)	Document entitled "Excess of Average Deposits Over Average Loans of All PNB Customers With Credit Limits of $8,000M or More"	6496	3163
27	Document headed "Relative Growth of Assets of Selected Financial Institutions in the United States 1945-1959"	6497	3164
29	Document headed "Ratio of Loans to Assets for Insured Commercial Banks in the U. S., June 10, 1959"	6498	3164
30	Document entitled, "Amount of Time and Savings Deposits—Daily Average for June 1960 Distributed According to Location of Customer", etc.	6499	3165
32	Document headed "Time Deposits" with attached Schedules A, B, and C	6502	3168
34	Document headed "Five Year Rate Survey of Savings Fund Interest Rates"	6506	3172
36	Document entitled "Loan Authorities of Banks Merged with Girard Trust Corn Exchange Bank"	6507	3173

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Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
DEFENDANTS' EXHIBITS—Continued			
38	Document headed "Banking and Trust Services of Girard Trust Corn Exchange Bank"	6510	3176
39	Document entitled "List of Banks with Main Offices in New York City (Five Boroughs) with Lending Limits in Excess of $1,000,000, December 31, 1960"	6514	3179
40	Document headed "Excess of Ayerage Deposits Over Average Loans of Girard Trust Customers With 27 Largest Lines of Credit"	6516	3181
41	Document entitled "Function, Market Area and Type of Competition of the Philadelphia National Bank and Girard Trust Corn Exchange Bank"	6517	3182
43	Document entitled "Analysis of Defendants' Partnership and Corporation Customers Whose Choices Include Banks Outside Delaware Valley"	6522	3185
44	Letter dated January 20, 1961, Broad Street Trust Company, from Hubert J. Horan, Jr., to Honorable Ray M. Gidney	6523	3186
45	Memorandum of John S. Carter, dated April 10, 1961	6525	3187
46	Document headed "Recapitulation,"	6533	3193
47	Document, entitled "Assets of the Largest Commercial Bank as Per Cent of Total Assets of All Commercial Banks in Cities with Population Over 100,000"	6551	3208
48	Book entitled "Annual Report of the Federal Deposit Insurance Corporation for the year ended December 31, 1960", Part II—Changes in the number of banking office, 1859-1959, and in the relative position of banks, 1921-1958	6553	3209
52	Graph entitled "Concentration in Large Metropolitan Areas With Limited Area Branch Banking"	6590	3261
53	Document headed "Table 38. Relative Importance of the Largest Commercial Banks in the United States, December 31, 1960"	6591	3263
54	Document headed "Table 39. Commercial Banking Offices and Percentage of Deposits in the Largest Banks in Each State, December 31, 1960"	6592	3264

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Defendants' Exhibits—Continued			
55	Document headed "Table 40. Commercial Banking Offices and Percentage of Deposits in the Largest Banks in the Principal County (or Counties) in 65 Metropolitan Areas, June 15, 1960"	6593	3266
56	Document headed "Girard Trust Corn Exchange Bank Branch Area Deposit Survey"	6594	3269
57	Document entitled "Number of Girard Loans to Customers Located Within the Four-County Area, Distributed by Size and Type of Loan"	6595	3270
60	Document headed "Demand Deposits"	6596	3271
61	Document headed "Time Deposits"	6602	3281
62	Document headed "All Time and Demand Deposits of Individuals, Partnerships and Corporations, Combined Share of Philadelphia National and Girard"	6605	3284
63	Document headed "Commercial and Industrial Loans"	6606	3285
64	Document headed "Real Estate Loans"	6609	3286
65	Document headed "Real Estate Loans, Comparison of Defendants With Certain Other Competing Institutions"	6610	3287
66	Document headed "Loans to Individuals—1—Geographical Distribution of Girard Trust Corn Exchange Bank's Loans to Individuals", etc.	6618	3292
67	Document entitled "Other Loans"	6626	3299
68	Document entitled "Lines of Credit"	6629	3301
69	Document entitled "Personal Trusts"	6630	3302
70	Document headed "Volume of Check Clearances"	6641	3311
Plaintiff's proposed findings of fact and conclusions of law		6642	3313
See separate index, page 3315			
Defendants' requested findings of fact and conclusions of law		6814	3485
Transcript of argument sur pleadings and proof, October 27, 1961		6875	3519
Appearances		6875	3519
Opening argument by Mr. Reveraft		6877	3520
Argument by Mr. Littleton		6944	3558
Argument by Mr. Price		7014	3597
Closing argument by Mr. Reveraft		7056	3621
Opinion, Clary, Ch. J.		7070	3629
Judgment		7132	3669

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Record from the United States District Court for the Eastern District of Pennsylvania—Continued		
Stipulation of parties as to timing of appeal and consummation of merger	7133	3670
Notice of appeal to the Supreme Court of the United States	7134	3671
Order transmitting record to the Supreme Court of the States	7137	3672
Order noting probable jurisdiction	7138	3673

[fol. 1] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

UNITED STATES OF AMERICA, Plaintiff,

v.

THE PHILADELPHIA NATIONAL BANK, AND GIRARD TRUST CORN EXCHANGE BANK, Defendants.

COMPLAINT—Filed February 25, 1961

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable relief against the above-named defendants and complains and alleges as follows:

I

Jurisdiction and Venue

1. This complaint is filed and this action is instituted against the above-named defendants under Section 4 of the Act of Congress of July 2, 1890, c. 647, 26 Stat. 209, as amended; entitled "An Act to protect trade and commerce against unlawful restraints and monopolies," commonly known as the Sherman Act, and under Section 15 of the Act of Congress of October 15, 1914, c. 323, 38 Stat. 736, as amended, entitled "An Act to supplement existing laws against unlawful restraints and monopolies and for other purposes," commonly known as the Clayton Act, in order to prevent and restrain continued violations by the defendants, as hereinafter alleged, of Section 1 of the Sherman Act and of Section 7 of the Clayton Act, 38 Stat. 731, as amended by the Act of Congress of December 29, 1950, c. 1184, 64 Stat. 1125.

[fol. 2] 2. Each of the defendants has its principal place of business, transacts business, and is found within the Eastern District of Pennsylvania.

II

The Defendants

3. The Philadelphia National Bank, hereinafter referred to as "Philadelphia National," is made a defendant herein. It is a banking association organized under the laws of the United States, having its principal place of business at Philadelphia, Pennsylvania.

4. Girard Trust Corn Exchange Bank, hereinafter referred to as "Girard Trust" is made a defendant herein. It is a banking association organized under the laws of the State of Pennsylvania, having its principal place of business at Philadelphia, Pennsylvania.

III

Trade and Commerce

5. Commercial banks fill an essential and unique role in the nation's economy. Most money payments are made through the device of demand deposits, a function unique to commercial banks. Through the making of loans to individual and business borrowers commercial banks supply a significant part of the credit requirements of our economy. Commercial banks also accept time deposits from various types of depositors and provide a wide variety of other financial services, including personal and corporate trust accounts, the collection of drafts, bills, and other commercial instruments; the acceptance of bills of exchange; the issuance of letters of credit; the sale of cashiers' checks, and drafts on correspondent banks; the purchase or sale of securities for customers; the sale of foreign exchange and the renting of safety deposit boxes. This combination of services is unduplicated by other financial institutions.

[fol. 3] 6. Commercial banks, because of the importance of bank credit to business borrowers and their close relationships with many such borrowers, and because of their holdings of stock in trust accounts have an important influence on competition in all branches of industry and commerce served by the banking system.

7. Commercial banking in the City of Philadelphia and in the surrounding metropolitan area is heavily, concen-

trated in a few banks. Within the City itself five banks, as of June 30, 1960, accounted for approximately 80% of total assets, deposits and loans for all commercial banks. Within the somewhat broader "IPC service area" from which 75% of Philadelphia National's IPC deposits (from individuals, partnerships and corporations) originate, the same five banks accounted for approximately 51% of such IPC deposits in all commercial banks. Concentration in some important commercial banking functions is even greater. For example, the five banks described above account for approximately 85% of the total commercial and industrial loans by all Philadelphia banks.

8. Philadelphia National conducts a general commercial banking business through 28 offices, 11 of which are located in the City of Philadelphia and 17 in the surrounding metropolitan area. As of June 30, 1960, Philadelphia National had total assets of $1,086,147,170 and in the Philadelphia area was second in size only to the First Pennsylvania Banking and Trust Company which had assets of $1,182,660,407. As of the same date, Philadelphia National had total deposits of $946,306,784 and total loans of $523,612,316. Approximately 57% of Philadelphia National's loans are in the commercial and industrial category.

9. Girard Trust is the third largest commercial bank in the Philadelphia area. It conducts a general commercial banking business through 39 offices, 21 of which are located in the City of Philadelphia and 18 in the surrounding metropoli- [fol. 4] tan area. As of June 30, 1960, it had assets of $757,572,488, deposits of $658,176,864 and loans of $408,627,181. Approximately 49% of Girard Trust's total loans were in the commercial and industrial category.

10. Both Philadelphia National and Girard Trust have made numerous acquisitions which have contributed to the present degree of commercial banking concentration in the Philadelphia area. Philadelphia National has acquired nine smaller banks in this area by way of merger or consolidation since 1950. Girard Trust was formed by a 1951 merger and since that time has acquired five smaller Philadelphia area banks through mergers or consolidations.

11. Philadelphia National and Girard Trust compete with each other, and with other banks in the Philadelphia area,

in the performing of commercial banking functions, as described in paragraph 5 above.

12. As of June 30, 1960, Philadelphia National accounted for approximately 22% and Girard Trust for approximately 15% of total deposits in Philadelphia commercial banks. Within the "IPC service area" for Philadelphia National, as described in paragraph 7 above, the defendants' shares of total IPC deposits in commercial banks were approximately 11% and 10%, respectively, while in Girard Trust's "IPC service area" each bank accounted for approximately 13% of such IPC deposits.

13. As a result of the proposed merger hereinafter alleged, Philadelphia National would become the largest commercial bank in the Philadelphia area in terms of banking offices, assets, deposits and loans, and would be approximately 50% larger than its largest competitor. At the same time, the proposed merger would increase banking concentration to the point where the two largest commercial banks would account for approximately 62% of the total assets, deposits and loans of all Philadelphia commercial banks and approximately 36% and 45% of total commercial bank IPC deposits in the respective "IPC service areas" of Philadelphia National and Girard Trust.

[fol. 5] 14. Customers of Philadelphia National and Girard Trust have regularly utilized interstate communications, including the mails, telephone and telegraph, to effect deposits, apply for and obtain loans and obtain other services made available by these banks. The banks have regularly utilized interstate communications, including the mails, telephone and telegraph, to conduct banking business with customers, and with other banks located in states other than the state in which they are located. The banks have received a substantial amount of deposits from states other than the state in which they are located, and have made a substantial amount of loans to customers in such other states. Philadelphia National and Girard Trust are engaged in interstate commerce.

IV

Offenses Charged

15. Beginning sometime prior to November 15, 1960, and continuing thereafter up to and including the date of the filing of this complaint, defendants Philadelphia National and Girard Trust have been engaged in an unlawful combination in unreasonable restraint of the above described interstate trade and commerce in violation of Section 1 of the Sherman Act.

16. The unlawful combination has consisted of a continuing agreement, understanding and concert of action between the defendants Philadelphia National and Girard Trust, the substantial terms of which have been and are that the defendants will carry out a plan of merger and consolidation which will eliminate all competition between them. To carry out the combination in unreasonable restraint of the above-described interstate trade and commerce, the defendants have entered into a contract which was approved by the boards of directors of Philadelphia National and Girard Trust on or about December 20, 1960 which, if carried out, will result in a merger and consolidation of the two defendants and eliminate all competition between them in violataion of Section 1 of the Sherman Act.

[fol. 6] 17. The effect of the consolidation of Philadelphia National and Girard Trust, pursuant to the agreement described in paragraph 16 above, may be substantially to lessen competition or to tend to create a monopoly in violation of Section 7 of the Clayton Act.

18. The offenses alleged in this complaint are continuing and will continue unless the relief hereinafter prayed for is granted.

V

Effects

19. The aforesaid offenses charged in this complaint, if continued and carried out, will have, among others, the following effects:

(a) actual and potential competition between the defendants will be permanently eliminated;

(b) existing and potential competition generally in

commercial banking in the Philadelphia area will be substantially and unreasonably lessened;

(c) concentration in commercial banking in the Philadelphia area will be substantially and unreasonably increased;

(d) existing and potential competition in the commerce and industry served by commercial banks in the Philadelphia area will be substantially and unreasonably lessened.

Prayer

WHEREFORE, plaintiff prays:

1. That the aforesaid agreement between defendants Philadelphia National and Girard Trust be adjudged and decreed to be unlawful, in violation of Section 1 of the Sherman Act and Section 7 of the Clayton Act.

2. That defendants Philadelphia National and Girard Trust and all persons acting on their behalf be enjoined from carrying out the agreement of consolidation or any similar plan or agreement the effect of which would be to merge or consolidate said defendants.

[fols. 7-11] 3. That a preliminary injunction issue against the defendants Philadelphia National and Girard Trust, preventing and restraining them from taking any action to consummate the aforesaid agreement, or any similar agreement, understanding or plan to merge or consolidate Girard Trust with Philadelphia National pending adjudication of the merits of this complaint.

4. That plaintiff have such other and further relief as the Court may deem just and proper.

5. That plaintiff recover the costs of this suit.

/s/ Robert F. Kennedy Attorney General. /s/ W. Wallace Kirkpatrick, Acting Assistant Attorney General. /s/ George D. Reycraft. /s/ Larry L. Williams, Attorneys, Department of Justice. /s/ Walter E. Alessandroni, United States Attorney. /s/ Robert A. Hammond, Attorney, Department of Justice.

[fol. 12] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

ANSWER OF DEFENDANT GIRARD TRUST CORN EXCHANGE BANK TO PLAINTIFF'S COMPLAINT—Filed March 10, 1961

Defendant Girard Trust Corn Exchange Bank ("Girard Trust") makes the following answer to plaintiff's complaint:

First Defense

1. Girard Trust is advised that the allegations of this paragraph are conclusions of law which require no answer. To the extent that any answer is required, Girard Trust denies that sections 1 and 4 of the Sherman Act and Sections 7 and 15 of the Clayton Act are applicable to the agreement and proposed merger referred to in the complaint, which are subject to the National Bank Act, as amended (more particularly 12 U.S.C.A. § 215), and section 18 of the Federal Deposit Insurance Act, as amended (12 U.S.C.A. § 1828).

2, 3 & 4. Admitted.

5. Girard Trust is advised that the allegations of the first and third sentences of paragraph 5 of the complaint are conclusions that require no answer. Girard Trust ad- [fol. 13] mits the allegations of the fourth sentence of paragraph 5 of the complaint and admits that commercial banks fill an essential role in the nation's economy. Girard Trust denies that the services referred to in paragraph 5 of the complaint are unique to commercial banks and denies the remaining allegations of paragraph 5 of the complaint which, among other things, purport, but fail, to give an accurate summary of the complex nature of commercial banking and its part in the economy in the nation as regulated, controlled, and supervised under statutes of the United States.

6. Girard Trust is advised that paragraph 6 of the complaint alleges a conclusion which requires no answer. To

the extent that any answer may be required, Girard Trust denies that it has exercised or intends to exercise or will exercise any influence whatever on competition in any branch of industry or commerce which it serves because of any importance which credit may have to its business borrowers, or any relationship with any such borrower, or because of its holding of stock in trust accounts. Girard Trust is without knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 6 of the complaint.

7. Girard Trust denies that commercial banking in Philadelphia or the surrounding area or in any area relevant to this proceeding is heavily concentrated in a few banks, and that concentration in any important commercial banking function is great, undue, or disproportionate to the circumstances of the areas and persons served by the defendants. Girard Trust is without knowledge or informa- [fol. 14] tion sufficient to form a belief about the truth of the remaining allegations of paragraph 7 of the complaint.

8. Girard Trust admits that Philadelphia National conducts a general commercial banking business through 27 (not 28) offices, 10 (not 11) of which are located in Philadelphia and 17 of which are outside Philadelphia, and that, as of June 30, 1960, it had total assets of $1,086,147,170 (including reciprocal bank balances), total deposits of $946,306,784 (including reciprocal bank balances), and total loans of $523,612,316, of which approximately 57 percent in dollar amount were in the commercial and industrial category. Girard Trust is without knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 8 of the complaint.

9. Girard Trust admits that it conducts a general commercial banking business through 38 (not 39) offices, 20 (not 21) of which are located in Philadelphia and 18 of which are outside Philadelphia, and, as of June 30, 1960, that it had net assets of $740,920,000, net deposits of $650,790,000, and net loans of $399,362,000, of which approximately 49 percent in dollar amount were in the commercial and industrial category. Girard Trust denies the remaining allegations of paragraph 9 of the complaint.

10. Girard Trust admits that Philadelphia National has

merged or consolidated with eight banks, only one of which was located in Philadelphia, and acquired the assets of one Philadelphia bank since 1950, and that Girard Trust was [fol. 15] formed by a merger in 1951 and since that time has merged with five other banks, only two of which were located in Philadelphia. Girard Trust denies the remaining allegations of paragraph 10 of the complaint.

11. Girard Trust admits that Philadelphia National and Girard Trust compete not only with each other but with other commercial banks, saving fund societies, savings and loan associations, credit unions, pension funds, profit-sharing trusts, consumer discount companies, general finance companies, insurance companies, sales finance companies, small loan companies, factors, direct lending agencies of the federal government (e.g., the Small Business Administration and Veterans Administration), and other institutions, agencies and businesses located not only in Philadelphia but in the local, regional, national, and international areas served by the defendants, and elsewhere, in the performance of each of the functions described in paragraph 5 of the complaint. Girard Trust denies that, fairly considering the nature of banking and banking competition, the competition between Philadelphia National and Girard Trust is such that the consummation of the proposed merger would significantly, substantially, or unreasonably lessen competition with respect to the performance of the functions referred to in paragraph 5 of the complaint and, further, denies the remaining allegations of paragraph 11 of the complaint.

12. Girard Trust is without knowledge or information sufficient to form a belief about the truth of the allegations [fol. 16] of paragraph 12 of the complaint.

13. Girard Trust admits that there is an agreement of merger between Philadelphia National and Girard Trust and that, if the merger is consummated, the resulting bank would be the largest commercial bank located in Philadelphia in terms of number of banking offices, assets, deposits, and loans. Girard Trust denies that the resulting bank would be larger in any respect than its largest competitor because its competitors with respect to each service it would offer would include the banks and other institutions, agencies, and businesses referred to in paragraph 11 above

which are located not only in Philadelphia but in New York, Pittsburgh, Boston, Washington, Baltimore, and other places as well. Girard Trust is without knowledge or information sufficient to form a belief about the remaining allegations of paragraph 13 of the complaint.

14. Girard Trust admits the allegations of the first, second, and third sentences of paragraph 14 of the complaint. Girard Trust is advised that the last sentence of the paragraph is a conclusion of law which requires no answer. To the extent that any answer to the last sentence may be required, Girard Trust denies that Philadelphia National and Girard Trust are engaged in interstate commerce for the purposes of the statutes cited in paragraph 1 of the complaint as alleged by the plaintiff to apply to the agreement and proposed merger referred to in the complaint.

[fol. 17] 15. Girard Trust denies the allegations of paragraph 15 of the complaint.

16. Girard Trust admits that, on December 20, 1960, it entered into an agreement of merger with Philadelphia National. Girard Trust denies that the agreement was unlawful and avers that not only was it lawful but it was expressly determined by the Comptroller of the Currency to be in the public interest. Girard Trust denies the remaining allegations of paragraph 16 of the complaint.

17, 18, & 19. Girard Trust denies the allegations of paragraphs 17, 18, and 19 of the complaint.

Second Defense

20. The complaint fails to state a claim upon which relief can be granted.

Third Defense

21. The Court lacks jurisdiction over the subject matter of the action.

Fourth Defense

22. The Sherman Act and the Clayton Act are not applicable to the transactions alleged in the complaint.

[fol. 18] Fifth Defense

23. On November 15, 1960, the Boards of Directors of Philadelphia National and Girard Trust approved a pro-

gram for the merger of those banks and authorized the preparation of an agreement of merger for submission to the Boards of Directors of the two banks and their shareholders.

24. On the same day, pursuant to the statutory requirements of the National Bank Act, as amended (12 U.S.C.A. § 215), and regulations promulgated thereunder, and section 18(c) of the Federal Deposit Insurance Act, as amended (12 U.S.C.A. § 1828(c)), an application was made to the Comptroller of the Currency to obtain his approval and consent to the proposed merger. Thereafter, more information in support of the application was submitted to the Comptroller by Philadelphia National and Girard Trust and, in addition, the Comptroller conducted his own investigation to determine the propriety, desirability, and legality of the proposed merger and the terms thereof.

25. The information submitted by Philadelphia National and Girard Trust to the Comptroller was also supplied to the Assistant Attorney General in charge of the Antitrust Division of the Department of Justice and additional information was supplied to him pursuant to his requests.

26. The Comptroller requested and received advisory reports concerning the proposed merger from the Federal Deposit Insurance Corporation and the Federal Reserve [fol. 19] Board as well as a report from the Attorney General on the competitive factor involved. These reports and the other information available to the Comptroller were carefully considered by him pursuant to the statutory requirement that he determine whether the proposed merger is in the public interest after considering seven factors: "the financial history and condition of each of the banks involved, the adequacy of its capital stock, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, and whether or not its corporate powers are consistent with the purposes of [the Federal Deposit Insurance Act]" and "the effect of the transaction on competition (including any tendency toward monopoly)" (12 U.S.C.A. § 1828(c)). On February 24, 1961, the Comptroller, pursuant to the applicable statutes, determined the proposed merger to be in the public interest and gave his approval of the proposed merger. On February 28, 1961, he sent

the defendants written notice of his approval of and consent to the merger.

27. The determination by the Comptroller that the proposed merger of Philadelphia National and Girard Trust is in the public interest, after consideration of all the banking factors and the competitive factor relating to the proposed merger, is the exclusive and final determination of the propriety, desirability, and legality of the proposed merger under all applicable federal laws.

[fols. 20-21] Sixth Defense

28. This Court should not exercise its equitable power and grant the relief requested by the plaintiff because the Department of Justice for several years has sought to obtain from Congress specific authority which would permit it to institute antitrust proceedings to enjoin bank mergers and Congress has failed to enact legislation which would have granted such authority.

Seventh Defense

29. The agreement of merger and the merger which it contemplates do not constitute and unreasonable restraint of trade within the meaning of section 1 of the Sherman Act nor would the effect thereof be to substantially lessen competition or tend to create a monopoly within the meaning of section 7 of the Clayton Act and, on the contrary, such merger will promote, enhance, and create, rather than restrain or lessen, competition.

WHEREFORE, defendant Girard Trust Corn Exchange Bank demands that judgment be entered in its favor against the plaintiff, with costs.

Barnes, Dechert, Price, Myers & Rhoads. By /s/ Philip Price, Attorneys for Defendant, Girard Trust Corn Exchange Bank.

March 10, 1961.

[fol. 22] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

ANSWER OF DEFENDANT, THE PHILADELPHIA NATIONAL BANK —Filed March 10, 1961

Defendant, The Philadelphia National Bank (Philadelphia National), answers plaintiff's complaint in accordance with the numbered paragraphs thereof as follows:

First Defense

1. Philadelphia National denies that this court has jurisdiction of this action and the complaint filed herein either under Sections 1 and 4 of the Sherman Act, or Sections 7 and 15 of the Clayton Act. In further answer, reference is made to the Second Defense of this Answer.

2, 3 and 4. Admitted.

5. Philadelphia National is advised that the first and third sentences of paragraph 5 allege conclusions which require no answer. It is admitted that demand deposits and the activities mentioned in the fourth sentence of paragraph 5 constitute, in general, activities of commercial banks, but it is denied that all such activities are performed by all commercial banks. It is denied also that the services referred to in paragraph 5 are unduplicated by other financial institutions. The remaining allegations of paragraph 5 are denied.

[fol. 23] 6. Denied.

7. Philadelphia National denies that commercial banking in the City of Philadelphia and the surrounding metropolitan area is heavily concentrated in a few banks as alleged in the first sentence of paragraph 7. The remaining averments in paragraph 7 are denied as stated. Further answering, Philadelphia National alleges that the concept of local commercial banking concentration, and the examples thereof, as set forth in paragraph 7, are improper and irrelevant because, inter alia, they fail to take into account

various additional banking functions; the broad geographical area, from New York to California, within which banking services are rendered by the defendants, within which competitors of the defendants are located, and within which the defendants compete for deposits, loans, etc.; and the competition furnished to local commercial banks by commercial banks in the broad area mentioned, and by other types of financial institutions.

8. Philadelphia National admits that it conducts a general commercial banking business through 27 offices, 10 of which are located in Philadelphia and 17 of which are outside of Philadelphia, and that, as of June 30, 1960, it had total assets (including reciprocal bank balances) of $1,086,147,170, total deposits (including reciprocal bank balances) of $946,306,784, and total loans of $523,612,316. Philadelphia National further admits that, as of June 30, 1960, approximately 57% in dollar amount of its loans were in the commercial and industrial category. Philadelphia National is without knowledge or information sufficient to form a belief as to the truth of the remaining averments of paragraph 8.

9. Philadelphia National admits that Girard conducts a general commercial banking business through 38 offices, 20 of which are located in Philadelphia and 18 of which are outside Philadelphia, and that, as of June 30, 1960, Girard [fol. 24] had net assets of $740,920,000, net deposits of $650,790,000 and net loans of $399,362,000, of which 49% in dollar amount were in the commercial and industrial category. Philadelphia National is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations of paragraph 9.

10. Philadelphia National denies the allegations contained in paragraph 10 of the complaint, except it admits the following: Since 1950 Philadelphia National has acquired by merger 8 smaller banks and has acquired certain assets and all the deposit liabilities of another. Of these, only 2 were located in Philadelphia. Since Girard's formation in 1951 it has acquired 5 smaller banks, only 2 of which were located in Philadelphia.

11. Philadelphia National admits that it and Girard compete with each other in certain but not all banking services and in certain but not all geographical areas. Philadelphia

National denies that the competition between it and Girard is such that the consummation of the proposed merger would significantly or substantially lessen competition with respect to the performance of banking functions. It is further averred that defendants also compete with commercial banks, saving fund societies, savings and loan associations, credit unions, pension funds, profit-sharing trusts, consumers discount companies, general finance companies, insurance companies, sales finance companies, small loan companies, factors, direct lending agencies of the federal government, and other institutions, agencies and businesses located not only in Philadelphia but in all the regional, national, and international areas served by the defendants in the performance of commercial banking functions.

12. Philadelphia National is without knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 12.

[fol. 25] 13. Philadelphia National admits that if the proposed merger between it and Girard is consummated the merged institution would be the largest commercial bank which has its head office in Philadelphia in terms of number of banking offices, assets, deposits and loans. It is denied that the merged institution would be approximately 50% larger than its largest competitor inasmuch as the competitors of the merged institution would include institutions of the types and in the geographical areas referred to in paragraph 11, many of which are as large as, or substantially larger than, the proposed merged institution. Philadelphia National is without knowledge or information sufficient to form a belief as to the truth of the last sentence of paragraph 13, but denies that the concept of local commercial banking concentration is proper or relevant for the reasons, inter alia, set forth in paragraphs 7 and 11 of this Answer. For the same reasons, Philadelphia National alleges that the percentages as used in paragraph 13 and throughout the complaint are improper and misleading.

14. Admitted, except that the last sentence states a conclusion of law which requires no answer.

15, 16, 17, 18 and 19. Philadelphia National denies the allegations of paragraph 15, 16, 17, 18 and 19 of the com-

plaint, except it admits that on December 20, 1960 Philadelphia National and Girard entered into an agreement of merger. Further answering, Philadelphia National avers that the proposed merger will increase competition with the numerous kinds of institutions, and throughout the broad geographical area, referred to in paragraphs 7 and 11 above.

Second Defense

20. On November 15, 1960, pursuant to approval of the Boards of Directors of Philadelphia National and Girard of a program for merger of those banks and pursuant to [fol. 26] the statutory requirements of the National Bank Act, as amended (12 U.S.C.A. § 215), and § 18(c) of the Federal Deposit Insurance Act, as amended (12 U.S.C.A. § 1828(c)), an application was made to the Comptroller of the Currency to obtain his approval and consent to the proposed merger. Thereafter, more information in support of the application was submitted to the Comptroller. The application and such additional information was also supplied to the Assistant Attorney General in charge of the Antitrust Division of the Department of Justice, and additional information was supplied to him pursuant to his requests. The Comptroller received reports concerning the competitive factors involved in the proposed merger from the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the Attorney General, reports which Congress has provided shall be advisory only. These reports and the other information available to the Comptroller were carefully considered by him pursuant to the statutory direction that he determine whether the proposed merger is in the public interest after considering seven enumerated factors, including "the effect of the transaction on competition (including any tendency toward monopoly)" (12 U.S.C.A. § 1828(c)). On February 24, 1961, the Comptroller found, after considering all the factors enumerated in the statute, including that quoted above, that the proposed merger will be in the public interest, and gave his approval to it. On February 28, 1961, he sent the defendants written notice of his approval.

21. The approval and consent of the Comptroller of the Currency to the merger of Philadelphia National and Girard

is the exclusive and final determination of the legality of the proposed merger.

Third Defense

22. The decision of the executive branch of the United States having been rendered by the Comptroller of the [fols. 27-59] Currency, the official specifically designated by Congress to make such a decision, a suit in the name of the United States brought by the Attorney General to overturn this decision should not be entertained.

Fourth Defense

23. Neither the Sherman Act nor the Clayton Act is applicable to the transaction alleged in the complaint.

Fifth Defense

24. This court lacks jurisdiction over the subject matter of this action.

Sixth Defense

25. The agreement of merger and the merger which it contemplates do not constitute an unreasonable restraint of trade within the meaning of Section 1 of the Sherman Act, nor would the effect thereof substantially lessen competition or tend to create a monopoly within the meaning of Section 7 of the Clayton Act. To the contrary, it is averred that such merger will promote competition.

Seventh Defense

26. The complaint fails to state a claim upon which relief can be granted.

Wherefore, defendant, The Philadelphia National Bank, prays that the complaint be dismissed and that judgment be entered for its costs.

/s/ Arthur Littleton, Attorney for Defendant, The Philadelphia National Bank.

March 10, 1961

[fol. 60] IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

Transcript of Pre-Trial Conference

Philadelphia, Pa., May 2, 1961, at 11:00 A.M.

Before Hon. Thomas J. Clary, J. (In Chambers)

PRESENT:

George D. Reycraft, Esq., Special Trial Section, Antitrust Division Department of Justice, Washington, D.C.

James A. Reed, Esq., Attorney, Department of Justice.

Morgan, Lewis and Bockius by Arthur Littleton, Esq., Ernest R. von Starck, Esq., Donald A. Scott, Esq., Don B. Blenko, Esq., for the Philadelphia National Bank.

Barnes, Dechert, Price, Myers and Rhoads by Raymond W. Midgett, Jr., Esq., Minturn T. Wright, III, Esq., John J. Brennan, Esq., for Girard Trust Corn Exchange Bank.

PRE-TRIAL CONFERENCE

[fol. 61] Mr. Midgett: Sir, I should probably introduce to you, if you don't know him, John Brennan of our office.

The Court: Oh, yes, I have met Mr. Brennan.

Mr. Midgett: And Mr. Wright.

Mr. Reycraft: May I introduce James Reed of our office.

The Court: Nice to see you, Mr. Reed.

Mr. Littleton: I think you know all my colleagues—Mr. von Starck, Mr. Scott, Mr. Blenko.

The Court: Yes.

Now, we are assembled for a purpose.

Mr. Littleton: And we are most grateful to you, Your Honor, for seeing us at this time.

I asked for the priviledge of coming down and talking to you to see if you could help direct the course of events. It is as a result of a telephone conversation between Ernest von Starck and I think Mr. Reycraft last Wednesday. There was a problem arose, and that was the cause of my asking for this conference.

There was a second question that we thought we would discuss. I say this because on Friday we had a letter from the Department of Justice on another subject, which immediately added to the problem we were going to submit to [fol. 62] you, but it was as nothing compared to the letter which we received yesterday with its contents, so that the thing has burgeoned into a large-sized instead of a small-sized discussion on which we are going to ask you to bear with us.

Now, the initial problem which moved me to ask you to let us come down is this: A great deal of the evidence in this case will doubtless be in the form of statistics on both sides from authorities which everybody recognizes. I mean statistics from the Federal Reserve Board and such bodies. Therefore, an attempt to get some of the very necessary information into statistical form has been made by us in this wise. We are very much interested, because of the thrust of the complaint, which, as Your Honor knows, is not at competition in all the fields in which the banks operate, but simply competition within the Philadelphia area. I think four times in the complaint it is stated, "competition in the Philadelphia area." The thrust of the complaint being that, we want to address ourselves to what our competition is in the Philadelphia area, or to state it another way, what is the banking market, the relevant market, in the so-called Philadelphia area?

Now, as to that, as to some of it, we get it from the reports of the Third Federal Reserve District; we get it from the Secretary of Banking of Pennsylvania; we get [fol. 63] it from the Secretary of Banking of New Jersey; we get it from the Secretary of Banking of Delaware; and we are getting that information or have gotten some of that information from each of those officials or Boards, and the Government is entirely satisfied, I understand, with that, but now there is something else which touches very strongly and effectively on this question, and that is the market or the competition which is created by the very strenuous efforts of banks outside the Philadelphia area, notably, New York, but other cities besides, who constantly have solicitors in the Philadelphia area soliciting business. We all know that. There will be some testimony undoubtedly adduced at the trial from those who have been solicited, but

obviously you can't bring in everybody that is solicited, and we are therefore very anxious to ascertain what the New York solicitation of business is in the Philadelphia area, to help us in finding out what the market is of which we are told by the complaint this combined bank is going to have a certain percentage. We want to know what that market is, but in addition to that, and as really the other side of the shield or the coin, we want to know what our competition is in the market, because we are competing, not only with Philadelphia banks and other financial institutions, but we are competing with these banks which come [fol. 64] in here and have solicitors in here in droves at all times endeavoring to solicit and successfully soliciting business.

Now, where to get that? The Second Federal Reserve District does not put out figures as to the business which comes to the New York banks from this Philadelphia area.

In 1955 there was a special report made which did include this particular item for the area and also for Philadelphia within its corporate limits, which showed very substantial business going to the New York banks from the Philadelphia area.

Not being able to get a similar report from the Second Federal Reserve Bank, because it is not available for the current situation, we solicited the help of eight of the largest of the New York banks, the ones that we knew had people over here soliciting, and found them most cooperative, and, indeed, without their cooperation it would be impossible to get this kind of information. It is not the kind of thing one could get by depositions, for instance. It has got to have the cooperation and willing help of the New York banks, and they were prepared to give it provided that it be all on an anonymous basis and be all on a group or total basis. So we conceived the idea of having a reputable firm of accountants, to wit, Peat, Marwick, Mitchell & Co., employed by us to visit each of these banks, [fol. 65] and we armed Peat, Marwick, Mitchell & Co. with a questionnaire which they have used in eliciting information on this score from each of the banks, with the thought in our mind that when they had gotten that material, they could collate it and be prepared to testify in this case as

to the totals in each of the categories of this particular questionnaire.

Will you give the judge a copy of the questionnaire.

(Copy of questionnaire handed to the Court.)

At the time Mr. Reycraft and his associates were taking the depositions of Mr. George Brown, the president of the Girard Trust Company, we talked to Mr. Reycraft and told him that this is what we were doing and asked him if he would be willing or the Department would be willing to agree that this type testimony not only was desirable, but would be not objected to by him, and asked him if he would take a look at the questionnaire and the whole plan and give us any suggestions he might have with regard to it; and beyond that we said that we would be perfectly willing and happy if he cared to have someone from his staff or someone selected by him accompany the gentleman from Peat, Marwick, Mitchell & Co. in his visit to the banks to make certain that the proper questions were asked and the proper field was covered and the proper answers were [fol. 66] made and that the answers were as made, and for such other purposes as he wanted, and he said that the Department would take that under consideration.

Now, on Wednesday last, in a telephone conversation, we got word from them that the Department of Justice could not agree to go along on that, and in a letter which I will refer to at more length a little later, which arrived yesterday morning, dated April 28, from the Department of Justice, in Paragraph 6 of such letter, which letter covers a variety of subjects, but as to this particular subject it says:

> "You have informed us that you intend to obtain a ruling from the Court on the survey proposed by defendants of the extent of competition from New York banks in the Philadelphia area. As we have advised Mr. von Starck we are unable to agree that this survey should be admitted in evidence without the right to cross-examine officials of the New York banks who it is contended are in actual competition in the Philadelphia area. We believe it can be established that any such competition is not significant and will

wish to consider taking the depositions of those banks outside the four county area which are claimed to be in competition in Philadelphia. We believe it to be [fol. 67] essential to develop the record fully on the nature and extent of any such claimed competition."

Of course, this goes right to the heart of the conditions under which the New York banks are willing to divulge this information to Peat, Marwick, Mitchell & Co. and their desire to keep the names of their customers unnamed or anonymous, and where they desire to have only totals given and not have a breakdown among banks, and, indeed, that was exemplified by a letter that we have from counsel for one of these banks, under date of April 25, in which he said:

"Before turning the material over to Peat, Marwick, Mitchell & Co., we will wish to have assurance that you have a definite agreement with the Department of Justice that the arrangement for Mr. Carroll to testify as to aggregate amounts of all the banks without disclosing the particulars as regards Morgan Guaranty Trust Company of New York (or any other bank) will be adhered to and that there will be no attempt to obtain the figures for the individual bank in any other manner such as subpoena or otherwise. We deem such assurance essential for the protection of the bank's customers."

[fol. 68] Now we are faced with the refusal of the Department of Justice to permit us to produce this kind of statistical testimony unless they are given the right to go in and cross-examine the officers of each bank as to customers and how much they solicit, generally to open the whole subject up, which is, of course, a thing that we can't possibly do, because of our arrangement with them, and which no bank could possibly permit us to do; and yet it seems to us that the Department, not being concerned about the statistics that we get from the Third Federal Reserve District as to the market in the Philadelphia area, our competition in the Philadelphia area, and from the three State Secretaries of Banking—Pennsylvania, New Jersey, and Delaware—there they are accepting statistical information

—this, it seems to us, is exactly the same nature, and we simply can't understand why the Government should object to it when it will throw so much light on one of the big issues that they have raised in this case.

Now, in saying all this I don't want for a moment to have any inference taken that we are not contending all the way through that our competition lies beyond the Philadelphia area as well as within the Philadelphia area. We are addressing ourselves simply to that part of our competition which is the main thrust of the Government's complaint against us in this antitrust suit.

[fol. 69] Now, what we can do about it, I don't know. We want to put the evidence in. As I say, there will be, I don't want to use the word "sporadic," but there will be people, if we can develop them, and I am sure we can, because I know that many, many of our customers are solicited by New York banks, who will say, "Yes, I was solicited 36 times within the year 1960 by A, B, C bank from New York and such and such a bank from Boston"; but to get the whole picture across to Your Honor, and the magnitude of the thing, in other words, the over-all statistics of the thing, this was the method which we thought could do it, but we are met with a complete refusal on the part of the Government unless they have the right to go ahead and open up all the confidential things which the New York banks quite naturally insist upon maintaining.

Mr. Reycraft: Your Honor, I would like to correct one statement of Mr. Littleton in which I am sure he didn't realize our full position on the matter. As far as the statistics involving the banks in the local area here, we do feel that it is necessary to get the statistics by individual banks, and we have, in fact, prepared deposition subpoenas to the banks in order that we can show the breakdowns of loans by banks in the Philadelphia area.

[fol. 70] Now, with respect to the New York survey, our problem on this I think is really very simple. It is that Mr. Littleton wants to offer this exhibit in evidence to show competition from New York banks in the area and wants us to give up completely any right to develop the qualitative aspects of that competition, to develop the nature of the accounts which are solicited by these banks, the reasons some of these customers might be going to a New York bank,

and we just simply don't feel that we can give up this kind of right. We think we have to know, for example, which statistics come from which of the New York banks. For example, we wouldn't know, as I understand the table, whether 50 or 60 per cent of this claimed competition came from one bank and if the rest was distributed among the smaller banks. So we think that we do have the right and should have the right to examine these officials from the banks on the amount of the efforts they devote to obtaining business in the Philadelphia area.

The Court: Well, why not send one of your lawyer-accountants—and I know you have them in the Department—with their investigator?

Mr. Reycraft: Well, Your Honor, is it suggested that [fol. 71] we have one of our attorneys go to each of the banks to work with the accountant who is assigned to it to develop this information? We then have access to it. We are being asked to give up the right to use this information in any way we think is helpful to our case.

The Court: I don't see how you are asked to give up anything helpful to your case, except that they want to keep their list of customers a business secret.

Mr. Reycraft: I think that is the kind of thing that might well be taken care of, Your Honor, by a protective order at the time, but Mr. Littleton is asking us to give up in advance any right to call an officer of the bank, for example, to testify. We would ask him, "How many men do you have soliciting accounts in the Philadelphia area? Do these men live in the Philadelphia area? How much of their time do they spend there? What type of accounts do they seek? What is their industry specialization? What percentage of your bank's time do you spend soliciting in other cities? Is this comparable to Philadelphia?"

All of these questions are matters which Mr. Littleton is asking us to give up in advance, and we don't really see how we can do this.

Now, as far as going to the banks themselves, Your Honor, with an attorney to accompany their investigator [fol. 72] to examine and analyze these accounts, this is the kind of thing that it might be possible to arrange. Now, I don't know any more about these arrangements Mr. Littleton has with the banks than he has told Your Honor. He

has told me this previously, and I think this may be the total of the arrangements which he has, but we may wish to develop information from the banks while we are there which Mr. Littleton does not wish to develop, and then we wouldn't wish to give up our right to do this.

The Court: I haven't, of course, had a chance to analyze the questionnaire, but isn't this pretty much the same as the type of statistic that I find in the Federal Deposit Insurance Corporation and the Federal Reserve Board?

Mr. Reveraft: Well, each of the banks, Your Honor, submits a call report to the Federal Reserve Board or the Comptroller, as the case may be, and also the state banking agencies, of their over-all statistics of these banks broken down to show the distribution of their loans and deposit accounts. This type of information, to show a complete over-all picture of the bank's operation on a generalized scale, is, of course, a valid public record. It is maintained by the Federal Reserve Board pursuant to its responsibilities, and the Comptroller, and we have no problem with the accuracy or the fact that they are representative of the [fol. 73] bank's entire business. Now, what we are being asked to do here is to take a sample of information which is the result of sporadic efforts by these banks to develop business in the Philadelphia area.

The Court: How do you know they are sporadic?

Mr. Reveraft: I am not sure, Your Honor.

The Court: That is just the point that I am raising. You are making a statement of fact. If they have a regular course of operation you could find that out by accompanying this man. These will be facts as developed, won't they, that they do business in Philadelphia, that they have a certain number of solicitors in Philadelphia, and the sum total of all of them. Certainly one bank may account for 99 per cent of it. That fact you would be able to show. Of course you would be able to show it. Your men would know it, and you could ask this representative, "Isn't that out of only one bank?"

I don't suppose that you are precluding that kind of questioning, Mr. Littleton? You are not trying to, are you?

Mr. Littleton: No, so long as the name of the bank is not given.

The Court: So long as the name of the bank and the name of the customer are not revealed.

[fol. 74] Mr. Reycraft: Your Honor, as far as the name of the customer is concerned, I would think this could be taken care of by classifying the customer as a commercial or industrial customer or a private customer. This is the kind of thing that I think can be taken care of by classification, but the extent of the competition which a New York bank is able to afford in the Philadelphia area I think can only be developed by examining the people who do in fact do the business in this area.

The Court: Let us assume that one bank in New York has three solicitors in Philadelphia and only three solicitors, that out of that they service three accounts, that out of those three accounts they take into New York commercial transactions of a half billion dollars a year. Is that a fact?

Mr. Reycraft: That may be a fact, yes.

The Court: All right. Let us assume that another bank has five solicitors in Philadelphia and that they take back $100,000,000 out of X number of accounts. Is that a fact? Is New York in competition with Philadelphia on those two?

Mr. Reycraft: Well, as a conclusion, Your Honor, the extent and degree of competition I think is the important [fol. 75] issue, and that is the type of issue where we think we may wish to examine the officers of the bank. Now, I do not say that we will wish necessarily, and even more likely not, to put in the names of the particular customers involved. I understand the banks' reluctance to have this kind of information made public, and I think if we can classify the accounts, if it is Your Honor's wish that we accompany Mr. Littleton's investigator——

The Court: It most assuredly is my wish that you do that.

Mr. Reycraft: And to develop such information.

The Court: Suppose you develop that they have nothing, that these New Yorkers get nothing out of Philadelphia. We don't know what it is going to be. The impact of their application—and I just re-read all of these reports this morning—is that they are constantly losing available business; is that right?

Mr. Reycraft: This is their claim.

The Court: Isn't that the fundamental basis of their application?

Mr. Reycraft: This is their fundamental defense, yes, sir.

The Court: Therefore, there is or is not. This can be determined. I am very sympathetic, definitely, with the position of the bank that they don't want to be categorized [fol. 76] by name or the customers embarrassed, that there is or is not a certain amount of business going to New York. The classification of commercial, industrial, personal, plant and expansion, and so forth, I am quite sure that that would pose no difficulty.

Can you see any, Mr. Littleton?

Mr. Littleton: I can't see any.

Mr. Reycraft: Your Honor, if we are offering to develop such information as we require from these banks in order to develop our side of this argument, then I suggest that we leave it until the time comes when a problem arises.

The Court: Well, I think that this type of information is important and most important because you have, in effect, said that this would destroy competition between these two banks and between these banks and other banks around Philadelphia; and as I read those reports, without carefully examining them—believe me, I haven't carefully examined them; I haven't analyzed statistics or anything else—it may be that you treat Philadelphia parochially and say that Philadelphia banks may or may not go outside of Philadelphia. You may be perfectly right. The impact of the destruction of competition between the Girard and the Philadelphia National Bank may be of the utmost im-[fol. 77] portance; it may not be. That has to await the disclosure of all of the evidence.

Mr. Reycraft: Exactly.

The Court: But the fact is that you are throwing road blocks into one of their prime contentions and perhaps disclosing information which in the ordinary course of business isn't disclosed—names of customers, names of banks, and so forth and so on. They want to keep their lines open. It is a bit of a business secret. If the public good requires it, perhaps we have to destroy that cloak of anonymity, but at this point I don't see any reason for doing it.

Mr. Reycraft: Well, I would say, Your Honor, that it is premature to decide whether this information is entitled to protection, and I am perfectly willing to have one of our people go along with an investigator to develop all of the facts, not only the facts that Mr. Littleton wants to develop, but the facts which we may think relevant.

The Court: Have you tried to throw any road blocks on that?

Mr. Littleton: No.

The Court: First we have to understand that the names of customers, names of banks, at this point are not to be revealed.

Mr. Reycraft: As far as the names of the banks are concerned, Your Honor, I may say it is perfectly obvious [fol. 78] to me who the large New York banks are, and I think these gentlemen may have given me a list of the names. I don't know them offhand, but the New York banks who are the larger banks are perfectly obvious, and there is no secret about who those banks are, so that I think, for example, if the Chase Manhattan has a commercial department which is very aggressive in the Philadelphia area but is not interested in Chicago, for example, that I should be permitted to develop this kind of information. I don't think that I should be restricted at this point to keeping the names of the banks confidential for all time.

The Court: Nobody is undertaking that at this time. The bank says that it will not furnish information unless it is assured at this time that it won't be made known. I can't possibly guarantee for all time any anonymity of bank or customer—I am not proposing to do it—but I say that I would have to be shown pretty compelling and and impelling reasons to open up that situation.

Mr. Reycraft: That is a serious question, Your Honor, which I agree is entitled to great weight. My problem at this time is, suppose that I now wish to state that I want to call the head of the Commercial Loan Department at the Chase Manhattan Bank, the Morgan Guaranty, the Chemical Corn Exchange, the Bankers Trust?

[fol. 79] The Court: You could do it as part of your case.

Mr. Reycraft: That is what I assumed, Your Honor, and I think there is no question about that, and that is

what I understand Mr. Littleton and the New York banks are asking me to agree that I won't do.

Mr. Littleton: I would have to say that that is what the New York banks have asked, that they not be quoted as to any of the details of this and that the things be given simply in total.

Mr. Reycraft: Who knows better than the head of the Commercial Loan Department of the Chase Manhattan Bank the quality of its competition in the Philadelphia area? Now, I don't doubt at all that the Chase Manhattan Bank does get loans from the Philadelphia area and gets some deposits from the Philadelphia area, but the extent and the degree of the competition I think that I must be given the right to develop by calling a witness from that bank if it is necessary to my case to do so.

Mr. Littleton: The point of inquiry, if Your Honor please, is the amount. I don't see that breaking it down into banks, that one bank has 80 per cent and another bank has 10 per cent, has anything to do with it. For instance, we have the 1955 report of the Federal Reserve Bank of New York, and I only wish we had a similar 1960 report. [fol. 80] This is a special report. If we had a 1960 report of the Federal Reserve Bank of New York as to this, I am quite certain that Mr. Reycraft would offer no objection to the statistics going in.

In this particular report in 1955, commercial loans made by Second District member banks to borrowers in other Federal Reserve Districts, on October 5, 1955, Philadelphia Federal Reserve District, $308,000,000 at that time loaned by banks in the Second District to customers in the Third Federal Reserve District; and in Philadelphia itself, $113,000,000 of such loans. Now, that is the kind of statistic that we desire to get, and as to the quality, you will notice, if I understand what Mr. Reycraft means by the quality, that this questionnaire does break it up into the types of loans. That is what we are asking for, and the type of business.

Mr. Reed: Your Honor, may I say something?

The Court: Surely.

Mr. Reed: Along with what Mr. Reycraft is saying, I think one point here which is certainly worthy of consideration is this: Take the petroleum industry, for example.

The applying banks here have indicated that that is the type of business they could get. Well, I think historically, probably, it can be proven beyond too much question [fol. 81] that the New York banks have been handling that type of loan because they have specialized in that particular field; so what I am saying, in effect, is that if you indicate you just have a plain unadulterated statistic saying that X bank in New York takes certain business away from Philadelphia, because they have the Atlantic Refining account or something of that nature, I think there are further facts, all of which are important, to understand that particular figure.

For example, how long did X bank in New York have a relationship with Atlantic Refining? In other words, perhaps it is the type of loan which has not been taken away from the Philadelphia banks through competition. It is the type of loan that has gone to X bank in New York because they have specialized in that type of business for years.

Now, one other point that I would like to make——

Mr. Littleton: May I answer that first?

Mr. Reed: Yes, sir.

Mr. Littleton: I just want to say that I am not at this point talking about New York banks that have taken business away from us. We are here faced with a bill of complaint which says that when this merger goes through, we will have a certain percentage of all the banking business in the Philadelphia area and that that is bad for competition. I want to determine what the business in the Phila- [fol. 82] delphia area is, the banking business available in the Philadelphia area. In other words, I want to find out what our competition is. The whole theory of their bill of complaint is that our competition in the Philadelphia area is just Philadelphia banks. I say it is not, that it is these New York banks that are coming over here, in addition to the Philadelphia banks and in addition to the banks that are coming in from any other cities.

Mr. Reycraft: We would like to help them develop these facts, Your Honor——

Mr. Littleton: Excuse me. And the point I am endeavoring to make here and that we are endeavoring to establish by this type of testimony, if you please, is that the mark t

or the competition is much greater than the Government concedes it to be, because you have not only all the Philadelphia banks that are in competition, but you have these New York banks over here actually in Philadelphia soliciting business and getting it.

The Court: Is your idea merely to place on the record that there is this potential market in Philadelphia, that there is a market here, and that the banking credits, and so forth, are being extended to X amount? Is that your only purpose?

[fol. 83] Mr. Littleton: That is right, and that the New York banks are actively and strenuously soliciting that business and getting it.

Mr. Reycraft: And we would like to help develop these facts, Your Honor. I want to make clear that we are not trying to keep any facts out of this record which are properly established.

The Court: We come to a point that your associate here has raised, which is very interesting, that you would attempt to establish: Forget about this, discard it, because historically it has gone to New York.

Mr. Reycraft: We might put on a witness who would explain these statistics, explain the type of business the New York banks compete for. We might be able to establish, for example, that there are certain types of business which the New York banks do no compete for at all, and I think this is the kind of testimony which Mr. Littleton is trying to foreclose us from putting on.

The Court: Mr. Reycraft, I have to disagree with you that he is trying to do that. He is faced with a problem that is presented to him. As I see it, the New York banks have raised this problem; Mr. Littleton hasn't.

Mr. Littleton: And I don't see that it makes any difference what kind of business these banks are after. If they are after any business, if they are after any banking [fol. 84] business, they are in competition with us. If they are after any banking business, it is part of the market in which we operate.

Mr. Reed: Your Honor, I was raising that point before to really lay the basis for what I think is the practical observation here. Suppose that we go along with what Mr. Littleton and his colleagues suggest, that they have

a man from Peat, Marwick, Mitchell & Co. go into a certain bank and we are allowed to have one of our men there also. Now, it seems to me at that point we may get into a real impasse. In other words, if the Peat, Marwick, Mitchell & Co. follow asks a question, we would have a right, I presume at that time to try and delineate that question more, in other words, have it refined and refined, and so forth, to a state where we think our interests are perfectly protected. What I am saying is, I wonder just exactly how much information we would finally end up getting after going through all this, because this questionnaire, as I see it, probably would not be nearly large enough or complete enough to put into categories all the information we would elicit.

Mr. Littleton: If it is banking business being solicited, I cannot see what relevance there is as to whether it is oil business or what kind of business it is or which bank is soliciting it. If the New York banks are soliciting [fol. 85] banking business, and if they are getting a certain number of hundreds of millions of dollars of loans or deposits each year, that is the thing which we, and I think Your Honor, is interested in.

Mr. Reycraft: If I might suggest, Your Honor, we would be willing to have a man go along to these banks to ask certain questions as we think are appropriate to put the answers and the information in such form as we think is necessary and at that time to consider whether there is any need for any giving up of a right to call witnesses. I must say in all candor that I think at this point if we are going to go into this New York situation, that we must ask the right to put on witnesses to explain the type of competition.

Mr. von Starck: If Your Honor please, if I may just say a word, in the Attorney General's report to the Comptroller they say that, in effect, this merger is bad because the merged bank will have 37 per cent of the total deposits in the Philadelphia area, 21.1 per cent in the Philadelphia National service area, and so forth. They don't distinguish there between historical relations between banks. They are not curious there as to why a customer goes to a particular bank in the Philadelphia area. Now, when we try to inject the New York figures, which will obvi-

ously reduce these percentages, suddenly they are curi- [fol. 86] ous about customer relationships. This I just don't understand. They use statistics for one purpose, but when the statistics are developed in a way that might be against them, they oppose them.

The Court: How much delineation would you require? What do you want to know over and above what they have asked for?

Mr. Reycraft: Your Honor, we would like to have our man go to the banks to ask such questions as the information which is revealed indicates necessary to us. We would like to have the opportunity then to call the heads of these commercial departments, if necessary, to develop the kind of business that they do in the Philadelphia area, and if Mr. Littleton only wants statistics, if these statistics can be put together in such a way that we think they are accurate, we would be willing to try to work with him on that.

The Court: Let me ask you this: If the Morgan Guaranty has commercial deposits as of January 1, 1961, out of the Philadelphia area, of X dollars, they have commercial loans in Philadelphia of X dollars, they have time deposits of X dollars, that is banking business out of Philadelphia, isn't it?

Mr. Reycraft: On those facts, yes, sir.

The Court: Then there is that much more banking business in Philadelphia that isn't reflected in your statistics. [fol. 87] Mr. Reycraft: Your Honor, I would agree. If an officer of Morgan Guaranty gets on the witness stand and says that he gets this much business from the Philadelphia area, he is perfectly entitled to have that testimony, and I wouldn't object to it on that basis, but what he is asking me to do is to take these statistics without knowing or being able to show on the record what the banks are that have the business or what the nature of the business is. As Mr. Reed has stated, if it is all petroleum business, there may be reasons why all the petroleum business goes to New York on a regular basis whereas other types of business, more local in nature, would rarely if ever go outside the Philadelphia area, and he is asking, really, that we agree in advance, before ever looking at any of these records, before talking to any of these people from the bank, to give up for all time the right to call

any witness from any of these banks during the trial, and this is the kind of thing I don't really see how he can ask us to do.

Now, if it is Mr. Littleton's wish that we have someone accompany his accountant to New York to talk to the banks, we would be willing to do that. We would be willing, to the extent that we can develop statistical information which is not really subject to doubt or attack, to have it go into evidence without objection, but we cannot agree [fol. 88] in advance to give up our right to call witnesses from these banks if we think it is necessary to our case. I have never really heard a suggestion of this nature being made before, that we should give up the right to call witnesses from all companies involved in statistical surveys.

I might say, in another case that we have pending, we are conducting a census of the entire prefabricated housing industry. We have sent questionnaires out. We have had to make these census forms with the names of the companies, the geographical area of their business, available to the defendants. We wouldn't even consider or think of asking the defendants to stipulate that a summary of this census would go into evidence without showing them our underlying material. I never dreamed of asking anyone to agree that they wouldn't call an officer of any of these companies to testify about the nature of the business that they were engaged in, which is what we are being asked to do here.

Mr. Littleton: It seems to me the banking business is the banking business, and if New York is getting a certain share of it, whether it be deposits or loans or time deposits or foreign business, the aggregate figures are what we are interested in to determine what the market is and what our competition is. We are, as Your Honor has observed—and it is there in the letter and also orally with each of [fol. 89] these banks—we are under the strict injunction that if this is done, it will have to be with complete anonymity and without anybody being called from the banks, so we are just up against that particular proposition. I can't see where, whether it is the oil business or wool business, makes the slightest bit of difference. The banking business, that is what we are interested in.

The Court: I still don't see, Mr. Littleton, where I can

foreclose the Government from forever explaining statistics if there is any explanation.

Mr. Reycraft: I am not even saying it is necessary at this time, Your Honor. I think it may be, to be quite frank about it, but to the extent that we can protect anybody's business relation, we would be very willing to do it, and we are willing to be reasonable in every respect on this type of information. We realize that banks have a very difficult problem in disclosing names of depositors and borrowers, and we don't want to embarrass anyone; but at the same time we really think, in fairness, we ought to have the right to make these decisions as we are confronted with the facts and as the situation develops.

The Court: I can't and don't intend to foreclose you on it, but it seems to me—a strictly off-the-cuff or drugstore opinion, or whatever you want to call it—that you are [fol. 90] taking the statistics of this area, and the question keeps recurring to me that X number of New York banks get X amount of business in Philadelphia.

Mr. Reycraft: Yes, and we have no objection to these facts going in, Your Honor.

The Court: That is all that Mr. Littleton is asking, to establish something which you have, at least, and different agencies of the Government have sort of passed over, that the market in Philadelphia is substantially greater than your statistics indicate.

Mr. Reycraft: We think he is fully entitled to develop this information in any way he can.

The Court: But over and beyond that your point is that you don't want to be precluded from showing that Philadelphia can't get this, in any event. Now, that is, in effect, what you are trying to show.

Mr. Reycraft: That is exactly right, Your Honor. That is it in a nutshell.

The Court: I see the point.

Mr. Reycraft: We may be wrong, but we think we should have the opportunity to show this.

Mr. Littleton: This is the Government's case. They are bringing the case against us, and they are making the assertion as to the market or the competition in the Phila- [fol. 91] delphia area, and I might suggest to them that if, when they talk about it or try to get testimony about

it, they give only the Philadelphia figures, the figures of the Philadelphia banks, that might be irrelevant, it might be objectionable, because if the haven't included the competition——

Mr. Reycraft: In Mr. Littleton's application here, which is quite voluminous, he claims competition from banks all over the world, and I don't think I should be required or can be required to produce every bank that he thinks may be in competition with them. As far as the claims are concerned, I have gone over this application in some detail, and this is, of course, what the Comptroller relied on, and there are a great many facts in here, but, on the other hand, there are a great many claims for which I don't know what the supporting information is.

Mr. Littleton: May I say that if one of Mr. Reycraft's staff goes with the Peat, Marwick, Mitchell & Co. men, he will learn how many solicitors from that particular bank are working in the Philadelphia area.

Mr. Reycraft: I have agreed to do this.

Mr. Littleton: He will learn what the total deposits are out of the Philadelphia area.

The Court: This may well develop into fear of the unknown, which may never happen. I suggest that you get [fol. 92] on with the survey, and if you come to an impasse, let me know, and come back, and we will settle it at that time, because I think, fundamentally, if there is business in Philadelphia of X dollars that goes out of Philadelphia to New York, and I assume it goes to other places, but New York being the principal source of poaching, that is a matter of importance. I am a native born New Yorker so don't worry that I have any predilection against New York or New York State or New York City, for that matter, but it seems to me that that is an important detail.

Mr. Reycraft: I agree, Your Honor.

The Court: I would like to know how much banking business there is in Philadelphia. Whether they will now be in a position to go after it or not probably would be a matter of importance in the case.

Mr. Reycraft: I agree, Your Honor.

The Court: But it seems to me that the point that a bank has X number of solicitors, that as a result of that solicitation over the last year or two years they have so

many commercial loans, so many time deposits, so many ordinary commercial deposits over there, that is banking business. Those three elements are certainly banking business, and I don't think anybody can complain about it, and if that business originates in Philadelphia and goes to [fol. 93] New York, that is a market available in Philadelphia, not only for the two banks or a merged bank, but all the other banks. They are losing it.

Mr. Reycraft: I think it is quite possible that Mr. Littleton can develop evidence of this type, and if it is in proper form, we won't probably even object to it.

The Court: But it seems to me that those three categories—and I haven't had a chance, of course, to go over this—are fundamentally what he is trying to develop in this area.

Mr. Littleton: Yes, sir.

Mr. Reycraft: And all he wants us to do in exchange is to give up calling any witness from any New York bank.

The Court: Well, I don't see that he can ask you to do that.

Mr. Reycraft: No, sir.

The Court: But at the same time I will say this, that I will respect any agreements made with respect to business secrets. You may not be able to put in the statistic, but it seems to me that the Government ought to in the first instance agree to at least the three categories that I am talking about, that there is that business taken out of Philadelphia.

[fol. 94] Mr. Reycraft: We are willing, Your Honor, to work with him, to have a man go to New York with him to try to develop accurate, reliable statistics as to the amount of business these banks get from the Philadelphia area. We have no problem as to doing that.

Mr. Littleton: With the understanding that the moment we come up against any demand of the Government to call an officer or reveal any of the breakdown by customer or otherwise, that we will have to respect our understanding with the New York banks.

Mr. Reycraft: Well, we have no understandings with anyone.

Mr. Littleton: You have no understandings with anybody, that is right.

The Court: No, but I will respect the understanding

you have, and if you reach an impasse, come on back and I will see if I can't resolve it.

Mr. Reycraft: Your Honor, when you say you are respecting the understanding——

The Court: I may even rule it out of evidence.

Mr. Reycraft: Your Honor, the understanding really relates to the Government's rights rather than to Mr. Littleton's rights. He has an agreement with the banks which will, if effective, prevent the Department of Justice from [fol. 95] putting on certain witnesses. Now, this is the kind of agreement he cannot make on our behalf.

The Court: That is right.

Mr. Reycraft: And I think the kind of agreement which wouldn't be appropriate, the type of order it would not be appropriate to put us under, because I don't see how we can be expected to first agree that one of the important issues in the case is competition from New York banks in the Philadelphia area and then at the same time be ordered that we can't put on witnesses from this area. I think we are going to have to do it.

Mr. Littleton: You say I have an agreement. It is a condition that the New York banks have imposed on us in getting this material. We nevertheless think the material is so germane and so pertinent to the issue that is before the Court that we ought to try to get it subject to the condition, and I think, if you are going to assign somebody, as the judge said, that we ought to get on with it and get on it fast, because this is the 2nd of May.

Mr. Reycraft: We are willing to get on with it and get on it fast, but if that is the extent of our undertaking, we have no objection to that.

The Court: I want you to come back to me and discuss the type of extension of this that you think necessary for [fol. 96] your protection and then let us see if we can't resolve that.

Mr. Reycraft: Your Honor, my conception—and, of course, I haven't been to these banks, so I don't know in detail how it is going to work out from day to day, but we will have someone go to these banks and we will talk to the people in the banks who have the information. We will try to satisfy Mr. Littleton so that he gets the information he needs. We will try to get the information we

think we need, and then if, on the basis of this, there is a statistical tabulation that is admissible in evidence, fine, we would have no objection to it.

Mr. Littleton: May I state it this way: I will understand that I can't put this testimony in if Your Honor rules that as a result of my putting it in Mr. Reycraft will have the right to call these officers, to examine them or cross-examine them or take their depositions or anything else.

Mr. Reycraft: Your Honor, there is no restriction on me now as to calling all New York bankers that I think have relevant testimony.

The Court: Mr. Littleton can't do that, no.

Mr. Reycraft: Of course he can't.

[fol. 97] The Court: If you intend to put that in in your case in chief, well and good. There is nothing that Mr. Littleton can do.

Mr. Littleton: He can't do it with my assistance.

The Court: No, but the point is that you are doing it independently of Mr. Littleton.

Mr. Reycraft: I understand he has a problem, Your Honor, and I can't agree to this, so I thing I understand the situation.

Mr. Littleton: We are trying to get the facts, Your Honor.

The Court: He is merely trying to establish what their market in Philadelphia is, as I understand it, as shown by the statistics of the particular area, plus a certain number of banks in New York.

Mr. Reycraft: We think he is entitled to do that.

The Court: Well, I think he is, too. I would feel pretty bad if the Government took any other position, because I don't think it would be fair.

Mr. Reycraft: We don't, either, Your Honor.

The Court: Let's see if we can get along with that.

Mr. Littleton: Shall I go on to something else?

[fol. 98] The Court: Yes.

Mr. Littleton: In that same conversation last Wednesday there was just a suggestion from the Department of Justice that on the next Monday, which was yesterday, May 1, which is the date on which Your Honor ruled that the Government should furnish us with the names of their witnesses and documents which they expected to rely on,

is was suggested in that telephone conversation last Wednesday by the Government that while they could probably give us the names of some witnesses, they couldn't give us the names of all.

The Court: I would suspect that that would be true.

Mr. Littleton: I will just pass that for a moment and say that on Friday morning we received a letter from the Department of Justice on another subect, and that is this: Back on April 10 we received a written request from the Government as to their desire to inspect and copy certain documents, and on April 13 they made further oral requests, that being the time when the documents were first produced. The Government's counsel inspected documents on April 13, 17, 18, and 19. At the moment the defendant Girard Trust Corn Exchange Bank has delivered to the Government copies of all documents which they had designated for copying to date, and on April 24 they noti- [fol. 99] fied the Government that the balance of the requested documents were available for inspection. The defendant Philadelphia National delivered to the Government copies of all documents which the Government had designated for copying responsive to 11 of the 16 amended requests of the Government, and then additional material has since been inspected by the Government under four of the remaining five requests, the fifth of which has not been finally defined by the Government. On April 26 counsel for the Philadelphia National notified the Government that the balance of the requested documents were available for inspection.

Now, on April 17, at the time of the delivery of the first of the documents, or certain of the documents, the documents being of the nature which some of them were, we accompanied them with a letter addressed to Mr. Reycraft, a copy of which I think we ought to give the Court.

(Letter dated April 17, 1961, handed to the Court.)

Mr. Littleton: Perhaps if Your Honor will just read it, it will be better than my reading it.

(The Court read the letter.)

The Court: Yes, I have read it.

Mr. Littleton: On April 26 the Government wrote us a [fol. 100] letter, which we received on April 28, in which they say:

> "With respect to the conditions relating to these documents expressed in your letter of April 17, 1961 and in a similar letter from Mr. Price dated April 14, 1961, we cannot agree to the proposed limitations. Should we decide to publicly disclose the contents of any of the documents, we shall of course give counsel for the banks ample notice so that you will have timely opportunity to move the Court for any kind of order you think necessary. We believe these assurances are adequate for the present with regard to use of these documents. To the extent that any of the documents involved may be relevant to any law enforcement responsibility of this Department, it is our duty to give them due consideration within the Department."

That was our problem on Friday, and that problem has been magnified many, many times, in quantity at least—the quality is about the same—by reason of another communication which we received yesterday morning, and Your Honor will recall that yesterday morning was the time when we were to receive names of witnesses and statements of documents; and may I say at this point that we have complied with every request of the Government and furnished them with documents and we have arranged to [fol. 101] have depositions of officers taken. As a matter of fact, they took Mr. Brown's deposition on April 20 and postponed voluntarily the deposition of Mr. Potts, which was scheduled for April 24 and 25.

We on our part have received nothing from the Government except the answers to 14 questions which we propounded to them the day after we last met with Your Honor, which would be about six and a half weeks ago.

On April 13 we requested certain documents from the Government, and by letter of April 15 they stated that the request was under consideration and further response would be forthcoming, but to date we have had no further response and haven't seen anything.

The Court: What is the nature of the documents you are asking for?

Mr. von Starck: Substantially it was for all documents that they relied on in preparing their complaint, except the application.

Mr. Reycraft: I believe, Your Honor—and I want to confirm this, because another one of my associates, who is not here, has had this problem—I believe that they have all of the documents which we relied on in preparing our complaint. Now, I would like to have the opportunity to modify that, if necessary, and I will let you know [fol. 102] by Friday, but I think we have no studies of the type you are referring to which we haven't given to you.

Mr. von Starck: This is the first time we know that.

Mr. Littleton: We understood the request was under consideration and we would hear from them.

The Court: You are going to have them by the end of the week, so that settles that problem.

Mr. Littleton: Yesterday morning we received several letters from the Government. I don't think it is worthwhile reading here the principal letter from Judge Loevinger, but in the first paragraph he says:

> "The purpose of this letter is to inform you that the Government has not determined at this time the names of all of the persons who will be called as witnesses at the trial of the captioned case. It is our view that in the present posture of the litigation the furnishing of a partial list will serve little useful purpose.
>
> "We believe that before this occurs the following should be accomplished:
>
> "1. All of the documents requested by the defendant banks from the Federal Reserve Board and the State [fol. 103] banking agencies should be available to both parties."

Well, they are just as available to them as they are to us. We have written for them, and we would give them copies, but they have written for them. Now, since then——

Mr. Reycraft: May we take these up one by one, Your

Honor, because we don't have all the copies. I understood——

Mr. Littleton: Excuse me. The first thing, it seems to me, to take up is this question of furnishing us with the names. That is the first item.

Mr. Reycraft: Yes. Well, as a matter of fact, I think the discussion we had earlier about the New York survey is a good example why I can't give them a list of names at this time. Now, the fact is I have made, I would say, no final determination as to the witnesses we will call at the trial. It may be that there will only be a very few and that our presentation will be primarily statistical, but I can't even know at this stage what statistics are going to be going in without witnesses.

I might say one of the first things we did between us was to go over this very voluminous application which the banks filed with the Comptroller of the Currency and to try to glean from this application facts which both [fol. 104] sides could stipulate to. We sent a marked up copy of this application to both banks—I don't know the exact date—two weeks ago, and we understood that a draft stipulation based on these facts which the banks represented to the Comptroller was going to be prepared and that then we were going to discuss it and see whether we could stipulate to a large part of these facts. Now, I think we can; and we are willing and anxious to do this, but so far we haven't had any indication whether it is even still agreed that we are going to have a stipulation.

Mr. Littleton: I don't see how we can have a stipulation of facts which you have ripped out of the application, some of them out of context, and without putting in others that we want and that you are not willing to stipulate.

Mr. Reycraft: Well, we haven't had that discussion, Mr. Littleton. We haven't had that discussion, and I am anxious to have it.

Mr. Littleton: Five weeks from today we should be on trial. Six weeks and a half ago Your Honor made the order about the May 1 furnishing us with information, and long before that, back in November, the Department of Justice had the application and got a lot of additional information in December, so that it extended the 30-day [fol. 105] period within which it had to make its advice to the Comptroller of the Currency, and since that time

it has made a report to the Comptroller of the Currency about the whole application, and since that time it started the suit. So here on May 2 to say that it still doesn't know what witnesses it is going to rely on or what documents it is going to rely on is certainly not advancing the trial of this case, and at the last meeting, six and a half weeks ago, we all said that we were most anxious to expedite this case because of the serious import and implications of it.

Mr. Reycraft: Well, when are we going to sit down and talk about the stipulation based on your application?

Mr. Littleton: We can sit down and talk about that at any time, but, you know Mr. Reycraft, very well, that that is a very small matter compared with the things which we were supposed to have gotten from you yesterday.

Mr. Reycraft: Well, as far as my present knowledge of the witnesses we intend to call, you have it, because I don't know until we have these facts. I understand you do not have yourself all of these reports from the banking agencies that you have asked for. I don't have them. As a matter of fact, there are still documents in the banks which we have asked to examine, and I am informed that there are a substantial amount which relate to this specific [fol. 106] merger, documents which were prepared in connection with this merger, which we have not yet had an opportunity to examine. One of their preliminary reasons is because of this confidential question which was raised a minute ago, and I think this would be an appropriate time to discuss this request that Mr. Littleton and Mr. Price have made of us as to the use that the Attorney General can make of these documents.

Mr. von Starck: Before you do that let me point out that you were told last week that these documents were available for your inspection, and we were advised that your person wouldn't be up to inspect them till next week.

Mr. Reycraft: One of your people told my associate that in view of our position on the confidentiality, that the documents would not be available until a ruling of the Court had been made.

Mr. von Starck: I have no recollection of that.

Mr. Midgett: That is certainly not true for the Girard Trust. We have made available to you very promptly the documents you have requested, and on the 24th Mr. Wright told Mr. Flocken that those documents were available.

Mr. Wright: I have yet to hear from Mr. Flocken.

Mr. Midgett: We have not heard from Mr. Flocken at all.

Mr. Reycraft: We are prepared to examine them this [fol. 107] week.

Mr. Littleton: And Mr. Flocken told you, Mr. Blenko, he would be up on Thursday of this week.

Mr. Blenko: Saturday. When I first advised him as to the availability, we did not know about the Government's position on confidentiality.

Mr. Reycraft: That is correct.

Mr. von Starck: Aside from that, Mr. Reycraft, you told me last Wednesday you did know the names of some of your witnesses and that you would disclose those on Monday. Judge Loevinger's letter here implies very clearly that you do know some of the names but you don't think it would serve any purpose to disclose those names at this time.

Mr. Reycraft: Well, I will tell you, for what use it is to you, I will tell you the name of a professor whom we had consulted on the matter, whom I think it is likely that we will call as a witness, but as to whom I have not made a firm decision, and that is Professor Oscar Goodman of Northwestern University Business School.

Now, as to the others, I say quite frankly that I have not made a decision and that I do not know. There are several people that I think we may call, but I have not received their permission, and until I can get the basic information that we need, I don't see how I can really ask [fol. 108] them to testify.

Mr. Littleton: The second thing is Paragraph 1 in Judge Loevinger's letter. He says:

> "We believe that before this occurs the following should be accomplished:
>
> "1. All of the documents requested by the defendant banks from the Federal Reserve Board and the State banking agencies should be available to both parties."

My answer to that is, you have asked for them of the same State banking agencies. They are equally available to you as the are to us, but if you want us to make copies of them, we will do anything to expedite things.

Mr. Reycraft: No. We have made the request, and we are waiting for the agencies to give them to us.

Mr. Littleton: You could have made that request a long while ago, and it is no reason, it seems to me, to hold up the other things which were directed six and a half weeks ago to be given to us yesterday.

The second thing that Judge Loevinger says is:

> "2. Inspection and analysis of the documents requested of the defendant banks on April 7, 1961 should be completed. It is our understanding from discussions with Mr. von Starck that all of the documents are [fol. 109] now available at the respective banks."

They were told that last week. They were furnished with the documents, some of them before last week, and they have been available, and they are not going to see them until the latter part of this week.

Mr. Reycraft: Let us get to this confidentiality problem. Are they available to us now or are they not?

Mr. Littleton: I am going through these one by one. We will get to the confidentiality. That is the big thing, it seems to me.

> "3. Answers to the questions asked by the Government and mailed to you this date should be received and analyzed. In the interest of limiting the work to be performed by defendants in answering these questions, information as to loans has been limited to those above $10,000 and as to deposits above $2,500."

Now, if Your Honor please, that is a great deal in one small paragraph. Here is what we received yesterday with this letter (handing). Instead of receiving the information, we received 30 questions, which I say, without any doubt, practically means copying; turning over, or opening up for inspection all of the records of the Philadelphia National Bank and the Girard Trust Company.

Mr. Midgett: For five years.

[fol. 110] Mr. Littleton: No. 2 alone would take thousands of man hours to complete, if you will look at it.

The Court: I see it.

Mr. Littleton: We have available, for instance, for one certain date, being a call date, a recent call date, all the loans above $50,000 and all of the deposits above $10,000 for one date, and to assimilate that information and get it out took over 300 man-hours in both banks. Now they ask for it for five years; and, of course, it is a thing which changes day by day, so you can just multiply 300 man hours by five years of days and then add to it all of the loans and deposits less than $50,000 and $10,000 respectively, down to the figures which appear in Judge Loevinger's letter, the $10,000 of loans and $2,500 of deposits —just a completely impossible job.

Mr. Reycraft: Now, let me say, Your Honor, that we came up here at 8:30 this morning to discuss these matters, and we have spent some time this morning discussing this. As far as the second question is concerned, I think it is precisely the kind of information that Mr. Littleton has been arguing is relevant to develop the question of the source of the business that the Philadelphia National Bank and Girard Trust Company do, the geographic origin of it, and as a result of our conversations this morning we see their [fol. 111] problem to some degree, and we would be willing to limit the information as of any day which is most convenient to them during the years 1959 and 1960, but we think that this is the type of information——

The Court: What is the matter with the call date? They have it. You have it.

Mr. Reycraft: If they have it as of the call date, that would be satisfactory.

The Court: Let me see this.

> "State the name and address of each borrower, type of loan, amount of loan, the branch or home office from which each loan originated, and, in addition, state the number and dollar volume of each type of loan originating in (1) Philadelphia County, (2) the four county area (Philadelphia, Bucks, Delaware, and Montgomery), and (3) any other area, designating such area."

Mr. Reycraft: This is the essence of the case, Your Honor. This is the claim that the Philadelphia banks are really in nationwide competition rather than in competition within a local area here, as seems likely to us. This

is what the case is about, and this information is only in the banks' files. We don't have it. There is no way that we can, by going throughout the whole United States Government, get information of this type. Only the bank has it. [fol. 112] I think it really is as essential to the bank's case as it is to our own.

Mr. von Starck: We took all the loans over $50,000 and put all this information on them as of June, 1960, which is the application date, and we have those on IBM cards. We can give them every bit of information they want to know about loans over $50,000 to June, 1960, and that is what Mr. Littleton said took over 300 man hours to do. That we are perfectly willing to give them, any information they want on that.

Mr. Littleton: Except where we are going to claim the confidential relationship, because you will notice, Your Honor, they not only want to know the number and size of the loan, but they want the name and address of each borrower, the amount of his loan, the type of loan. They want the same thing for each depositor.

The Court: Gentlemen, we are running into our weekly judges' meeting, which happens at this point, so I am afraid I will have to ask you to come back. I would like to go through with this, but I see that we are not going to finish in the next ten minutes.

Mr. Littleton: We asked Mr. Reycraft to come up early this morning, and he and Mr. Reed very kindly came up, and we have been endeavoring to work out some of this, but the confidentiality question——

[fol. 113] The Court: I think I will have to ask you to come back, gentlemen, because this is an important meeting.

Mr. Littleton: Today or tomorrow, or when?

The Court: Come back this afternoon. I will be back here at 2:00 o'clock.

Mr. Reycraft: We will stay as long as it takes, Your Honor.

The Court: I will be back here at 2:00 o'clock, but I do want to attend that judges' meeting, because we have several important things to go over.

(Recess taken at 12:40 P.M. until 2:00 o'clock P.M.)

[fol. 114] AFTERNOON SESSION

The Court: We were down to No. 3 on this letter.

Mr. Littleton: Does Your Honor wish to go on through that letter, or might I say this: In an effort to pull things together, because Your Honor has been most generous with his time, I should say to you that after we got over our initial shock yesterday morning of not getting the things that we were directed to receive, and instead getting this list of interrogatories—again—we immediately got to work with our own clients to find out just what the time element involved would be, and, of course, they were impressed, not only with that—or depressed with it—but also with this question of confidentiality, too, in addition to that. We called Mr. Reycraft, and he very kindly agreed to get up here 9:00 o'clock this morning, which he did, in an effort to, so far as possible, find out what the Government's basic requests, what their minimum requests are, because I can't believe they are in earnest about all the things that they asked for here; and in an effort to be cooperative entirely, which has been our effort from the beginning, so much so, as I said, that we furnished them everything that they asked for up until yesterday morning, we endeavored this morning with Mr. Reycraft, before we came down here, to see just what the irreducible request is. [fol. 115] I can't say we were successful—the time was probably too short—and I don't know now what his ultimate position is on these things.

I wondered if Your Honor this afternoon would care to have us go over these questions propounded and get your rulings on them. I don't say that we have objections to all 30. There are many of them in there that we are perfectly willing and able to give the information. Some of them, entirely willing. There are others which, while we have the information, the question of confidentiality runs horizontally through this whole situation, but I wondered if Your Honor would want to proceed that way or whether you would rather have us continue our efforts with Mr. Reycraft outside, and then when we get down to a point where we can't agree, to come back to you.

The Court: Well, if you want to do that, it is all right with me, but at this point I would like to have you, Mr. Rey-

craft, put on the record your reasons for not complying with the order of the Court directing you to file the names of witnesses with your opponents on May 1.

Mr. Reycraft: Your Honor, the reason is that we have not made a final decision as to the witnesses we do intend to call. I have stated the name of one witness whom I am quite certain we will call, Professor Goodman. I think [fol. 116] it is possible that a large part of our case and perhaps the greatest part of the case could be put in without any witnesses at all.

The Court: What would you do if I ordered this down for hearing within five days on your preliminary injunction?

Mr. Reycraft: Your Honor, we would put into evidence in the preliminary injunction largely the information that is contained in the application of the banks to the Comptroller. This is the basic information which was available to us.

The Court: Now, 65 days later, you have made no determination except one witness?

Mr. Reycraft: Well, that is largely correct, sir.

The Court: It does not speak well for the case at this point, Mr. Reycraft.

You have until next Monday to furnish that list. I want that list furnished by next Monday. I don't want any misunderstanding about it.

Now, we never foreclose, for cause shown—and I didn't say good cause—for cause shown, the right to expand that list at any time within the limits of reasonableness, but I don't put out orders to have them ignored.

[fol. 117] Do we understand each other?

Mr. Reycraft: Yes, sir.

The Court: All right, now, we will go on. I suggest that you go out, see what you can do, then come back. I will be here all afternoon. If you want to go down and use my courtroom, you may do so. I will tell Mr. Davies to open up the courtroom down there, and you can go there. There are big tables there, and there is plenty of space. If you need any equipment, we will get it for you.

Mr. Littleton: Thank you very much, sir. We will try to expedite it.

(Recess taken at 2:10 P.M.)

[fol. 118] (The following took place at 3:45 P.M.)

Mr. Littleton: Judge, I think we have been making good use of our time, and we have agreed on restrictions on these questions propounded by the plaintiff as of yesterday morning to us, to a point where we will make our best effort to get the information so delimited as quickly as possible, and I have every expectation we will be able to get it prior to the critical date of June 5.

We are doing it under two overriding conditions, however, so far as we are concerned, one that if by any chance any part of it is not ready by that time, with making our best efforts, because it is probably trite to say that we are trying to prove a case of defense ourselves at the same time, that nothing of that nature shall interfere with the beginning of this case, the trial of this case, on the 5th of June; and the other overriding condition which is really important in this is the matter of confidentiality with regard to the first two documents which have already been furnished, and, second, with almost all of the categories of information requested in these new 30 questions propounded to us yesterday.

Now, if I may, I would like to ask Ernest von Starck to address himself to the confidentiality matter.

Mr. von Starck: As you can understand, Judge Clary, [fol. 119] a lot of questions we are asked relate to the identity of borrowers, the identity of depositors, the amounts of deposits, the amounts of borrowings, and we feel that the limitations stated in our letter of April 17 are the appropriate ones.

Do you have a copy of that letter, sir?

The Court: I did have, but I handed it back to somebody.

Mr. von Starck: It is our understanding that Mr. Reycraft will agree to No. 1 in that letter, but that he disagrees with No. 2, and as to that we cannot see any reason for disagreement, because that would merely involve impoundment under a cloak of secrecy on the day it was actually introduced in evidence, without limitation as to the right to introduce it in evidence.

Mr. Reycraft: Your Honor, our position on that is that at the time any document is offered into evidence, if there is good cause for treating it on a confidential basis, that that should be addressed to Your Honor at that time.

Our objection is to treating all of this information as confidential on a blanket form and their asking us that we won't resist any request they make to have documents impounded. We think it is in the public interest that documents, to the extent that it can be done, should be on the public record and available to the public. We don't wish to embarrass anybody. We don't wish to cause any com- [fol. 120] petitive injury to these banks, but we do think that each of these requests ought to be taken up at the time the document is going to be made public.

The Court: Up until that time are you in agreement that you will not make any disclosure?

Mr. Reycraft: Up until the time we offer them into evidence I would say we don't object to not making them public.

Now, I would say, Your Honor, that with respect to our problem with the New York banks, it may be when we go up there we may wish to discuss some of these matters with the banks, and I would just not like to give up all right to come back to Your Honor and raise problems.

The Court: There is no giving up of that right at any time. You can always come back to me at any time for any purpose.

Mr. Reycraft: We have no intention of disclosing them up till the time of the trial.

The Court: Isn't that all that you are asking at this point, Mr. von Starck?

Mr. von Stack: Well, sir, at the time of trial we have asked that they not resist any motion we might make for impoundment of information, and, of course, we would not be foolish about that. What we are talking about is the [fol. 121] identity of borrowers and the amount of the borrowings, and so forth. We would show cause.

The Court: They say that at this point they are not going to make them public till the time comes for trial. Now, at that time you make your request. Then is the time that I could pass on it. Many of them they probably won't care about. They may care about one or two or three, and then I will be in a position properly to appraise whether it might cause injury. I can't at this point. I can't say at this particular point that every possible disclosure will cause injury.

Mr. Reycraft: It will be within Your Honor's control at all times, so I don't see any problem.

The Court: Fundamentally, I say this to you, that I agree that business should be done with all possible safeguards, and I don't think the Government should helter-skelter just throw records to the wind. I will certainly keep them under control, but there may develop a situation where it is definitely in the public interest to have certain isolated situations disclosed of record. It might mean your case, it might mean the Government's case, I don't know, but I can't give you a blanket assurance at this time. I say that where it is at all possible, I certainly will respect the feeling of both the Government and the defendants here. I have no desire to explode the vaults [fol. 122] of information contained in either the Girard or the Philadelphia National.

Mr. von Starck: Well, No. 2 is drawn on the assumption that we would have to show cause to you.

The Court: Well, that is all right. Then that is perfectly all right. You have no objection to that, Mr. Reycraft?

Mr. Reycraft: No, sir. They are asking that we won't resist. They say, "... will not be resisted by the Department of Justice," and, of course, I can't agree to that, I may not, but I can't agree in advance to waive all rights of this kind.

Mr. von Starck: I don't understand why the Department of Justice should be anxious to spread any of this information on the record.

The Court: Neither do I at this point.

Mr. von Starck: Could we pass on to No. 3, which probably has more direct bearing?

The Court: Yes.

Mr. von Starck: And that is that the information contained in these documents will not be used by the Department of Justice in any other litigation or for any other purposes other than this litigation. Mr. Reycraft won't agree to what appears to us to be a perfectly reasonable [fol. 123] thing.

The Court: Suppose you tell me what you have in your mind.

Mr. von Starck: Well, we have in our mind this, that we are turning over to them voluntarily much of this informa-

tion which normally our clients definitely do not want disclosed. That information will be in the files of the Department of Justice, and what we don't want them to do is to take that information, spread it on the record publicly in some other litigation, or turn it over to Senator Kefauver or some other committee so that it becomes public knowledge in a way not related to this piece of litigation, and this piece of litigation is the only justification they have for getting this information in the first instance.

Mr. Reycraft: Well, now, Your Honor, we already have the understanding as to No. 1 that we will retain these documents. We don't have any intention of breaching any confidentiality, and when we do we will bring any such problems to Your Honor at trial, so I don't see that No. 3 is necessary. I think they already have the protection which Your Honor might want to give them.

Mr. von Starck: I think, Mr. Reycraft, you mentioned that this might be used in the Kentucky litigation.

Mr. Reycraft: Well, I have in mind that we may get some interrogatories from any source, and if we get in- [fol. 124] terrogatories we have to answer them if we know the answer. Now, I don't see any likelihood of this, but I can't agree at this time that I won't comply with another judge's order to disclose information.

Mr. von Starck: Well, I think if this Court were to order that this information is not to be disclosed either voluntarily or by order of another court, that confines it to this litigation.

Mr. Reycraft: I really think it raises a very serious question of restrictions placed upon the Attorney General and the use he may make of information in connection with the performance of his duty to enforce all of the laws that he has a duty to enforce. Now, I don't see any relevance to these documents to a tax problem, for example, or to any problem other than this particular litigation, but I think to place restrictions on the Attorney General in the performance of his duties is a rather serious step, and I think it raises real perhaps even separation of the branches of Government problems.

Mr. von Starck: As you can understand, Judge Clary, it raises real problems with our clients. They are tremendously concerned about this, because this is not the

ordinary situation of trade secrets, where you don't want information to get out for the benefit of your competitors. [fol. 125] Here there is the element of confidentiality between the bank and its customers, and this is a very real problem. Not only is it an ethical duty of the banker to retain this information, keep it to himself, but it is also a real business problem, too, because you can well understand, if your account were spread on the record in this litigation or in some other litigation, which would be even worse, you would resent it and probably remove your account from the bank, and that is what you are up against.

The Court: I appreciate that, but we are talking about power now, the power of the Court to place future restrictions upon the Department of Justice. That is a very serious question as to whether I have any power to do it.

Mr. von Starck: Well, you have the control of this litigation, sir.

The Court: I have the control of this litigation, no question about it, and as of this moment we have an agreement that up until the time that this information or any of the documents obtained are actually used in the trial of this case, they will not be publicly disclosed. We have that at this point. Do you understand that, Mr. Reycraft?

Mr. Reycraft: I understand that is Your Honor's instruction.

Mr. Littleton: Could we go a little further that the De- [fol. 126] partment won't make any disposition of them without it being brought to your attention and giving us an opportunity to present our application for a protective order?. I am thinking of the very question Mr. Reycraft mentioned, discussing it down below, if suddenly in the Kentucky litigation, that he mentions, something of this nature should be required, that he would have to come back to you to get your permission to disclose that.

The Court: I certainly would be most agreeable that they come back here and ask permission to disclose it, because I consider this agreement to be binding on the Government, that is made here today, and I consider it an agreement on the part of the Government that they will not disclose it until the time of trial, and certainly I will be very happy to open the bars, on cause shown, in this case or anywhere else.

Mr. Reycraft: Your Honor, just by way of amplification, the problem may arise in the sense that these banks, for example, wish to go into the bank situation in New York with respect to this case. I don't know whether the Lexington people will want to go so far as to argue that Philadelphia should be considered in the Lexington case. I wouldn't think it would be a very sound position, but I can't forsee all these things, and I just don't think that any limitation on the Attorney General's use within the [fol. 127] Department would be an appropriate thing.

The Court: I don't see where I have any authority to do it.

Mr. von Starck: Well, sir, you have said that the agreement covers nondisclosure of this information up until the time of trial.

The Court: Yes, it does. That is right.

Mr. von Starck: And I would assume that that obligation of nondisclosure would continue after the time of trial, except as to those items which have been introduced in evidence at the time of trial, and after there has been an opportunity to argue the question of confidentiality at that time.

Mr. Reycraft: Your Honor, let me say this: We feel in the Department—and I must say it goes well beyond this litigation—we feel that trials of matters of this degree of public importance should be public, certainly to the maximum extent possible; that in order for the Bar at large to understand these cases, they have to know the kind of information that the Court based its decision on; and I know there will be interest in this case and in the facts on which the Court bases a decision, and we don't think that it would be fair or appropriate, really, to keep facts confidential unless there is good cause shown [fol. 128] by the defendants.

The Court: I am merely saying that irreparable harm may come to an individual.

Mr. Reycraft: This is a matter which may be shown. They may be able to show this type of thing.

The Court: That irreparable harm may come to an individual by disclosure of names?

Mr. Reycraft: Yes.

The Court: If that is so, the Court should protect it.

Mr. Reycraft: Yes, sir.

The Court: So, therefore, I suggest to you that you keep these things as agreed, No. 1, completely confidential, and if you want to go beyond that, come back to me.

Mr. Reycraft: Yes, sir, I understand that up to the time of trial, that Your Honor's——

The Court: And even thereafter come back to me, because these are being given to you without any order. There is a lot of these here—I will tell you very frankly—that if objection were made, I would sustain it. Now, if they are giving them to you voluntarily, I think that you ought to make an agreement right here on the record that you will keep them within the Department and that if you intend to use them in other litigation you will come back here and [fol. 129] ask me to lift that agreement, and I will be very happy to consider it, and I will be very free in lifting it on cause shown. That would govern the whole deal both at trial and thereafter, because they are now giving you a lot of things they don't have to give you.

Mr. Reycraft: Now, at trial, Your Honor, it is a question, really, of who has to show good cause to keep it confidential.

The Court: I seems to me the burden would be on the defendants.

Mr. Reycraft: I understand Your Honor's instructions and I will abide by them.

Mr. von Starck: And then in addition to that, going back to No. 1, at the conclusion of the litigation these documents will be returned by the Department of Justice.

Mr. Reycraft: I don't have any objection to that, except to the extent that they have been introduced into evidence.

The Court: Yes. All right.

That seems to be as far as we can go, but I will say I understand the position of Mr. Reycraft and Mr. Reed here. They just can't make any agreement on behalf of the Attorney General to the extent that you ask it. They can agree, however, that they will safeguard it by giving you [fol. 130] a chance to move for a protective order.

Mr. Reycraft: Exactly right, your Honor.

The Court: Before they make any disclosure, before they bring it back to me, and it seems to me that that is a very sensible solution to a difficult situation, where we don't have to go through these 30 questions and cull out

item by item a situation that might involve postponing this case for years.

Mr. Littleton: Right. As long as they have to come back to you, that is satisfactory to us. What we prevented is having to go out to San Francisco, to some court out there, and ask for a protective order.

The Court: Oh, no, they are coming back here. We are talking about the documents, Mr. Reycraft, that they turn over to you in this case.

Mr. Reycraft: Yes, sir.

The Court: I am keeping control of the documents in this case, and if you want to use them anywhere else, come back to me. All that you have to do is let them show cause why they should be treated as confidential and why their reason is so overriding as against yours that it would cause irreparable damage, and you would have to show cause why it is in the public interest.

Mr. Reycraft: We understand that, sir.

[fol. 131] Mr. Littleton: And as I understand it, this covers not only the documents we have already furnished them, as to which this letter was written, but anything that we are now going to furnish them in accordance with the arrangements we have made.

The Court: We are talking about all the documents you turn over to them. This has been done entirely voluntarily, and I commend both sides for your frankness in turning these over. I have copies, as you all know, of the reports of the four agencies involved. You all have those. There has been no claim of privilege on those.

Now, is there anything else that the Department has that you think you should have at this point that there is any dispute about?

Mr. Littleton: We haven't yet received the documents that we requested, and they have the list of those.

Mr. Reycraft: You are talking about this list of studies, and so forth?

Mr. Littleton: That we asked for April 10.

Mr. Reycraft: I have said earlier—I think that this is true and I will check it—that I think you have what we have, but I will let you know by Friday for certain.

The Court: How much time did I give you after they [fol. 132] filed their list for you to file one?

Mr. Littleton: Our direction is for May 15.

The Court: That is two weeks later?

Mr. Littleton: Two weeks later.

The Court: That pushes you back to the 22nd.

Mr. Littleton: The 22nd.

The Court: All right.

Mr. Littleton: Now, this point of timing in our getting out the answers to these new 30 questions.

The Court: If you answered them fully, you couldn't answer them by Christmas, unless, you put a staff of about 50 people to work on it and worked the clock around.

Mr. Littleton: We are going to give them as much as we can within the time, but I say it with the condition that nothing holds up the trial of this case, because the case was instituted in February, and here it is the 2nd of May, and Mr. Midgett would like to address himself to something further that comes out of Judge Loevinger's letter in this situation.

Mr. Midgett: I call Your Honor's attention to paragraph beginning with No. 7 on page 2 of Judge Loevinger's letter —Mr. Kirkpatrick's letter—dated April 28, 1961, which we received yesterday, May 1.

Paragraph 7, Your Honor will note, indicates that the [fol. 133] Department of Justice has under consideration taking the depositions of a representative number of other financial institutions.

Paragraph 8 indicates that the Department still wishes to take Mr. Potts' deposition, which was scheduled for the 24th and 25th of April and postponed without a day fixed at the Department's request; and Paragraph 9 states the Department's intention of taking the depositions of other banks in Philadelphia.

I asked Mr. Reycraft if he could outline for us his deposition schedule, since we now have roughly five weeks until the trial time, and there are many other things that have to be done. Mr. Reycraft then gave Mr. Littleton and myself, at I guess a quarter of four this afternoon, a copy of a notice of deposition of eleven bank presidents of Philadelphia banks, which are all set down for 10:00 A.M. on May 12.

Mr. Reycraft: These are documentary depositions, Your Honor. They are limited to particular documents which we think can be produced within that time. We don't intend and I don't think it will be necessary to take oral

testimony from these people. It is for the purposes of getting their documents.

The Court: May their representatives come and present [fol. 134] them rather than the presidents?

Mr. Reycraft: Yes, sir, they may, surely.

Mr. Midgett: Do I understand, then, that there is no present intention of taking oral depositions of these eleven presidents?

Mr. Reycraft: That is right.

Mr. Midgett: It seems to us, sir, that Mr. Reycraft should be required to state now what his deposition schedule is, because if he has any intention of taking the depositions of representatives of other financial institutions or the deposition of Mr. Potts, I think that the time is now getting so short that we should have a firm statement of dates from him.

Mr. Reycraft: Your Honor, I would say that within a week after these questions are answered which relate to the institutions which the defendants claim are competitors, that I can give him an answer, but I have to know who they claim are the competitors before I can do this.

Mr. Midgett: I think Your Honor may wish to take into account the difficulties we are going to have so far as time in answering these interrogatories. We are in this bind because Mr. Reycraft served yesterday these 30 comprehensive questions. Your Honor fixed the trial date at the time of our last conference, which, as I recall, was [fol. 135] March 16, and immediately following that hearing we submitted our questions to the Government, and it took the Government over a month to answer them, and we just had a simple 14 questions, nothing as comprehensive as this. Now I think if Mr. Reycraft has got himself into this situation by his delay in filing his questions, that we should not be required to put aside the week immediately preceding trial while he patches up the problems he has got himself into.

Mr. Reycraft: Your Honor, I would like to observe at this point that this is I think an extremely important case for all parties to it, and it seems to me that to try to resolve these issues without the facts which I think we all agree are necessary would be very unfortunate. I think we ought to have a record which is complete, and I think we are entitled to have that. We have agreed from the

outset to bypass the normal Federal rules, which would have taken, I think quite a long time to have the full discovery route which usually occurs in antitrust cases, and I must say I am getting a little bit tired of hearing the suggestions that we are delaying this matter, because we have been, I think, from our point of view, doing our share of the work.

Now, most of the information, by its very nature, is in the control of the banks. It is in the hands of the banks. When they say they are in competition with New York [fol. 136] banks, this kind of information comes from their files—we don't have it in our files—and the only place we have to get it is from their files.

The Court: I know, but you have alleged that they aren't.

Mr. Reycraft: We have alleged that competition will be eliminated in this area, and they are bringing in the problem of competition from the New York banks.

The Court: These reports and even the letter of your chief say that New York is insignificant.

Mr. Reycraft: That is the way it appears to us.

Mr. Midgett: To round out my remarks on the subject, sir, I think that we must tailor the preparation of the case, we must take into account in the preparation of the case, the time within which we have all agreed to prepare it and the fact that we have not yet received and will not receive, under the present schedule—next Monday, I think Your Honor fixed—the list of witnesses which the Government proposes to call in its case in chief, and at that time that will be the first opportunity we will have to notice the depositions of persons whom the Government identifies; and I think it would be appropriate for Your Honor to limit the time, either by days or hours, which each side may devote to deposition activity and allow each side to [fol. 137] spend that deposition activity as that side thinks fit.

Mr. Reycraft: Well, I think it would be very unfair to limit this case to a fixed date to tailor whatever we are able to do, having to make these decisions without even having the answers to these questions, without having all the reports.

The Court: The questions were asked yesterday. These questions could have been asked on March 20.

Mr. Reycraft: I think not, Your Honor. We asked for documents first. We examined the documents. Our purpose in doing this was to find out the form in which the statistical information might be available from the banks. We took Mr. Brown's deposition for this purpose, and I think in a case of this importance we should not be circumscribed in the manner in which Mr. Midgett apparently wants to do.

Mr. Midgett: May I suggest, sir, that the request to examine documents was not received by us until April 10, which was almost a month following the conference we had before Your Honor, and that there has been no delay on our part in responding. We started to make documents available within three days after the receipt of that request, which is a remarkable performance, I think, with all due humility; and with respect to Mr. Brown's deposition, they have known since November of 1960 that Mr. [fol. 138] Brown was the president of the Girard Trust Corn Exchange Bank and did not see fit to notice his deposition before mid-April.

The Court: I don't think that your entire premise is sound, Mr. Midgett. I do think, however, that we do have to make some definite decisions here.

You have set a deposition for the 12th, Mr. Reycraft. Why the 12th?

Mr. Reycraft: Well, Your Honor, if these banks could produce the documents this Friday, I will be quite happy about it.

The Court: They are going to produce them as fast as they possibly can, and they are not going to wait until they get them all before they give them to you.

Mr. Reycraft: These are not defendant banks. These are third-party banks in the Philadelphia area. We are seeking their statistical information in order that we can show to Your Honor a breakdown by banks.

Mr. von Starck: There is the notice we just received 15 minutes ago (handing to the Court).

The Court: These are all presently extant documents, aren't they?

Mr. Reycraft: Yes, sir.

The Court: When are you going to serve them? Has the Marshal had them for service?

[fol. 139] Mr. Reycraft: No, sir. I had to serve copies on the defendants before I could get the subpoenas issued. The service of subpoena is tomorrow.

The Court: All right. Now you are going to take those, and what are you going to determine then?

Mr. Reycraft: As I say, these depositions are to get statistical material. They are not oral. It is not contemplated we will take oral depositions.

The Court: Then a vice-president or managing director of the statistical department of a bank may appear instead of the president and present you, as you ask for them, with each of these?

Mr. Reycraft: Yes, sir.

The Court: All right. Now that is settled. We are up to May 12. We have 24 days left. What do we do in that 24 days?

Mr. Reycraft: I would hope prior to that time that we can find out from Mr. Littleton when we are going to New York to conduct this interview session that he has in mind.

Mr. von Starck: With regard to that, if I may address myself to it, we are going to have to do a lot of missionary work with these banks over there, because they are not going to just willingly open their records to the Attorney [fol. 140] General, when they don't know the nature of the investigation, so that I think the first thing to be done is for you to let us know so that we can in turn let the banks know just what you are going to ask them, because they may refuse.

Mr. Reycraft: I think this is completely unworkable. You are asking us to tell you in advance what a witness is going to tell us. We don't know what their answers are going to be, and I think also, Your Honor, that in fairness we ought to approach these banks together, that we ought to be talking to them at the same time. We ought to know what each other are getting from these banks. I think this is the fair way of proceeding.

The Court: Well, that would be what you would do, because the man that is going to make the inquiry for the purposes of the case is not the man that is going to talk to him now to see how far they will go, so you are getting no

information at all now. It seems to me that arrangements do have to be made.

Mr. Reycraft: Yes.

Mr. von Starck: Absolutely. These banks are going to be pretty distressed when they hear about the fact that the Attorney General's office is going to come over there and ask them all sorts of questions and they don't know what the questions are going to be. They have under-[fol. 141] taken this voluntarily, and I am very much afraid that the voluntary aspect of this is going to be lost, particularly in the light of some of the questions Mr. Reed was proposing here, the identity of customers, and that type of thing. I think we may find that your position here has destroyed the whole value of this.

The Court: I, however, have no authority over New York banks.

Mr. von Starck: I think if we are going to get this type of statistical evidence which is vital to the case, we may have to do it in some other way, because I think you have effectively put a monkey wrench into this thing to the point where the wheels just aren't going to turn.

The Court: Well, now, what would you contemplate you are going to do between now and the trial date?

Mr. Reycraft: Your Honor, I would like to first look at the answers to the interrogatories, and Mr. Littleton has suggested that if he can't answer them before the trial, then he is not going to answer them, and I think it is not a fair situation and it is not a situation that is going to permit us to put our case on. I think we need these anwsers.

Mr. Littleton: I don't think I said we were not going to [fol. 142] answer them. I think I said we would answer them as rapidly as possible, that we expected to be able to do it before the date of trial, but the condition that we are asking here of the Court and insisting on the Government is that if any of the information isn't available to you by the time of trial, it shall not nevertheless have the effect of holding up the beginning of the trial.

Mr. Reycraft: Well, you may recall that when I was here last time, when we were all here last time, it seemed to me that July was a more realistic date. Now, I did not

ask or agree to the June date, and I still think it may be unrealistic.

Mr. von Starck: It is not unrealistic from our point of view. We are prepared to go on. We will be prepared. You are the one who instituted this suit, and you did it after having studied the application for months. You had your complaint prepared, and if the Government wasn't prepared to support its complaint at that time, it shouldn't have filed it.

Mr. Reycraft: Well, the purpose of the Federal Rules is to develop evidence in the form admissible at trial.

Mr. Littleton: On page 15 of the transcript of the hearing, the conference with the judge before, you say, "June 5 is all right. We will meet that day."

Mr. Reycraft: We will do our best.

The Court: Well, gentleman, I can fix a date next June, [fol. 143] a year from now, you know.

Mt. Littleton: Your Honor should know this: Next Tuesday there is a special meeting of the shareholders of the Philadelphia National Bank. I think the Girard's is the same day.

Mr. Midgett: I believe so.

Mr. Littleton: To pass on this merger agreement, and I don't know whether a shareholder that votes next Tuesday might want to change his mind if the case didn't get tried till a year from next June.

The Court: Gentlemen, there are pressures in this and I fully recognize them. I recognize that this is a case of very great importance to the Government and to the banks involved and the banking industry as a whole throughout the country. We have one problem here—two banks—nothing else as far as we are concerned here. The effect on competition, the objections made, and so forth. That is what we are trying here. Is that right?

Mr. Reycraft: Yes, sir.

The Court: Nothing else. That it will have its effect, we know, but we have got to try this case. It seems to me that the Government should be ready, two and a half months after we have our initial meeting, to proceed. That you would like to do a lot of things and do it leisurely is beside the point. There are a lot of issues at stake here [fol. 144] You started the suit. Our first session was held

perhaps three weeks later. This is a suit for an injunction. An injunction presupposes celerity of disposition.

Now, this isn't what I consider a full-fledged antitrust case in the sense that people have been doing a lot of things to which you object. That would take years and years of perhaps exploratory investigation to determine. What you are saying here is that something will result from what somebody proposes to do in the future, which is an entirely different situation. You don't have to go back for things which they have done. You are saying that this merger will do certain things, so we are prospecting in the future as to the vices that this situation will, according to the Government, create. I do not consider it a real full-fledged antitrust case in that sense, so I see no reason why you need all the time that an ordinary antitrust case would take. It seems to me that if you weren't ready to proceed when you started your case, certainly 90 days is enough to produce enough evidence to satisfy the Court that an injunction should issue.

Now, I stated that deliberately of record, because that is my feeling, so I expect you to start on the 5th of June in accordance with the previous plans. I suggest to you that you finish your depositions, whatever they are, one week in advance of the trial date, that no depositions [fol. 145] be taken during the following week except by agreement, and if either side considers it vital that a certain deposition or depositions be taken, just two of you come on down here and I will settle it fast. The door is always open here, and I am always around. You can always find me. You wouldn't find me tomorrow, because tomorrow happens to be one day I am not coming, but any other day you can find me.

Mr. Midgett: Has Your Honor taken into account the fact that it will be only on the 22nd that the defendants will——

Excuse me, sir. What was that schedule? I was thinking about when the plaintiff would supply their list to us.

The Court: They are supplying it next Monday, and you are supplying it on the 22nd, but your supplying it on the 22nd might necessitate a deposition the week before trial.

Mr. Midgett: I understand, sir.

Mr. Reycraft: Your Honor, may we have all of their answers a week before trial as well? I think this is a reasonable request.

The Court: Yes, to the extent that it is possible for them to answer, you will have it the week before trial or before that. I assume, from what was said here, that as fast [fol. 146] as they can get them, even though it is piecemeal, they are going to supply them to you.

Mr. Littleton: Exactly, sir.

Mr. Reycraft: That is my assumption also, Your Honor.

The Court: I just wanted to make sure of that, so that you may have substantially all the answers within a relatively few days.

Mr. Littleton: May I ask at this point, have we all the questions we are going to get?

The Court: Oh, questions are out from here in. No more questions may be asked. Any further interrogatories or discovery other than contemplated as of now is out for the trial of this case except by special permission. That is the end of any interrogatories either way.

Mr. Littleton: When we have put in memorandum form the agreement which we reached downstairs, and our comment as to the restrictive nature of these 30 questions that now appear, the answers to be made to them, would Your Honor like to have a copy of that memorandum?

The Court: I would like to see a copy of it, yes, and I would like to be able to keep this copy (indicating) if I may.

Mr. Littleton: You may.

[fols. 147-549] The Court: And the letter.

Mr. Littleton: And Judge Loevinger's letter of the 28th.

The Court: I would like to keep these copies. I have the copy which we discussed and the letter of the 17th, and I would like to keep this also so that I hav it available in the event there is any further question about it.

Mr. Littleton: Thank you.

The Court: May I say, gentlemen, if there is any impasse that results, get on the phone and I will try to set a time on any given day to meet with you. I will break up the trial or argument, or whatever I happen to be on, and I will sit down with you. I think this is important enough to do that.

Mr. Littleton: Thank you very much.

The Court: The door is always open. Never forget that.

(Adjourned at 4:30 P.M.)

[fol. 550] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

Transcript of Trial

Philadelphia, Pa., June 5, 1961

Before Hon. Thomas J. Clary, J.

PRESENT:

George D. Reycraft, Esq., John O'Donnell, Esq., P. Jay Flocken, Esq., and Charles A. Degnan, Esq., Trial Attorneys, Antitrust Division, Department of Justice, Washington, D. C., for the Government.

James A. Reed, Esq., Special Assistant to the Attorney General, for the Government.

Morgan, Lewis and Bockius, by Arthur Littleton, Esq., Ernest R. von Starck, Esq., Donald A. Scott, Esq., Don B. Blenko, Esq., Thomas A. Masterson, Esq., and Martin P. Snyder, Esq., for the Philadelphia National Bank.

[fol. 551] Barnes, Dechert, Price, Myers and Rhoads, by Philip Price, Esq., Carroll R. Wetzel, Esq., Minturn T. Wright, III, Esq., and John J. Brennan, Esq., for Girard Trust Corn Exchange Bank.

[fol. 552] The Court: I call the case of The United States, versus the Philadelphia National Bank and Girard Trust Corn Exchange Bank. Mr. Reycraft.

Reycraft: If Your Honor pleases, the Government is prepared to make a preliminary statement.

The Court: I will be happy to hear it.

OPENING STATEMENT ON BEHALF OF GOVERNMENT

Mr. Reycraft: This is an application by the United States for an injunction to bar the Philadelphia National Bank and the Girard Trust Corn Exchange Bank from carrying out an agreement of consolidation approved by the Board of Directors of the two banks on December 20, 1960. The

United States also seeks an injunction against any similar plan or agreement the effect of which would be to merge or consolidate the defendant banks.

The complaint filed with this Court by the United States charges that the contract and agreement between the two banks violates Section 1 of the Sherman Act and Section 7 of the Clayton Act, or the Celler-Kefauver Act.

Section 1 of the Sherman Act makes unlawful every contract or combination in restraint of trade or commerce among the several states.

The Clayton Act provides that no corporation engaged in commerce shall acquire, directly or indirectly, the whole or [fol. 553] any part of the stock or other share capital of another corporation engaged also in commerce where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition or to tend to create a monopoly.

We believe the evidence we are about to present will show that the contract between the two banks if carried out will result in a combination which unreasonably restrains trade between two of the largest commercial banks in Philadelphia.

We believe the evidence will also show that the proposed consolidation will substantially lessen competition in commercial banking in the Philadelphia area by eliminating all competition between the defendant banks and by contributing to a merger trend among commercial banks in Philadelphia. This trend has seen the number of commercial banks with head offices in Philadelphia reduced from 39 in 1947 to 17 in 1960. Of these 17 the fifth largest after this combination would be less than one-sixth the size of the combined bank.

One of the principal issues before this Court will be the question of the relevant geographic area within which to measure the impact of this elimination of competition.

[fol. 554] The first consideration which affects the ability of a Philadelphia bank to compete in any geographic area is the law of this State. As Your Honor knows a bank with headquarters in Philadelphia by State law can have branches only in Philadelphia and the three contiguous counties—Bucks, Montgomery and Delaware Counties.

This does not end the economic inquiry for the Court. If a merger in this area affected competition on a national

or international scale it would be appropriate to go beyond the area in which the places of business of these enterprises are located and measure the impact on competition in the broader area. But if the combination unreasonably restrains trade or has a tendency to monoply in one section of the United States it is unnecessary to inquire as to its effects in other cities or other states.

There is no need for conjecture as to where the business done by these banks originates. The facts will be established fully by statistics which we have developed from the records of the banks themselves.

They will show that the greater part of the business of these banks originates in the 4-county area and that it is in this area—Philadelphia, Bucks, Delaware and Montgomery Counties—that the competitive squeeze will result. They will show that it is the small and medium size business borrower who will be deprived of a competi- [fol. 555] tive alternative. These concerns just do not have the alternatives available to the great corporations.

If they are deprived of an alternative in the area where they are known, they cannot go to New York or Chicago to satisfy their banking needs. They must turn to the remaining commercial banks in this area.

This leads us to the suggestion which has been made that this merger will be good for other banks in Philadelphia because some borrowers won't like it and will take their business to those banks. It may be that fewer banks to share the business might lead to a more comfortable existence for the bankers. But it shows no promise of maintaining a healthy state of banking competition for Philadelphia or of preserving for borrowers in this area the alternatives which now exist.

If this merger were allowed, the line-up of the five largest banks would be as follows:

The Philadelphia-Girard would be first.
Then the First Pennsylvania.
The Provident Tradesmens.
The Fidelity-Philadelphia.
The Central Penn.

With respect to deposits it would mean that the Philadel- [fol. 556] phia-Girard would have 62 per cent more de-

posits than the second bank, which is the First Pennsylvania. It would have 262 per cent more than the third bank, the Provident, and 284 per cent more than the No. 4 bank, Fidelity, and it would have 585 per cent more than the fifth largest bank, Central Penn.

Similarly with respect to loans, the combined bank would have 45 per cent more loans than the First Pennsylvania, 239 per cent more than Provident, 277 per cent more than Fidelity, and 477 per cent more than Central Penn; and one of the objectives of this merger is to widen this gap even further.

Also with respect to branch offices, the combined bank would have 68 per cent more offices than the First Pennsylvania, 137 per cent more than Fidelity, 220 per cent more than Provident, and 256 per cent more than Central Penn.

Even more drastic is the fact that if the merger were allowed, the combined bank and the second largest bank, First Pennsylvania, would have 64.5 per cent of the total assets in Philadelphia of commercial banks; and if the third and fourth banks were added to these two, the three banks would then have 85.4 per cent of the commercial bank assets in Philadelphia.

[fol. 557] If the antitrust laws are not sufficient to deal with a consolidation of this magnitude there appears to be no barrier to further consolidations which could reduce to two or three the number of commercial banks in Philadelphia.

Just as this case transcends in importance for Philadelphia, the immediate problem before the Court of this proposed consolidation in the effects it will have on the future of banking in Philadelphia, it may also be a turning point in the future of banking throughout the United States. If this proposed consolidation does not violate the antitrust laws of the United States there would be few that could.

Some countries in the world have chosen to place their reliance on a highly centralized banking system which controls all bank credit in the economy. In a banking system of this type the alternatives available to a small businessman are few. If he is unable to get the credit he

needs from the few available banks, he has no alternative source.

In the United States we have chosen a banking system which provides for substantial alternatives for those seeking credit. We have not only a system of multiple national banks but a dual system of banking which require commercial banks to compete for available business. These [fol. 558] alternatives mean that a businessman who is not favored with a loan from one bank can go somewhere else. It means an aggressive banking system where banks are seeking to help new business grow and do not limit loans to already established enterprise. It means that the businessman with a new idea or a business which competes with a borrower from one bank has other places to go for a loan. By encouraging new business to grow, our competitive commercial banking system has contributed to the growth of our competitive free enterprise system. And our commercial banking system is the only available source of business credit for most small and medium size business enterprises.

Now, the areas of competition among commercial banks are substantial. They compete in the interest rates they charge commercial, industrial, and individual borrowers. They compete for the deposits of individuals, partnerships, and corporations, as well as for the deposits of other banks, other financial institutions, and governmental bodies.

They compete in the quality of the services they offer, and quality of service does not always follow the large size bank.

[fol. 559] Most important, they compete in making credit available to individuals and to small and medium size business enterprises. For the small and medium size business enterprise, and for the individual at reasonable rates, the only practical source of credit is the commercial bank.

It is probably true that one of the safest loans a bank can make is to the giant corporations in this country. Loans of this type are easy to service and sure of repayment. Our evidence will show that large banks favor this type of loan. But large corporations raise money for their business by many means not available to small and medium size business. They sell securities through public offerings and borrow from insurance companies, among other

sources. These same sources are not available generally to small and medium size business or individuals. The large corporation can also go to a distant bank to get a loan. Small and medium size businesses and individuals must borrow where they are known and that means in the city of their home or place of business. These are the borrowers who must be this Court's principal concern.

To meet the needs of these borrowers how much credit is now available from the two banks?

The Philadelphia National Bank now has a loan limit of $8,000,000 to a single borrower and has over $500,000,000 [fol. 560] of loans outstanding. The Girard has a loan limit of $6,000,000 to a single borrower and has over $400,000,000 of loans outstanding.

We believe that the evidence will show that these limits have been sufficient to take care of the needs of all but the largest corporations. The evidence will also show that when larger loans were desired by these corporations they were easily arranged with correspondent banks.

It seems to me that a fair reading of the application which these banks submitted indicates a belief that the greatest benefit which will result from this consolidation is a higher loan limit. The consolidation will not result in any increase in the total loans which the two banks can now make separately which could not be realized without this consolidation.

If a higher loan limit is what is desired, the Philadelphia National Bank, for example, could now raise its loan limit by selling stock, retaining earnings, or transferring capital from undivided profits; and the Girard could follow the same course. In fact, in 1951 the Girard did raise its loan limit 10 per cent by selling additional stock. [ ].

Any of these methods of increasing loan limits would result in greater availability of loan funds for the Phila- [fol. 561] delphia area if higher loan limits do attract more deposits. But instead of following this course the merger course was chosen. The benefit that results is that the rare corporation which has borrowed 8 million dollars from the Philadelphia National Bank and then stepped across the street to borrow 6 million dollars from Girard would be saved a little trouble.

But for the borrower who needs less than 6 million dol-

lars there is no benefit. And borrowers whose credit needs are 6 million dollars or less include nearly all business enterprises in Philadelphia and all individuals in Philadelphia.

What is offered in return to these individuals and businesses? The banks have announced that they are going to raise many of their service charges.

They have announced that they are going to close one branch which is next door to another of the combined banks.

And a refusal of credit at any one of the 65 banking offices of the two banks will mean that credit is not available to that borrower from any of the 65 offices.

But assume for the moment that a combination of the two banks will mean that more large corporations will borrow [fol. 562] more money from these banks. Assume that the company located in Ohio which has been borrowing in New York will now borrow 15 million dollars from the combined banks.

What does this mean for Philadelphia?

It means that very probably money which has been deposited by citizens of Philadelphia in the banks in their city is going to be sent out to Ohio to build a plant, pay wages, or to be loaned to a resident of Ohio to buy an automobile.

Is this going to help Philadelphia grow or contribute to an expansion of Delaware Valley? We think it will have the opposite effect. When a large corporation outside this area obtains a 15 million dollar loan from the combined bank it means that there is 15 million dollars less of available credit that can be reinvested in the Philadelphia area.

It may mean that 15 loans of 1 million dollars each which could be made to growing businesses in the Philadelphia area won't be made.

But suppose it is in the interest of Philadelphia to have a bigger bank that would make more loans to companies outside this area, how big does this bank have to be? The application says that the Philadelphia National Bank and [fol. 563] Girard want to compete with the New York banks. The biggest bank in New York has a loan limit of $65,000,000. If all the banks in Philadelphia merge the combined loan limit would be less than the loan limit of this one New York bank. And I think it's worth noting

that there are several proposed mergers among the New York banks which would, if approved, increase some loan limits above their present levels and provide an excuse for more consolidations.

Another issue before the Court is the question of the line of commerce affected by the consolidation.

We think there is no doubt that commercial banking is a unique form of business enterprise.

No other business enterprise may accept demand deposits under the law of this country.

No other business enterprise is able to create credit in the form in which it is done by the commercial banking system.

No other financial institution offers checking account services.

The stock in trade of a commercial bank is holding demand deposits and making commercial and industrial loans. [fol. 564] There are other institutions such as savings and loan associations which sell shares and use the money to make mortgage loans. But they don't hold demand deposits and they don't make commercial, industrial or individual loans.

Savings banks also accept time deposits but they do not offer checking account services. They can only make loans on a secured basis. They are therefore unable to serve the banking requirements of commercial or industrial customers or of individuals.

Personal finance companies offer even fewer services available from commercial banks.

Insurance companies are also unable to offer banking services to commercial or to industrial companies or to individuals.

For commercial and industrial companies and for individuals there is only one type of financial institution which offers all of these services and that is the commercial bank.

It is therefore no answer to the elimination of competition which will result here to say that it makes no difference because there are savings and loan associations or savings banks or personal finance companies or insurance companies. None of these institutions can give commer- [fol. 565] cial and industrial companies and individuals the banking services they require.

If these banks are permitted to carry out the merger proposed the largest bank in Philadelphia will have 39.3 percent of the commercial bank assets in Philadelphia.

The two largest banks will have 64.5 per cent of the commercial bank assets in Philadelphia.

And the four largest banks will have 85.4 per cent of all commercial bank assets in Philadelphia.

We submit that concentration in banking has gone far enough in Philadelphia and that no asserted advantage to a few large corporate borrowers can outweigh the adverse effects of the elimination of competition between these banks on all the people and businesses of Philadelphia. The combination would unreasonably restrain trade and would have a pronounced tendency to monopoly in commercial banking in the Philadelphia area.

[fol. 566] The Court: Mr. Littleton?

Opening Statement on Behalf of the Philadelphia National Bank

Mr. Littleton: If Your Honor please, it is not our intention in my opening statement to answer all of the many averments of fact that Mr. Reycraft has set forth here to Your Honor. We will let the evidence do that, but I think I would be doing less than my duty if I did not point out the anomaly of this entire case.

Mr. Reycraft's opening remark was that this was an action by the United States to restrain these banks from merging. This is an action by the Antitrust Division of the Department of Justice to restrain these banks from merging. The United States, in the person of the officer duly constituted and authorized to take care of such matters, has already approved this merger and found it to be in the public interest last February.

The Comptroller of the Currency under the amendment to the FDIC Act is vested with the sole authority to determine whether a merger such as this is in the public interest. He has considered the factors which are described in that Act as being the ones which he should consider, included among which are a tendency to create a monopoly or to restrain competition unreasonably, and he has found from his over-all consideration not that these banks are conspirators getting ready to violate the Sherman Act, not that they

[fol. 567] should be restrained under the Clayton Act; but he found that this merger is in the public interest and in the best interest for Philadelphia.

That is the reason we are coming before Your Honor to oppose this attempt to restrain this merger, because this merger is in the best interests of Philadelphia.

Philadelphia at the present time is the fourth largest city. It is twentieth, so far as standing of its largest bank, and the largest bank is not one of the two which are before Your Honor this morning.

The City of Boston, the City of Pittsburgh, the City of Cleveland, the City of Detroit, the City of San Francisco all have larger banks to take care of the business of those areas.

Your Honor knows only too well how, since the Second World War, the business and industry and population of Philadelphia and the Philadelphia area have grown and increased, and there is no bank anywhere near commensurate in size, in ability, in assets, in standing, in status to take care of the business of the metropolitan area of Philadelphia and the service area of these banks and of what I hope will be the merged bank.

In spite of what Mr. Reycraft indicates, we all know that there are quantities of Philadelphia business, deposits, [fol. 568] moving right out of Philadelphia, and not alone to New York but to Pittsburgh and Boston and the other cities which I have mentioned. We are here in the public interest to defend this merger against the attack not by the United States, which has approved it, but by the Antitrust Division of the Department of Justice.

The Court: Mr. Price?

Opening Statement on Behalf of Girard Trust Corn Exchange Bank

Mr. Price: May I say a word in addition to what Mr. Littleton has stated just now along the line that was suggested by the Justice Department and which he did not refer to directly? That is the Clayton Act. The Clayton Act has no application whatsoever. The Clayton Act does not, by its terms, apply to the acquisition of assets of one company by another; and that is what the Supreme Court of the United States has held this type of merger to be.

The Clayton Act, Section VII, applies to stock acquisitions, but not to asset acquisitions of the nature that this has been held to be and, therefore, the Clayton Act is not in the case.

As far as the Sherman Act is concerned, Your Honor will have two questions to decide—one, whether it applies at all, whether the Comptroller has not been given the exclusive authority to determine the purely business question of whether or not a merger such as this is in the public [fol. 569] interest in all aspects; or whether courts will have to struggle with the economic merits or demerits of a merger such as this in one of the highly technical fields such as banking.

In substance, what the Antitrust Division is proposing to do here is to preserve for New York a monopoly which it has acquired, if monopoly is the proper term, by virtue of the increasing size of the banks there which have grown commensurately with the increase in size of the demands of business.

New York, of course, is the money center of the United States and it is natural that there should be many banks there, but, as Mr. Reycraft pointed out, there is one bank in New York with a $65,000,000 lending limit and there are two others which have lending limits in excess of the combined lending limits of all the banks in Philadelphia. There is another bank in the West that has a like large lending limit and there are still more banks that have lending limits in excess of those of the aggregate of these banks which have limits in excess of $1,000,000.

So, what the Antitrust Division is seeking to do here is to shove the Philadelphia banking system into what it has described as the small-business category, let Philadelphia take care only of small-business needs and let New York, [fol. 570] with its much larger banks, take care of these larger business needs of larger companies.

Now, if there were no large companies in Philadelphia or the Philadelphia area, there might be some justification for that approach, but that is not the case and the result of the inadequacy of the Philadelphia banks has been that a large loan can't be handled here; that large amounts of business have gone elsewhere. There is great solicitation of business from outside of Philadelphia and that can be met only by meeting the results of the situation by having

banks in Philadelphia that are large enough to handle the vastly increased business of the large type as well as the continuing business of the smaller type.

Now, Your Honor will have to decide or may decide if you conclude that the Sherman Act has any application to this situation at all. Your Honor will be faced with the question of whether or not there is an unreasonable restraint of any character, and that would lead Your Honor to have to consider whether there is not ample facility provided by the other banks and by the merged bank, too, to meet all the demands of the small businessman for whom Mr. Keycraft now expresses concern; whether or not this merger takes place, and we will undertake to show you that there will be no impediment upon the borrowing capacity of the small businessman, that his needs will be [fol. 571] adequately taken care of; and that there will be no reason to suppose that there is any unreasonable restraint as a result of this merger.

In that connection I will say one word more, and that is that the terms "monopoly," "restraint," and so on, which are customarily applied in the cases involving manufacturing companies and selling companies may not be used indiscriminately in the case of banking. The availability of credit is not something that can be controlled merely by size, and I will ask Your Honor to bear in mind that as the evidence in this case goes in no matter how large a bank may be, unlike a manufacturer, it can not control the market or gather in all the other business that there may be from smaller banks simply because those banks are smaller than the larger one.

The history in this country has shown that large banks and small banks have existed alongside of each other for years and, therefore, the mere fact of size does not suggest monopoly as might be the case with a manufacturing company of a very large size or a selling company with a very large size; and similarly restraint which such size could effect in the field of industry generally does not apply in the field of banking.

The Court: Gentlemen, I think we had better set up our [fol. 572] time schedule.

We will run, as usual, from 10 to 12:30 and from 2 to 4 each afternoon. We will have a ten-minute break in the

middle of every session, as has been my custom, so you can make your plans according to that.

Call your first witness, Mr. Reycraft.

Mr. Reycraft: The Government calls Dr. John Dean Gaffey.

GOVERNMENT'S EVIDENCE

JOHN DEAN GAFFEY, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. Will you state your full name, Dr. Gaffey, or you have done so?

A. Yes, sir.

Q. Dr. Gaffey, what is your present employment?

A. I am an economist for the Department of Justice.

Q. How long have you been with the Department of Justice?

A. Since 1948.

Q. Has all of your experience been with the Antitrust [fol. 573] Division in the Department of Justice?

A. All my experience in the Justice Department has been with the Antitrust Division, yes.

Q. What is your academic background, Dr. Gaffey?

A. I went to Ohio State University, received a bachelor of arts degree, with a major in economics, *summa cum laude*, and with honors in economics in 1935. I received an M. A. in economics from Ohio State.

I was a Fellow of the Social Science Research Council from 1935 to 1938. During part of that time I attended Columbia University and I received my Ph.D. in economics from Columbia in 1940.

I was an instructor in economics and business administration at Rensselaer Polytechnic Institute from 1938 to 1941. I had previously completed my course work at Columbia and then I finished my dissertation and got my degree in 1940, while I was an instructor.

Then, with the outbreak of the war, I came into the Government service and I worked for the Office of Price Administration from 1942 to 1945. The first year I was an economist in the Chemicals and Drugs Branch, the Price Control portion of OPA, and then I was the head economist or chief economist in the Building Materials and Construction Branch of OPA, Office of Price Administration, [fol. 574] in Washington from 1943 until 1945.

In the spring of 1945 I transferred out to the Los Angeles office and I was the head economist, head price economist, of the Los Angeles office of the Office of Price Administration, until about the end of that program in 1946.

I was Regional Economist for the United States Department of Commerce, Regional Office, in Los Angeles for about a year, and then in 1947 I went to the University of Southern California and I was head of the Department of Marketing of the School of Commerce, what is now the School of Business at the University of Southern California, and I held that position until I came with the Antitrust Division in 1948.

I have been a lecturer part time at the University of Southern California in marketing and later in economics since 1948.

Q. Are you a member of any professional societies, Dr. Gaffey?

A. Yes. I am a member of the American Economic Association, the Western Economic Association, the Southern California Economic Association, and the American Arbitration Association; and I am a member of the Research Committee of the Los Angeles Chamber of Commerce.

Q. Dr. Gaffey, have you written any books or articles in [fol. 575] your field of work?

A. Yes.

Q. What are they?

A. One book, it's on the productivity of labor in the rubber-tire-manufacturing industry. It was published by Columbia University as one of their studies in history of economics and public law; and a monograph—it was a post-war business review of the Pacific Southwest. I have forgotten the exact title, but that is the approximate title. However, it was published by the Field Service of the United States Department of Commerce and was an ex-

planation of the reconversion and industrialization of that area during and immediately after the war.

I have written several articles on labor productivity in industry and on wages and on marketing efficiency, and one on changing use of transportation facilities and its effect upon marketing, one professional paper, which was later published as an article in the Western Economic Association, on recent developments in antitrust cases.

Q. Dr. Gaffey, have you done economics work in connection with other antitrust cases?

A. Yes.

Q. What are some of those cases that you have worked on?

A. Well, I was economist for the West Coast oil-con- [fol. 576] spiracy case, which was filed in 1950. It was finally settled by a consent decree there, but I prepared a great deal of statistical and economic information which was to have been used in the trial, and a considerable amount of it was explored in the deposition which I gave prior to the time the trial was expected to take place.

Q. Have you done similar economic work in connection with other antitrust cases?

A. Yes, on several other occasions.

Q. What has been your main area of work in the Antitrust Division for the past several years?

A. Well, my first work in the Antitrust Division was largely in conspiracy—price-fixing cases—but in the last few years I have concentrated more largely upon merger and acquisition cases, although I continued in both types of work.

Q. Dr. Gaffey, in connection with this pending litigation, what has been your assignment?

A. I have been in charge of assembly of facts and compilation of facts and figures to show the economic effect and significance of the proposed combination of these two banks.

Mr. Reycraft: We have a set of tables, if Your Honor please, which I have asked Mr. O'Donnell to hand to the Clerk for Your Honor.

[fol. 577] Mr. Littleton: If Your Honor please, before we get to that, I wonder if I could ask for an offer of proof at this point because we had understood from Mr. Rey-

craft that the doctor was to be called simply to identify documents.

Mr. Reycraft: Well, Dr. Gaffey is going to testify with respect to compilation of tables which he has made from available reliable sources, including records obtained from the defendants.

It is not our intention to offer Dr. Gaffey's testimony with respect to the economic effect of the merger, so that Dr. Gaffey's testimony will be limited to the work which he has done in preparing economic information with respect to the merger.

Mr. Littleton: May I ask him a couple of questions, Mr. Reycraft?

Mr. Reycraft: Yes, sir.

By Mr. Littleton:

Q. Dr. Gaffey, I didn't catch it—maybe you said it—have you ever done any work in banking before this?

A. I have done a good deal of study in banking, yes.

Q. Have you ever written anything?

A. Not——

Mr. Reycraft: May I——

The Witness: I have written a good deal of informa- [fol. 578] tion, but it has been not for publication, and it has been memoranda for use in Government investigations.

By Mr. Littleton:

Q. Have you ever taught banking?

A. No. I never taught a specialized course in banking and finance. I have taught the banking and finance elements.

Q. Banking is a pretty general subject.

A. I have taught survey courses in economics and business administration which included a coverage of the main elements of the banking system as a segment of those courses.

Q. Have you ever done any special study in banking?

A. Yes.

Q. Whereabouts and when?

A. In the Antitrust Division.

Q. In the Antitrust Division?

A. Yes. Other matters that are involved——

Q. When did you do this?

A. Last year and this year.

Q. In connection with what case?

Mr. Reycraft: I object, Your Honor.

I must say, to protect Dr. Gaffey, that there are matters pending within the Department which Dr. Gaffey is not free to disclose; but his testimony that he has been working in this area for at least the last two years is correct.

[fol. 579] I suggest that Mr. Littleton confine his questions to study in connection with matters which are public.

By Mr. Littleton:

Q. In connection with the study that you have been making in the Antitrust Division of this unnamed case, what studies have you made? What sources have you gone to?

A. Our sources have been largely the reports of the firms concerned and other firms that are in competition with them; and published information, financial manuals, and other public information which is available with regard to banks and financial institutions.

Q. Do I infer correctly that you were doing the same type of work there that you have been doing in this particular case?

A. Generally similar.

Q. And that you considered studying banking or doing research in banking?

A. Yes.

The Court: Do I understand that he is merely to explain the figures which he has compiled?

Mr. Reycraft: That's right, Your Honor.

The Court; Their sources and so forth?

Mr. Reycraft: Yes, sir. That is correct.

The Court: All right.

[fol. 580] Mr. Littleton: I understand he is not to express an opinion.

Mr. Reycraft: I don't intend to ask him any opinion.

The Court: No.

By Mr. Reycraft:

Q. Dr. Gaffey, will you refer to Table No. 1, which we have marked as Government's Exhibit No. 1,——

Mr. Littleton: If Your Honor please, before the doctor gets to that, I notice Mr. Reycraft refers to it as having been marked for identification as Table No. 1.

May I say that we were given to understand on Friday that the documents (and Mr. Reycraft will correct me if I am wrong) that he expects to have identified by Dr. Gaffey or someone else for this record number in the order of three hundred to four hundred.

Mr. Reycraft: No, indeed, that is not correct.

Mr. Littleton: How many?

Mr. Reycraft: No. Dr. Gaffey does not intend to identify documents numbering from three hundred to four hundred. I believe they are in the neighborhood of forty to forty-five documents.

Mr. Littleton: I said by Dr. Gaffey or others.

Mr. Reycraft: Or others; that's possible.

[fol. 581] Mr. Littleton: It is possible that it will be three hundred to four hundred?

The Court: Do I understand that they have already been marked?

Mr. Reycraft: Yes, sir.

What is the maximum number at the moment——

Mr. Price: None of them were marked, sir. They were marked informally, merely.

The Court: Just informally?

Mr. Reycraft: Yes, sir.

Mr. Littleton: Purely informally.

The statement, as I understand it, is that the numbers might be changed, that they might be offered in a different order, that additional documents might be used; so I think that if there is to be any reference to marking for identification they should be so marked here and handled in the normal way.

Mr. Reycraft: That is perfectly agreeable, if Your Honor please.

The Court: I think probably it would be better to have the Clerk mark each one of them as you offer it not as you offer them. I don't want any offered as such until the conclusion of the case.

Offer them for identification. You may use them, but [fol. 582] they won't be admitted until the end of the case.

Mr. Littleton: If Your Honor please, your comment suggests this to me, that in view of this large number of documents to be so identified and perhaps not offered until the end of the case, I would suggest that if each document is offered we would have an explanation accompany it by Mr. Reycraft as to its relevancy, because we take this first one that he is offering—number of banking offices of commercial banks in Philadelphia, Montgomery, Delware, and Bucks Counties in Pennsylvania,—now, in the complaint which the Department of Justice has filed here the offense charged in paragraph 15 is, beginning sometime prior to November 15, 1960, and continuing thereafter up to and including the date of the filing of this complaint, defendants, Philadelphia National and Girard Trust, have been engaged in an unlawful combination in unreasonable restraint of the above-described interstate trade and commerce in violation of Section 1 of the Sherman Act.

We go to the above-described interstate trade and commerce, which is described in paragraph 14 immediately preceding and that reads that customers of Philadelphia National and Girard Trust have regularly utilized interstate communications, including the mails, telephone, and [fol. 583] telegraph to effect deposits, apply for and obtain loans, and obtain other services made available by these banks. The banks have regularly utilized interstate communications, including the mails, telephone, and telegraph, to conduct banking business with customers and with other banks located in states other than the state in which they are located. The banks have received a substantial amount of deposits from states other than the state in which they are located, and have made a substantial amount of loans to customers in such other states. Philadalphia National and Girard Trust are engaged in interstate commerce.

We do have business in New Jersey——

The Court: That refers back all the way to paragraph 5 through 14?

Mr. Reycraft: I may say, Your Honor, that these facts are admitted.

Mr. Littleton: I am not denying it. I am not denying it.

Your Honor's question was what?

The Court: You have said that they described interstate trade and commerce only in 14. My question directed to you is, isn't that an all-inclusive statement of 5 through 14?

Mr. Littleton: I think it is, if Your Honor [fol. 584] please.

I am reading from this and directing Your Honor's attention to it simply to point out the fact that the Government is here averring that we are in interstate commerce. We concede that. We concede that our area includes New Jersey and Delaware, as well as Pennsylvania.

It is perfectly obvious. Here is Camden, right across the river, with two large bridges and thousands of people going back and forth every day, and everyone that knows anything about Philadelphia knows that that is part of the Philadelphia area, certainly, so far as banking is concerned.

Wilmington is likewise so. Wilmington is a great deal nearer than many places in the contiguous County of Chester.

Table No. 1 simply offers the number of banking offices of commercial banks in Philadelphia, Montgomery, Delaware, and Bucks Counties in Pennsylvania; and I ask that the Government Antitrust Division state each time it presents one of these documents for identification the relevancy in view of the averments of the complaint to which I have directed Your Honor.

Mr. Reycraft: May I say, Your Honor, at this point, that the Government surely does not take the position [fol. 585] that the banks do not do some business outside of this immediate area. In fact, our statistical tables will show precisely that.

I think the fact that the defendants have here admitted the substantial allegations of paragraph 14 of the complaint indicates that there is no doubt that these banks regularly utilize interstate communications, the mails, telephone, and telegraph, to effect deposits; that they apply for——

The Court: His objection goes a little deeper than that, Mr. Reycraft. He says that despite all that you are putting in a table including only four counties, as if that table

will include the question that they are in competition only intrastate, nowhere else.

Mr. Reycraft: No, sir. It is a fact, and I know that Mr. Littleton doesn't deny it, that these banks have banking offices only in these four counties. The table is relevant for that reason and for that purpose.

The Court: It is relevant to your theory of the case.

Mr. Reycraft: Yes, sir. That's right.

Mr. Littleton: The thrust to my objection, if Your Honor please, is that the Antitrust Division has not, before it produces these documents, defined what it considers to be [fol. 586] the relevant area, the relevant market area of these two banks and the resultant bank; and to just start by putting in something that takes in only a few of the counties and the banks therein and does not talk about New Jersey, Delaware, and the counties there which we contend are in the banking area of the Philadelphia Bank and the Girard Bank and the resultant bank, I think the Government should be made to establish relevancy by defining what it concedes to be the relevant market for the purposes of this case.

Mr. Reycraft: We think the four-county area which is set forth in Table 1 is the most relevant area within which to test the competitive effects of this merger.

The Court: So your theory of the case is that the only area involved here are the four Pennsylvania counties?

Mr. Reycraft: We think it is the most relevant area, Your Honor, in which to test the effects of this merger.

The Court: The most relevant?

Mr. Reycraft: Yes.

The Court: Is this the only area——

Mr. Reycraft: I think, Your Honor, that we could go beyond the area to show other areas where the banks compete, but I don't think it is necessary to the theory of [fol. 587] our case.

The Court: You had better get off on a firm footing. We are on a little quicksand here. We are on shifting sands.

Mr. Reycraft: No, sir, Your Honor.

The Court: I think the Government ought to take a position as to what it deems the relevant geographical area. I think that is always important in an antitrust case.

Mr. Reycraft: Yes, sir. It is the four-county area which is the most important geographical area.

I might explain that, that if the effects of the merger show a restraint of trade, a lessening of competition, or a monopoly in any area out of the whole United States, that alone is sufficient to make it unlawful in our judgment.

Now, this does not mean that we have to meet Mr. Littleton in every area where there may be some peripheral competition between the banks, but we think that no doubt in view of the fact that these are the counties where the banks have their main offices, the fact that the statistics will show that this is where they do the bulk of their business, that this is the most relevant geographic market area and that this is the one on which we will rely.

The Court: I am going to let him proceed, Mr. Little-
[fol. 588] ton. I think we have thrown a little light here on the respective theories.

He is entitled to present his case on his own theory and whether it is right or wrong he has a right to do it.

Mr. Littleton: It seems to me that there is an extreme number of documents,——

The Court: He has stated his position that this is the most relevant area as affecting competition.

Mr. Reycraft: Yes, sir. That is our position, Your Honor.

The Court: All right.

Mr. Reycraft: Will you mark for identification as Government Exhibit No. 1 "Table 1, Number of Banking offices of Commercial Banks in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania"?

The Court: Please let that remain with the reporter. I prefer to have the reporter take charge of these exhibits.

(Document headed "Table 1," entitled "Number of Banking Offices of Commercial Banks in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania," was marked Exhibit G-1 for identification.)

[fol. 589] By Mr. Reycraft:

Q. Dr. Gaffey, was Government's Exhibit No. 1 for identification prepared under your direction or supervision?

A. Yes, it was.

Q. What sources did you use for this exhibit?

A. The data for the two defendant banks, Philadelphia National Bank and Girard Trust Corn Exchange, were secured from those companies' answers to the Government's complaint in this case; and the data for all the other banks which have offices in this area were secured from a report by the Board of Governors of the Federal Reserve System.

This was a special report prepared by the Board of Governors of the Federal Reserve System made to the Comptroller of the Currency under Section 18(c) of the Federal Deposit Insurance Act, with particular reference to this proposed consolidation.

Q. Dr. Gaffey, what does the data which you have assembled show with respect to the number of banking offices held by Philadelphia National Bank and Girard?

A. It shows that Philadelphia National had twenty-seven offices and Girard had thirty-eight offices, or a total of sixty-five offices out of a total number of offices, two-hundred eighty-four, of all of the commercial banks operating in this area.

[fol. 590] It shows that the Philadelphia National Bank and Girard Trust Corn Exchange Bank have 22.9 per cent of all of the banking offices, or would have that proportion of the total number of banking offices if they were combined.

Q. Dr. Gaffey, what is the relation between these figures and the number of offices held by the next three or four largest banks?

A. Well, the combined total number of offices of Philadelphia National and Girard Trust would be far and away greater than that of any other bank. They would be about half again as many offices as the next largest bank, more than three times or about three times the number of offices of the third largest bank, and so on.

It would give them an overwhelming advantage.

Mr. Littleton: Excuse me. Have you finished with Exhibit 1?

Mr. Reycraft: Yes.

By Mr. Littleton:

Q. When you were making up this table did you find out how many banks from outside the four counties have representatives soliciting deposits and loans in this four-county area?

A. Do I understand your question, have representatives soliciting deposits and loans?

Mr. Littleton: Would you read my question, please?

[fol. 591] (The reporter read the pending question.)

The Witness: No. This is all the banks that have offices in this four-county area; but I don't know about their representatives, what representatives other banks located elsewhere may have.

Mr. Reycraft: That is all the table purports to represent.

By Mr. Littleton:

Q. Was your reason for not getting that information the fact that you didn't think it was important or that you weren't so instructed?

A. Well, I didn't think it was important. This is a compilation of banking offices. It does not purport to be a compilation of what representatives of banks located elsewhere may have in that area.

Q. In other words, this isn't a compilation of the relevant market for the Philadelphia Bank or the Girard Trust Company?

A. I don't believe you have made a correct statement there, sir.

Q. Well, tell me. What is your answer to my question?

Mr. Littleton: Read the question.

The Witness: Will you read the question?

(The reporter read the question as follows:

[fol. 592] "Q. In other words, this isn't a compilation of the relevant market for the Philadelphia Bank or the Girard Trust Company?")

The Witness: I believe that it is a compilation of the relevant market of the Philadelphia National Bank and the

Girard Trust Corn Exchange Bank in so far as number of banking offices is concerned.

By Mr. Littleton:

Q. Do you mean that within these four counties these banks have this number of offices?

A. That's all.

Q. And that is all?

A. That's all the banking offices there are in these four counties, as far as I was able to ascertain.

Q. Did that satisfy your definition of relevant market of the Philadelphia National Bank and the Girard Trust?

A. Well, I don't think the number of banking offices is the only basis on which one determines whether a particular area is a relevant market for banks or not. It is one criterion, one of many, in other words.

Mr. Reycraft: Your Honor, I object to this line of questioning.

The Court: I think I will sustain the objection.

[fol. 593] It is put in here merely to state that the report shows X number of banks. It means no more and no less.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 2 a document marked "Table 2," entitled "Comparison of Total Deposits and Deposits of Individuals, Partnerships and Corporations of the Philadelphia National Bank and Girard Trust Corn Exchange Bank with such Deposits of all Commercial Banks in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania as of October 3, 1960."

(Document headed "Table 2," entitled "Comparison of Total Deposits and Deposits of Individuals, Partnerships and Corporations of the Philadelphia National Bank and Girard Trust Corn Exchange Bank with such Deposits of all Commercial Banks in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania as of October 3, 1960," was marked Exhibit G-2 for identification.)

Mr. Littleton: Mr. Reycraft, will you excuse me a minute? I have two more questions on Table 1.

By Mr. Littleton:

Q. Are you aware of an office of the First Camden National Bank located on Market Street in Philadelphia?

A. Yes.

Q. Why don't you include it in here?

[fol. 594] A. Well, this is a compilation of all of the banks—this is a compilation of all of the banks having banking offices, all the commercial banks having banking offices in these four counties.

Q. Is that what the title said? Read the title.

A. Number of banking offices of commercial—I am sorry, let me start again.

"Number of Banking Offices of Commercial Banks in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania."

Q. Is First Camden National a commercial bank?

A. Yes.

Q. Has it an office in Philadelphia on Market Street?

A. Yes.

Q. That has been there for years?

A. I think, sir, you are assuming that it is not included in here. I did not say that it was not included.

Q. Where did you say that it was included?

Mr. Reycraft: If I may refer to this exhibit, it lists the names of the first eight banks; it then says some other commercial banks with head offices in Philadelphia, which does not include the Camden Bank.

It then refers to Montgomery County Bank & Trust Company, Norristown; it then refers to fifteen other commercial [fol. 595] banks with head offices in Montgomery County; it refers to Delaware County National Bank, Chester; and refers to nine commercial banks with head offices in Bucks County.

Mr. Littleton: What does that mean?

Mr. Reycraft: That explains that the table states exactly what it purports to be.

By Mr. Littleton:

Q. Does it include the Market Street office of the First Camden National Bank in Philadelphia?

A. I think not. I believe it includes only banks which

have head offices in one of these counties; and that bank does not.

Q. Is that why you included Brown Brothers Harriman & Company?

A. Well, Brown Brothers Harriman is a somewhat unusual organization. There is some question whether it is a commercial bank.

Q. This firm's head offices are in New York; don't you say that?

A. Yes. That's included as a special explanation. We included it for the purposes of completeness. There is some doubt as to whether it should have been included, strictly speaking.

Q. Well, for the same purposes of completeness, do you [fol. 596] say now that you should or should not have included the First Camden National Bank office which is on Market Street in Philadlephia?

A. Well, perhaps it should have been included on the same basis.

Q. Have you the figures with respect to it?

A. (No response.)

Q. Have you the figures with respect to it?

A. I believe there is only one such bank.

Q. All right.

A. That would be one more bank.

Q. Now, in the Footnote 1 you have included the words, after "Finance Company of Pennsylvania," in parentheses "Industrial bank."

Would you tell us what you mean by that?

A. Well, that's a term that is not widely used or real clearly defined, but it usually means an institution——

Q. I want to know what you mean by it here.

A. Yes, sir. I am attempting to tell you.

Mr. Reycraft: If you are asking him to testify as an expert as to what an industrial bank is, I object to the question.

The Court: No, that isn't what he asked. Your objection is overruled.

[fol. 597] He asked him what he meant. He prepared the chart, he has some meaning in it; and that is all he is asking.

The Witness: That bank is listed as such in banking directories.

"Industrial bank" as a term means a banking institution which specializes in small industrial-type loans and generally does not do a general commercial-banking business on as broad a basis as most commercial banks.

The term, I believe, arrows more or less parallel with industrial insurance, which is insurance policies that are sold in relatively small amounts to wage earners with frequent payment of premiums there.

By Mr. Littleton:

Q. But you include it here because that is your idea of an industrial bank, or did you include it because that is what it said in the manual which you were using?

A. Well, for both reasons. I included it for completeness.

I think it is a marginal type of operation. There is some doubt whether or not it should have been included, but I included it for completeness.

Mr. Littleton: All right.

Thank you, Mr. Reycraft.

[fol. 598] By Mr. Reycraft:

Q. Dr. Gaffey, with reference to Government's Exhibit No. 2, would you describe what the data show with respect to the total deposits of the banks which would be combined?

A. This shows the total deposits of Philadelphia National Bank of $986,000,000 and Girard Trust Corn Exchange Bank of $668-plus million; or a combined total of $1,655,000,000, or approximately 36 per cent of all of the deposits of commercial banks in this four-county area; and on deposits of individual partnerships and corporations, which are the greater portion of bank deposits, it shows their total deposits, total combined deposits of the two banks, Philadelphia National and Girard, of $1,163,000,000, or something over 42 per cent of total deposits.

Q. How do the total deposits compare to the deposits held by the next five largest banks?

A. Well, they are very much larger than any other bank. Taking total deposits, approximately 36 per cent for this proposed combination and approximately 22 per cent for the next largest bank, so that this proposed combination would be more than half again as large as the next largest one.

It would be more than three and half times as large as the third, and also more than three and half times as large as the fourth; about almost seven times as [fol. 599] large as the fifth largest bank.

It would be very much larger than any of it competitors that would remain.

Q. Do the same proportions hold true with respect to the deposits of individual partnerships and corporations?

A. The proportions are quite similar, yes.

Q. Dr. Gaffey, what were the sources on which you relied in preparing this exhibit?

A. This information came from the Federal Reserve Board, from that special report which they prepared with reference to this proposed consolidation, the same report that is cited in Table No. 1.

By Mr. Littleton:

Q. Doctor, I notice you have again omitted the Market Street office of the First Camden National Bank & Trust Company.

A. Yes.

Q. That is correct, isn't it?

A. Yes.

Q. Do you think it should have been included?

A. No. I think clearly it should not have been included in this table.

There is some possible question with regard to the first one, but I don't think there is any question at all with regard to this one because the headquarters and the [fol. 600] greater part of the deposits of that bank would be at its headquarters.

Q. You don't think deposits made on Market Street, Philadelphia, have anything to do with this table?

A. Well, deposits made are made in a bank and they are an obligation of the bank, the institution as a whole, not

the particular office in which the depositor happens to hold his account.

Q. Was this the reason that you omitted reference to the First Camden?

A. Yes.

Q. May I ask, then, why with reference to Brown Brothers Harriman, you say this firm's head office is in New York, but that it has its major office in Philadelphia, only the deposits of this firm's Philadelphia office are included?

You did that, did you not?

A. Yes.

Q. What is the reason that similar treatment should not be had of the First Camden Philadelphia office?

A. Well, the information was available and was compiled on this basis by the Federal Reserve Board, the Board of Governors of the Federal Reserve System; and I used their compilation in this manner and did not make any adjustments of it.

Q. I thought a few minutes ago you said that the reason [fol. 601] that you didn't include the deposits of the Market Street office of the First Camden National was because those deposits were the obligation of the main office, which is in Camden.

A. That is correct.

Q. Isn't that what you said?

A. That is correct.

Q. So you exercised judgment as to that.

Now I say, why didn't you exercise judgment similar to the judgment you exercised with reference to Brown Brothers?

A. Well, I think this is one of those matters that could have been done either way. The Federal Reserve Board's Board of Governors did it this way and I accepted their judgment in this matter.

Q. You were trying to show proportions?

A. Yes.

Q. Deposits?

A. Yes.

Q. Doesn't this affect the proportion?

A. Yes, in a very minor way.

Q. It still affects the proportion, doesn't it, Doctor?

A. Yes, but the effect would be, I would judge, insignificant.

[fol. 602] Q. Do you know what the deposits of the Market Street office of the First Camden National Bank are?

A. No.

Q. How can you say they are insignificant?

A. I am——

Q. You are guessing?

A. I am quite sure that as a proportion of the total compilation of deposits here they would be very small.

Q. Let me ask you, did you make any effort to discover the amount of deposits originating in this four-county area but held by banks outside the four-county area?

A. I didn't explore that.

Q. You didn't make any effort to do that?

A. I have no figures on that.

Q. Your answer is no?

A. Yes.

The Court: Before we take the next one, Mr. Reycraft, let's take our ten-minute break.

(A recess was had.)

[fol. 603] By Mr. Littleton:

Q. Dr. Gaffey, just one other question on Table 2: I direct your attention to the item "Nine other commercial banks with head offices in Philadelphia," and you refer to Footnote 1, which gives the list of those nine banks, the last one of which is Brown Brothers Harriman and Company, and then you say, "This firm's head office is in New York but it has a major office in Philadelphia. Only the deposits of this firm's Philadelphia office are included."

What were the deposits of Brown Brothers Harriman's Philadelphia office which you included? How much?

A. I don't have that figure right here, sir.

Q. Could you get it for us?

By Mr. Reycraft:

Q. Dr. Gaffey, isn't it a fact that this information was submitted by the Federal Reserve Board in its report to the Comptroller, a copy of which is in Mr. Littleton's possession? Were you given any information with respect to the

confidential treatment afforded these deposits of Brown Brothers?

A. Yes, they are confidential, that breakdown.

By Mr. Littleton:

[fol. 604] Q. The report by the Board of Governors of the Federal Reserve on this subject, Doctor, says, "Nine other commercial banks with head offices in Philadelphia, total deposits, $146,948,000." There is no footnote or anything else in the Federal Reserve's compilation, and it doesn't say anything about the Philadelphia deposits of Brown Brothers. Now, you say, "Only the deposits of this firm's Philadelphia office are included." What I want to know is how much that is and where you got the figures.

A. Well, I got the information that those figures are included, from the people in the Federal Reserve Board. I talked with the people who prepared this information and asked them for further detail about how it was prepared, and so on.

Q. And did they give you the details?

A. They gave me the list of firms that were included, which I have set forth in the footnote here.

Q. Did they say anything as to the Philadelphia office deposits of Browns Brothers?

A. They told me orally what I have said here, that, of course, this firm's head office is not in Philadelphia, it is in New York, but that the deposits of this firm's Philadelphia office were included. They did not turn over to me the spe-[fol. 605] cific figures of Brown Brothers Harriman's deposits in their Philadelphia office. I feel sure they have them, but I also know that they are confidential figures.

Q. But you never heard the figure?

A. No.

Q. You made no notation of the figure?

A. I don't believe I asked them for the specific figure. I was satisfied that it was included.

Q. You simply put this in this chart because of an oral conversation you had with people who worked on this in the Federal Reserve?

A. I put the figure in my table that the Federal Reserve had in their table for this category, and I explained it a little bit further in this Footnote 1.

Q. On the basis of this oral conversation?

A. Yes.

Q. Were there other oral conversations reflected in these various documents that you are producing here?

A. Well, yes, I talked with the people who prepared the figures. I talked with representatives of the Federal Reserve, yes.

Q. And you have included in these tables the results of oral conversations with staff members of the Federal Re- [fol. 606] serve; is that correct?

A. I have changed no figures in the tables as a result of such——

Q. I didn't ask you that.

A. I sought to understand as fully as possible the basis upon which their figures were compiled and to set them forth as clearly as possible in these tables. Where I thought it necessary to put a footnote explaining a thing like this, I did that.

Q. On the basis of oral conversation?

A. Yes.

By Mr. Reycraft:

Q. Dr. Gaffey, isn't it a fact that all of the figures set forth in Government's Exhibit No. 2 come from the Federal Reserve report?

A. Yes.

Q. And isn't it a fact that the only thing that you have added by way of oral explanation, which you received by way of oral explanation, is the further detail on the breakdown of the Brown Brothers Harriman deposits?

A. Yes. What I have added is in this Footnote 1, a list of the firms which are included in those nine banks. The Federal Reserve's report just said the nine banks, and I inquired into which nine they were and set them forth here. [fol. 607] Q. Dr. Gaffey, if that footnote was excluded, would it affect the figures in any way set forth in this table?

A. No, it would not.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 3, Table No. 3, entitled "Comparison of Total Net Loans of the Philadelphia National Bank and Girard Trust Corn Exchange Bank with such Loans of all

Commercial Banks in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania as of October 3, 1960."

(Document headed "TABLE 3," entitled "Comparison of Total Net Loans of the Philadelphia National Bank and Girard Trust Corn Exchange Bank with such Loans of all Commercial Banks in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania, as of October 3, 1960," was marked Exhibit G-3 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, with reference to Government's Exhibit No. 3, will you state the sources on which you relied in preparing this exhibit.

A. This came from the same source, the report by the [fol. 608] Board of Governors of the Federal Reserve System to the Comptroller of the Currency with respect to this proposed consolidation.

Q. And what did the data show with respect to the total loans of the two banks?

A. They showed total loans of the two banks combined of over $955,000,000.

Q. What do they show in relation to the loans of the next five largest banks?

A. Well, the combined loans of the Philadelphia National and Girard Trust are more than 34 per cent of the total, and that is about 1½ times that of the second largest bank and about 3½ times of the third largest bank, and the fourth largest bank, it is about five times.

By Mr. Littleton:

Q. Doctor, again you have omitted the loans of the Market Street Philadelphia office of the First Camden National Bank and Trust Company, have you not?

A. Yes.

Q. And again you state that of the nine other commercial banks with head offices in Philadelphia, total loans aggregated $80,817,000. Brown Brothers Harriman is one of those, and you say, "This firm's head office is in New York [fol. 609] but it has a major office in Philadelphia. Only the loans of this firm's Philadelphia office are included."

What is the figure as to these loans?

A. Well, the situation with respect to that is the same as with the previous table. That is, I do not know the specific figure.

Q. You have never been told?

A. No.

Q. You have no memorandum of it?

A. No.

Q. And you do this simply on the basis of an oral conversation with staff members of the Federal Reserve?

A. I used the figures which the Federal Reserve used in their report, and I sought to explain them in this way.

Q. And you have made the note that only the loans of this firm's Philadelphia office are included. You made that note as a result of oral conversation with someone in the Federal Reserve; is that correct?

A. Yes.

Q. Now, did you make any effort to discover the amount of loans originating from the four-county area but held by banks outside the area?

A. I know of no source of that information, and I [fol. 610] didn't——

Q. Did you make any effort to find out what they were?

A. No. I relied on the Federal Reserve report for this category.

Q. In your oral conversations did you ask them whether they had made any effort to ascertain the amount of loans originating in this four-county area and held by banks outside the area?

A. I don't believe I asked them that question.

Mr. Littleton: All right.

By Mr. Reycraft:

Q. Dr. Gaffey, isn't it a fact that if this explanatory footnote were omitted, it would not change the figures contained in the Federal Reserve report in any way?

A. Yes, that is true.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 4, Table 4, which is entitled "Comparison of Capital Funds of the Philadelphia National Bank and Girard Trust Corn Exchange Bank with such Capital

of all Commercial Banks in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania as of October 3, 1960."

(Document headed "TABLE 4," entitled "Comparison of Capital Funds of the Philadelphia National Bank and Girard Trust Corn Exchange Bank with such Capital of all [fol. 611] Commercial Banks in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania as of October 3, 1960," was marked Exhibit G-4 for identification.)

Q. Dr. Gaffey, referring to Government's Exhibit No. 4; what is the source of the information contained in this exhibit?

A. The source of this table is also a report by the Board of Governors of the Federal Reserve System with respect to this proposed consolidation.

Q. And what does the data show with respect to the capital funds of the two banks which wish to be merged?

A. It shows combined capital funds of the two banks which are proposing to merge of almost $170,000,000, which is a little over 35 per cent of the capital funds of all the commercial banks with headquarters in these four counties.

Q. How do these figures compare with the capital funds of the next five largest banks in Philadelphia?

A. Well, the combined capital funds of Philadelphia National and Girard would be almost double the capital funds of the next largest bank and about three times that of the third largest and approaching four times that of the [fol. 612] fourth largest and between six and seven times as large as the fifth largest bank in the area.

Q. Now, Dr. Gaffey, referring to the Footnote No. 1, if the statement in the footnote relating to Brown Brothers Harriman were omitted, would it change the figures set forth in the Federal Reserve System report in any way?

A. No, it would not.

By Mr. Littleton:

Q. You have not included any portion of the capital assets of the First Camden National there, have you?

A. No.

Mr. Littleton: All right, that is all.

Mr. Reycraft: Will you mark for identification as Govern-

ment's Exhibit No. 5, Table 5, entitled "Comparison of Deposits Due to Banks in the Philadelphia National Bank and Girard Trust Corn Exchange Bank with such Deposits of the Principal other Commercial Banks in Philadelphia Holding such Deposits as of October 3, 1960."

(Document headed "Table 5," entitled "Comparison of Deposits Due to Banks in the Philadelphia National Bank and Girard Trust Corn Exchange Bank with such Deposits of the Principal other Commercial Banks in Philadelphia [fol. 613] Holding such Deposits as of October 3, 1960," was marked Exhibit G-5 for identification.)

Q. Dr. Gaffey, in preparing Government's Exhibit No. 5 what materials did you rely on?

A. For this table also I relied upon the report of the Board of Governors of the Federal Reserve System with respect to this proposed consolidation.

Q. And what does the data show with respect to the deposits due to banks?

A. Deposits due to banks, Philadelphia National and Girard Trust had $263,000,000, and the total of all banks which were compiled had $533,000,000, so Philadelphia National and Girard Trust had almost half of the deposits due to banks of all those that were shown.

Q. And how do these deposits compare with the deposits held by the next four largest banks?

A. Well, the combined deposits of Philadelphia National and Girard are about half again as much as the next largest, and they are between six and seven times as large as the third largest, and about the same as the fourth largest, and more than 16 times as large as the fifth largest in the area.

Q. Dr. Gaffey, why were only the first six banks included in this?

[fol. 614] A. The report of the Board of Governors of the Federal Reserve System states that the amount of such deposits in Philadelphia is significant in only the above banks. The smaller banks just don't have any significant volume of these in their bank deposits.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 8, Table 8.

Mr. Littleton: Excuse me, Your Honor. Do we have a six and seven?

Mr. Reycraft: I have Government's Exhibit No. 6, which is entitled "Table 6," and the caption is "Analysis of Loans and Discounts of the Philadelphia National Bank and Girard Trust Corn Exchange Bank and Comparison of Their Combined Loans and Discounts with Total Loans and Discounts of Commercial Banks in Philadelphia with Total Loans and Discounts of Commercial Banks in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of June 15, 1960."

(Document headed "Table 6," entitled "Analysis of Loans and Discounts of the Philadelphia National Bank and Girard Trust Corn Exchange Bank and Comparison of Their Combined Loans and Discounts with Total Loans and Discounts of Commercial Banks in Philadelphia with [fol. 615] Total Loans and Discounts of Commercial Banks in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of June 15, 1960," was marked Exhibit G-6 for identification.)

Q. Dr. Gaffey, referring to Government's Exhibit No. 6, what data did you rely upon in preparing that exhibit?

A. This information came from the reports of condition of the two banks that proposed to merge and summaries of each item of such reports of condition of all the other banks in the area, to get area totals.

Q. Dr. Gaffey, what do the data show with respect to real estate loans in Philadelphia?

A. Well, there are five classes of real estate loans, and the proportions vary somewhat by classes.

In the first class, in farm lands, Philadelphia National has almost 54 per cent of the total. Girard's total is similar there.

The other classes are larger quantitatively but particularly (b) and (d) and (e), they show—perhaps we ought to take them on the combined basis—they show a range from, considering all five classes of real estate loans, from 36½ to almost 61 per cent of real estate loans of commercial banks in this area in Philadelphia, were held by Phila- [fol. 616] delphia National and Girard Trust. The over-all average for that group in Philadelphia, Philadelphia National and Girard Trust had 41½ per cent of all of the real

estate loans considered together of the commercial banks with headquarters in Philadelphia.

Q. In the same category, Dr. Gaffey, what does the information show with respect to the figures in the 4-county area?

A. Generally similar relationships but somewhat smaller figures. On an over-all basis 30.5 per cent or almost 31 per cent of the real estate loans in the 4-county area by commercial banks were held by these two banks that are seeking to combine. There was some variation within the categories. They went from a low of 19.7 per cent to a high of 41.4 in the five subclassifications.

Q. Referring to the second category of information set forth in this exhibit, what do the data show with respect to commercial banks in Philadelphia?

A. Well, in the first class, subclass, loans to domestic commercial and foreign banks, they show that these two combining institutions are overwhelmingly dominant. They have about 86 per cent of all the loans in this category.

[fol. 617] Mr. Littleton: If Your Honor please, the witness says, "overwhelmingly dominant." I understood that this witness was not to express opinions here. For that reason we haven't cross-examined him as fully we might on his qualifications.

Mr. Reycraft: I think Dr. Gaffey was referring to merely statistical terms and not giving an economic conclusion.

Mr. Littleton: If I may be presumptuous, I suggest he restrict himself.

By the Court:

Q. Where do we get 86 per cent?

A. Line 2(a) in "Percent of Total Commercial Banks in Philadelphia." Philadelphia National and Girard Trust had 85.9 per cent of all the loans in this category in Philadelphia.

In the loans to other financial institutions, that is, other than the domestic commercial and foreign banks, their proportion in Philadelphia was 33.7 per cent.

Q. Isn't that an over-all? Doesn't that 85.9 reduce on the over-all picture to 38.3?

A. Yes, it does. The 38.3 is the weighted average of the [fol. 618] two categories, 2(a) and 2(b).

Q. 38.3 is actually the average, isn't it?

A. Yes, it is. It is the average proportion that these two banks have of loans to all financial institutions considered together.

The Court: All right. Go ahead, Mr. Reycraft.

By Mr. Reycraft:

Q. Referring to Category 3, Dr. Gaffey, what does the information show with respect to loans for purchasing or carrying securities?

A. This is a category in which the proportions of the two combining banks are smaller than in most others. In 3(a), to brokers and dealers for purpose of purchasing or carrying securities, they have 3.6 per cent, and the average of those two categories is 5.8 per cent.

Q. Referring to Category No. 4, loans to farmers, what is indicated?

A. The two banks that are seeking to combine have 41.4 per cent of such loans of Philadelphia banks.

Q. The next category, No. 5, commercial and industrial loans, would you indicate the relative importance of this [fol. 619] category to the total of loans shown on the chart?

A. Well, commercial and industrial loans are the principal business of commercial banks, and this is by all odds the most important category. It is more important——

Mr. Littleton: I move that it be stricken. The witness was instructed not to express opinions. He is expressing one after another.

The Court: It may be stricken.

The Witness: I am sorry. May I start again? Commercial and industrial loans account for a greater volume than any other category, and they approach being as important as all other categories combined.

Q. Dr. Gaffey, what are the relative percentages with respect to other banks in the area?

A. In commercial and industrial loans Philadelphia National has 25.4 per cent of the total and Girard has 17.3 per cent of the total, so combined they would have 42.7 per cent of the total commercial and industrial loans of commercial banks in Philadelphia.

Q. Moving into the category of the 4-county area, what do the statistics indicate?

A. The proportion is slightly lower. It is 40.8 per cent. [fol. 620] That is, Philadelphia National and Girard combined would have 40.8 or almost 41 per cent of the commercial and industrial loans of all commercial banks in these four counties.

Q. Dr. Gaffey, would you describe the type of information included in Category No. 6.

A. Well, these are the typical consumer type loans. The subcategories explain them. That is, to purchase private passenger automobiles, to purchase other retail consumer goods on installments, installment loans to repair and modernize residential property, other installment loans for household, family, and personal expenditures, and single-payment loans. That is where a person borrows money and repays it all at once at the end of the borrowing term instead of by a series of installments.

Q. What do the statistics indicate with respect to the relative shares in these categories?

A. They vary from a low of 12.9 per cent to a high of 41.7 per cent in the different categories, and on an over-all average basis Philadelphia National and Girard combined would have 28½ per cent of all such loans by commercial banks in this area.

[fol. 621] Q. Dr. Gaffey, moving out into the 4-county area, how do the figures change?

A. They change quite slight. The proportion of Philadelphia National and Girard Trust of this type of household, family, and other personal loans in the 4-county area is 26.2 per cent.

Q. In the category of all other loans what do the statistics indicate?

A. They indicate that Philadelphia National and Girard Trust have 41.6 per cent of all loans of this type in Philadelphia and 37.4 per cent of such loans in the four counties.

Q. What are the relative shares with respect to the total gross loans and discounts?

A. Philadelphia National and Girard combined have 36.7 per cent of total gross loans and discounts in Philadelphia and 33.8 per cent of total gross loans and discounts in the four counties combined.

Q. Will you describe the adjustment which is made in Category 9.

A. Well, that is a customary reserve for the fact that some small proportion of people are not able to pay off their loans, for one reason or another, so banks keep a reserve for [fol. 622] that purpose, and after you deduct those reserves you get total net loans and discounts, and the reserves are so small with relation to the gross figures that the percentages of total net loans and discounts are very nearly the same as the percentages on total gross loans and discounts.

By Mr. Littleton:

Q. Doctor, I notice in your note here that none of these figures include Brown Brothers Harriman and Company's loans; is that correct?

A. That is correct.

Q. As I understand it, in this table you restricted yourself simply to commercial banks in Philadelphia and commercial banks in the 4-county area?

A. That is correct.

Q. No other kinds of banks, no other kinds of lending institutions, no savings funds, no savings and loan, no building associations, no insurance companies, in any of these tables?

A. That is correct.

Q. In No. 2, loans to financial institutions, those loans are loans to financial institutions beyond the 4-county area, are they not, as well as within the 4-county area?

[fol. 623] Mr. Reycraft: Well, I object to that. If he knows, he may answer.

The Court: If he knows, he may answer.

A. Yes. This is a classification of loans by type of borrower, not by location of borrower.

By Mr. Littleton:

Q. So that the location might be anywhere from any borrower?

A. Yes.

By Mr. Reycraft:

Q. Dr. Gaffey, isn't it a fact that these are the categories which are used on the call reports?

A. Yes, these are the classifications that are directly taken from the statements or reports of condition to the banking authorities, which are commonly called call reports.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 7, Table 7, captioned "Analysis of Deposits of the Philadelphia National Bank and Girard Trust Corn Exchange Bank and Comparison of Their Combined Deposits with Total Deposits of Commercial Banks in Philadelphia and with Total Deposits of Commercial Banks [fol. 624] in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of June 15, 1960."

(Document headed "Table 7," entitled "Analysis of Deposits of the Philadelphia National Bank and Girard Trust Corn Exchange Bank and Comparison of Their Combined Deposits with Total Deposits of Commercial Banks in Philadelphia and with Total Deposits of Commercial Banks in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of June 15, 1960," was marked Exhibit G-7 for identification.)

Q. Dr. Gaffey, in preparing Government's Exhibit No. 7 what was the data on which you relied?

A. These were compiled from reports of condition by the Philadelphia National Bank and Girard Trust Corn Exchange Bank, and with respect to these items on the left, comparable information for all of the other banks in Philadelphia and in these four areas.

Q. Referring to Category No. 1 of demand deposits, "Deposits of Individuals, Partnerships and Corporations," what is the relative importance statistically of this category on total demand deposits?

A. Well, this is much the most important category of demand deposits. It accounts for about three-quarters of [fol. 625] the total.

Mr. Littleton: I move that that be stricken.

The Court: Start over again, Doctor. What you said is stricken.

By Mr. Reycraft:

Q. Dr. Gaffey, will you compare them statistically with respect to their relative size rather than their qualitative importance.

A. Demand deposits of individuals, partnerships and corporations account for about three-quarters of all of the demand deposits.

By Mr. Littleton:

Q. Of what? These two banks?

A. No, of all the banks in the area. I believe that is also true for these two banks, however.

By Mr. Reycraft:

Q. Dr. Gaffey, will you refer to the relative percentages of the Philadelphia National Bank and the Girard.

A. Well, of deposits of individuals, partnerships and corporations, Philadelphia National Bank has almost 20 per cent and Girard has a little over 17 per cent. Their [fol. 626] combined total in Philadelphia is 37 per cent of all of these deposits of commercial banks in Philadelphia.

Q. And what are they by percentages in the 4-county area?

A. In the 4-county area Philadelphia National has approximately 18 per cent and Girard approximately 16, and the combined total is approximately 34 per cent of these deposits of all banks in the 4-county area.

Q. Now, with reference to total demand deposits, what are the relative positions of the two banks in Philadelphia and in the 4 county area?

A. Philadelphia National Bank has 23½ per cent of all demand deposits in Philadelphia and Girard Trust has 15.7 per cent, so that Philadelphia National and Girard Trust combined have 39.2 per cent of all demand deposits in Philadelphia, and in the 4-county area the figures are quite similar. Philadelphia National has 21.9 per cent and Girard Trust 14.7 per cent, so their combined total is 36.6 per cent of the demand deposits in the 4-county area.

Q. Dr. Gaffey, what do the data show with respect to the time deposits of individuals, partnerships and corporations [fol. 627] held in commercial banks?

A. The proportions are quite similar to those of demand deposits. Time deposits of individuals, partnerships and corporations, Philadelphia National has 17.1 per cent of that total in Philadelphia and Girard Trust has 19.5 per cent

of that total in Philadelphia, so their combined total is 36.6 per cent of all commercial banks in Philadelphia.

In the 4-county area Philadelphia National has 13.4 per cent of the total, Girard Trust has 15.3 per cent, and the combined total is 28.7 per cent of time deposits of individuals, partnerships and corporations in the four counties.

Q. What does the information contain with respect to the relative shares of total time deposits?

A. Total time deposits, Philadelphia National Bank has 18½ per cent of the total of all commercial banks in Philadelphia and Girard Trust has 19.1 per cent of that total, so Philadelphia National and Girard Trust combined have 37.6 per cent of all time deposits of commercial banks in Philadelphia.

In the 4-county area they each have approximately 15 per cent, and their combined total is 29.9 per cent.

[fol. 628] Q. Now, with respect to total deposits, including demand and time deposits, what do the figures show?

A. For all deposits combined, Philadelphia National Bank has 22.7 per cent of all such deposits in Philadelphia and Girard Trust has 16.3 per cent of all such deposits in Philadelphia, so their combined of such deposits in Philadelphia is 39 per cent.

In the 4-county area Philadelphia National has 20.5 per cent of all deposits and Girard Trust has 14.8 per cent of all such deposits, so the combined total of Philadelphia National and Girard is 35.3 per cent of bank deposits in the 4-county area.

Q. Dr. Gaffey, in statistical terms, which is the more important or largest category of deposits which is set forth in this exhibit?

A. Well, demand deposits are much more important.

Q. Would you be able to express that in percentages?

A. About ⅘ or approximately 80 per cent, of all the bank deposits are demand deposits, in round numbers.

Q. And what are the approximate percentages of deposits of individuals, partnerships and corporations to the totals?

A. The proprtions are about the same. Demand deposits of individuals, partnerships and corporations are more than [fol. 629] three times as great as time deposits of individuals, partnerships and corporations, and so of the total

deposits of individuals, partnerships and corporations, something over ¾ of that total would be demand deposits of individuals, partnerships and corporations.

[fol. 630] By Mr. Littleton:

Q. Doctor, you have been giving figures here of total deposits of commercial banks, first in Philadelphia. May I ask, how many commercial banks' deposits did you include in the Philadelphia figure? Numbers; first, number of banks.

A. All of them. I believe the total number is seventeen.

Q. Will you name them, please?

A. I don't think I could do that from memory.

Q. Do you mean that you don't have the record of that?

A. I have the records, but I don't believe I have them all here. I had them all.

Q. Well, will you produce them for us?

A. May I say possibly this will help to explain—I did not get the individual records from all of these banks. I got individual reports from the two defendant banks, Philadelphia National Bank and Girard Trust Corn Exchange Bank; and then I got totals of member banks from the Board of Governors of the Federal Reserve System and I got totals of banks which are not members of the Federal Reserve System from the Banking Commissioner of Pennsylvania, and combined them together to get the totals which served as the basis from which these percentages were taken.

Q. Now, in giving the figures for Philadelphia, you don't [fol. 631] know how many commercial banks you have included in this total?

A. I believe that the total number of commercial banks in Philadelphia, the most recent figure, was seventeen.

Q. Well, what has that to do with this chart? I am asking you how many were used in this chart.

A. They were all used.

Q. You used them.

Did you use Brown Brothers?

A. No.

Q. Did you use the Market Street office of the First Camden National Bank & Trust Company?

A. No.

Q. Neither of those——

A. Neither of those were included in the totals which I

obtained from the Board of Governors of the Federal Reserve System and from the Banking Commissioner of Pennsylvania.

Q. But you can't tell us now which ones were included?

A. How is that?

Q. You can't tell us now which ones were included?

A. I can't name them off from memory.

Q. No. Do you have it in the record somewhere?

A. Yes.

Q. Will you bring it in?

[fol. 632] A. I think——

Q. Now let's move to Montgomery County.

A. I think the records may be in Washington.

Q. Well, that's not very far away.

Mr. Reycraft: We will produce the records.

The Witness: All right.

By Mr. Littleton:

Q. Did you include the Second National Bank; do you remember?

A. Yes.

Q. Of Philadelphia?

A. Yes. I did include that.

Q. You did include that.

Now let's move to Montgomery County. How many commercial banks did you include in Montgomery County?

A. I can't tell you from memory the number that were included in each county.

Q. Have you a record of that, with the names of the banks?

A. Yes, I believe so.

Q. And the amounts?

A. No. The amounts, I do not have the amount for each bank. I have the totals which were obtained as I explained.

The totals for the member banks were obtained from the Federal Reserve System and the totals for banks which are [fol. 633] not members of the Federal Reserve System were obtained from the Commissioner—Superintendent of Banking of the State of Pennsylvania.

Q. How about from Delaware County? How many banks did you include from there?

A. Well, I don't know. All I recall——

Q. Have you the slightest idea?

A. All I recall is that there were no state banks in Delaware County.

Q. What does that mean?

A. So that all of the banks that were included were members of the Federal Reserve System.

Q. And how many banks was that?

A. I don't recall.

Q. You mean you have no idea?

A. Well, the number was small. I think there are only two or three. I don't recall, but the number is small; only a small number.

Q. What are those banks? What are their names?

A. I——

Q. Well, let's go to Bucks. Maybe we will have better luck with Bucks.

Mr. Reycraft: I object.

We are going to produce the underlying records which will [fol. 634] give you all of this information, Mr. Littleton.

Mr. Littleton: Here is the man who made up a chart and I want to know how many banks he has included in his chart.

Mr. Reycraft: We are going to give you his underlying records.

By Mr. Littleton:

Q. As to names and as to the number of banks included from each county?

A. Yes.

Q. Do you know whether there were any that you had excluded from Montgomery County, such as you excluded First Camden National and Brown Brothers from Philadelphia County?

A. I know of none that were excluded.

Q. And Delaware County the same?

A. I know of none excluded there.

Q. And Bucks County the same?

A. I know of none excluded there.

By Mr. Price:

Q. Doctor, the other exhibits that you have presented here this morning were all dated October 3, 1960. This is dated June 15th.

What is the significance of the two dates?

A. Well, the significance is that I used in each case the [fol. 635] latest available data which were complete. Where I had the October date I used it. I was not able to get totals for the October 3, 1960, date with respect to these figures and I was able to get June 15th, which was the last previous report of condition; and so I used the June 15th figure for these.

By Mr. Littleton:

Q. This may save a little time.

Do I understand that if I were to ask you the same questions with respect to G-6 that I just asked you with respect to G-7 your answers would be the same?

A. Yes. They would. They were prepared from the same sources. Tables 6 and 7 were prepared in the same manner from the same sources.

Q. Does either one of them reflect any oral conversations that you had with anybody, such as you had in connection with some of the earlier exhibits?

A. Yes. I had some, some conversations with the people at the Federal Reserve with respect to what was included for these tables.

Q. Point out to us on Table G-6, for instance, what you had there which is there as a result of those oral conversations.

A. Well, the total figures which I got from the Federal Reserve with respect to the member banks of the Federal [fol. 636] Reserve System did not include figures for the Second National Bank of Philadelphia, so I called them and asked them the reason for that, and they told me that Second National Bank of Philadelphia is a country bank, which is a different classification for their purposes, which has different reserve requirements; and, therefore, was not in the combined total which they had.

I asked them, therefore, if I were able to obtain the report for that company in order to get the total for all member

banks, would it be proper to add those figures in; and they said yes, that that would be proper procedure; and that's what I did.

Q. Did you get that figure in the form of a memorandum from the gentlemen who were talking to you?

A. No. I got that—I got the statement of condition directly from—I got the statement of condition of the Second National Bank of Philadelphia and took off those figures myself directly.

Q. And that goes for G-7 as well as G-6, does it?

A. Yes. That's true with G-7.

Q. Now, is there any other information on either G-6 or G-7 which is there because of an oral conversation you had with somebody in the Federal Reserve or elsewhere?

A. Yes. I inquired from the Banking Superintendent or [fol. 637] the officials in the Banking Department of the State of Pennsylvania about Brown Brothers Harriman and they told me that their figures, that is, the figures for Brown Brothers Harriman, were not included in the totals which they had supplied to me; and they said they were not separately available.

Q. They were not what?

A. They were not avalaible, they were confidential; and so I used the total which they gave me.

Q. Which did not include Brown Brothers Harriman?

A. Which did not include Brown Brothers Harriman.

Q. In either G-6 or G-7?

A. That's correct.

Q. In both of them?

A. Yes.

Q. Now, what other information is on these charts which comes purely as a result of oral conversations?

A. I don't believe there is any other. I don't believe there is any other information.

Q. And you will produce the underlying information with respect to the other questions I have asked?

A. I didn't understand you.

Q. You will produce the underlying information or memoranda with respect to the other questions which I have asked [fol. 638] you about G-6 and G-7?

A. I will produce—in so far as it is available, I will produce it, yes.

Q. Well, it is available, is it not?
A. Yes.
Q. You saw it, didn't you?
A. Yes.

Mr. Littleton: All right.

By Mr. Reycraft:

Q. Dr. Gaffey, will you identify the persons with whom you had these conversations you referred to at the Federal Reserve Board?

A. I think I can. I have to consult my notes here.

Mr. Leavitt in the office of the Board of Governors of the Federal Reserve System in Washington was my principal informant. I did talk with one or two other people over there, I believe.

Q. Can you obtain those names, Dr. Gaffey?
A. Yes.

Mr. Littleton: I didn't hear that.
Mr. Reycraft: Would you repeat the answer?

(The reporter read the testimony as follows:

"Q. Can you obtain those names, Dr. Gaffey?
"A. Yes.")

[fol. 639] The Witness: I don't really believe I secured any significant information from anybody else except Mr. Leavitt, although I did talk to three or four other people there.

Mr. Reycraft: Mr. Littleton wants to know their names so we will give them to him.

The Witness: All right. I will.

Do you want me to look further now?

Mr. Reycraft: No. We can defer that.

Will you now mark for identification as Government's Exhibit No. 8, Table 8, entitled "Comparison of Total Assets of The Philadelphia National Bank and Girard Trust Corn Exchange Bank With Total Assets of All Commercial Banks in Philadelphia and With Total Assets of All Commercial Banks in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of June 30, 1960."

(Document headed "Table 8," entitled "Comparison of Total Assets of The Philadelphia National Bank and Girard Trust Corn Exchange Bank With Total Assets of All Commercial Banks in Philadelphia and With Total Assets of All Commercial Banks in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of June 30, 1960," was marked Exhibit G-8 for identification.)

[fol. 640] By Mr. Reycraft:

Q. Dr. Gaffey, referring to Government's Exhibit No. 8, what data, what sources did you rely upon in compiling this exhibit?

A. This was compiled from Polk's Bank Record.

Q. Will you explain the footnote which is at the bottom of this exhibit?

A. I did not include Brown Brothers Harriman in this tabulation, either. It is a private bank, its headquarters or head office is in New York, and it has an office in Philadelphia.

The total assets of this firm on June 30, 1960, were $253,611,000.

I had available no information as to how much of such assets were devoted to commercial banking in Philadelphia, Delaware, Montgomery, and Bucks Counties, Pennsylvania.

Q. Dr. Gaffey, what do the statistics show with respect to the relative shares of Philadelphia National and Girard Bank as compared with all other commercial banks in Philadelphia?

A. It shows that Philadelphia National Bank had 23.1 and Girard had 16.1 of the total assets of all commercial banks in Philadelphia; and their combined total proportion was, therefore, 39.2 per cent.

[fol. 641] Q. And with respect to the four-county area?

A. The proportions are quite similar. Philadelphia National Bank had 21 per cent of the total assets of the commercial banks in the four-county area and Girard had 14.7 per cent of that total; so Philadelphia National and Girard combined had 35.7 per cent of the total assets of all commercial banks in those four counties.

By Mr. Littleton:

Q. You omitted Brown Brothers Harriman for the reasons stated in the footnote.

Will you give us the names of all the banks in Philadelphia County which you included in this table?

A. I can't give them from memory. I think I have the work sheets which would enable me to give them to you, yes.

Q. You say you do have them or you would have to get such work sheets?

A. I might have them here.

Yes, I have got that.

Q. Would you let us have them?

A. Shall I list them?

Q. Yes.

A. In addition, of course, to the two defendant banks which are already listed here, they are The First Pennsylvania Company, Provident Tradesmen's—I have got them [fol. 642] listed here by the short names. I don't have the full names.

Q. That's all right. We will understand.

A. I don't have the full names written out. I believe that will identify them.

Fidelity-Philadelphia, Central-Penn, Broad Street Trust Company, Liberty Real Estate, Frankford Trust Company, Industrial Trust Company, Second National Bank, Finance Company of Pennsylvania, Citizens and Southern, Pennsylvania Warehousing and Safe Deposit, Sonsitaly Bank and Trust Company.

That concludes the ones in Philadelphia.

Q. You didn't include the Marian Bank in Philadelphia?

A. Yes, I believe I did.

Q. You say you believe you did or did you?

A. I am quite sure I did, although it is not on this particular sheet.

Q. And not the Philadelphia office of the First Camden National?

A. No.

Q. Now, as long as you have your sheets there, could you tell us what banks you included in Montgomery County?

A. Yes. I did include the Marian Bank.

Q. Thank you.

A. It's not on this particular sheet, but it's on another.

[fol. 643] Q. Thank you.

A. Montgomery County, I don't have them listed here by county, but I can pick them out.

Bridgeport National Bank, Bryn Mawr Trust Company, Cheltenham National Bank, Collegeville National Bank—I am not sure of the pronunciation—Perkiomen——

Q. Perkiomen; that's good.

A. Perkiomen National Bank, Elkins Park National Bank, Harleysville National Bank, Jenkintown Bank & Trust Company, Montgomery County Bank & Trust Company, Peoples National Bank & Trust Company of Norristown, Security Trust Company of Pottstown, National Bank of Royersford, National Bank & Trust Company of Schwenkerville—of Schwenksville.

Q. Of which? I didn't get the last.

A. National Bank & Trust Company of Schwenksville.

Q. Schwenksville, yes.

A. Peoples National Bank of Souderton, Union National Bank & Trust Company of Souderton, and the Bank of Old York Road.

Q. Now, that takes care of Montgomery.

How about Bucks?

A. Bucks, yes.

Chalfont National Bank, Doylestown National Bank, Doylestown Trust Company, Morrisville Bank, Salebury National Bank of New Hope.

[fol. 644] Q. Solebury, I think.

A. Solebury—I can't read my own writing.

First National Bank & Trust of Newtown, Bucks County Bank & Trust Company, Quakertown National Bank, First National Bank of Riegelsville.

Q. How about Delaware County?

A. I have only one listed in Delaware County—Delaware County National Bank. That is the only one I seem to see here.

Q. Thank you very much.

Now, I notice that Mr. Price called your attention to the fact that G-7 and G-6 are dated June 15th, whereas your other tables up to that point were dated October 3rd.

I notice G-8 is dated June 30, 1960. What is the significance of that shift in dates?

A. Well, the significance is the source of the data. The Polk's Bank Directory, the September, 1960, edition, which was the latest edition of that publication that I had available at the time, took the reports as of June 30th, which is the end of a quarter.

These others were prepared from the statements of condition on the call date, as they call it, of the bank regulatory authorities, which was June 15th.

Q. Thank you.

[fol. 645] A. I believe that there are a very few instances in Polk's where June 30, 1960, data were not available and I used June 15th; and I have three or four notes to that effect in some of the smaller banks, where the June 15th instead of June 30th data were used.

Mr. Littleton: Thank you, Doctor.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 9, Table 9 entitled "Analysis of Commercial and Industrial Loans of Philadelphia National Bank as of October 5, 1955, by Location of Borrower."

(Document headed "Table 9," entitled "Analysis of Commercial and Industrial Loans of Philadelphia National Bank as of October 5, 1955, by Location of Borrower," was marked Exhibit G-9 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, referring to Government's Exhibit No. 9, will you explain what the source of the data contained in this exhibit is?

A. Well, the source is a report—well, really, a compilation prepared by the Board of Governors of the Federal Reserve System. They made a special study of bank loans for commercial and industrial purposes which were outstanding as of that date and I was able to get a copy of that report and this analysis was prepared from that.

[fol. 646] Q. Dr. Gaffey, will you explain the purpose for which that study was made, if you know?

A. Well, it was a rather comprehensive study of——

By Mr. Littleton:

Q. Do you know, Doctor, of your own knowledge?

A. Well, I know on the basis which it was explained.

After the study was made it was reported in the Federal Reserve Bulletin and I read the articles or the article that explained it, their basis on which it was made and the conclusions and so on.

Q. This is purely hearsay; you just read it in some article; is that it?

A. Well, it was their official publication which explained what they did, what they concluded from it.

By Mr. Reycraft:

Q. This is the official report of the Federal Reserve Board, is it not, explaining the purpose of this study and the manner in which it was conducted?

A. Yes.

By Mr. Littleton:

Q. Do our figures appear in that study that you are talking about? Do the Philadelphia National Bank's figures appear in that study?

A. No. Specific figures for Philadelphia National Bank do [fol. 647] not appear. The study shows totals in many different classifications, but not figures for individual banks.

By Mr. Reycraft:

Q. Where did you get the figures?

A. I obtained a copy of the report which Philadelphia National Bank made to the Federal Reserve System. I believe it was supplied to the Government by the Philadelphia National Bank as part of the information for this case.

Mr. Littleton: Sir, then confine yourself to that in your testimony rather than referring to some article that you had nothing to do with.

Mr. Reycraft: I suggest that he is entitled to refer to an official publication of the Federal Reserve Board which explains the purpose for which this study was made; and that it is perfectly appropriate for him to do so in explaining the background of this study.

Mr. Littleton: Put the study in.

By Mr. Reycraft:

Q. Would you explain, Dr. Gaffey,——

Mr. Littleton: Excuse me. Where is the study?

By Mr. Reycraft:

Q. Will you give him the citation, Dr. Gaffey?

A. I don't have it here. I could obtain it for you.

It came out about sometime in 1957, I believe, in the Fed-
[fol. 648] eral Reserve Bulletin. I can obtain that article.

Mr. Reycraft: All right.

The Court: Let's pass along, because I would be interested to know, too, where it is.

If there is an official Government publication, let's get that first and then look at it and then maybe this will be more intelligible.

Mr. Reycraft: Yes, indeed, Your Honor.

Government's Exhibit 10 is also based upon the same study, so we will pass along from that.

Will you mark for identification as Government's Exhibit No. 11, Table 11——

The Court: We are within two minutes of the 12:30 deadline, suppose we continue with No. 11 at 2 o'clock.

(Recessed for luncheon at 12:28 o'clock P. M.)

[fol. 649] AFTER RECESS

The Court: I understand somebody wants to make a motion in this matter.

Mr. Edmund B. Spaeth, Jr: My name is Edmund Spaeth, appearing for Standard Pressed Steel Company.

Your Honor, the motion that I submitted to you is a motion under Rule 45(b), asking that the Court direct that certain items that the Government has subpoenaed Standard Pressed Steel to produce by tomorrow morning be deleted from the subpoena, for the reasons stated in the motion and that I am now in a position to supplement by a statement to the Court should the Court wish at this time.

Of course, I appreciate that Your Honor is right in the middle of the trial and that this may not be at all a con-

venient time for the Court to consider the motion or to hear statements from counsel. In fact, I will assume that it is not; but the rules require us to submit it promptly, and therefore I felt that we were obliged to appear before you and then to await your pleasure and instructions as to how the motion should be disposed of.

[fol. 650] The Court: I will recess this case this afternoon until tomorrow at 4:00 o'clock. You may appear then.

Mr. Spaeth: Very well, sir.

Mr. Reycraft: Your Honor, before we adjourned, there was a question raised with respect to the Federal Reserve bulletin issue which explains the survey on which Exhibit No. 9 is based in part. We have a copy of that bulletin. We will make additional copies for the defendant, and I ask Dr. Gaffey to identify it for the record now and explain where the information is contained in the Federal Reserve Bulletin.

The Witness: That is an article in the Federal Reserve Bulletin for April, 1956. It is entitled "Business Loans of Member Banks."

By Mr. Reycraft:

Q. Dr. Gaffey, referring to Table 9, will you describe the information which is contained in that exhibit?

Mr. Littleton: Excuse me, sir. Where is the exhibit?

Mr. Reycraft: Mr. Littleton, I just observed that we are going to make copies for you and we will give them to you as soon as possible.

[fol. 651] Mr. Littleton: May we take a look at that?

Mr. Reycraft: Oh, yes, indeed.

I might observe, Your Honor, that the data contained in Exhibit No. 9 is not based upon the Federal Reserve bulletin. It is based upon exhibits which were obtained from the banks and of which the banks have copies. These are the surveys of these particular banks, and this is the source of the information.

Mr. Littleton: If Your Honor please, in view of that statement, may I ask if either Mr. Reycraft or the witness will explain the legend at the foot of G-9, which says, "Source: Federal Reserve System, Survey of Bank Loans for Commercial and Industrial Purposes Outstanding on October 5, 1955."

By Mr. Reycraft:

Q. May I ask the witness if he will explain the footnote?

A. Yes. Well, as part of this survey of bank loans for commercial and industrial purposes, the Federal Reserve banks requested certain information from their member banks. It was actually based on a sample of about 30 per cent of the member banks, but the two defendant banks were [fol. 652] both included. All banks over a certain size were included in the sample——

By Mr. Littleton:

Q. What is your authority for that? Is that in the document that you are holding in your hand?

A. Yes, it is explained in that and also in the instructions which were given to the banks which responded to the survey.

Mr. Littleton: Might I ask if we can get some kind of identifying mark on the document the witness has in his hand.

Mr. Reycraft: The document which the witness has in his hand is Government's Exhibit 9. We will give the Federal Reserve bulletin dated April, 1956, an identification number of G-9-A.

(Federal Reserve Bulletin dated April, 1956, was marked Exhibit G-9-A for identification.)

And I would also like to identify at this point the schedules which were submitted by the defendant banks to the Federal Reserve Board in connection with this survey. The schedule submitted by the Philadelphia National Bank for 1957 we identify as Government's Exhibit 9-B.

(Schedule submitted by Philadelphia National Bank for [fol. 653] 1957 was marked Exhibit G-9-B for identification.)

Will you mark for identification as Government's Exhibit 9-C a schedule submitted in 1957 by the Girard.

(Schedule submitted in 1957 by Girard was marked Exhibit 9-C for identification.)

Will you mark for identification as Government's Exhibit 9-D a schedule submitted in 1955 by the Girard.

(Schedule submitted in 1955 by Girard was marked Exhibit G-9-D for identification.)

And will you mark as Government's Exhibit 9-E for identification a schedule submitted in 1955 by the Philadelphia National Bank.

(Schedule submitted in 1955 by the Philadelphia National Bank was marked Exhibit G-9-E for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, referring to Exhibit No. 9, will you describe the information contained in that exhibit.

A. This shows the commercial and industrial loans of Philadelphia National Bank which were outstanding as of October 5, 1955, in two classifications, loans of $1,000,000 [fol. 654] or more, and loans of less than a million dollars, and it shows the distribution of both classifications of loans, both as to number of loans and as to dollar value of loans, by geographical location of the borrower.

Q. With respect to the percentage of loans originating in the Philadelphia area, what does the exhibit show?

A. It shows, of the million dollar or more category, taking that first, 52.6 per cent of the value and 53.2 per cent of the number of loans originated in Philadelphia, and for the four counties—Philadelphia, Montgomery, Delaware, and Bucks—56.5 per cent of the value of such loans and 57.4 per cent of the number of such loans originated in the four counties.

Q. With respect to these loans of $1,000,000 or more, what does the exhibit show with respect to the counties beyond the 4-county area?

A. Well, there is a scattering beyond that. They took separately the other nearby areas, and, for example, 3.4 per cent of the value and 4.3 per cent of the number was in Chester County. Approximately the same proportion of the value and a slightly smaller per cent of the number was in all the other counties of Pennsylvania, that is, all except [fol. 655] Philadelphia, Montgomery, Delaware, Bucks, and Chester.

Then taking the five nearby counties of New Jersey, 3.3 per cent of the value of loans and 4.3 per cent of their number originated in those four counties of New Jersey. There were no loans in the million dollar or more in any other counties in New Jersey.

In New Castle, Delaware, which includes the City of Wilmington, 2.1 per cent of the value and the same proportion of the loans originated in that county, and there were none in other counties in Delaware.

Q. Now, with respect to loans of $1 through $999,999, what does the exhibit show?

A. It shows in Philadelphia itself 38.7 per cent of the value of the loans and 43.8 per cent of the number of such loans originated in Philadelphia. If you take the four counties combined, you get 51 per cent of the value of the loans and 68.1 per cent of the number of loans.

Q. And as you move out beyond the 4-county area, what does it show?

A. It is somewhat similar to the other category of the million dollar or more loans. It shows in Chester County, Pennsylvania, 3.7 per cent of the value of the loans and 1 [fol. 656] per cent of the total number were in that county. The rest of Pennsylvania accounted for 10½ per cent of the value and 6.2 per cent of the number of the loans.

Mercer, Burlington, Camden, Salem and Gloucester Counties, New Jersey, accounted for 4 per cent of the value of the loans outstanding and 2.3 per cent of the number of such loans. All of the other counties in New Jersey combined accounted for 4 per cent of the value and the same 4 per cent of the number of loans.

In New Castle County, Delaware, there were 2.1 per cent of the value of the loans and 4/10 of 1 per cent of the number of such loans. The rest of Delaware accounted for 1/10 of 1 per cent of both the value of such loans and of the number of such loans.

By Mr. Littleton:

Q. Loans of $1 through $999,999, are they absolute figures?

A. Why, yes, with this explanation. The instructions on the survey were that the responding banks were to report

all loans of $1,000,000 or more and one loan out of every six, or every sixth loan, of the loans of less than a million dollars.

[fol. 657] Q. So I ask you again, are the loans from $1 to $999,999 absolute figures?

A. They are a 1 in 6 sample, but they are the figures that were actually given in response to the survey.

Q. But they are based on a sample of 1 in 6?

A. They are based on a sample, 1 in 6.

Q. Where did you get these figures?

A. I got them from the report which the Philadelphia National Bank made to the Federal Reserve System as part of this survey.

Q. In other words, G-9-E——

A. I have forgotten the exact number. G-9-E is correct, yes.

Q. You said in answer to my question a few minutes ago that these figures with respect to the loans of $1 through $999,999 were based on samples. They were the sample, weren't they?

A. Yes.

Q. Not based on a sample. They are the figures of the sample, are they not?

A. Yes.

Q. So as to the number of loans, 822 means 1 out of every 6; is that right?

A. Yes.

[fol. 658] Q. And the total number of loans would therefore be how much, approximately?

A. Six times that number, approximately 5000.

Q. So that the legend at the foot of Table 9, which is here marked G-9, "Source: Federal Reserve System, Survey of Bank Loans for Commercial and Industrial Purposes Outstanding on October 5, 1955" is not exactly correct, is it? It should be the figures furnished by the Philadelphia National Bank to the Federal Reserve which appear here in this case as G-9-E; is that correct?

A. Yes.

Q. Do I understand that G-9-B contains similar figures for Philadelphia National Bank for the year 1957?

A. Yes.

Q. Did you make any table for presentation here based on G-9-B, which is two years later than the table which was used?

A. No.

Q. Why not?

A. Well, the surveys are generally similar but they are not identical. The information isn't available in the 1957 one to make this kind of tabulation, because the 1957 survey does not show the location of the borrower, which the 1955 [fol. 659] survey does show.

Q. You mean that G-9-B, which you hold in your hand there, does not have all the information on it for 1957 that G-9-E has for 1955?

A. Yes, that is correct.

Q. What else does it lack besides location of the borrower?

A. Well, I haven't compared them in great detail. When I discovered that the 1957 one did not have location of the borrower—and my principal purpose in preparing this table was to show a geographical distribution of borrowers by location—I then did not make a further detailed analysis of the 1957 survey. They are generally similar, though.

Q. Well, do you have anything more recent than 1955 showing location of the borrower?

A. Yes, we have some information submitted by the two defendant banks which we have compiled in later tables.

[fol. 660] Q. Do you mean of this same type of information that is in G-9?

A. Generally similar; it's not exactly identical.

Q. You are going to present that in addition to this; is that right?

A. Yes.

Q. When do you expect to present that, Dr. Gaffey?

A. Well, soon.

Mr. Reycraft: Today, I believe.

Mr. Littleton: I see.

By Mr. Littleton:

Q. At this time you expect to present that during this session?

A. Yes.

By Mr. Price:

Q. By "during this session" do you mean today?

Mr. Reycraft: If we get to it.

The Witness: I don't know whether it will be today. It is one of these in the series of tables that we have prepared.

By Mr. Littleton:

Q. May I ask you this—what is the difference between this and that which you are going to present later which makes it necessary to present one now and the other one at some time [fol. 661] in the future?

Mr. Reycraft: Mr. Littleton, may I suggest that we wait until the other exhibit is in evidence before you start comparing?

The Court: I think so. Let's not anticipate.

Mr. Littleton: All right.

The Court: Move along.

Mr. Reycraft: Will you mark for identification——

The Court: I notice one thing that everybody else seems to have ignored here. 31 per cent of the loans of $1,000,000 or more, approximately one third, were out of the four-county area that we are talking about. As a matter of fact, it is nearer to 40 per cent, perhaps.

Is that so?

By Mr. Reycraft:

Q. Dr. Gaffey, will you address yourself to that question?

A. Yes, sir. In the category of the very large loans of $1,000,000 or over, that's correct.

By the Court:

Q. As a matter of fact, over 40 per cent are outside the four-county area, and if you take in Chester County we are almost up to 45 per cent; is that right?

A. Yes.

[fol. 662] Q. Now let's go to the others. Almost 50 per cent are outside the four-county area, between $1 and $999,999? They are above 49 per cent; right?

A. Yes.

I might point out that in the very large loans, $1,000,000 and over, there isn't much difference between the proportion and the value of the loans and the number of loans.

In the other loans of less than $1,000,000 there is a difference; a considerably larger per cent of the number of loans is in the four-county area than of the value.

Q. In the four-county area, but in value they are about 51 per cent to 49 per cent?

A. Yes.

The Court: Go ahead, Mr. Reycraft.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 10 the document headed, "Table 10," "Analysis of Commercial and Industrial Loans of Girard Trust Corn Exchange Bank as of October 5, 1955, by Location of Borrower"?

(Document headed "Table 10," entitled "Analysis of Commercial and Industrial Loans of Girard Trust Corn Exchange Bank as of October 5, 1955, by Location of Borrower," was marked Exhibit G-10 for identification.)

[fol. 663] By Mr. Reycraft:

Q. Dr. Gaffey, with respect to Government's Exhibit No. 10, will you state the source of the information contained in that exhibit?

A. The source of data for this table was the report which the Girard Trust Corn Exchange Bank made to the Federal Reserve System in connection with this survey of bank loans for commercial and industrial purposes outstanding on October 5, 1955.

Q. Will you give the Government's exhibit for identification which is the document you refer to?

The Court: G-9-D?

The Witness: G-9-D; that's correct.

By Mr. Reycraft:

Q. Dr. Gaffey, with respect to Government's Exhibit No. 10, will you explain what is indicated in that exhibit?

A. Taking first loans of $1,000,000 or more, there were seven such loans out of twenty-three that were in the four-

county area. They accounted for 35.8 per cent of the value of loans and 30.4 per cent of the number of loans.

There were no such loans by this bank in Chester County, Pennsylvania. There were three in the rest of Pennsylvania, however, and they accounted for 16.4 per cent of the value and 13.1 per cent of the total number of loans.

[fol. 664] Taking the five near-by counties in New Jersey —Mercer, Burlington, Camden, Salem, and Gloucester— there were two loans in that area. They accounted for 8.6 per cent of the value of such loans and 8.7 per cent of the number of such loans.

There was one in the other counties of New Jersey. It accounted for, in round numbers, about 4 per cent of the value and 4 per cent of the number of loans.

There was one such loan in New Castle County, Delaware; it accounted for about 5 per cent of the value and about 4 per cent of the number of loans.

There were none in this category elsewhere in Delaware.

In all of the rest of the country there were nine such loans and they accounted for 30 per cent of the value and 39 per cent of the number of loans.

Q. Dr. Gaffey, with respect to loans outstanding of $1,000,000 or more by the Girard in 1955, how many such loans were outstanding in total of $1,000,000 or more?

A. There were only twenty-three.

Q. Now referring to loans from $1 to $1 less than $1,000,000, will you describe what appears in the exhibit?

—A. Well, this also, of course, was based on the one-in-six sample. On this basis, 265 of the 365 loans were in Phila- [fol. 665] delphia. They accounted for 63.8 per cent of the value of such loans and 72.6 per cent of the total number of such loans.

About thirty additional loans in Montgomery, Delaware, and Bucks Counties accounted for about 9 per cent of the value and about 8 per cent of the number. So, taking the four-county area, 72.6 per cent of the value of such loans, and 80.8 per cent of the number of such loans were in the four-county area.

There were none in Chester County, Pennsylvania. There were twenty-two such loans in other counties of Pennsylvania; they accounted for 9 per cent of the value and 6 per cent of the number.

In Mercer, Burlington, Camden, Salem, and Gloucester Counties, New Jersey, there were five such loans. They accounte- for .7 of 1 per cent of the value and 1.4 per cent of the total number of such loans.

In the rest of New Jersey loans in this category amounted to 1 per cent of the value and 2.2 per cent of the number of loans.

In New Castle County, Delaware, the loans in that area accounted for 2.7 per cent of the value, but only 0.8 per cent of the number.

In the rest of Delaware the loans accounted for .8 of 1 per [fol. 666] cent of the value and the same .8 of 1 per cent of the number of loans.

In all other areas, 13.2 per cent of the value and 7.9 per cent of the number of loans were shown.

Q. Dr. Gaffey, you testified that in 1955 the Girard had as of the date of the survey only twenty-three loans of $1,000,000 or more. How many are indicated for the Philadelphia National as of the same date, of $1,000,000 or more?

A. Forty-seven.

Q. So that both banks together at that time had only seventy loans outstanding of $1,000,000 or more?

A. That's what they reported.

Mr. Littleton: If Your Honor please, I understood Dr. Gaffey was simply identifying charts.

Are you making an argument now, adding up two charts?

Mr. Reycraft: He added two numbers, sir.

Mr. Littleton: He added two numbers.

I just suggest that we can add.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 11——

Mr. Littleton: Excuse me, Your Honor.

Mr. Price: May I ask the witness some questions?

[fol. 667] Mr. Reycraft: I beg your pardon.

By Mr. Price:

Q. Would the same comments you made with respect to Table No. 9 or Exhibit No. 9 apply to Exhibit No. 10 with reference to the samples and so on?

A. Yes. They were done in exactly the same manner.

Q. So that the figure is absolute for $1,000,000 or more, but the number of loans shown under $1,000,000 would be multiplied by 6?

A. Yes.

Q. Have you also later information about these data which are shown on G-10?

A. (No response.)

Q. More recent figures of loans of this amount?

A. There is some additional, more recent data which these two banks supplied to us, which we have compiled, yes.

Q. And is it your purpose to show the more recent data supplied by the Girard in another exhibit?

A. Yes.

Q. Similar to the one that you mentioned with reference to the Philadelphia National?

A. Yes.

Q. And as of what date were those data; do you remember?

A. Well, they are late 1960 and early 1961. I do not have [fol. 668] the exact dates.

I can find them for you.

Mr. Reycraft: May I suggest that you wait until this is offered, as we did the other?

Mr. Price: I didn't expect to ask him any more, other than as to the time of the data.

That's all.

Mr. Littleton: May I just ask one question to keep the record straight here, Doctor?

By Mr. Littleton:

Q. Do I understand that in your answer to Mr. Price all of the figures that you have given on loans of $1 through $999,999 as to number of loans should be multiplied by 6?

A. Well, I don't know whether they should be multiplied by 6, sir.

Q. Well, sir, let me——

A. The sample instructions from the Federal Reserve asked them to report every sixth loan, and I understand that's what they did.

Q. I understood you to say in direct examination that in the other counties of Pennsylvania there were only twenty-two such loans. Now, that isn't correct, is it?

A. They were twenty-two such loans shown on this table.

Q. Shown on this table?

[fol. 669] A. Out of 365 loans total shown on the table, yes.

Q. And that represents 1 in 6?

A. Yes. All the figures in that column represent 1 in 6.

Q. So that to get the real figure, to get the real number, we would multiply by 6?

A. You would get an approximate figure there. That is,——

Q. Well, what makes you think there is any doubt about it? You are producing the tables.

A. Well, the instructions to the respondent banks was to report every sixth loan, and that's what they did; and I classified them in these categories.

That does not mean that you would get an absolutely accurate number in each of these categories if you multiplied my numbers by 6. That is because of the sampling process you take every sixth loan and it is approximately accurate.

Q. So that what you are really saying——

A. But it would not necessarily be absolutely accurate in each of these small categories.

Q. And you don't know what the accurate figure would be?

A. No.

Q. But it would be greater than what is shown here?

A. Yes.

Mr. Reycraft: The figures are in the banks.

[fol. 670] Mr. Littleton: That's fine. I am asking what the doctor knows.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 11, Table 11, entitled "Number of Commercial Banks and Offices in the United States, 1900-1960."

(Document headed "Table 11," entitled, "Number of Commercial Banks and Offices in the United States, 1900-1960," was marked Exhibit G-11 for identification.)

Mr. Littleton: If Your Honor please, I would like to inquire at this point what the relevancy of this particular table is, the number of commercial banks and offices in the United States from 1900 to 1960.

Mr. Reycraft: Well, yes, it shows that from 1950 through 1960 there was a substantial decrease in the number of banks

in the country and from 1955 to 1960 a decrease in the number of banks in the country.

I think this is relevant to a case in which concentration of banking is one of the principal issues.

Mr. Littleton: This is in the United States, if Your Honor please.

The Court: Let's get the United States. Then let's cut it up.

By Mr. Reycraft:

Q. Dr. Gaffey, with respect to the number of commercial [fol. 671] banks in the United States, will you describe briefly what is contained in the Exhibit?

A. Well, this shows that the number of banks in the United States for each of the years shown, every ten-year period from 1900 through 1930, and then 1933 because that was somewhat of a landmark date, and then 1940, 1950, 1955, and 1960.

By Mr. Littleton:

Q. What is your source of these figures?

A. There was a special survey of branch banking in the Philadelphia area prepared by Prof. E. Gordon Keith of the University of Pennsylvania, and I took his figures as far as they——

Q. Excuse me?

A. —as far as they went, which is from 1900 to 1950; and then I compiled 1955 and 1960 from one annual report of the Federal Deposit Insurance Corporation, 1955, and the annual report of the Board of Governors of the Federal Reserve System in 1960.

Q. Is Dr. Keith's study an official Government publication?

A. No, but his source of information was an official Government publication, "Monetary Policy and the Management of the Public Debt," a volume prepared by the Joint Committee on the Economic Report of the 82nd Congress."

Q. Now, you know that from having read that in Dr. [fol. 672] Keith's report; is that right?

A. Well, I took the figures from Dr. Keith's report and he showed his source, which was this "Monetary Policy" study.

Q. Is Dr. Keith available?
A. So I showed both my source and his source here.
Q. Is Dr. Keith available?

Mr. Reycraft: He will be here tomorrow morning.
Mr. Littleton: All right.
Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 12 Table 12, which shows the number of commercial banking facilities in Pennsylvania as of December 31st of the years 1945, 1950, 1955, and 1959.

(Document headed, "Table 12," entitled "Number of Commercial Banking Facilities in Pennsylvania as of December 31 of the years 1945, 1950, 1955, and 1959," was marked Exhibit G-12 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, referring to Government's Exhibit No. 12, will you describe the data contained in that exhibit?
A. This shows the number of commercial banks in Pennsylvania classified by unit banks and banks which operate branches; and it also shows the number of branches which they operate and the total number of banking offices, including head offices and branches.
[fol. 673] Q. What does it show with respect to the change in the number of banks in Pennsylvania?
A. It shows a decline in the number of banks in Pennsylvania from 1,026 in 1945 to 719 in 1959, which is the latest available data.
Q. What is the percentage of the decrease as shown by that table?
A. A 29.9-per-cent decrease from 1945 to 1959.
Q. What is the percentage of change in the number of unit banks?
A. Unit banks declined in number from 967 in 1945 to 526 in 1959; a decrease of 441, or a decrease of about 45.6 per cent.

By Mr. Littleton:

Q. Doctor, you omitted to tell us what it shows with regard to the total number of banking offices.
A. There has been an increase in the total number of banking offices from 1146 in 1945 to 1459 in 1959.

Q. A net change of 313?

A. Yes.

Q. And a percentage change——

A. 27.3-per-cent increase.

Q. And most of this data you also got from Dr. Keith's [fol. 674] report?

A. Well, my sources are shown here. I got the 1945, 1950, and 1955 figures from Dr. Keith's report; and I compiled the later data myself from the annual report of the Federal Deposit Insurance Corporation from 1959.

Mr. Reycraft: Will you mark for identification as Government's Exhibit 13 Table 13, which is a "Summary of Number of Commercial Banks and Banking Offices in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of December 31, 1947, June 30, 1956, and October 3, 1960"?

(Document headed "Table 13," entitled "Summary of Number of Commercial Banks and Banking Offices in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of December 31, 1947, June 30, 1956, and October 3, 1960," was marked Exhibit G-13 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, referring to Government's Exhibit No. 13, will you describe the data shown in that exhibit?

A. This shows the number of banks in this area and it shows the number of offices, the number of branch offices which they operate, and also the total number of banking offices in Philadelphia and then in Delaware, Montgomery, and Bucks Counties combined, and then in the four counties.

[fol. 675] Q. What does it show with respect to the change from 1947 to 1960?

A. In Philadelphia, the number of banks with head offices in Philadelphia declined from 39 in 1947 to 17 in 1960, or a decrease or 22 banks of 43.6 per cent.

In Delaware, Montgomery, and Bucks Counties, the number of banks with head offices in those counties were 69 in 1947, and that number has decreased to 26 in 1960; a decline of 43 banks or a decrease of 62.3 per cent.

The information is not complete, that is, the distribution of the few information between Philadelphia and the other

counties is not complete as to branch offices, but I have the total number of branch offices in the four counties, which increased from 70 in 1947 to 240 in 1960, an increase of 170 or 242.9 per cent.

Q. And these branches were distributed among how many banks?

A. They were distributed among the number of banks that is shown in the columns in rows immediately above. That is, in 1947 there were 108 banks in the four counties, joint-combined figures. There were 108 banks in the four counties and they had 70 branch offices. In 1960 there were 43 banks and they had 240 branch offices.

Mr. Littleton: No questions.

Mr. Reycraft: Will you mark——

[fol. 676] By Mr. Price:

Q. Dr. Gaffey, why do you say the number of branch offices is not available for 1960?

A. I didn't intend to answer that, sir. What I intended to say was that I did not have available a distribution of those branch offices in 1960 between Philadelphia and these other counties, and I didn't have the time to try to count them; so I showed the combined figure only.

Q. And where did you get the combined figure?

A. The combined figure came from the reports here. In 1960 the combined figure was from the report by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency with reference to this proposed merger, and that report did not show a county breakdown of those branch offices.

Q. And you made no effort to get those figures, to separate Philadelphia from the other counties?

A. Well, I didn't have time.

Q. Well, did you?

A. I didn't have time in the amount of time I had available and the number of things I had to do. I wasn't able to do that.

Q. The answer is no, then?

A. Yes.

Mr. Price: All right. That's all, thank you.

[fols. 677-678] By Mr. Littleton:

Q. Did you make any study of any other financial institutions, the number of mutual savings banks and branches in these counties?

A. No.

Q. Federal Savings and Loans?

A. No.

Q. State Savings and Loans?

A. No.

Q. In other words,——

A. I have seen some figures in some of those categories, but I made no special studies.

Q. Did the Keith report talk about them?

A. There is some information in the Keith report concerning some of those categories.

Q. But you didn't think that was necessary to be shown in your chart that you were making up?

A. No.

Q. You were confining yourself just to commercial banks?

A. Yes.

Mr. Reycraft: Will you mark for identification as Government Exhibit No. 14 Table 14 which is entitled "Major Structural Changes Affecting the Number of Commercial [fol. 679] Banks and Commercial Bank Offices in the United States, by Years 1940, 1945 Through 1956 and 1960."

(Document headed "Table 3," entitled "Major Structural Changes Affecting the Number of Commercial Banks and Commercial Bank Offices in the United States, by Years 1940, 1945 Through 1956 and 1960", was marked Exhibit G-14 for identification.)

Mr. Littleton: If Your Honor please, for the record, I again make my objection to this on the ground of relevance. This is all the United States.

Mr. Reycraft: My position is the same, Your Honor, that I think this total trend is relevant and we are going to go into the Philadelphia area in detail.

The Court: All right.

By Mr. Reycraft:

Q. Mr. Gaffey, will you refer to Government Exhibit No. 14 and describe the data which are contained in that exhibit?

A. This table shows the net change in number of banks, in commercial banks, in the United States, for the years [fol. 680] shown, and the sources of such changes by these columnar headings. It shows the number of new banks established in the country in each of those years, the number of new branches established in each of those years, the number of banks which were consolidated or absorbed by other banks in each year, the number of banks which were suspended, and the number which were liquidated voluntarily; and the net change, both in number of banks and also the net change in the number of branches in each such year.

Q. Dr. Gaffey, will you refer to the information on consolidations and absorptions and indicate the number in each year from 1950 to the extent that it is shown on the table.

A. In 1950 there were 91 banks consolidated and absorbed; in 1951, 82; 100 even in 1952; 115 in 1953; 206 in 1954; 231 in 1955; 189 in 1956, and 131 in 1960.

Mr. Reycraft: No further questions.

By Mr. Littleton:

Q. This again is based principally on Dr. Keith's survey; is that right?

A. It's based on Dr. Keith's survey up to 1956, and I compiled the data for the latest available year, 1960, and put it in comparable form.

[fol. 681] Q. Next will you look at the line 1960, Doctor? You have new banks 135, consolidations and absorptions 131, suspensions, 2; net change minus 2 or plus 2?

A. Well, it shows minus 2 here, but——

Q. What do you think?

A. I am not sure now.

Q. Which do you want to make it, minus 2 or plus 2?

A. It looks like it should have been a plus 2.

Q. All right.

[fol. 682] Mr. Reycraft: I mark for identification as Government's Exhibit No. 15, Table 15, entitled "Summary of Savings and Time Deposits of Girard Trust Corn Exchange Bank by Location of Depositors."

(Document headed "Table 15," entitled "Summary of Savings and Time Deposits of Girard Trust Corn Exchange

Bank by Location of Depositors" was marked G-15 for identification.)

Q. Dr. Gaffey, referring to Government's Exhibit No. 15, will you describe the data which is contained in that exhibit.

A. This shows the savings deposits and the time deposits of Girard by the location of the depositors, with several classifications, of which the most numerous is the savings fund accounts, which are shown on the top line there. It shows that 116,412 of such accounts, out of a total number of 119,519, came from Philadelphia, Delaware, Montgomery, and Bucks Counties, Pennsylvania.

Q. What is the percentage of such accounts in the 4 county area, Dr. Gaffey?

A. 97.4 per cent of the savings fund accounts, that is, the ones under $10,000, came from these four counties.

Q. And what percentage of Christmas Club accounts come within the 4-county area?

[fol. 683] A. It is the same percentage, 97.4.

Q. How about vacation club accounts?

A. 97.5 per cent of them came from these four counties.

Q. How about time accounts and certificates of deposit?

A. 75 per cent of those accounts came from the four counties.

Q. And what does the data show with respect to time accounts over $10,000?

A. 85.2 per cent of the accounts and 82.8 per cent of the dollar volume of such accounts came from the four counties of Pennsylvania.

Q. Dr. Gaffey, I believe that I directed your attention to the previous line with respect to time accounts over $10,000.

A. I am sorry; I didn't understand the question.

Q. You are right. I am sorry. 85.2 per cent of the number and 82.8 per cent of the volume.

A. Yes.

By Mr. Price:

Q. Dr. Gaffey, on the line relating to time accounts and certificates of deposit you have a percentage for other Pennsylvania areas that is not available and yet you have a total. It either was available or your total was inaccurate. [fol. 684] Which is the fact?

A. I don't believe either, sir. We have the total which was supplied, but we don't know how much of the difference between these four counties and the total is elsewhere in Pennsylvania and how much of it is in all other areas.

Q. So that means it is unavailable as to Pennsylvania compared with outside of Pennsylvania, other than as to the difference between the Philadelphia total and the Montgomery and Bucks and elsewhere?

A. I am sorry. I don't follow that completely.

Q. Well, you have the total for the four counties of 15 per cent.

A. 15 in number, 75 per cent.

Q. 75 per cent, 15 in number?

A. Yes.

Q. And the total for everything is 20 in number and a hundred per cent?

A. Yes.

Q. Where is the 5 and where is the 25 per cent to go; do you know?

A. I don't know. It wasn't shown in the data that was supplied to us.

Q. Was it divided between other Pennsylvania and all other areas in some manner?

[fol. 685] A. In some manner, yes.

By Mr. Reycraft:

Q. Dr. Gaffey, isn't it a fact that this compilation was based on data given to us by the defendants in the form in which they gave it to us? In other words, did the data they gave us contain the breakdown Mr. Price is asking you for?

A. I think the answer to your question is yes. We showed all the breakdowns in this table that the data which Girard gave us show.

Q. And with respect to time accounts and certificates of deposit, where the exhibit indicates that the information is not available, does this mean that the breakdowns of these categories was not supplied with respect to time accounts and certificates of deposit?

A. Yes.

By Mr. Price:

Q. You understood, did you not, Dr. Gaffey, that the numbers under $10,000 were estimates rather than actual figures, estimates by Girard's officers?

A. Which figures are you talking about now, sir?

Q. Time and savings accounts under $10,000.

Mr. Reycraft: I think we have to rely on the statement for that.

[fol. 686] Mr. Price: The exhibit doesn't show it is estimates. I was asking Dr. Gaffey whether that was so.

The Witness: I would have to go to the source to ascertain that.

Mr. Price: Will you do that and satisfy yourself if my statement is correct.

The Witness: Yes.

Mr. Price: Thank you.

The Court: Let us take a 10-minute break at this point.

(A 10-minute recess was taken at 3:00 o'clock P.M.)

Mr. Reycraft: Your Honor, before resuming with the next exhibit, I would like to observe that with respect to Exhibit 15 I believe we have a list of the names of the persons from the bank who made the estimates. Will you furnish us with a list, Mr. Price?

Mr. Price: I will look at the sheet and see.

Answering your question, Mr. Reycraft, the material submitted in response to your inquiry was a memorandum which was signed, but it does not indicate who actually made the various estimates.

Mr. Reycraft: Who signed the memorandum?

[fol. 687] Mr. Price: Signed Richard W. Maletz per S. S. Gardiner.

Mr. Reycraft: And he is an employee of your bank?

Mr. Price: Oh, yes, but my point was that the material supplied was an estimate, and Dr. Gaffey showed it as an absolute figure.

Mr. Reycraft: Based on an estimate submitted by the bank.

Mr. Price: Oh, yes, no question about that, but it was an estimate and not an absolute calculation.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 16, Table 16, entitled "'Concentration of

Assets of Insured Commercial Banks in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania in 1947, 1950, 1956 and 1960, and Effect of Proposed Merger Upon Such Concentration of Assets."

(Document headed, "Table 16," entitled "Concentration of Assets of Insured Commercial Banks in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania in 1947, 1950, 1956 and 1960, and Effect of Proposed Merger Upon Such Concentration of Assets" was marked Exhibit G-16 for identification.)

[fol. 688] By Mr. Reycraft:

Q. Dr. Gaffey, referring to Table 16——

The Court: Just a minute. What do you mean by concentration of assets?

Mr. Reycraft: The percentage distribution, Your Honor. That is the percentage attributed to the largest bank, the two largest banks, and the four largest banks.

The Court: You are talking percentages?

Mr. Reycraft: Yes, statistical concentration.

The Court: All right.

By Mr. Reycraft:

Q. Dr. Gaffey, will you describe the data contained on this exhibit.

A. Well, for each of the dates shown, December 31, 1947; June 30, 1950; June 30, 1956; and June 30, 1960, it shows the four largest banks in this trade area and the assets of each of the four largest banks in millions of dollars, and then the same thing is shown on June 30, 1960, on the basis of how it would have been if the Philadelphia National Bank and Girard had been combined.

By the Court:

Q. As of the particular date?

[fol. 689] A. Yes. All figures are as of the dates shown. The only difference between the last row of figures and the next to the last row group is that both are June 30, 1960, but the upper June 30, 1960, is as the figures actually were. The

lower is as they would have been if Philadelphia National Bank and Girard Trust Corn Exchange Bank had been combined on that day.

By Mr. Reycraft:

Q. Dr. Gaffey, what was the percentage of assets held by the largest bank in Philadelphia as of December 31, 1947?

A. The largest bank in Philadelphia had 23 per cent of the total assets of banks in Philadelphia at that time.

By Mr. Littleton:

Q. Of what banks in Philadelphia?

A. All the commercial banks in Philadelphia.

Q. All the commercial banks geographically located in Philadelphia; is that what you meant?

A. All the commercial banks having headquarters in Philadelphia, yes.

Q. Does that include First Camden?

A. No.

Q. Does it include Brown Brothers?

A. No.

[fol. 690] Q. Does it include Second National?

A. Yes.

By Mr. Reycraft:

Q. What would have been the percentage in 1960 if these two banks were combined?

A. 39.3 per cent. That is, the two banks, if they had been combined as of June 30, 1960, would have had 39.3 per cent of the assets of all insured commercial banks having headquarters in Philadelphia.

Q. What was the percentage of the total of the four largest banks in December of 1947?

A. 56.5 per cent in Philadelphia.

Q. And what was the combined assets of Philadelphia National and Girard as of June 30, 1960?

A. On June 30, 1960, Philadelphia National and Girard had combined assets of $1,844,000,000.

Q. And what percentage of the total?

A. On a combined basis they had 39.3 per cent. The Philadelphia National and Girard combined had 39.3 per cent.

Q. What would the four largest banks have on June 30, 1960, if the two banks were combined?

A. If Philadelphia National and Girard were combined as of June 30, 1960, the four largest banks would have had [fol. 691] 85.4 per cent of the assets of insured commercial banks with headquarters in Philadelphia.

Q. And moving out into the 4-county area, what percentage of the total of the assets was held by the four largest banks on December 31 of 1947?

A. 49.1 per cent.

Q. And on June 30, 1960, if the two banks were combined?

A. If the two banks had been combined as of June 30, 1960, the four largest banks would have had 77.6 per cent of the assets.

By Mr. Littleton:

Q. Have you made any comparable study of any other cities in the United States?

Mr. Reycraft: May I note an objection here. To the extent that the answer to the question is public information, I have no objection; but Dr. Gaffey, as I have observed earlier, is working on a number of matters in the department which are not public information.

A. Well, the answer is yes.

By Mr. Littleton:

Q. How many?

A. I think about four.

Q. What are their names?

[fol. 692] Mr. Reycraft: Unless it is a pending case, I object. I ask Your Honor to permit Dr. Gaffey to restrict his answer to pending matters.

Mr. Littleton: It seems to me that it is public information. I can't see the objection.

Mr. Reycraft: The matters that Dr. Gaffey is working on are not public information. He is working on a case in Lexington, Kentucky, and as far as I am concerned, I have no objection to his answering in respect to that case.

By Mr. Littleton:

Q. Have you made any study of Birmingham, Alabama?
A. No.
Q. Norfolk, Virginia?
A. No.
Q. Toledo, Ohio?
A. No.
Q. Dayton, Ohio?
A. No.
Q. Pittsburgh, Pennsylvania?
A. No.

Mr. Reycraft: I object, Your Honor.
The Court: Overruled.
Mr. Littleton: Boston, Massachusetts?

[fol. 693] A. No.
Q. Knoxville, Tennessee?
A. No.
Q. Columbus, Ohio?
A. No.
Q. Buffalo, New York?
A. No.
Q. Akron, Ohio?
A. No.
Q. Rochester, New York?
A. No.
Q. Memphis, Tennessee?
A. No.

Mr. Reycraft: Your Honor, may I be heard on this matter? This is an indirect way, it seems to me, of Mr. Littleton finding out what cities Dr. Gaffey may be working on in connection with inter-departmental matters.

The Court: I think he has gone about far enough.
Mr. Reycraft: I think he has established his purpose.
The Court: He has established a lot of negatives.

By Mr. Littleton:

[fol. 694] Q. I take it that your answer to me on the Philadelphia County is also your answer as to the four-county area, that the base figure from which you get these percent-

ages is the aggregate of the banks, the commercial banks, geographically located in the four counties?

A. With their headquarters in one of the four counties, yes.

Q. Not taking into consideration banks outside the four counties which come in and do banking business in the counties?

A. I have not taken into consideration any such banks if their headquarters are located outside of the four counties.

Q. When you say "headquarters" you mean main office?

A. Main office, yes.

Q. And as I understand it, because you say commercial banks, you have not included in this figure any of the competing financial institutions of either of these banks?

Mr. Reycraft: I object to the word "competing."

Q. Other than commercial banks?

A. This is limited to commercial banks.

By Mr. Price:

[fol. 695] Q. Dr. Gaffey, you said that all of the information that appears on this Exhibit G-16 came from Table A-X of Dr. Keith's report.

A. No, the data for 1947, 1950, and 1956 came from Professor Keith's report, and the June, 1960, data I compiled from Polk's Bank Directory, September, 1960, edition.

Q. Do you know whether the figures for the Philadelphia banks included the branches of those banks located outside of Philadelphia or not?

A. Yes, I believe they did. May I explain that a little bit?

Q. Yes, sir.

A. Well, I took the assets for the bank as a whole, without any attempt to allocate assets of the bank as between where its branches might be. The assets as they are reported in both of these, both of these sources, the assets are shown for the bank as a whole, and there is no allocation of assets of any bank among any branches it may have.

Q. Have you got that table from the Keith report in front of you?

A. No, I haven't.

Q. Is it readily available?

[fol. 696] Mr. Reveraft: Will you mark for identification the document I am about to hand Dr. Gaffey as Government's Exhibit 16-A. This document is entitled "Survey of Branch Banking in the Philadelphia Area." On the cover appears the title "Joint Branch Bank Survey Report for Release on Sunday, January 12, 1958." It was produced by the First Pennsylvania Company in response to Subpoena Item 5, Part No. 1 of 7.

(Book entitled "Survey of Branch Banking in the Philadelphia Area" was marked G-16 A for identification.)

By Mr. Price:

Q. Have you got it in front of you?

A. Yes.

Q. I recognize where the percentages of total come from for the years 1947 and 1950, but in Table A X, under the headings "Total Assets in Philadelphia" and "Total Assets in Philadelphia and Contiguous Counties," I am unable to translate those figures into anything on your Exhibit G-16. Can you tell me how it can be done?

A. I will try. I can try to reconstruct here how it was done. It shows, for example, the largest bank on June 30, 1956, was the First Pennsylvania Company, and it shows its total assets on June 30, 1960. Then the next largest bank, [fol. 697] their total assets were $1,039,000,000. Then the second largest bank on June 30, 1956, was Philadelphia National Bank, and their total assets as of that time were $983,000,000. So the total assets of the two largest banks were the sum of those two figures, or $2,022,000,000.

Q. You are way ahead of me. June 30, 1956, you show total assets in Philadelphia as $4,142,000 on Table A X.

A. I am sorry. What was that figure again?

Q. $4,142,000. Where does that appear on G-16?

A. Well, now, I don't find the figure that you are referring to.

Q. June 30, 1956, the first largest bank, total assets in Philadelphia.

A. Yes.

Q. $4,142,000. It is the third line down.

The Court: Aren't you talking about $4,000,000,000?

Mr. Price: Yes, sir, $4,142,000,000.

The Court: Isn't that the sum of the total assets of all the banks?

Mr. Price: The total assets in Philadelphia.

The Witness: That figure is not on my table. I find the [fol. 698] figure in Keith's table. I do not find that figure on my table.

By Mr. Price:

Q. Well, I was wondering what the relationship of the figure in the Keith table was to any figure or figures in your table.

Mr. Reycraft: May I make a suggestion?

Mr. Price: Yes.

Mr. Reycraft: It appears to me that the figure you are referring to on A-X is the total of all banks, and the figure that you are drawing Dr. Gaffey's attention to on Table 16 is the four largest, so that it would be less than the total.

The Witness: It would be 75.5 per cent of that total, yes.

Mr. Gaffey: So that $3,027,000 would be 73.1 per cent of $4,142,000.

By Mr. Price:

Q. Well, you made calculations, then, apparently without including on your Table G-16 the two items that are on A-X and entitled "Total Assets in Philadelphia" and "Total Assets in Philadelphia and Contiguous Counties"; is that correct?

[fol. 699] A. Well, I don't believe it is. I used the figure the total assets, but I did not reproduce that figure in my table, but my treatment of June 30, 1956, is the same as the treatment of all the other dates. That is, I used the base figure on which the percentages were based, but I did not reproduce the base figure of the total assets of all the banks in Philadelphia or the total assets of all the banks in the four counties. That is, the figure that you referred to, the $4,142,000,000 which appears for total assets in Philadelphia in the Keith report does not appear in my report, but the comparable figure for the other dates does not appear there either, and it was used. That is, the 25.1 per cent, for ex-

ample, the first percentage, is the per cent which the total assets of the largest bank in Philadelphia is of the total assets of all the banks in Philadelphia; and, similarly, the 48.8 per cent is the percentage that the two largest banks are of the total assets of all the banks in Philadelphia, and so on.

Q. But you don't show on G-16 what the total assets are, and therefore it is necessary to refer to the Keith table in order to determine the accuracy of your percentage calculations; isn't that right?

A. For some of them, yes. Wherever possible, where it [fol. 700] was computed, I took the percentage which Keith had already computed. That is, the 25.1 per cent, for example, is Keith's percentage and not mine. I can show you how he got it. I could arrive at it the same way. The 48.8 per cent and the 73.1 per cent are similar, and the same is true of the 22.2, I believe—yes, the 22.2—and so on.

[fol. 701] Q. Then, in order to determine the total assets of which these first two largest and four largest banks are related, you must go to the Keith report because your exhibit doesn't show that total figure?

A. Yes. That's right.

Q. Then I understand that the word "concentration" in the title "Concentration of Assets," is merely a description of an arithmetical fact and not an argument as to whether it is good or bad or large or small?

It merely states the figures, does it not?

A. Well, concentration is a term that is quite widely used among economists or economic writers. It does show something about whether figures are large or small.

It does not necessarily show whether they are good or bad.

Q. Well, "large" is likewise a relative term?

A. Yes.

Q. But so far as your table is concerned, this purports merely to show the accurate arithmetical facts with reference to the volume of deposits held by the largest bank as compared with all the banks in Philadelphia—I mean assets, not deposits; is that correct?

A. Yes.

[fol. 702] Q. I don't want to get into a discussion with you about concentration if my last question is correct.

A. Well, it was a sort of a long one.

Will you read it back to me then, please, again?

The Court: Mr. Price, the attorney for the Government, has defined concentration as percentages.

When you go into that part of it, don't you think you ought to leave it alone?

Mr. Price: Yes, sir. If counsel has agreed to it, I won't ask the witness any more.

Mr. Reycraft: Will you mark as Government's Exhibit 17 Table 17 entitled "Summary of Loans and Lines of Credit of Girard Trust Corn Exchange Bank Outstanding on September 21, 1960 by Location of Borrower."

(Document headed "Table 17," entitled "Summary of Loans and Lines of Credit of Girard Trust Corn Exchange Bank Outstanding on September 21, 1960, by Location of Borrower" was marked Exhibit G-17 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, what was the source of the information [fol. 703] which you used to compile Table No. 17?

A. This information was compiled from information which was supplied to the Government by the defendants, in this particular case by Girard Trust Corn Exchange Bank, in response to certain questions which the Government submitted to the defendant; and there was some modification of the original request and some statement as to the form in which the bank would supply the information.

Q. Were your calculations based on what with respect to loans? That is, how many loans are included in your calculations?

A. Well, the numbers aren't shown here. We asked them for the hundred largest loans and it turned out that there were three that were the same size, so that of the smallest of that group three were of the same size; so the tabulation was actually made on the basis of 103 largest loans, and that was a complete tabulation of it and these were loans outstanding by Girard on September 21, 1960.

Q. And these are only the largest loans; is that correct?

A. Yes.

Q. With respect to the lines of credit, what was the [fol. 704] basis of the information you used?

A. Well, it was similar. The Girard Trust Corn Exchange Bank supplied, in response to our request, information showing the hundred largest lines of credit which they had outstanding as of that date, and we compiled them on the basis of this distribution of location.

Q. Now with respect to the loans which you sampled, the 103 largest loans, what do the data show with respect to the percentage of them originating in Philadelphia and in the 4-county area?

A. It shows 44.7 per cent of this group of loans and 42.1 per cent of the dollar volume of such loans originated in Philadelphia; and going to the total of the four counties, there was approximately 7 per cent of each, of the number of loans and the dollar volume, in Delaware, Montgomery, and Bucks Counties; and so that for the four counties as a whole, 51.5 per cent of the number of loans and 48.8 per cent of the dollar volume was in these four counties.

Approximately ten per cent of both the number of loans and the dollar volume was elsewhere in Pennsylvania, and the remainder was in all other areas.

[fol. 705] Q. Now with respect to the hundred largest lines of credit, what did your studies show?

A. The figures are quite similar. It showed 47 per cent of the number of these lines of credit and 51.2 per cent of their dollar volume was in Philadelphia; about 9 per cent of both the number and the dollar volume was in Delaware, Montgomery, and Bucks Counties; so in total, in the four counties, 56 per cent of the lines of credit and 60.5 per cent of the dollar volume of those lines of credit were in these four counties.

10 per cent of the number of such lines of credit and 8.3 per cent of the dollar volume of them were elsewhere in Pennsylvania and the remainder was elsewhere in the country, or any place else.

Q. What did your studies show with respect to the loans of $50,000 or more?

A. 52.6 per cent of the number of such loans and 48.3 per cent of their dollar volume were in Philadelphia. 16 per cent of their number and about 11 per cent of the dollar volume was in Delaware, Montgomery, and Bucks Counties; so that for the four counties as a whole, taking all loans of $50,000

or more, 68.9 per cent of the loans and 59.1 per cent of the dollar volume were in the four counties.

[fol. 706] About 10 per cent of the number and 10.7 per cent of the dollar volume were elsewhere in Pennsylvania and about 21 per cent of the number and about 30 per cent of the dollar volume were elsewhere.

Q. What did your studies show with respect to all lines of credit of $50,000 or more?

A. About half was in Philadelphia on both the number of loans and the dollar volume. About 10 per cent was in Delaware, Montgomery, and Bucks Counties. The totals for the four counties were 60.6 per cent of the number of such lines of credit and 58.5 per cent of the dollar volume.

9.3 per cent both of the number and the same percentage of the dollar volume was elsewhere in Pennsylvania and the remainder, consisting of 30 per cent of the number of lines of credit and 32 per cent of the dollar volume was elsewhere.

Mr. Reycraft: That's all.

By Mr. Price:

Q. So that the sum of the numbers of loans under the headings "Other Pennsylvania" and "All Other Areas" represents the number of loans outside of the four-county area; is that correct?

[fol. 707] A. Yes.

Q. And the percentages correspondingly?

A. Yes.

Q. And you haven't added those together, but the addition will produce that result, will it not?

A. Yes.

Q. I understand that you received all the basic figures, both as to numbers and amounts, from the Girard in response to a question?

A. Yes.

Q. And the only thing that you did was to calculate the various percentages which you have shown on this exhibit; is that correct?

A. Figure the amounts and the percentages, yes.

Q. But I thought the amounts were given to you.

A. The amounts were given to us, but not by these categories. They were given to us in long lists and I compiled

them or had them compiled under my supervision by the geographic areas.

Q. Well, the data were shown, were they not, which enabled you to determine that there were 46 loans in Philadelphia and 7 in Delaware, Montgomery, and Bucks Counties?

[fol. 708] A. Yes.

Q. Those data or information you got from the Girard?

A. Yes.

Q. And the calculations you made, therefore, were just as to percentages; the allocations may have been your own, but the new calculations were the percentages?

A. That's correct.

Mr. Price: That's all.

Mr. Reycraft: We will skip Exhibit No. 18 at the moment, with Your Honor's permission. There is not a copy available for the defendants. It just came in this morning.

We go on to Exhibit No. 19, and I would like to have marked for identification as Government's Exhibit No. 19 Table 19, which is entitled "PNB and Girard Only Commercial Loans Under $50,000 or More—(Category #5 on Call Report)".

(Document headed "Table 19" entitled PNB and Girard Only Commercial Loans Under $50,000 or More (Category #5 on Call Report)" was marked Exhibit G-19 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, what was the source of the information that you used in compiling this table?

[fol. 709] A. This was also compiled from information which was submitted to the Government by Philadelphia National Bank and Girard in response to questions which the Government submitted to these banks on the dates indicated here—on April 21, 1960, with some modification on May 2, 1961.

Mr. Littleton: May I ask because it is not on the exhibit, does this mean by copy of borrower or geographical location of borrower?

By Mr. Reycraft:

Q. Would you answer the question, Dr. Gaffey?

A. Yes. These figures are on the basis of the geographical location of the borrower.

Mr. Littleton: Thank you.

By Mr. Reycraft:

Q. Dr Gaffey, what did your analysis of the underlying data show with respect to these loans of $50,000 or more?

A. Taking the Girard first, 55 per cent of the number of loans and 50.7 per cent of the dollar volume of these loans were in Philadelphia. The percentages in Delaware, Montgomery, and Bucks Counties were 14 per cent of the number and 11 per cent of the dollar volume; so that on a combined basis in the four counties 69.1 per cent of the number of loans and 61.9 per cent of the dollar volume was in these four [fol. 710] counties.

Elsewhere in Pennsylvania accounted for 12.1 per cent of the number of loans and 13 per cent of the dollar volume. All other areas accounted for 18.8 per cent of the number of loans and 25.1 per cent of the dollar volume.

Q. And with respect to Philadelphia National, what does your analysis show?

A. The figures are a little different, but the net result is not greatly different. Their percentages were 40.7 per cent of the number of loans and 38 per cent of the dollar volume was in Philadelphia. However, 22.8 per cent of the number of loans and 14.2 per cent of the dollar volume was in Delaware, Montgomery, and Bucks Counties; so that the combined totals for the four counties for Philadelphia National Bank were 63.5 per cent of the number of loans and 52.2 per cent of the dollar volume.

Elsewhere in Pennsylvania accounted for 10.9 per cent of the number of loans and 9.5 per cent of the dollar volume. All other areas accounted for 25.6 per cent of the number of loans and 38.3 per cent of the dollar volume of loans.

By Mr. Littleton:

[fol. 711] Q. So that, Doctor, outside of the four-county area in the case of the Philadelphia National Bank, the

number of loans amounted to 36.5 per cent of all loans $50,000 or more; is that correct?

A. Yes.

Q. And the dollar volume of all loans outside the four-county area, amounting to $50,000 or more, is 47.8 per cent?

A. Yes.

Q. Is that correct?

A. Yes.

Q. Almost 50 per cent of the loans are outside the four-county area; is that correct?

A. Yes.

Mr. Littleton: That's all.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 20, Table 20,—I am informed that the defendants now have a copy of Exhibit 18.

May I inquire whether Exhibit 18 is in Your Honor's set of the exhibits?

The Court: Yes, I have it.

Mr. Reycraft: Government's Exhibit No. 18 is entitled, "Table 18," and "Summary of Loans and Lines of Credit of [fol. 712] Philadelphia National Bank Outstanding on September 21, 1960, By Location of Borrower."

(Document headed "Table 18," entitled "Summary of Loans and Lines of Credit of Philadelphia National Bank Outstanding on September 21, 1960, by Location of Borrower" was marked Exhibit G-18 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, what is the source of the information on which you relied in preparing Exhibit 18?

A. This was prepared on the basis of information which was supplied to the Government by the Philadelphia National Bank in response to questions submitted to that bank by the Government on April 28, 1961, as modified on May 2, 1961.

Q. Does Exhibit No. 18 contain data comparable to that in Exhibit No. 17 for Girard, except that Table 18 applies to Philadelphia National?

A. Yes.

Q. What did your analysis of the data show with respect to the hundred largest loans of the Philadelphia National Bank?

A. It shows 39 per cent of the number of loans and 36.1 per cent of the dollar volume of these largest loans are in Philadelphia, Delaware, Montgomery, and Bucks Counties. [fol. 713] 7 per cent of the number of loans and 5.6 per cent of their dollar volume is elsewhere in Pennsylvania.

Q. With respect to the 107 largest lines of credit, what does your analysis show?

A. Approximately 42 per cent of both the number of loans and of the dollar volume is in the four counties of Philadelphia, Delaware, Montgomery, and Bucks. About 4 per cent of the number of loans and 2 per cent of the dollar volume is elsewhere in Pennsylvania.

Q. Referring to the next category, all loans of $50,000 or more, what did your studies show?

A. This shows 58.4 per cent of the number of loans and 43.5 per cent of the total dollar volume of such loans were in Philadelphia, Delaware, Montgomery, and Bucks Counties. 10.3 per cent of the number of loans and 7.5 per cent of the dollar volume of such loans were elsewhere in Pennsylvania.

Q. Now, turning to the next page of Exhibit 18, what did your studies show with respect to all lines of credit, $50,000 or more?

A. It shows 58.3 per cent of the number of such lines of credit and 47.7 per cent of the dollar volume of such lines of credit are in the four counties—Philadelphia, Delaware, Montgomery, and Bucks Counties, Pennsylvania. 10.3 per cent of the number of lines of credit and 7.1 per cent of their [fol. 714] dollar volume is elsewhere in Pennsylvania.

By Mr. Littleton:

Q. Doctor, turning to the all loans of $50,000 or more, the last item on the first page of this Exhibit G-18, I didn't hear you tell what the percentage of the total number of loans in all other areas in Pennsylvania was. Will you give us that?

A. I am sorry. What was your question, all other loans in Pennsylvania?

Q. Do you see all loans $50,000 or more?

A. Yes.

Q. In your next to the last line, the percentage of total of number of loans, I would like to direct your attention to the column headed "All other Areas".

A. Yes.

Q. You neglected to give us that in your narration about this G-18.

A. I am sorry, 31.3 per cent and 49 per cent of the total dollar volume in that category.

Q. Right. So that in Philadelphia National Bank the number of loans, $50,000 or more, 41.4 per cent are outside the four-county area, are they not?

The Court: 41—what?

[fols. 715-720] Mr. Littleton: 41.6 per cent. My addition is wrong.

The Witness: Yes.

By Mr. Littleton:

Q. And 56.5 per cent in dollar volume is outside the four-county area, is it not?

A. Yes.

Q. And on the next page, all lines of credit, $50,000 or more, number of lines credit outside the four-county area, 41.6 per cent of the total; is that correct?

A. Yes.

Q. And the dollar volume of those lines of credit outside the four-county area is 52.3 per cent; is that correct?

A. Yes, yes.

Mr. Littleton: Thank you. That's all.

The Court: That is it for the day. We will take a recess for five minutes and I will hear that application on the subpoena.

(Adjourned at 4:00 o'clock P.M., until 10:00 o'clock A.M. on Tuesday, June 6, 1961.)

[fols. 721-722] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

Philadelphia, Pa., June 6, 1961

SECOND DAY

Before Hon. Thomas J. Clary, J.

[fol. 723] JOHN DEAN GAFFEY, resumed.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 20 a table marked "Table 20, Girard—Loans and Lines of Credit Under $50,000 Based on Samples."

(Document headed "Table 20, Girard Loans and Lines of Credit Under $50,000 Based on Samples" was marked Exhibit G-20 for identification.)

Q. Dr. Gaffey, referring to Table 20, will you state what the source of the information is on which you relied in preparing that table.

A. I relied upon information which was submitted to the Government by Girard Trust Corn Exchange Bank in response to certain questions which the government propounded to that company on April 28, as modified on May 2. I believe the date of their letter transmitting the information to the Government was May 23, 1961.

Q. What does the table show with respect to the mortgage loans held by the Girard?

A. In mortgage loans, 23.8 per cent of the loans and 30.7 per cent were from Philadelphia, and 71.4 per cent of the number of such loans and 67.3 per cent of the dollar volume

of these loans was from Delaware, Montgomery, and Bucks Counties. Therefore, 95.2 per cent of the number of these [fol. 724] loans and 98 per cent of the dollar volume of such loans was from the four counties. The balance was distributed between the rest of Pennsylvania and all other areas. In the number of loans it was distributed approximately equal in the dollar volume. 0.2 per cent was from elsewhere in Pennsylvania, and the remaining 1.8 percent was from other areas.

Q. Referring to the data on commercial loans, what does the analysis show?

A. In commercial loans, 36.7 per cent of the number of the loans and 50.4 per cent of the dollar volume of such loans was from Philadelphia.

From Delaware, Montgomery, and Bucks Counties there came 55 per cent of the number of loans and 43.6 per cent of the dollar volume of such loans. Thus, from the four counties combined, there came 91.7 per cent of the number of loans and 94 per cent of the dollar volume of loans.

From the rest of Pennsylvania there came 3.3 per cent of the number of loans and 0.7 per cent of the dollar volume.

From other areas there came approximately 5 per cent of both the number of loans and the dollar volume of such [fol. 725] loans.

Q. What does the analysis show with respect to collateral loans?

A. 50.5 per cent of the collateral loans, that is, the number of such loans, came from Philadelphia, and 56.7 per cent of their dollar volume was from Philadelphia.

From Delaware, Montgomery, and Bucks Counties there came 35.2 per cent of the number of loans and 25.3 per cent of the dollar volume.

Thus, in the four counties combined there was 85.7 per cent of the number of loans and 82 per cent of the dollar volume.

From the rest of Pennsylvania there came 2.2 per cent of the number of loans and 1.6 per cent of the dollar volume.

From all other areas there came 12 per cent of the number of loans and 16 per cent, approximately, 16.4 percent of the dollar volume.

Q. With respect to lines of credit under $50,000 the in-

formation appears to be more limited, but what does it show?

A. It was quite incomplete. They told us that they had 186 such lines of credit and that their estimate was that 170 [fol. 726] of them came from the four counties, Philadelphia, Delaware, Montgomery, and Bucks Counties. This was labeled as an estimate by the people in Girard Trust who transmitted the information to the Government.

Q. And that would be about 92 per cent in the four-county area?

A. Approximately that, yes.

By Mr. Price:

Q. The numbers in the line entitled "Number of Loans" under "Mortgage Loans" and "Commercial Loans" and "Collateral Loans" should all be multiplied by 50 in order to know the actual number of loans made by the bank; isn't that correct?

A. Yes.

Q. The lines of credit was not a sample of a few of the total, was it?

A. No, it was not.

Q. There was no factor to apply there?

A. That is correct. The 186 is the actual number of lines of credit.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 21 a table entitled "Table 21, Philadelphia National—Loans and Lines of Credit Under $50,000."

[fol. 727] (Document headed "Table 21, Philadelphia National—Loans and Lines of Credit Under $50,000" was marked Exhibit G-21 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, what is the source of the data contained in Government's Exhibit No. 21?

A. This table was compiled from materials which were submitted to the Government by the Pennsylvania National Bank in response to questions submitted by the Government on May 28, 1961, as modified on May 2, 1961. The date of

the letter from Pennsylvania National Bank transmitting the information was May 23, 1961.

Q. Is the information contained in this exhibit based upon a sample?

A. Yes, it is.

Q. And do you have the information with respect to the first portion of the sample?

A. Yes. The loans under $50,000 was a sample of one out of each 50 such loans.

The mortgage loans under $50,000 was also based on a sample of 1 out of 50.

The time credit loans was based upon a sample of 1 out of 300 of such loans.

Q. By multiplying in each case, for example, 1 out of 300. [fol. 728] would it be possible to get an approximate figure?

A. Yes.

Q. Will you describe the information which is shown by this exhibit with respect to loans under $50,000.

A. For loans under $50,000, excluding consumer credit and mortgage loans, 17.8 per cent of the number of loans and 33.3 per cent of the dollar volume of loans came from Philadelphia.

63.6 per cent of the number of loans and 42 per cent of the dollar volume was from Delaware, Montgomery and Bucks Counties.

Therefore, for the four counties combined, 81.4 per cent of the number of loans and 75.3 per cent of the dollar volume of such loans arose in those four counties.

Q. Now, moving outside the four-county area, what does the data show?

A. In the balance of Pennsylvania there accounted for 7.6 per cent of the number of loans and 6.7 per cent of the dollar volume of such loans.

In the rest of the United States they accounted for 10.2 per cent of the number of loans and 17.6 per cent of the dollar volume of loans.

A nominal amount came from foreign countries, 0.8 per [fol. 729] cent of the number of loans and 0.3 per cent of the dollar volume.

Q. What does the analysis show with respect to mortgage loans?

A. 8.3 per cent of the number of loans and 12.9 per cent of the dollar volume of mortgage loans under $50,000 came from Philadelphia.

80.6 per cent of the number of loans and 72 per cent of the dollar volume of such loans came from Delaware, Montgomery, and Bucks Counties.

Therefore, the combined total for the four counties was 88.9 per cent of the number of loans and 84.9 per cent of the dollar volume.

For the balance of Pennsylvania they accounted for 4.2 per cent of the number of loans and 4.8 per cent of the dollar volume.

For the rest of the United States the numbers were, the proportions were, 6.9 per cent of the number of loans and 10.3 per cent of the dollar volume.

There were no foreign loans in this category.

Q. Turning to time credit loans, Dr. Gaffey, what does the analysis show?

A. 25.7 per cent of the number of loans and 18.3 per cent [fol. 730] of the dollar volume came from Philadelphia.

58.7 per cent of the number of loans and 56.9 per cent of the dollar volume came from Delaware, Montgomery, and Bucks Counties.

Combining the four counties, 84.5 per cent of the number of loans and 75.3 per cent of the dollar volume came from Philadelphia, Delaware, Montgomery, and Bucks Counties.

Q. Moving out of the four-county area, what is shown by the table?

A. 3.4 per cent of the number and 5.4 per cent of the dollar volume arose elsewhere in Pennsylvania, and 12.1 per cent of the number and 19.4 per cent of the dollar volume arose elsewhere in the United States.

There were none in foreign countries.

By Mr. Littleton:

Q. Doctor, the information furnished to you was the sample information, was it not?

A. Yes.

Q. Does that appear anywhere on this Government's Exhibit 21?

A. No, it does not.

Q. And what was the sample for loans under $50,000 that [fol. 731] you have denominated by the letter E?

A. One out of 50. I may explain that E, F, and G, those were the categories which the Philadelphia National Bank put on their information which they transmitted to the Government.

Q. So that to get the actual number of loans under $50,000, excluding consumer credit and mortgage loans, one should multiply by 50; is that correct?

A. Yes.

Q. And the mortgage loans under $50,000, which on G-21 is denominated by the letter F, what was the rate of sampling there?

A. It was the same, 1 out of 50.

Q. So that the same thing will apply there, to get the actual number of loans one would multiply by 50?

A. Yes.

Q. And time credit loans, which you denominate under the letter G, what was the sampling there?

A. One out of each 300.

Q. So that to get the figure, one would multiply by 300?

A. Yes.

Q. Do you know whether there is any distinction in time credit loans between dealer paper and direct loans, Dr. [fol. 732] Gaffey?

A. No, I don't.

Q. Do you know whether in the documents furnished to you there is any distinction between the types of loans, for example, automobile loan or home appliance loan, or home modernization loan, or personal loan?

A. I don't recall from memory.

Q. You did have the information furnished to you, did you not?

A. I had the information which the Philadelphia National Bank furnished, yes, which was the information they agreed to furnish.

Q. Did the information which the Philadelphia National Bank furnished to you show the type of loan?

(No answer.)

Q. Do you have it with you?

A. I don't have it here.

Q. And you don't remember?

A. I don't remember specifically with regard to that particular information, no.

[fol. 733] Mr. Reycraft: Will you mark as Government's Exhibit No. 21-A a document entitled, "The Philadelphia National Bank Random Sample of Time Credit Loans (1 Out of Each 300)," consisting of 21 pages.

(Document headed "The Philadelphia National Bank Random Sample of Time Credit Loans (1 Out of Each 300)," consisting of 21 pages, was marked Exhibit G-21-A for identification.)

By Mr. Littleton:

Q. You have been looking at G-21-A which has been handed to you. What is it, in the first place?

A. It is a compilation of random sample of time-credit loans of the Philadelphia National Bank.

Q. Furnished to you by the Philadelphia National Bank?

A. Yes.

Q. Does it show the type of loan in each case?

A. Yes.

Q. All right.

A. Yes, it does.

Q. Now, I notice on G-20, which is the Girard loans and lines of credit, that you had one additional item from what you have on G-21. You have lines of credit under $50,000.

I don't find a similar compilation on G-21. Were you furnished by the Philadelphia National Bank with data on [fol. 734] lines of credit under $50,000 as of May 10, 1961?

A. I don't recall. We asked for the same information from the two companies, but it was not received.

Q. Will you read us the title that you have given to G-21, that is Table 21? Read it as you have it, please.

A. "Table 21, Philadelphia National Bank Loans and lines of credit under $50,000."

Q. Would you look at G-21 and tell me whether you have on it lines of credit under $50,000?

A. It's not there.

Q. It is not there.

Would you tell us why you put it in the title if it is not there?

A. Well, the titles were set up and the plan of tabulation was to prepare identical tables for the two defendant banks. The Government asked the two defendant banks for the same information.

Q. And did you get from Philadelphia National Bank —

A. —and this information——

Q. Excuse me.

A. Well, it was not received in identical form. I do not recall the specific reason why lines of credit was not shown on this Table 21.

Mr. Littleton: You have it there.

[fol. 735] Mr. Reycraft: Yes.

Mr. Littleton: Would you give it to him as long as you have it, Mr. Reycraft?

Mr. Reycraft: Yes.

Will you mark as Government's Exhibit No. 21-B a document headed "The Philadelphia National Bank Lines of Credit Under $50,000 as of May 10, 1961."

(Document entitled "The Philadelphia National Bank Lines of Credit Under $50,000 as of May 10, 1961," was marked Exhibit G-21-B for identification.)

Mr. Littleton: What did you number that, Mr. Reycraft?

Mr. Reycraft: B.

Mr. Littleton: B? Is there a 21-A?

Mr. Reycraft: Yes, there is.

The Witness: Yes, this tabulation of time-credit loans.

By Mr. Littleton:

Q. Will you read us what it says on G-21-B?

A. Yes. It is a separate table furnished by the Philadelphia National Bank, lines of credit under $50,000 as of May 10, 1961.

It gives the total number of lines of credit as fifty. It lists them as 100 per cent, gives the dollar amount as $1,248,000, [fol. 736] which is also listed as 100 per cent.

For the four-county area (Philadelphia, Bucks, Delaware, and Montgomery) twenty-seven lines of credit are shown, which are 54 per cent of the number of such lines of credit. The dollar amount for that area is $610,000, or 48.9 per cent of the dollar amount.

The eleven-county area, which is described as the four counties plus Chester, New Castle, Mercer, Burlington, Camden, Salem, and Gloucester, show thirty-one such lines of credit or 62 per cent of the number of such lines of credit. They show $720,000 or 57.7 per cent of the dollar volume.

Q. So that in this number they are 46 per cent outside the four-county area, are they not, in number?

A. Yes.

Q. And in amount there is 51 per cent outside the four-county area; is that correct?

A. Yes.

Mr. Littleton: Thank you very much, Doctor.

By Mr. Reycraft:

Q. Dr. Gaffey, I don't know whether you have this information, but is this exhibit based upon a sampling or is this a total?

A. (No response.)

Mr. Reycraft: Perhaps Mr. Littleton could tell us.

[fol. 737] Mr. Littleton: It is the absolute figure. I am advised that it is the absolute figure.

Mr. Reycraft: So that the total number of lines of credit under $50,000 held by the Philadelphia National Bank is fifty; is that correct?

Mr. Littleton: That's correct.

Mr. Reycraft: That is correct, I am sure.

Will you mark for identification as Government Exhibit No. 22 a table entitled, "Table 22, Philadelphia National Bank Commercial & Industrial Loans $50M & Over Outstanding September 21, 1960."

(Document headed, "Table 22," entitled "Philadelphia National Bank Commercial & Industrial Loans $50M & Over Outstanding September 21, 1960," was marked Exhibit G-22 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, referring to Government's Exhibit No. 22, what was the source of the information on which you relied in preparing this exhibit?

A. This was prepared from information submitted by the Philadelphia National Bank to the Government in response to questions which the Government submitted to the bank on April 28, 1961, and modified May 2, 1961.

[fol. 738] The date of the bank's submission—the date of their letter enclosing the submission was May 23, 1961.

Q. Is the information based on an absolute number or on a sample?

A. This is the actual number.

Q. Now, referring, Dr. Gaffey, to loans of $50,000 to $100,000, what does this analysis show?

A. It shows 39 per cent of the number of loans and 38 per cent of the dollar volume of such loans came from Philadelphia; 35 per cent of the number of loans and 36 per cent of the dollar volume of such loans came from Delaware, Montgomery, and Bucks Counties; so 74 per cent of the number of loans and the same figure, 74 per cent, of the dollar volume of loans came from the four counties.

26 per cent of the number of loans and the same percentage of the dollar volume of loans in this size came from other places.

Q. What does the analysis show with respect to loans of $100,000 to $500,000?

A. It shows 42 per cent of the number of loans and 43 per cent of the dollar volume of loans in this class came from Philadelphia; 20 per cent of the number of loans and 19 per cent of the dollar volume of such loans came from the other three contiguous counties; and 62 per cent of the number of loans and the same percentage, 62 per cent, of the [fol. 739] dollar volume of loans came from the four-county area combined.

This leaves 38 per cent, both of the number of loans and 38 per cent of the dollar volume of loans from other places.

Q. Referring to loans between $500,000 and $1,000,000, what does the analysis show?

A. 44 per cent of the number of loans and 44 per cent of the dollar volume of loans in this class came from Philadelphia; 11 per cent of the number of loans and 11½ per cent of the dollar volume of loans in this class came from the other three contiguous counties; so 55 per cent of the number of loans and 55.5 per cent of the dollar volume of loans in this class came from the four-county area.

Therefore, 45 per cent of the number of loans and 44½ per cent of the dollar volume of loans came from elsewhere.

Q. Now referring to loans of $1,000,000 and over, what does the analysis show?

A. 37½ per cent of the number of loans and 34½ per cent of the dollar volume of loans of this class came from Philadelphia. Just over 11 per cent of the number of loans and of the dollar volume of loans came from the other three counties; so that the combined four-county total is 48.6 per cent of the number of loans and 45.7 per cent of [fol. 740] the dollar volume of loans in this larger class.

So, in this class 51.4 per cent of the number and 54.3 per cent of the dollar volume came from outside of this area.

Q. Now referring to the total of all of the categories of lines indicated on this exhibit, what do the figures show?

A. They show that 40.5 per cent of the number of loans and 37½ per cent of the dollar volume came from Philadelphia; 22.5 per cent of the number of loans and 14½ per cent of the dollar volume of all loans came from the other three counties; and the combined four-county total was 63 per cent of the number of loans and 52 per cent of the dollar volume of loans.

Q. What about outside the four county area?

A. 37 per cent of the number of loans and 48 per cent of the dollar volume of loans came from outside this area.

By Mr. Littleton:

Q. Outside what?

A. Outside of the Philadelphia, Delaware, Montgomery, and Bucks Counties, Pennsylvania.

Mr. Littleton: That's all right.

Mr. Reycraft: Will you mark for identification as Government Exhibit No. 23 a table entitled "Table 23, Girard Trust [fol. 741] Corn Exchange Bank Commercial & Industrial Loans, $50M & Over Outstanding September 21, 1960."

(Document headed "Table 23," entitled "Girard Trust Corn Exchange Bank Commercial & Industrial Loans $50M & Over Outstanding September 21, 1960," was marked Exhibit G-23 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, referring to Government's Exhibit No. 23, what is the source of the information contained on which this exhibit was based?

A. This exhibit was compiled from information submitted by Girard Trust Corn Exchange Bank to the Government in response to questions submitted by the Government to the bank on April 28, 1961, and modified on May 2, 1961.

The material was transmitted to the Government on May 18, 1961.

Q. And are the data set forth here total figures or are they a sample?

A. These are the actual figures.

Q. Now referring to commercial and industrial loans of the Girard Trust Corn Exchange Bank of $50,000 to $100,000, what does the analysis show?

A. 56 per cent of the loans and 55 per cent of the dollar volume of loans in this class came from Philadelphia; 17½ [fol. 742] per cent of the number of loans and 17½ per cent of the dollar volume of loans of this class came from Delaware, Bucks, and Montgomery Counties. Thus, the total for the four counties of loans of this class is 73½ per cent of the number of loans and 72½ per cent of the dollar volume.

So, 26.5 per cent of the number of loans and 27.5 per cent —I am sorry, 26.5 per cent of the number of loans and 27.5 per cent of the dollar volume of such loans came from all other areas.

Q. Referring to the category of loans of the Girard Trust Corn Exchange between $100,000 and $500,000, what do the data show?

A. 56 per cent of the number of loans and 57 per cent of the dollar volume of such loans came from Philadelphia; 13 per cent of the number of loans and 12 per cent of the dollar volume of such loans came from Delaware, Bucks, and Montgomery Counties; and the figure for the four counties combined is 69 per cent of both the number of loans and of the dollar volume.

Thus, from outside of the area there came 31 per cent of the number of loans and 31 per cent of the dollar volume of loans in this class.

Q. Now referring to the category of loans of the Girard between $500,000 and $1,000,000, what does the analysis show?

[fol. 743] A. 51½ per cent of the number of loans and 49½ per cent of the dollar volume of these loans came from Philadelphia; 7½ per cent of the number of loans and 7 per cent of the dollar volume of these loans came from Delaware, Bucks, and Montgomery Counties. The combined total for the four counties was 59 per cent of the number of loans and 56½ per cent of the dollar volume of these loans.

41 per cent of the number of loans and 43½ per cent of the dollar volume of loans in this class came from outside of the area.

Q. What does the analysis show with respect to loans of $1,000,000 and over of the Girard?

A. In the largest class of loans, $1,000,000 and over, 40.5 per cent of the number and 42.5 per cent of the dollar volume came from Philadelphia; 9½ per cent of the number and 6½ per cent of the dollar volume came from Delaware, Bucks, and Montgomery Counties. So, combining them, the totals for the four counties in this class of loans was 50 per cent of the number of loans and 49 per cent of the dollar volume of loans.

Therefore, from all other area there came 50 per cent of these loans and 51 per cent of the dollar volume of this class of loans.

Q. What was the total number of loans of $1,000,000 and [fol. 744] over outstanding as of September 21, 1960?

A. There were only thirty-two loans in that class.

Q. Now referring to the total based on all of the categories set forth in this exhibit, what does the analysis show?

A. For all loans combined, that is, all commercial and industrial loans, $50,000 or more, 55 per cent of the loans and 51 per cent of the dollar volume of these loans came from Philadelphia; 14 per cent of the loans and 9.9 per cent of the dollar volume came from Delaware, Bucks, and Montgomery Counties; 69 per cent of the number of loans and 61.9 per cent of the dollar volume of loans came from the four-county area.

31 per cent of the loans and 39.1 per cent of the dollar volume came from other areas.

Mr. Reycraft: That's all.

By Mr. Price:

Q. What was the mechanical method used to compute these figures for dollar volume?

A. We merely distributed the loans we got by size class and added them up.

Q. Did you add them up with an adding machine or by eye or how?

A. Oh, by a machine. I didn't personally add them all. I had them added; I supervised and arranged to have them compiled.

[fol. 745] Q. They were all added by adding machine, were they?

A. Yes. I am quite sure they were all added by adding machine.

Mr. Price: All right.

Mr. Reycraft: Will you mark for identification as Government's Exhibit 24 a table headed, "Table 24, Commercial & Industrial Loans $50,000 and Over Merging Banks' Combined Totals."

(Document headed "Table 24," entitled "Commercial & Industrial Loans $50,000 and Over Merging Banks' Combined Totals," was marked Exhibit G-24 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, referring to Government's Exhibit No. 24, can you tell me as of what date this information is applicable?

A. (No response.)

Q. Is it based on the same data as 23 and 22?

A. Yes, it is based on September 21, 1960.

Q. And are the data the same as the data underlying 22 and 23?

A. Yes.

Q. And are these the data which were supplied by the defendants in response to questions submitted by the Government on April 28, 1961?

[fol. 746] A. Yes.

Q. Referring to Government's Exhibit No. 24, in category $50,000 to $100,000, what does the combined analysis of the two banks' loans show?

A. It shows that 47½ per cent of the loans in this class and 47 per cent of the dollar volume of such loans came from Philadelphia; 26½ per cent of the number of loans and 26 per cent of the dollar volume came from Delaware, Bucks, and Montgomery Counties. From the four counties as a whole, 74 per cent of these loans arose from those counties and 73 per cent of the dollar volume of such loans was from that area.

From all other areas there came 26 per cent of the number of loans of this class and 27 per cent of the dollar volume of such loans.

Q. Now with respect to the category of $100,000 to $500,000, what does the analysis of the combined totals show?

A. It shows that 48 per cent of the number of loans and 50 per cent of the dollar volume came from Philadelphia; 17 per cent of the number of loans and 15½ per cent of the dollar volume of loans of this class came from Delaware, Bucks, and Montgomery Counties; 65 per cent of the number of loans and 65½ per cent of the dollar volume of loans in this class came from the four-county area.

[fol. 747] 35 per cent of the number of loans and 34½ per cent of the dollar volume of loans came from other areas.

Q. Referring to the category $500,000 to $1,000,000, what does the analysis of the combined banks' loans show?

A. 46½ per cent of the number of loans and 46 per cent of the dollar volume of these loans came from Philadelphia; 9.9 per cent of the number of these loans and 9.7 per cent of the dollar volume of these loans came from Delaware, Bucks, and Montgomery Counties. 56.4 per cent of the number of loans and 55.7 per cent of the dollar volume of loans in this class came from the four-county area.

43.6 per cent of the number of loans and 44.3 per cent of the dollar volume of these loans came from elsewhere.

Q. And what does the analysis show with respect to loans of $1,000,000 and over?

A. For these loans, 38½ per cent of the number of loans and 36.5 per cent of the dollar volume of these loans came

from Philadelphia; 10.4 per cent of the number and 10.2 per cent of the dollar volume came from Delaware, Bucks, and Montgomery Counties. 48.9 per cent of the number of loans and 46.7 per cent of the dollar volume of loans in this class came from the four-county area.

51.1 per cent of the number and 53.3 per cent of the dollar [fol. 748] volume came from all other areas.

Q. What do the totals show with respect to all commercial and industrial loans of $50,000 and over of both banks?

A. In the combined totals for both banks in all size classes of commercial and industrial loans, 47.5 per cent of the number of loans and 42.3 per cent of the dollar volume of loans came from Philadelphia; 19 per cent of the number of loans and 12.7 per cent of the dollar volume of loans came from Delaware, Bucks and Montgomery Counties. 66.5 per cent of the number of loans and 55 per cent of the dollar volume of loans came from the combined four-county area.

33½ per cent of the number of loans and 45 per cent of the dollar volume of loans came from all other areas.

Mr. Littleton: I have no questions.

Mr. Price: I have no questions.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 25 a document entitled "Table 25, Philadelphia National Bank All Loans $50M & Over, Except Commercial & Industrial Outstanding September 21, 1960."

(Document headed "Table 25," entitled "Philadelphia National Bank All Loans $50M & Over, Except Commercial & Industrial Outstanding September 21, 1960," was marked [fol. 749] Exhibit G-25 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, referring to Government's Exhibit No. 25, what was the basis for the information contained in this exhibit?

A. This information was—this table was compiled from information supplied by the Philadelphia National Bank in response to a question submitted by the Government to the bank on April 28, 1961, and modified May 2, 1961.

The letter of transmittal was May 23, 1961.

Q. Dr. Gaffey, referring to the categories set forth in the exhibit of real-estate loans, what does the analysis show?

A. It shows that 12½ per cent of the number of loans and 44 per cent of the dollar volume of these loans came from Philadelphia; 45 per cent of the number of loans and 16½ per cent of the dollar volume of loans came from Delaware, Montgomery, and Bucks Counties. 57½ per cent of the number of loans and 60.5 per cent of the dollar volume of loans came from the four-county area.

42½ per cent of the number of loans and 39½ per cent of the dollar volume of these loans came from all other areas.

Q. Dr. Gaffey, referring to the next category, which is [fol. 750] loans to financial institutions, can you tell me what type of financial institutions are included in this category?

A. It includes all types that borrow from commercial banks—small-loan companies, consumer-credit companies, consumer-finance companies, household finance companies. They go by different names. Loans to other banks would also be included in this category.

Q. Now referring to the information which has been obtained with respect to loans to institutions of this type, what do the data show with respect to the origin of these loans?

A. 5 per cent of the number and 5½ per cent of the dollar volume from Philadelphia; 15 per cent of the number and 7 per cent of the dollar volume from Delaware, Montgomery, and Bucks Counties. Combining them, 20 per cent of the number and 12½ per cent of the dollar volume from the four counties combined.

80 per cent of the number of loans and 87½ per cent of the dollar volume from other areas.

Q. Now with respect to the category loans for purchasing or carrying securities, will you describe the type of loans which are included in this category?

A. They would be loans to any purchasers of securities, such as an individual; they would also be loans to brokers [fol. 751] for the purpose of purchasing or carrying securities.

Q. What does the information show with respect to the geographic origin of loans of this type?

A. 22 per cent of the loans and 1½ per cent of the dollar volume from Philadelphia; 56 per cent of the loans and

3½ per cent of the dollar volume from Delaware, Montgomery, and Bucks Counties. 78 per cent of the loans and 5½ per cent of the dollar volume from the four counties combined.

22 per cent of the loans and 94½ per cent of the dollar volume from other areas.

Q. Referring to the category of loans to individuals, what does the information show?

A. It shows 28½ per cent of the number of loans and 22 per cent of the dollar volume of such loans were from Philadelphia; 68 per cent of the loans and 74½ per cent of the dollar volume were from Delaware, Montgomery, and Bucks Counties. 96½ per cent of the number of loans and the same proportion, 96½ per cent, of the dollar volume came from the four-county area.

3½ per cent of the number of loans and 3½ per cent of the dollar volume of such loans were from all other areas.

Q. Now with respect to the next category entitled, "All [fol. 752] Other Loans," what types of loans are included in this category?

A. Well, any that wouldn't fall in any of the other categories. It would include loans to governmental agencies, as the note shows.

Q. Would it include loans to local governmental agencies?

A. Yes, it would.

Q. School districts?

A. Yes.

Q. All right.

With respect to this category, what does the information show?

A. 28.5 per cent of the number of loans and 12.8 per cent of the dollar volume came from Philadelphia; 33½ per cent of the number of loans and 12.2 per cent of the dollar volume came from Delaware, Montgomery, and Bucks Counties. 62 per cent of the loans and 25 per cent of the dollar volume came from the four counties combined.

38 per cent of the number of loans and 75 per cent of the dollar volume came from other areas.

Q. What does the analysis show with respect to all of these loans included in the above categories?

A. Taking all of these classes of loans combined, 16 per cent of the total number of loans and 14½ per cent of the

[fol. 753] dollar volume of loans came from Philadelphia; 36 per cent of the number of loans and 11 per cent of the dollar volume came from Delaware, Montgomery, and Bucks Counties. 52 per cent of the total number of loans and 25½ per cent of the dollar volume of these loans came from the four-county area.

48 per cent of the number of loans and 74.5 per cent of the dollar volume of these loans came from other areas.

By Mr. Littleton:

Q. So, Doctor, almost one half in number of loans in this category and three fourths of the dollar volume of the loans in this category come from outside the four-county area; is that correct?

A. Yes.

Mr. Littleton: Thank you.

[fol. 754] Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 26, "Table 26, Girard Trust Corn Exchange Bank All Loans $50M & Over, Except Commercial & Industrial Outstanding September 21, 1960."

(Document entitled "Table 26, Girard Trust Corn Exchange Bank All Loans $50M & Over, Except Commercial & Industrial Outstanding September 21, 1960" was marked G-26 for identification.)

Q. Dr. Gaffey, referring to Government's Exhibit 26, what was the source of the data contained in this exhibit?

A. The exhibit was compiled from information supplied by Girard Trust Corn Exchange Bank to the Government in response to questions submitted to the bank by the Government on April 28, 1961, and modified on May 2, 1961.

Q. Are these figures totals or are they a sample?

A. They are total figures.

Q. With respect to the real estate loans of $50,000 and over held by the Girard Trust Corn Exchange Bank on September 21, 1960, what does the analysis show?

A. 48 per cent of the loans and 56 per cent of the dollar volume of these loans came from Philadelphia.

19 per cent of the loans and 10.2 per cent of the dollar volume came from Delaware, Montgomery, and Bucks [fol. 755] Counties.

Therefore, 67 per cent of the loans, that is, the number of loans, and 66.2 per cent of the dollar volume of these loans came from these four counties.

33 per cent of the number of loans and 33.8 per cent of the dollar volume of loans came from all other areas.

Q. With respect to loans to financial institutions, what does the analysis show?

A. 28 per cent of these loans and 21 per cent of the dollar volume of these loans came from Philadelphia.

7 per cent of the number of these loans and 4 per cent of the dollar volume of these loans came from Delaware, Montgomery and Bucks Counties.

35 per cent of the number of loans and 25 per cent of the dollar volume of these loans came from the four-county area.

65 per cent of the number of loans and 75 per cent of the dollar volume of these loans came from all other areas.

Q. What does the analysis show with respect to loans for purchasing or carrying securities?

A. 74 per cent of the loans of this type and 83 per cent of the dollar volume of the loans of this type came from [fol. 756] Philadelphia.

6.5 per cent of the number of loans and 2.4 per cent of the dollar volume of these loans came from the other three counties.

For the four counties, 80.5 per cent of the number of loans and 85.6 per cent of the dollar volume of loans came from these four counties.

19.5 per cent of the number of this class of loans and 14.4 per cent of the dollar volume of these loans came from all other areas.

Q. And with respect to loans to individuals, what does the study show?

A. It shows 52.5 per cent of the number of loans and 55 per cent of the dollar volume of loans to individuals came from Philadelphia.

23.5 per cent of the number of loans and 17 per cent of the dollar volume of loans came from Delaware, Montgomery, and Bucks Counties.

76 per cent of the number of loans and 72 per cent of the dollar volume of loans came from the four-county area combined.

24 per cent of the number of loans and 28 per cent of the dollar volume of loans came from other areas.

[fol. 757] Q. And what does it show with respect to all other loans?

A. 28.5 per cent of the number of these loans came from Philadelphia, and 21.2 per cent of the dollar volume of these loans came from Philadelphia.

9.5 per cent of the number of loans and 7.8 per cent of the dollar volume of loans in this class came from Delaware, Montgomery, and Bucks Counties.

38 per cent of the number of loans and 29 per cent of the dollar volume of loans came from the four counties combined.

62 per cent of the number of loans and 71 per cent of the dollar volume came from elsewhere.

Q. And with respect to the combined total, what does the exhibit show?

A. Taking all of these classes of loans combined, 49.5 per cent of the number of loans and 43.5 per cent of the dollar volume of loans came from Philadelphia.

19 per cent of the number of loans and 10.5 per cent of the dollar volume of loans came from Delaware, Montgomery, and Bucks Counties.

68.5 per cent of the number of loans and 54 per cent of the dollar volume of loans came from these four counties combined.

[fol. 758] 31.5 per cent of the number and 46 per cent of the dollar volume of loans came from all other areas.

Mr. Price: I have no questions.

The Court: Let us wait for the next exhibit until after the 10-minute break.

(A 10-minute recess was taken at 10:05 A.M.)

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 27 a table entitled "Table 27, All Loans $50M and Over Except Commercial & Industrial Merging Banks' Combined Totals Outstanding September 21, 1960."

(Document entitled "Table 27, All Loans $50M and Over Except Commercial & Industrial Merging Banks' Combined Totals Outstanding September 21, 1960" was marked Exhibit G-27 for identification.)

Q. Dr. Gaffey, referring to Government's Exhibit No. 27, what is the source of the information contained in this report?

A. This is the table that was compiled from the combined figures on the two preceding tables, 26 and 25.

Q. Based on information submitted by the defendants in response to questions of the Government of April 28, 1961?

[fol. 759] A. Yes.

Q. Referring to the category of real estate loans, what are the combined figures of the two banks with respect to geographical areas?

A. 25.5 per cent of the number of loans and 48.5 per cent of the dollar volume of these loans came from Philadelphia.

35.5 per cent of the number of loans and 14.5 per cent of the dollar volume of loans came from Delaware, Bucks, and Montgomery Counties.

61 per cent of the number of loans and 63 per cent of the dollar volume of loans came from the four counties combined.

39 per cent of the number of loans and 37 per cent of the dollar volume of loans came from all other areas.

Q. And with respect to loans to financial institutions, what do the combined totals show?

A. 12 per cent of the number of loans and 9.5 per cent of the dollar volume of loans in this class came from Philadelphia.

12.6 per cent of the number of loans and 6.5 per cent of the dollar volume of these loans came from Delaware, Bucks, and Montgomery Counties.

[fol. 760] 24.6 per cent of the number of loans and 16 per cent of the dollar volume of these loans came from the four counties combined.

75.4 per cent of the number and 84 per cent of the dollar volume came from other areas.

Q. And with respect to loans for purchasing or carrying securities, what does the information show?

A. 62.5 per cent of the number of loans and 23 per cent of the dollar volume came from Philadelphia.

17.5 per cent of the number of loans and 3.5 per cent of the dollar volume came from Delaware, Bucks, and Montgomery Counties.

80 per cent of the number of loans and 26.5 per cent of the dollar volume of loans came from the four counties combined.

20 per cent of the loans and 73.5 per cent of the dollar volume came from all other areas.

Q. And with respect to loans to individuals, what does the analysis show?

A. 50 per cent of the number of loans and 52 per cent of the dollar volume of these loans were from Philadelphia.

27.5 per cent of the number of loans and 22 per cent of the dollar volume of these loans came from Delaware, Bucks, and Montgomery Counties.

[fol. 761] 77.5 per cent of the number of loans and 74 per cent of the dollar volume came from the four counties combined.

22.5 per cent of the number and 26 per cent of the dollar volume came from all other areas.

Q. And with respect to all other loans, what does the analysis show?

A. 28.5 per cent of the number were from Philadelphia, and 15.4 per cent of the dollar volume were from Philadelphia.

29.25 per cent of the number and 11.2 per cent of the dollar volume came from Delaware, Bucks, and Montgomery Counties.

57.75 per cent of the number and 26.6 per cent of the dollar volume came from the four counties combined.

42.25 per cent of the number and 73.4 per cent of the dollar volume came from all other areas.

Q. And with respect to the combined totals of the two banks for all the loans of $50,000 and over except commercial and industrial loans, what does the analysis show?

A. For all loans of the two banks in these classes combined, 34.5 per cent of these loans arose in Philadelphia and [fol. 762] 25 per cent of the dollar volume came from there.

26.5 per cent of the number of these loans and 11.5 per cent of the dollar volume were from Delaware, Bucks, and Montgomery Counties.

61 per cent of the number of loans and 37 per cent of the dollar volume of loans came from the four counties combined.

39 per cent of the number of loans and 63 per cent of the dollar volume were from all other areas.

By Mr. Littlefon:

Q. Dr. Gaffey, will you address yourself for a moment to the second category you have there, loans to financial institutions.

A. Yes.

Q. In connection with a similar category on G-25 Mr. Reycraft asked you to describe what those loans would be, to what kind of financial institutions, and you said it came from a list. Where did you get that information?

A. Well, these classes are the classes that the banks report to the bank examining authorities, in this case to the Federal Reserve.

Q. In other words, from the call reports?

A. Yes.

[fol. 763] Q. I didn't hear you include loans to correspondent banks. Would they be included under loans to financial institutions?

A. I don't believe I used those words, but I believe I did say it would include loans to other banks.

Q. It would include correspondent banks?

A. Yes, it would.

Mr. Littleton: Thank you.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 28, Table 28, entitled "Philadelphia National Bank, All Personal & Business Demand Deposit Accounts $10M & Over."

(Document entitled "Table 28, Philadelphia National Bank, All Personal & Business Demand Deposit Accounts $10M & Over" was marked Exhibit G-28 for identification.)

Q. Dr. Gaffey, referring to Government's Exhibit No. 28, what is the source of the data contained in this exhibit?

A. This exhibit was compiled from information submitted to the Government by the Philadelphia National Bank in response to questions submitted to the bank by the Government on April 28, 1961, as modified May 2, 1961.

Q. And is this information a sample of accounts or is it total accounts over $10,000?

[fol. 764] A. It includes all accounts over $10,000.

Mr. Littleton: I don't want to be captious. It is $10,000 and over, isn't it? You said over $10,000. It is $10,000 and over.

The Witness: That is correct, sir. It is $10,000 and over.

By Mr. Reycraft:

Q. With respect to the category of personal and business demand deposit accounts of $10,000 to $50,000 what does the analysis show?

A. In this class of accounts 48.5 per cent of accounts, that is, the number of accounts, and 49.5 per cent of the dollar volume of accounts came from Philadelphia.

33.5 per cent of the number of accounts and 32 per cent of the dollar volume of these accounts came from Delaware, Montgomery, and Bucks Counties.

82 per cent of the number of accounts and 81.5 per cent of the dollar volume of these accounts came from the four counties combined.

18 per cent of the number of accounts and 18.5 per cent of the dollar volume of accounts came from all other areas.

Q. Mr. Gaffey, with respect to the accounts from $50,000 to $100,000, what does the analysis show?

[fol. 765] A. 44.5 per cent of the accounts and 45 per cent of the dollar volume of these accounts in this class came from Philadelphia.

22 per cent of the accounts and 21 per cent of the dollar volume of accounts in this group came from Delaware, Montgomery, and Bucks Counties.

66.5 per cent of the number of accounts and 66 per cent of the dollar volume of these accounts came from the four counties combined.

33.5 per cent of the accounts and 34 per cent of the dollar volume of the accounts came from all other areas.

Q. And with respect to accounts between $100,000 and $500,000, that is, $100,000 to $500,000, what does the analysis show?

A. 47.5 per cent of the number of accounts and 47 per cent of the dollar volume came from Philadelphia.

12.5 per cent of the number of accounts and the same proportion of the dollar volume came from Delaware, Montgomery, and Bucks Counties.

58 per cent of the number of accounts and 39.5 per cent of the dollar volume of these accounts came from the four counties combined.

Q. And outside the four-county area?

A. 42 per cent of the number of accounts came from out-
[fol. 766] side of the area.

I think that there was a miscalculation. The figures do not add to 100 there. May I go back and correct that?

Q. Yes, indeed.

A. It appears that taking the dollar volume of accounts in this class, ~~$100~~,000 to $500,000, 47 per cent of the dollar volume of the accounts came from Philadelphia and 12.5 per cent of the dollar volume of the accounts came from Delaware, Montgomery, and Bucks Counties, and the combined total should have been 59.5 per cent from the four counties combined, and somehow, I suppose in typing it, the figure was not correct on the table, but the correct figure is 59.5 per cent of the dollar volume of accounts in this class came from the four counties combined and 40.5 per cent came from all other areas.

Q. And with respect to the personal and business demand deposits from $500,000 to $1,000,000, what does the analysis show?

A. 35 per cent of the accounts and 35.5 per cent of the dollar volume came from Philadelphia.

10 per cent of the accounts and also 10 per cent of the dollar volume came from Delaware, Montgomery, and
[fol. 767] Bucks Counties.

45 per cent of the accounts and 45.5 per cent of the dollar volume of these accounts came from the four counties combined.

55 per cent of the accounts and 54.5 per cent of the dollar volume came from other places.

Q. And for $1,000,000 and over, what is indicated?

A. 58.5 per cent of the number of accounts and 63 per cent of the dollar volume was from Philadelphia.

7 per cent of the number of accounts and 6 per cent of the dollar volume came from Delaware, Montgomery, and Bucks Counties.

65.5 per cent of the number of accounts in this class and 69.5 per cent of the dollar volume of accounts in this class came from the four counties combined.

34.5 per cent of the number of accounts and 30.5 per cent of the dollar volume came from all other areas.

Q. What are the combined totals?

A. Taking the combined totals of all the classes, 47.5 per cent of the number of accounts and 51.5 per cent of the dollar volume came from Philadelphia.

28 per cent of the number of accounts and 13.5 per cent of the dollar volume came from Delaware, Montgomery, [fol. 768] and Bucks Counties.

75.5 per cent of the number of accounts and 65 per cent of the dollar volume were from the four counties combined.

24.5 per cent of the number and 35 per cent of the dollar volume came from all other areas.

Mr. Littleton: Just one question: In the $100,000 to $500,000 group did I understand you to say the percentage of the number of accounts was 47.5? It has here 45.5 My recollection is you said 47.5.

A. Well, 45.5 is the proper figure.

Mr. Littleton: Right. Thank you.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 28-A, Table 28-A, headed "Philadelphia National Bank, All other Deposit Accounts $10M & Over."

(Document entitled "Table 28-A, Philadelphia National Bank, All Other Deposit Accounts $10M & Over" was marked Exhibit 28-A for identification.)

Q. Dr. Gaffey, referring to Government's Exhibit 28-A what is the source of the information contained in this exhibit?

A. The exhibit was compiled from information submitted [fol. 769] to the Government by the Philadelphia National Bank in response to questions submitted by the Government, modified May 2, 1961.

The Court: Educate me, Mr. Reycraft. What do you mean by "all other deposits, $10,000 and over"?

Mr. Reycraft: Your Honor, I don't believe that I can give you all the types of deposits which are included in this category. May I ask the witness if he can point it out?

The Court: All right.

I would assume they would be savings accounts, and so forth, and all personal and business demand deposits. I would assume that that would include savings accounts, and so forth.

Mr. Reycraft: Well, personal and business demand deposit accounts are included in G-28, and you are correct, Your Honor, that G-28-A includes time deposits, which are savings deposits, it includes domestic and foreign bank demand deposits, and it includes Government demand deposits, and I believe that this is the total.

Mr. Littleton: Do I understand Mr. Reycraft to say that this Table 28-A includes savings deposits?

The Court: It says "All Others." It is all-inclusive.

[fol. 770] Mr. Littleton: If Your Honor please, it does not include savings deposits.

The Court: That is what I wanted to find out.

By Mr. Reycraft:

Q. May I ask, Dr. Gaffey, if you have that information?

A. Well, it includes the deposit accounts, $10,000 or over, in the three classes that are shown on the left-hand side of the table, that is, time deposits, $10,000 or over, bank demand deposits, and Government demand deposits—in other words, demand deposits which are not on Table 28, Table 28 being personal and business demand deposits and time deposits.

Mr. Reycraft: Will you mark as Government's Exhibit 28-B the chart which was furnished to the Government by the Philadelphia National Bank and given the letter designation L. It contains information with respect to loans of $50,000 and over and deposits of $10,000 and over.

(Chart furnished to the Government by the Philadelphia National Bank and given the letter designation L was marked Exhibit G-28-B for identification.)

Mr. Reycraft: To answer Your Honor's question, savings [fol. 771] deposits are not included. They are on a different chart.

By Mr. Reycraft:

Q. Now, referring to Government's Exhibit 28-A, Dr. Gaffey, will you describe the information contained in this analysis under time deposits of $10,000 and over.

A. 44.5 per cent of these time deposit accounts were from Philadelphia; 43 per cent of the dollar volume of these accounts were from Philadelphia.

From Delaware, Bucks, and Montgomery Counties there came 15 per cent of the number of these accounts and 2.75 per cent of the dollar volume of these accounts.

From the four counties combined there came 59.5 per cent of the number of these accounts and 45.75 per cent of the dollar volume.

From all other areas there came 40.5 per cent of the number of accounts and 54.25 per cent of the dollar volume.

Q. And with respect to domestic and foreign bank demand deposits, what is indicated?

A. 1.75 per cent of the number of accounts and 6 per cent of the dollar volume came from Philadelphia.

1.25 per cent of the number of accounts and 1 per cent of [fol. 772] the dollar volume came from the three surrounding counties, that is, from Delaware, Bucks, and Montgomery Counties.

3 per cent of the number of accounts and 7 per cent of the dollar volume came from those four counties combined.

97 per cent of the accounts and 93 per cent of the dollar volume came from all other areas.

Q. And with respect to Government demand deposits, what is indicated?

A. 20.5 per cent of the number of these accounts came from Philadelphia, and 71 per cent of the dollar volume of these accounts came from Philadelphia.

64.5 per cent of the number of accounts and 4 per cent of the dollar volume of this class of deposits came from Delaware, Bucks, and Montgomery Counties.

85 per cent of the number of accounts and 75 per cent of the dollar volume of these accounts came from those four counties combined.

15 per cent of the number of accounts and 25 per cent of the dollar volume came from other areas.

By Mr. Littleton:

Q. Doctor, in the last category, Government demand de- [fol. 773] posits, will you explain what the word "Government" means there?

A. It means any governmental agency including Federal, State, and local governments.

By Mr. Price:

Q. Did I correctly understand you to say that this exhibit now shows all deposit accounts, $10,000 and over, in the three categories designated on the left-hand side of the exhibit, excluding savings accounts?

A. Yes.

[fol. 774] Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 29, "Table 29, Demand Deposits, $10M & Over Merging Banks Combined."

(Document headed "Table 29," entitled "Demand Deposits, $10M & Over Merging Banks Combined," was marked Exhibit G-29 for identification.)

The Witness: For some reason I don't have a copy of that one.

By Mr. Reycraft:

Q. Dr. Gaffey, referring to Government Exhibit 29, what is the source of the information contained in that exhibit?

A. This was compiled from information submitted by the two defendant banks to the Government in response to questions submitted by the Government to the banks on April 28, 1961, modified May 2, 1961.

Q. Dr. Gaffey, now would you refer to the footnote concerning the somewhat different basis for the figures of these two banks and explain that?

A. Well, the domestic and foreign bank demand-deposit accounts of the Philadelphia National Bank were not included in these figures. The way the information was submitted from the Girard made it very difficult and laborious to exclude them, so they were not excluded from Girard, although they were excluded from Philadelphia National.

[fol. 775] Q. All right. Referring to the first category, which is Girard accounts, will you describe what the information shows?

A. It shows that of all demand deposit accounts of Girard of $10,000 or more, 61.7 per cent of the accounts and 65 per cent of the dollar volume was from Philadelphia.

22.1 per cent of the number of accounts and 13 per cent of the dollar volume were from Delaware, Bucks, and Montgomery Counties.

83.8 per cent of the accounts and 78 per cent of the dollar volume came from these four counties combined.

16.2 per cent of the number of accounts and 22 per cent of the dollar volume came from all other areas.

Q. And with respect to the Philadelphia National Bank what is indicated by the analysis?

A. Taking all demand-deposit accounts of $10,000 or over, except the domestic and foreign bank demand-deposit accounts which were excluded, 46.6 per cent of these accounts came from Philadelphia and 55.7 per cent of the dollar volume of these accounts came from Philadelphia.

29.4 per cent of the number of accounts and 11.3 per cent of the dollar volume were from Delaware, Bucks, and Montgomery Counties.

76 per cent of the number of accounts and 67 per cent of [fol. 776] the dollar volume of these accounts were from these four counties combined.

24 per cent of the accounts and 33 per cent of the dollar volume of these accounts were from all other areas.

Q. What are the combined totals?

A. Combining the totals for the two banks as above, 55 per cent of the number of accounts and 59 per cent of the dollar volume were from Philadelphia.

25.5 per cent of the number of accounts and 12.1 per cent of the dollar volume of these accounts were from Delaware, Bucks, and Montgomery Counties.

80.5 per cent of the accounts and 71.1 per cent of the dollar volume of the accounts were from the four counties combined.

19.5 per cent of the accounts and 29.9 per cent of the dollar volume were from all other areas.

Q. Dr. Gaffey, what is the dollar volume of Girard's demand-deposit accounts of $10,000 and over which originate in the four-county area?

A. 78 per cent.

Q. The dollar amount?

A. I am sorry.

Q. The dollar figure? Is it $222,000,000?

[fol. 777] A. Oh, the dollar figure, $222,747,000.

Q. And what is the comparable amount of the Philadelphia National Bank demand deposit accounts of $10,000 or over which originate within the four-county area?

A. $343,242,000.

Q. And what are the combined totals of the demand-deposit accounts of $10,000 and over which originate within the four-county area?

A. $565,989.

Q. Is that million?

A. I'm sorry. Will you strike that answer? $565,989,000.

By Mr. Littleton:

Q. Doctor, will you tell us why you excluded the Philadelphia National Bank figures on domestic and foreign bank demand deposits and included the Girard Trust Corn Exchange?

A. Well, we would have excluded them from both had it been—had we been able to do that. This information came in to as quite late. We got the information from—well, their letters of transmittal were on the 24th and the 23rd of May.

Q. I don't understand what you mean, you would have excluded it from both.

A. The figures on domestic and foreign bank demand deposits were excluded from Philadelphia National Bank [fol. 778] figures because the information which was submitted to us was in the form which made it quite easy and feasible to separate out those figures.

The information in Girard was all mixed through and so, in view of the pressure of time, we did not.

I think it was proper to exclude them because in a distribution of accounts by geographical area most—well, all foreign banks are obviously out of the four-county area and most domestic banks which carry—that is, domestic meaning United States banks, which carry demand deposits in Philadelphia banks would be outside of this area.

We were trying to get a tabulation which would show demand deposits of $10,000 and over which did not include these bank deposits, which are in a somewhat different category.

Q. What is the title of your Table 29, which is here marked G-29?

A. Demand-deposit accounts $10,000 and over.

Q. Are the domestic bank demand-deposit accounts of Philadelphia National Bank demand deposits of $10,000 or over?

A. Yes.

Q. Are there foreign bank demand-deposit accounts of $10,000 and over?

A. Yes.

[fol. 779] Q. If your table is to show demand-deposit accounts of $10,000 and over, why do you want to exclude them?

A. Well, we didn't change the title on the table because they are included for the Girard bank, but excluded for the Philadelphia bank. The proper——

Q. Is that an explanation, Doctor?

A. I think the table explains what was done. That was our intention to explain in the table what was done.

Q. What your footnote explains to me is that you mixed apples and pears; isn't that correct?

A. No, I don't believe so.

Q. Well, do you agree with me that your totals are absolutely meaningless?

A. No.

Q. Well, what is the meaning of them?

A. The meaning of them is that most demand-deposit accounts of $10,000 or over come from these four counties.

Q. Would you look at G-28-A, please?

A. (No response.)

Q. Do you have it?

A. Yes.

Q. First, let me ask you, what is the title of Table 28-A, which is G-28-A?

A. Philadelphia National Bank, all other deposit ac-

[fol. 780] counts, $10,000 and over.

Q. And domestic and foreign bank demand deposits, I ask you to please address yourself to that category and tell me how many domestic and foreign bank demand deposits of the Philadelphia National Bank of $10,000 and over are outside the four-county area—the number, now.

A. 881.

Q. And the dollar value of such?

A. $173,105,000.

Q. $173,105,000?

A. Yes.

Q. Now address yourself, please, to G-29 and under Philadelphia National Bank, in the column "All Other Areas," which means outside the four-county area, tell me the number of demand-deposit accounts $10,000 and over.

A. 1,015.

Q. And the dollar volume of them?

A. $168,974,000.

Q. So that you have put in a figure of $168,974,000 and you have omitted a figure of $173,105,000; is that correct?

A. Yes.

Q. And you still say that your totals are meaningful?

A. Yes, sir. I think they are meaningful. The domestic and foreign bank demand deposits are quite a different [fol. 781] category from most other demand deposits, both classes being $10,000 or over.

Q. Does that appear in your title?

A. You would ordinarily expect——

Q. Does that appear in the title to Table 29?

A. Well, you didn't quite let me finish my explanation.

Q. All right. Forgive me. Go ahead.

A. You asked me to give it to you.

You would normally expect most of these 909 accounts of domestic and foreign bank demand deposits to come from out of the area.

Q. What does that——

A. The 909 banks are shown in the previous table, Table 28-A, with the distribution of where they come from.

Now, we would have done that also for Girard had we received the information in time and had the time to do it.

Actually, Table 29 understates the demand deposits other than domestic and foreign bank demand deposits, which come from the four-county area with which we are primarily concerned.

Q. If you had done what you said you would have done if you had had the information from Girard in the form that you seem to think you should have it, then your totals [fol. 782] probably would be correct, wouldn't they?

A. Yes.

Q. And not having done it, they, therefore, must be incorrect; isn't that so?

A. Well, no. That's not so.

I think the table explains what it purports to show. I see nothing incorrect about it.

Mr. Littleton: All right.

The Witness: There hasn't been any effort to misrepresent what is in the table.

Mr. Littleton: Nobody has said anything about misrepresentation. I asked you whether your figures for the totals were meaningful.

The Witness: I think they are, sir.

By Mr. Price:

Q. The title doesn't accurately describe what you say the proper designation of demand deposits $10,000 and over is, does it?

A. No, but the title, taken together with the footnote, is intended to accurately describe what the table contains.

Q. Well, the footnote speaks about understatement and overstatement.

You wouldn't have any understatement or overstatement if you had a proper title, would you?

[fol. 783] A. It would be possible to put the information that is in that footnote in the title and explain in about the same way what is in the table as was done. It was done this way instead of putting it in the title, but that wouldn't have affected the figures that are in the table.

Q. In other words, you are trying to exclude demand deposits simply because they came from these domestic and foreign banks in order to change the percentage figures?

A. No, sir. We are trying to exclude foreign and domestic bank demand deposits because they are a different category classification on a logical basis than other demand deposits of $10,000 or over.

Q. Who classifies them differently?

A. The statements of condition which the banks file with the banking regulatory authorities classify them differently.

By Mr. Littleton:

Q. The difference is in the geography, isn't it, Doctor?

A. No, sir. The difference is not in the geography. They

are a different classification of accounts. They are also different in geographic distribution, but that's not the principal difference between them.

Q. What other difference is there besides geography?

A. (No response.)

Q. Aren't they demand deposits $10,000 and over?

[fol. 784] A. Yes, but they are a special classification of demand deposits of other banks.

Q. You mean they are banks?

A. Yes.

Q. They are banks instead of other business companies?

A. Yes.

Q. Or individuals?

A. Yes.

Q. But they are still demand deposits over $10,000.

A. Yes.

Q. So the only real difference is geography, isn't it?

A. No.

Q. And you are trying to demonstrate geography, aren't you?

A. The principal purpose of these two tables is to show geographical distribution.

By the Court:

Q. If you add $187,000,000 to the "All Other Areas" of the Girard Trust, it would show quite a difference between your 28 and your 71 per cent, wouldn't it?

A. Yes.

The Court: All right.

Mr. Littleton: That's all.

Mr. Price: That's all.

[fol. 785] Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 30 a table entitled "Table 30, 100 Largest Demand Deposits of Girard Trust Corn Exchange Bank and 92 Largest Demand Deposits of Philadelphia National Bank."

(Document headed "Table 30," entitled "100 Largest Demand Deposits of Girard Trust Corn Exchange Bank and 92 Largest Demand Deposits of Philadelphia National Bank," was marked Exhibit G-30 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, referring to Government's Exhibit No. 30, what is the source of the information shown on this exhibit?

A. This is also based on information which was submitted by the Girard Trust Corn Exchange Bank and Philadelphia National Bank to the Government in response to questions submitted by the Government to these banks on April 28, 1961, and modified May 2, 1961.

Q. Dr. Gaffey, with respect to the analysis of the Girard accounts, what does the table show?

A. It shows that 61 per cent of these accounts and 70.5 per cent of the dollar volume of these accounts came from Philadelphia.

7 per cent of the accounts and 4.9 per cent of the dollar volume of these accounts came from Delaware, Bucks, and [fol. 786] Montgomery Counties.

68 per cent of the number of accounts and 75.4 per cent of the dollar volume of these accounts came from this four-county area.

10 per cent of the number of accounts and 9.6 per cent of the dollar volume of these accounts came from elsewhere in Pennsylvania.

22 per cent of the number of accounts and 15 per cent of the dollar volume of these accounts came from all other places.

Q. What does the analysis show with respect to Philadelphia National Bank?

A. 45.7 per cent of the number of accounts and 58 per cent of the dollar volume of these accounts came from Philadelphia.

4.3 per cent of the number of accounts and 3.1 per cent of the dollar volume came from Delaware, Bucks, and Montgomery Counties.

50 per cent of the number of accounts and 61 per cent of the dollar volume of accounts came from the four counties combined.

9.8 per cent of the accounts and 10.8 per cent of the dollar volume came from elsewhere in Pennsylvania.

40.2 per cent of the number of accounts and 28.2 per cent [fol. 787] of the dollar volume of accounts came from all other places.

By Mr. Littleton:

Q. Doctor, did you make any study with respect to these 92 largest demand depositors of Philadelphia National Bank to ascertain whether they carried deposit accounts in banks in other areas?

A. No. I didn't do that.

Q. You did not?

A. No.

Q. Did you have any information with respect to that?

A. (No response.)

Q. Was such information furnished you?

A. I don't recall any. There may have been. I made no special study of it, if there was.

Mr. Littleton: All right.

Mr. Reycraft: I don't believe we know of any.

Mr. Littleton: Are there any other questions?

By Mr. Price:

Q. Dr. Gaffey, this heading of Table 30, which I have seen for the first time a few moments ago, speaks of the 100 largest demand deposits of the Girard Trust Corn Exchange and 92 largest demand deposits of the Philadelphia National Bank.

[fol. 788] Does that include any bank deposits?

A. I don't know.

Q. Didn't you endeavor to find out when you were making up the title of this exhibit whether it included or excluded the bank deposits which you now say are in a different category from other demand deposits?

A. I don't recall. I could check and find out.

Q. Will you please find out? You say this was in response to questions submitted by the plaintiff. Do you know what the question was?

A. Yes.

Q. To which the response was made?

A. It was Question No. 11.

Q. What did it ask for?

A. I'd have to get it.

Q. Will you please get it?

A. To say specifically.

Mr. Reycraft: Will you mark as Government's——

The Court: You may read it into the record.

Mr. Reycraft: All right, sir.

The Court: We don't need it as an exhibit.

Mr. Reycraft: "11. (a) For each year during the period January 1, 1956, to December 31, 1960, or such aliquot part thereof, state the name, address, business, and average [fol. 789] annual demand deposit account of $2,500 to $25,000 for each individual, partnership, and corporation in Philadelphia National Bank or Girard Trust Company, identifying the branch or home office in which the demand deposit account originated or is maintained, and, in addition, summarize such information by stating the number and dollar amount of such demand deposit accounts originating in (1) Philadelphia county, (2) the four county area (Philadelphia, Bucks, Delaware, and Montgomery), and (3) any other area, identifying such area.

"(b) Provide the same information as above for every demand deposit account of $25,001 to $50,000.

"(c) Provide the same information as above for every demand deposit account of $50,001 to $100,000.

"(d) Provide the same information as above for every demand deposit account of $100,001 to $500,000.

"(e) Provide the same information as above for every demand deposit account of $500,001 to $1,000,000.

"(f) Provide the same information as above for [fol. 790] every demand deposit account of $1,000,001 or more."

Now, there is a modification, Your Honor, to that question and this modification is contained, attached to a letter of May 3, 1961. It is entitled "Modifications of Questions Propounded by Plaintiff on April 28, 1961, as Agreed Upon by Counsel for the Parties, May 2, 1961."

With respect to Question 11 the attachment indicates the following:

"We will give the information requested (except the 'business' of each depositor) with respect to each deposit of $10,000 or over and the average balances thereof during the month of June, 1960. The addresses will be given on the same basis as mentioned in Question

2. With respect to deposits of under $10,000 we will give the same information as of June, 1960 (or other recent date) for 500 such deposits for both banks, selected at random, proportioned between the banks on the basis of the aggregate number of such deposits at each bank."

Dr. Gaffey, I hand you the whole document.

I might state for the record further that there was an oral agreement among counsel to reduce further the number [fol. 791] of samples to 100.

Mr. Price: The 100 largest.

Mr. Reycraft: Yes.

The Witness: The hundred largest; that's right.

By Mr. Price:

Q. The question asked of the Girard Trust Company did not purport to relate to the bank deposits, did it? It asked for IPC deposits, didn't it?

A. Yes. Yes, it did.

Q. Do you know whether it does or does not include banks, even though the question does not ask for banks?

Mr. Reycraft: May I hand Dr. Gaffey the data submitted?

By Mr. Reycraft:

Q. Dr. Gaffey, I am handing you the underlying data for both Philadelphia National and Girard.

Mr. Price: My only question was whether it included any bank deposits.

The Witness: I don't know. I'd have to look through the list. I don't recall any bank.

By Mr. Price:

Q. The banks were not asked for, were they?

A. (No response.)

[fol. 792] Q. In the question?

A. I believe not. By the form of that question, they were not asked for.

Q. All right.

And you were satisfied with the answer that was given?

A. (No response.)

Q. You were satisfied that the answer complied with the question, were you not?

A. Yes.

Q. My question now is shouldn't the heading of this exhibit show that it did not include any bank deposits, but was limited to the type of deposits which is designated familiarly as "IPC" deposits—individuals, partnerships, or corporations?

A. Yes. That would be proper.

Q All right. Then that is all this table purports to show for these accounts of the Girard Trust Company; is that right?

A. Yes.

Mr. Reycraft: My associates point out—and I don't know if Dr. Gaffey has had the opportunity to go through these 192 or more accounts—that there are banks included.

[fol. 793] Mr. Price: He can look very quickly on the sheet that he has in his hand. He has the Girard sheet there and he can see in a moment if there are no banks in it, I believe.

Mr. Reycraft: There are a hundred there. If you want him to look at it now he will have to do it. If you prefer to wait until after the noon recess I think that might be more efficient.

Mr. Price: It would take him about 15 seconds to run through that and see if there are no banks there.

Mr. Reycraft: Please do it, Doctor.

The Witness: I find no banks listed in the Girard.

By Mr. Price:

Q. I beg your pardon?

A. I find no banks listed in the Girard submission.

Q. And the submission was in response to the question, which did not include banks, did it?

A. (There was no response.)

Q. The question didn't ask for banks, did it?

A. The original question did not include banks.

Q. All right.

[fol. 794] A. I don't see how the modification—I mean, let me just look at that modification again.

Q. That makes no reference to banks, either, as Mr. Reycraft has read it.

A. I see no reference to banks.

Q. All right.

Then, so far as the Girard accounts are concerned, it does not include any bank deposits no matter how large they may be, whether they are within the hundred largest or not, does it?

A. No.

Q. And you have no information about the size of the bank deposits with the Girard, have you?

A. I don't know of any.

Q. And to the extent that bank deposits might be within the hundred largest, these figures would be inaccurate, would they not, so far as the title of the exhibit is concerned?

A. Yes.

Mr. Price: Thank you. That's all.

Mr. Littleton: No questions.

By Mr. Reycraft:

Q. Now, Dr. Gaffey, will you refer to the tables furnished to us by the Philadelphia National Bank, and tell me whether [fol. 795] there are any banks included within those deposits.

A. Yes. Yes, I find a bank on the first page

Q. Will you continue and indicate the name of each bank you find?

A. Easton National——

Mr. Littleton: Just a moment, if Your Honor please. This is all confidential information that was given to you as confidential.

The Court: He may give the numbers only without reference to the banks.

Mr. Reycraft: That is satisfactory.

The Witness: Do you wish me to give the figure without identifying what bank it is?

The Court: No, just the number of banks that appear there, without anything.

The Witness: Yes, sir.

By the Court:

Q. Have you found more than one?

A. Yes. I have found 20.

Q. 20? All right. That's close enough.

A. Some of them are foreign.

Mr. Reycraft: Will you agree, Mr. Littleton, that the [fol. 796] information given in response to Question 11 went beyond the questionnaire?

The Court: That it what?

Mr. Reycraft: Sir, we asked for IPC deposits—individuals, partnerships, corporations.

The Court: That isn't what I heard.

Mr. Reycraft: I believe this is the point that raises the question.

The Court: I don't know what the point is, but nowhere was there an ITC mentioned at any time in that question.

Mr. Reycraft: May I see Question 11?

The Court: At least, what you read to me wasn't——

Mr. Reycraft: Yes, sir. I may have skipped over it quickly, but in the fourth line of Question 11 it says deposits for each individual, partnership, and corporation in Philadelphia National Bank or Girard Trust; and the same informaiton was requested with respect to subcategories (b) through (f).

The Court: What is there about a bank that doesn't include that in corporations?

By Mr. Reycraft:

Q. May I ask Dr. Gaffey if your understand is correct [fol. 797] that the category "Individuals, Partnerships, and Corporations" does or does not include banks?

A. Well, the way they classify figures for reporting bank statements of condition, they report bank figures separately from other individuals, partnerships, and corporations.

Q. So the way the Federal authorities allocate their accounts, although banks are corporations, this category does not include banks?

A. That's correct, yes.

Mr. Reycraft: So would it be correct, Mr. Littleton, that your response to Question 11 went beyond the category of individuals, partnerships, and corporations?

Mr. Littleton. No. Our responses to that question and other questions and to the modification, and the last modification was the hundred largest accounts; and when the information was given to you you could see plainly that there were banks included, and you didn't ask for anything else.

Mr. Reycraft: All right.

And you did not limit your response to individuals, partnerships, and corporations?

Mr. Littleton: No, no. The top hundred is what we gave [fol. 798] you.

Mr. Reycraft: May I ask Mr. Price whether his list of the hundred largest accounts includes banks?

Mr. Price: Dr. Gaffey just examined it and saw that it did not.

Mr. Reycraft: Is this all of your hundred largest accounts or is it individuals, partnerships and corporations?

Mr. Price: Individuals, partnerships, and corporations; just what was asked for.

Mr. Reycraft: So if you had a bank in that category it would not be included?

Mr. Price: That's right. It wouldn't be in the list that was asked for.

Mr. Reycraft: I think you and Mr. Littleton may have understood it differently.

Mr. Price: I read IPC as meaning the category which Dr. Gaffey has described, as excluding banks.

Mr. Reycraft: That is the way I read it.

Will you mark for identification as Government's Exhibit No. 31——

By Mr. Price:

[fol. 799] Q. Before we leave that then, Dr. Gaffey, this Table 30 carries two categories of deposits, although there was only one title?

A. Yes.

Q. And the title describes one accurately and the other inaccurately?

A. Yes.

Q. Is that correct?

A. Yes, that's correct.

Mr. Price: That's all, thank you.

The Court: Let's recess now until 2:00 o'clock.

(Recessed for luncheon at 12:00 until 2:00 o'clock P.M.)

[fol. 800] [File endorsement omitted]

AFTER RECESS

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 31, Table 31, headed "The Philadelphia National Bank, Number and Location of Savings Accounts and Time Deposits Under $10,000 as of March 31, 1961."

(Document headed "Table 31, The Philadelphia National Bank, Number and Location of Savings Accounts and Time Deposits Under $10,000 as of March 31, 1961" was marked Exhibit G-31 for identification.)

Q. Dr. Gaffey, referring to Government's Exhibit No. 31, what is the source of the data which is contained in this exhibit?

A. This was prepared from information which was submitted to the Government by the Philadelphia National Bank in response to a question, Question 13, propounded by the Government to the bank on April 28, 1961, and modified on May 2, 1961.

Q. Did you change the breakdown which was contained in the response of the defendants to Question 13?

A. Yes.

Q. In what respect, please?

A. Well, they showed the four-county area, Philadelphia, [fol. 801] Delaware, Bucks, and Montgomery Counties, and then the 11-county area including those four counties and Chester County, Pennsylvania, Burlington, Camden, Gloucester, Mercer, and Salem Counties, New Jersey, and New Castle County, Delaware.

Q. So that the seven-county area is obtained by subtracting the four-county area from the eleven-county area which was contained in the original; is that correct?

A. That is correct, yes.

Q. Now, with respect to the four-county area, what does the analysis show?

A. It shows that Philadelphia National Bank had 88,055 time deposits under $10,000 in the four-county area, or 94.5 per cent of the total number of such accounts.

Q. And with respect to the seven surrounding counties, what does the analysis show?

A. It shows 3,254 of these savings accounts in those seven counties, or 3.5 per cent of the total.

Q. And how many would be outside the eleven-county area?

A. 1,864, or 2 per cent of the total number.

Q. What does the analysis show with respect to time deposits under $10,000?

A. In the four-county area it shows 72.7 per cent of the [fol. 802] accounts and 65.1 per cent of the dollar volume.

Q. And with respect to the seven-county surrounding area what does it show?

A. It shows 4.6 per cent of the accounts and 8.7 per cent of the dollar volume.

Q. And outside the 11-county area?

A. It shows 22.7 per cent of the accounts and 26.2 per cent of the dollar volume.

Q. Is the information contained in the first half of the exhibit under the heading "Savings Accounts" total figures or a sample?

A. I think these are total figures.

Q. Are they totals also in the time deposits or samples? There are 15 accounts shown.

A. I think that is the total number that they reported. I believe the dollar amount figures there should have been—it should have been stated here—no. I started to say I thought there were thousands of dollars, but they are not. They are the correct amounts.

Mr. Littleton: Keep your voice up. I didn't hear you.

The Witness: I started to make a correction, but I retracted it. I don't think any correction was warranted. [fol. 803] I think the figures are right as they stand.

By Mr. Littleton:

Q. Do you know whether the figures in the savings accounts were based on a sampling?

A. I don't recall.

Q. Will you look at your figures under "Time Deposits Under $10,000." What do you have as the number for the four-county area?

A. 15.

Q. Where did you get that figure?

A. Well, this was the response to the Government's Question 13 in a letter dated May 27, 1961.

Q. Will you add up the column.

A. There appears to be one missing some place.

Q. I think you will find it should be 16, Doctor.

A. Yes.

Q. Do you agree?

A. Yes, it appears to be. That is a correction, yes.

Q. You said the time deposits were absolute figures, did you not, Doctor?

A. I said I believe they are, to the best of my recollection.

Q. What?

A. I believe they are.

[fol. 804] Mr. Littleton: Do you agree, Mr. Reycraft?

Mr. Reycraft: On the time deposits, yes, they are.

Will you mark for identification as Government's Exhibit No. 32, Table 32, entitled "Relative Ranking of the Five Largest Philadelphia Banks By Total Deposits."

(Document entitled "Table 32, Relative Ranking of the Five Largest Philadelphia Banks By Total Deposits" was marked Exhibit G-32 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, will you describe the source of the information contained in Government's Exhibit 32.

A. This information was obtained from the report made by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency with respect to this proposed consolidation of the Philadelphia National Bank and Girard Trust Corn Exchange Bank.

Q. And what does the exhibit show with respect to the relative ranking of the five largest banks?

A. The actual figures prior to the consolidation show the largest bank on the basis of 100, and Philadelphia National Bank was almost as large. It was 97 per cent as large.

[fol. 805] Girard was third in size, and its total deposits were 65 per cent of the total deposits of the largest banks. The No. 4 bank, Provident Tradesmens, was 45 per cent. That is, their deposits were 45 per cent of those of the largest bank; and Fidelity Philadelphia, the fifth largest bank, was 42 per cent as large as the largest in terms of total deposits.

Q. And after any consolidation what would be the relative ranking?

A. If they had been consolidated, then the combination of Philadelphia National and Girard would of course be the largest, and the next largest bank would be only 62 per cent as large as this combination. The third largest bank would be only 28 per cent as large as this combination. The fourth largest bank would be 26 per cent of this combination, and the fifth largest bank, Central Penn, would be 15 per cent of the size of this combination.

By Mr. Littleton:

Q. Doctor, just one little question here. My copy says, "Relative Banking of the Five Largest Banks." That should be "Ranking"?

A. That is "Ranking," yes, relative ranking of the five largest Philadelphia banks.

[fol. 806] Mr. Littleton: No other questions.

Mr. Reycraft: Gentlemen, I would like to go next to what has been marked informally as Government's Exhibit No. 40, which is a list of the acquisitions of the Girard Trust Corn Exchange Bank and mark it as Government's Exhibit No. 33.

(List of acquisitions of Girard Trust Corn Exchange Bank was marked Exhibit G-33 for identification.)

Q. Dr. Gaffey, referring to Government's Exhibit No. 33, what is the source of the information contained in that exhibit?

A. This information came from the application which Philadelphia National Bank and Girard Trust Corn Ex-

change Bank filed with the Comptroller of the Currency. It is entitled "Application for Approval to Merge" and was filed with the Comptroller on November 15, 1960.

Q. And this application was signed by the presidents of the two banks; is that correct?

A. Yes.

Q. Now, with respect to Government's Exhibit No. 33 what is the first merger or consolidation indicated on the exhibit?

[fol. 807] A. This is the Corn Exchange National Bank and Trust Company.

Q. And what is the location of the offices involved in the merger between the Corn Exchange National Bank and the Girard?

A. The head office or downtown office of Corn Exchange National Bank and Trust Company was at Second and Chestnut Streets in Philadelphia, and then it had—do you want all the other offices?

Q. Yes, if you will.

A. 11 other offices, and they are located at—one is called the central city office, at 1510-12 Chestnut Street in Philadelphia, which has since been closed. It was an office at the time of this merger, but it was closed on March 26, 1954.

The Oxford (Frankford) office at Frankford and Oxford Avenues in Philadelphia.

The Arch Street office, at Third and Arch Streets in Philadelphia.

A West Philadelphia office, at Sixtieth and Ludlow Streets in Philadelphia.

A Wissinoming office, at Torresdale Avenue and Howell Streets, Philadelphia.

A Germantown Avenue office (Germantown and Lehigh), [fol. 808] at 2721-27 Germantown Avenue, Philadelphia.

A Burholme office, at Rising Sun and Cottman Avenues, Philadelphia.

An Orthodox office, at Orthodox Street and Torresdale Avenue in Philadelphia.

A Bridesburg office at Ash Street at the intersection of Thompsor and Kirkbride Streets in Philadelphia.

A Spring Garden Street office, at Twelfth Street, Ridge Avenue, and Spring Garden Street, in Philadelphia.

And a West Oak Lane office, at 7179-81 Ogontz Avenue, Philadelphia.

Q. What does the exhibit indicate with respect to the areas served?

A. All of these offices were located in the City of Philadelphia, two in the general business and commercial areas of the central city, two in the commercial, industrial and foreign trade area of downtown, five in the commercial and residential areas of Northeast Philadelphia, and one each in the commercial and residential area of West and North Philadelphia.

Q. And what does the exhibit indicate with respect to the type of banking business in which the Corn Exchange [fol. 809] was engaged?

A. It says that they did a general banking business covering all commercial and personal types, including foreign as well as general trust business.

Q. And what were the loans and deposits?

A. The loans were $96,791,000. Their deposits were $288,618,000. This was as of June 15, 1951.

Q. And what does the exhibit indicate with respect to the next merger?

A. The National Bank of Germantown and Trust Company in Philadelphia was merged on September 11, 1953.

Q. And where was its head office located?

A. In Germantown, at Germantown Avenue and School Lane in Philadelphia.

Q. And what was the area served by that office?

A. It is described as one of the old residential sections of Philadelphia which includes a large commercial section, and in addition there are a number of industrial plants within easy transportation distance.

Q. And this bank also engaged in general banking and trust business?

A. Yes, it did.

Q. And what were the loans and deposits involved in this acquisition?

[fol. 810] A. At the time of the merger its total loans were $9,781,000 and its deposits were $35,371,000.

Q. What is the next merger indicated by the exhibit?

A. The North Philadelphia Trust Company.

Q. What does the exhibit indicate with respect to the office and the area served by that bank?

A. Its head office was in North Philadelphia at [illegible] Germantown Avenue in Philadelphia. It served the North

Central part of the city. It had many personal accounts, but it was located in a relatively large commercial district.

Q. And did it also engage in the general banking business?

A. Yes, it engaged in a general banking business, was active as an agent for real estate settlement and title business also.

Q. What were the loans and deposits involved in that acquisition?

A. As of the merger date, which was January 22, 1954, it had loans of $5,409,000 and deposits of $19,146,000.

Q. What is the next merger indicated by the exhibit?

A. The National Bank of Narberth was merged on October 11, 1957.

Q. And where were the offices and what were the areas [fol. 811] served by that bank?

A. Its head office was in Narberth at Haverford and Essex Avenue, Narberth, and it had two other offices, one at Wynnewood, at 18 East Wynnewood Road, and one at Bala-Cynwyd, at No. 1 Bala Avenue, Bala-Cynwyd, Pennsylvania. It is described as an older residential section in a quality suburban residential area. A relatively large commercial development exists in Narberth, however, and there are additional businesses nearby. The branches are located in two shopping centers which have developed in this general area.

Q. And did this bank also engage in general banking business?

A. Yes, it did.

Q. And what were the loans and deposits involved in this acquisition?

A. Its total loans were $1,467,000. Its total deposits were $12,539,000.

Q. What is the next acquisition indicated by the exhibit?

A. The Ambler National Bank was merged on October 11, 1957, the same date as the National Bank of Narberth.

Q. And where was the head office and the area served [fol. 812] of the Ambler Bank?

A. Its head office was at Butler Avenue and Spring Garden Street in Ambler. It also had an office at Flourtown on Bethlehem Pike and Wissahickon Avenue, and Fort Washington, in Fort Washington Industrial Park.

It served Ambler and vicinity, and an older residential section with substantial new residential development. The area also has a commercial development expanding into regional shopping areas. There are a number of industrial concerns in that general area, particularly around that Fort Washington Industrial Park.

Q. Did Ambler also engage in the general banking business?

A. It did.

Q. And what were the loans and deposits involved in that activity?

A. Its loans were $3,568,000. Its deposits were $8,799,000. [fol. 813] Q. What is the next acquisition following this?

A. The Upper Darby National Bank was merged on April 25, 1958.

Q. Would you describe the branch offices and the area served by that bank?

A. The head office was in Upper Darby, at 6908—10 Market Street, and it had branch offices at the following places—the PTC Terminal at Market and 69th Streets in Upper Darby, in the Upper Darby Drive-In, at Glendale Road and Ludlow Street, also in Upper Darby; Drexel Hill office at 4211 Fern Boulevard, Drexel Hill; Havertown, at 1625 East Darby Road in Havertown; in Yeadon, at 712½ Church Lane, Yeadon; Broomall, at West Chester Pike and Summit Avenue, Broomall; Newtown Square, 3533 West Chester Pike, Newtown Square; Pilgrim Gardens, at 1021 Pontiac Road, Pilgrim Gardens, Drexel Hill; at Manoa, in the Manoa shopping center at West Chester Pike and Eagle Road, Havertown; Lawrence Park, in the Lawrence Park shopping center, Lawrence and Sproul Roads, Broomall; Penn Oak, at the Penn Fruit building, Baltimore Pike and Oak Lane, in Upper Darby Township, although the post office is given as Clifton Heights.

Q. And the area served?

A. It's a suburban residential area with substantial commercial development and with regional shopping centers. [fol. 814] It is a transportation center, also.

Q. And this bank was also engaged in the general banking business?

A. It was described in the application as principally a

retail—principally a general retail banking business, including all types of service.

Q. And what were the loans and deposits involved in that acquisition?

A. The loans of this bank were $22,302,000 and the deposits were $48,311,000.

By Mr. Price:

Q. What you have been saying now in answer to Mr. Reycraft's question was a paraphrase of information which was given more fully on the sheets of the Exhibit G-33, was it not?

A. Some of it was read directly and some of it was shortened a little bit or paraphrased, yes.

Q. You didn't purport to read every word?

A. I didn't read every word.

Q. And you gave the substance of the material, but in your own language rather than in that of the exhibit in most cases?

A. Yes, although I followed fairly closely the exhibit.

Q. Oh, yes, but it doesn't purport to be a complete recital of everything that is in the exhibit?

A. No.

[fol. 815] Q. Now, this exhibit was made up from the application, you say?

A. Yes.

Q. I notice that on the top of the second page of the exhibit is "Historical Background—Girard Trust Corn Exchange Bank—Cont'd."

How much was omitted?

Mr. Reycraft: Will you refer to the application?

The Witness: Some of the historical material was omitted, the date when the bank was founded, and it's about a hundred years old, more than a hundred years old.

I did not go through this history. This is a detailed summary of the acquisitions of the bank within the last ten years.

By Mr. Price:

Q. And in the application itself that was a part of the application entitled "Historical Background—Girard Trust Corn Exchange Bank," was it not?

A. Well, I am not sure of the exact title. I don't have it in front of me.

It was a historical statement.

Q. So that I can go through quickly, perhaps Mr. Reycraft will give you the application and then you can indicate [fol. 816] what portions were omitted.

A. Yes. The material——

Q. Page 22?

A. Yes. The material in this exhibit starts on page 23.

Q. Yes, but the historical-background material actually began on page 22 of the application, did it not?

A. Yes, it did.

Q. And all of the material on page 22 was omitted?

A. Yes.

Q. And all of the material on page 23 was omitted, except the last four lines?

A. Yes.

Q. And then, continuing on, you included in the exhibit the material that appears in full on pages 24 through 28, did you not?

A. Let me check that for a minute.

Yes.

Mr. Price: That's all, thank you.

Mr. Reycraft: Will you mark for identification as Government's Exhibit 33-A a document which was marked informally among counsel as Government's Exhibit 41?

Mr. Price: 33-A?

Mr. Reycraft: This exhibit is entitled, on the first page, or begins with the words "Ninth Bank And Trust Com- [fol. 817] pany," and consists of six pages of acquisitions by Philadelphia National Bank.

(Document headed on the first page, "Ninth Bank And Trust Company," consisting of six pages, was marked Exhibit G-33-A for identification.)

By Mr. Reycraft:

Q. Now, this information was taken, was it not, from the application beginning at page 18, Dr. Gaffey?

A. I believe it starts on page 17.

Q. 17; all right.

Now, this information was also based on the application signed by the presidents of the two banks; is that correct?

A. Yes.

Q. And what did it show with respect to the first acquisition indicated by Philadelphia National Bank?

A. The first acquisition of Philadelphia National Bank in this period was the Ninth Bank And Trust Company, which was merged on September 21, 1951.

Q. What were the offices involved and the area served by the Ninth Bank And Trust Company at the time that it was acquired by the Philadelphia National Bank?

A. This bank's head office was at Front Street, Front and Norris Streets in Philadelphia. It had four branches—[fol. 818] the Allegheny, at Allegheny and Kensington Avenues in Philadelphia; the Northern Branch at Seventh and Dauphin Streets, Philadelphia; the Fairhill Branch at Front Street and Allegheny Avenue; and the Erie Branch at Erie and Kensington Avenues, Philadelphia, which was subsequently moved to 1501-07 East Erie Avenue, Philadelphia.

Q. What does the exhibit indicate with respect to the area served by this bank?

A. It served the older Northeast Section of Philadelphia, which is residential but interspersed with many industrial plants and many small and medium-sized retail stores.

Q. Was this bank engaged in the general banking business?

A. It was described as doing a general banking business, including complete trust services and retail services, such as personal loans and special checking accounts.

Q. What were the loans and deposits at the time of the acquisition?

A. The total loans of this bank at the time of the acquisition were $6,677,000 and its total deposits were $50,739,000.

Mr. Littleton: If Your Honor please, I don't know what Your Honor's wishes might be, but so far as we are concerned, we are perfectly willing that G-33-A, subject to checking against the application, be submitted without having this witness read it to all of us.

[fol. 819] Mr. Reycraft: I think that a general description of the bank acquired would be sufficient, Your Honor.

I don't think it is necessary to go into detail, but I think the area served and the location of the offices and the amounts of the loans and deposits, for example, are significant in assessing the over-all effects of the competition eliminated by these acquisitions.

Mr. Littleton: I don't understand that the witness is testifying from his own knowledge. He is reading something that we are perfectly willing to stipulate. In fact, we are perfectly willing to stipulate the entire application to the Comptroller as part of the record in this case as so signed and said.

So far as this is concerned, even though he has omitted a page and a half of the application in this exhibit, we are perfectly willing to stipulate, I say, subject to checking of the application.

Mr. Reycraft: I think a general description for the record would be quite useful, and particularly with respect to the deposits and the area served, because this is the type of thing, as I have said, which is fairly fundamental in the case.

The Court: Prove your case your way.

Go ahead.

[fol. 820] By Mr. Reycraft:

Q. Dr. Gaffey, the next acquisition indicated is the First National Bank of Conshohocken. Will you just briefly describe the area served, the type of business, and the deposits and loans?

A. The head office is at Fayette and Hector Streets at Conshohocken and was subsequently moved to Fifth and Fayette Streets in the same town.

The bank did a general banking and trust business.

Conshohocken is described as a residential and industrial area, with some large industrial plants and with a retail shopping section.

This bank, at the time of the acquisition on September 25, 1953, had loans of $3,409,000 and deposits of $14,890,000.

Q. All right.

With respect to the next acquisition, will you just refer to the location of the offices, the type of business, and the loans and deposits?

A. The Chester-Cambridge Bank & Trust Company was merged on February 20, 1954.

I am sorry, what areas did you say? Do you want the offices?

[fol. 821] Q. Yes, the location of the offices.

A. The head office in Chester, on Market Street, other offices, one other office at Marcus Hook.

Chester is a residential area with many industrial plants, some of which are large.

It does or did a general banking and trust business.

The total loans of this bank at the time of acquisition were $6,647,000. Its deposits were $26,978,000.

Q. What is the next acquisition indicated by the exhibit?

A. The First National Bank of Lansdale was acquired on February 20, 1954. Its office was on Main Street in Lansdale.

Lansdale is a residential community surrounded by an agricultural area, but with a number of industrial plants in that area.

It did a general banking and trust business.

Its loans at the time of acquisition were $5,627,000. Its deposits were $14,472,000.

Q. What is the next acquisition indicated?

A. The Montgomery National Bank of Norristown, merged on February 20, 1954.

The office of the bank was on Main Street in Norristown.

[fol. 822] Norristown is the County Seat of Montgomery County, a residential center with many industrial enterprises and a fairly large retail shopping section. Several industrial parks and shopping centers are nearby.

Q. And it also engaged in general banking and trust business?

A. Yes, it did.

Q. And the loans and deposits acquired?

A. The loans were $1,788,000 and the deposits were $10,401,000.

Q. What is the next acquisition indicated?

A. The Hatboro National Bank on December 9, 1955. Its office was at 210-12 South York Road in Hatboro.

Hatboro is a residential community with a number of industrial enterprises.

Q. And it also engaged in the general banking and trust business?

A. Yes.

Q. And its loans and deposits?

A. Its loans were $2,795,000 and it had total deposits of $9,118,000.

Q. What is the next acquisition indicated?

A. The Citizens National Bank and Trust Company of [fol. 823] Pottstown was acquired December 9, 1955. Its office was on High Street in Pottstown.

Pottstown is a heavily industrialized area, with a number of large plants; also a residential community with a fairly large retail shopping center.

Q. And it engaged in the general banking and trust business?

A. Yes, it did.

Q. Its loans and deposits?

A. It had total loans of $3,633,000 and deposits of $8,478,000.

Q. What is the next acquisition?

A. Delaware Valley Bank and Trust Company was acquired on November 9, 1956. Its head office was in Bristol, 200 Radcliffe Street, Bristol. It also had offices at Levittown, Midway, Southampton, and Yardley.

Q. And it also engaged in a general banking and trust business?

A. It did.

Q. What were its loans and deposits?

A. Loans of $11,502,000 and deposits of $26,124,000.

Q. What is the next acquisition indicated?

A. The Gimbel Brothers Bank and Trust Company and the procedure was a little different. It was acquired by [fol. 824] purchase of assets and assumption of the deposit liabilities on July 11, 1958.

The office is at 35 South 9th Street.

Q. What type of business did this bank engage in?

A. It's very near here, it's in the center-city district, commercial section of city.

Q. And it primarily had personal checking and savings accounts?

A. Yes.

Q. And it had no loans; and what were the deposits?

A. The total deposits were $11,768,000.

By Mr. Littleton:

Q. Doctor, none of the testimony you have been giving here is of your own knowledge as all, is it, saving as you read from this exhibit?

A. I acquired my knowledge——

Q. From this exhibit?

A. —from this exhibit, yes.

Q. And this exhibit, in turn, is taken from the application which the two defendant banks made to the Comptroller of the Currency for merger in this case; is that correct?

A. Yes.

Q. Look at the second, third, fourth, and fifth pages of your Exhibit G-33-A and tell me what the first line of [fol. 825] each is.

A. The first line of G-33-A is "Ninth Bank and Trust Company."

Q. No, I said the second page, the third page.

A. The first line is, "Hisforical Background—Philadelphia National Bank—Cont'd".

Q. Continued, so that you took this from the section of the application which begins on Page 16 of the application, did you not, and it is headed "Historical Background—Philadelphia National Bank;" is that correct?

A. Well, this exhibit begins on Page 17, but the section of the application from which it is taken begins on Page 16, yes, sir.

Q. It begins on Page 16?

A. Yes, sir.

Q. And that is where this historical background which entitles the pages of your exhibit begins, is it not?

A. Yes.

Q. And that "Historical Background—Philadelphia National Bank" is given in answer to the requirement appearing just above it on Page 16 of the application as follows:

> [fol. 826] Information provided by the applicant should include the date of primary organization of each participating bank and in chronological order with respect to each such bank the date of any reorganization, merger, consolidation, acquisition of assets, or assumption of deposit liabilities occurring during the past ten years, and the name and location of the head office and branches, description of areas served, type of

business conducted, total loans and total deposits of each bank that is continue operations as a result of such transaction, did it not?

A. Yes.

Q. But you haven't given us all of the information which appears and which precedes what you have read to us; isn't that correct?

A. That's right. This is a detailed statement of the acquisitions of Philadelphia National Bank within the last ten years.

Q. This is part of the historical background, is it not, of the Philadelphia National Bank?

A. Yes.

Q. And you didn't give us all of the historical background, [fol. 827] did you, of the Philadelphia National Bank?

A. I didn't give all of the historical background that you put in the application to the Comptroller.

Q. I am going to ask you now, in order to make your answer complete, if you will just read to us from Page 16, beginning with historical background, down to the place where Ninth Bank and Trust Company comes in.

Mr. Reycraft: I object. We don't wish to offer that evidence.

If you wish to, Mr. Littleton, in your capacity, that is another matter; but we don't wish to offer it.

Mr. Littleton: You are going to offer only part of something which appears in the application and not all of it?

Mr. Reycraft: We are going to offer facts and materials in the application, which is signed by the presidents of both banks, which appears to us to be reliable and which appears to be relevant to our case.

Mr. Littleton: If Your Honor please, I press my question of the witness.

The Court: Read the question.

[fol. 828] (The reporter read the pending question as follows:

"Q. I am going to ask you now, in order to make your answer complete, if you will just read to us from Page 16, beginning with historical background, down to the place where Ninth Bank and Trust Company comes in.")

The Court: How many pages is that?

Mr. Littleton: About a page and a quarter.

The Court: The objection is overruled. He may answer.

The Witness: Historical background—Philadelphia National Bank.

> The Philadelphia National Bank (originally organized in 1803 as the Philadelphia Bank) was chartered on October 20, 1864 under an Act of Congress approved June 3rd of that year.
>
> On April 1, 1926 it merged with the Girard National Bank to form the Philadelphia-Girard National Bank. At the time of this merger Philadelphia National was much the largest bank in Philadelphia, with deposits of $140,000,000, loans of $103,000,000, and total assets of $165,000,000. Girard National was the fourth largest [fol. 829] with deposits of $73,000,000, loans of $47,000,000, and total assets of $87,000,000. Fidelity-Philadelphia Trust Company was second largest and Pennsylvania Company for Insurances on Lives, et cetera, was third, with total resources of $120,000,000 and $100,000,000 respectively.
>
> Two years later Philadelphia-Girard merged with the Franklin-Fourth Street National Bank (which had been formed by merger in the meantime) and took the name of the oldest of the four banks originally concerned, the Philadelphia National Bank. The announcement that the merger had been ratified attracted wide popular acclaim——

Mr. Reycraft: Now, at this point, Your Honor, I would like to renew my objection because we don't know where the acclaim came from.

This is a statement, of course, which is being made by the presidents of the two banks who signed the application. It goes next into an extract from a newspaper article on March 3rd of 1928 and I submit it is the purest kind of hearsay.

If the presidents of the two banks wish to testify with respect to newspaper articles, I think we can meet that [fol. 830] when it arises, but this is precisely the reason and I think it illustrates the point of our omitting information of this type from the exhibit which we prepared.

To the extent that the exhibit shows facts and material I think if it can be substantiated and it is reliable, that is one matter; but to the extent that it quotes newspaper articles and speaks of wide popular acclaim, I don't think I even know what that is.

I think if Mr. Littleton wants to put it in he ought to do it in his case.

Mr. Littleton: If Your Honor please, the exhibit which has been offered here, G-33, on at least four or five pages heads it "Historical Background—Philadelphia National Bank."

The witness has said he didn't give us all the historical background and my question is simply to get the entire historical background in.

Mr. Reycraft: I will be happy to eliminate the heading, "Historical Background—Philadelphia National Bank" because I think it would probably take more time than the Court would wish to take.

The Court: Are we up to the last merger?

Mr. Reycraft: Yes, sir.

The Court: Of the Philadelphia National Bank, in 1928, [fol. 831] up to 1950?

Mr. Reycraft: I don't know that, Your Honor.

To the extent that it is shown in the application, we have those facts. Now, if they have had any additional mergers that are indicated——

The Court: I can't see where you raise an objection, Mr. Reycraft, to what has been read up to this time because that certainly is historical background.

Mr. Reycraft: Well, there is a lot of historical background, Your Honor, which we might get from the newspapers, which I don't think would be good evidence.

The Court: I am not talking about the newspapers. I am talking of the fact of the mergers.

Mr. Reycraft: Up to that point, I would certainly agree.

The Court: That is what you objected to originally and I couldn't understand the purpose of your objection.

Mr. Reycraft: We have passed that, Your Honor, and my objection only goes to the hearsay.

The Court: All right.

I think we have gone far enough if the rest of it is a question of public reaction and so forth.

Mr. Littleton: If Your Honor please, only the quotation [fol. 832] on the foot of page 16 is a quotation from The Philadelphia Record, but on the top of page 17 which succeeds that there is a great deal more to the historical background which leads up to these mergers; and I think it should go in.

The Court: State your reason for it.

Pass it up here. Let me look at it.

Mr. Reycraft: My objection, Your Honor, goes to the question here of the attractiveness of a merger in holding customers. I don't know that. I can't represent that it is an accurate statement, and I can't ask Dr. Gaffey to testify to it.

Mr. Potts and Mr. Brown both signed the application. If they wish to testify to something of this nature I can cross-examine them, and then Your Honor can rule on it.

The Court: I can readily understand why you don't want it to go in in your case.

Mr. Littleton: Conversely, you can understand why I want it to go in here.

Mr. Reycraft: I think we all understand.

The Court: I think we have gone far enough on that. I think the historical background is undoubtedly part of your case, Mr. Littleton, so we will stop where we are.

Mr. Littleton: No more questions.

[fol. 833] Mr. Reycraft: I would like to ask one of my associates to take out Exhibit 33-B, which would be the large chart.

This chart, which we will mark as Exhibit 33-B, indicates the origin of the two banks as the information is set forth in the exhibits which have just been produced.

Mr. Price: I am sorry, Mr. Reycraft. When you are facing that way, I just can't hear you.

Mr. Reycraft: The information contained in the Exhibit G-33-B is based upon the exhibits which have just been identified, and I have reproductions which I will ask the reporter to mark as Exhibit 33-B.

May I hand a copy to the Court?

The Court: I have a reproduction of it.

Mr. Reycraft: Yes, sir, it is a small reproduction. It may be difficult to read. This is a larger one.

(Chart entitled "Financial History of the Philadelphia National Bank and Girard Trust Corn Exchange Bank" was marked Exhibit G-33-B for identification.)

By Mr. Reycraft:

Q. Referring to Government's Exhibit 33-B, Dr. Gaffey, [fol. 834] do the acquisitions after 1950 show the origin with respect to the counties indicated?

A. Yes. In each case the county of each acquired or merged bank is shown.

Q. And the other information contained in the exhibit is basically the information which you described in your testimony; is that correct?

A. Yes.

Q. Will you indicate, with respect to Government's Exhibit No. 33-B, the total banking offices acquired by the Philadelphia National Bank, as indicated in the top right-hand corner?

A. During the past ten years, you mean?

Q. Yes. Why don't you begin earlier with the first group of acquisitions, the three banking offices acquired?

A. The original bank was the Philadelphia Bank, and it acquired the Girard National Bank at some early date, a date which was not given here, and it became the Philadelphia National Bank in 1864. Then it acquired the Franklin-Fourth Street National Bank. All of the acquisitions of this bank in its 158 years are not shown. The acquisitions are shown in detail from 1951 on.

As of December 31, 1950, the Philadelphia National Bank had three banking offices. In the next 10 years it expanded [fol. 835] to 27 banking offices, most of that expansion being by acquisitions.

Q. And with respect to the Girard, what does the exhibit indicate?

A. Well, Girard also had a long history from the early 19th century—the Girard Savings Institution of Philadelphia, the Girard Beneficial Association, 1835, Girard Life Insurance Annuity and Trust Company, in 1836, and the Girard Trust in 1899. It also had roots in the Corn Exchange National Bank and Trust Company, which was incorporated in 1858.

Just prior to the time those two banks were merged, that is, on December 31, 1950, the Corn Exchange National Bank had 12 banking offices and the Girard Trust had one banking office. They were combined into the Girard Trust Corn Exchange Bank on June 15, 1951.

Q. So that as of 1960, how many banking offices did the Girard have?

A. 38.

By Mr. Littleton:

Q. Doctor, if you will address yourself to that part of this chart which has to do with the Philadelphia National Bank, look at the block which has in black "The Philadelphia [fol. 836] National Bank, 1928." Do you see it?

A. Yes.

Q. Now look to your right, to the block which is surrounded with dotted lines, which says "Three banking offices, $745,000,000 deposits as of December 31, 1950."

You say at the foot of this chart, sources of information, "Application for approval to merge."

Will you show us in the application for approval to merge where you got the information of $745,000,000 of deposits, three banking offices, as of December 31, 1950.

A. Well, it is in that portion of the historical background that you wanted me to read and Mr. Reycraft did not want me to read.

Q. I think now I better have you read it.

Mr. Reycraft: I have no objection, Your Honor, to the fact of that, that there were $745,248,000 of deposits, being admitted in evidence.

Mr. Littleton: I would like you to read from the historical background where he gets the figures that he has got in this block. I ask him to read it.

Mr. Reycraft: I have no objection to his indicating the page from which he got the information.

[fol. 837] The Court: He will read it.

The witness: All right. It is on Page 17, the second paragraph on that page. The top of the page is entitled "Historical Background—Philadelphia National Bank (Continued)."

"The wholesale nature of its business up until 1951 is evidenced by the fact that its $745,248,000 of deposits

at the end of 1950 were held in less than 11,000 accounts, of which about 1,000 accounts were from domestic and foreign correspondent banks. It operated only three banking offices."

Mr. Littleton: Go ahead.

By Mr. Reycraft:

Q. And that is the information on which you relied, is it not, Dr. Gaffey?

A. Yes.

The Court: We will take a 10-minute break at this point.

(A 10-minute recess was taken at 3:05 P.M.)

Mr. Littleton: I have no other questions.

By Mr. Reycraft:

[fol. 838] Q. Dr. Gaffey, just by way of tying together all of this historical background, will you refer——

The Court: If you are going to tie in all the historical background, I will let him read it all.

Mr. Reycraft: It is referred to in Exhibit 33, Your Honor, with respect to the proposed merger, the banking offices and deposits involved. I might say it indicates 65 banking offices in the four counties, with the total assets, total deposits, and loans indicated.

By Mr. Price:

Q. Dr. Gaffey, this material that is to the left of the double bar on the lower portion of Exhibit 33-B, related to the Girard Trust Company, came from what source?

A. It came from the application.

Q. So that all the information relating to the Girard Trust Corn Exchange Bank is shown on this exhibit came from the application, either the portion of the historical background that you didn't read, which you omitted from your Exhibit 33, or the portion that was included in the Exhibit 33?

[fol. 839] A. No, sir, that is not correct. Do you wish me to explain?

Q. Yes, please do. I thought I understood you, but apparently I didn't.

A. It all came from the application except the material at the very end in the largest block on the right, which shows the effect of the proposed merger in the dotted lines in the large block on the right, the 65 banking offices in Philadelphia, Bucks, Delaware, and Montgomery Counties, with the combined total assets $1,931,000,000, the combined total deposits of $1,710,000,000 and the combined total of loans of $935,000,000 on December 31, 1960. That material came from the reports of condition of Philadelphia National Bank and of Girard Trust Corn Exchange Bank which were submitted to the Government at the Government's request.

Q. Then except for that large dotted square on the right, all the other material came from the application, did it not?

A. Well, except for that large square and the two smaller squares that are joined to it, it did come from the application. The material in the large square and the two smaller squares, one immediately above it for Philadelphia National and one immediately below it for Girard, came [fol. 840] from the statements of condition as of December 31, 1960.

Q. All right, then everything to the left of the three squares, one large and two small, came from the application?

A. Yes.

Q. Either from the pages that you failed to read or from the pages which you did read or both?

A. Yes.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 34 a document entitled "Chart II," headed "Concentration of Assets of Insured Commercial Banks in Philadelphia as of June 30, 1950, and June 30, 1960, and Effect of Proposed Merger Upon Such Concentration."

(Document entitled "Chart II, Concentration of Assets of Insured Commercial Banks in Philadelphia as of June 30, 1950, and June 30, 1960, and Effect of Proposed Merger Upon Such Concentration" was marked Exhibit G-34 for identification.)

Q. Dr. Gaffey, what were the data on which you relied in preparing this chart?

[fol. 841] A. They were the data the sources of which are shown in Table 16, which is also Exhibit 16, I believe.

Q. The source data is indicated on Exhibit 16. Dr. Gaffey, will you refer to the relative ranking as of June 30, 1950.

A. Yes, on June 30, 1950, the largest bank had 22.5 per cent of all the assets of insured commercial banks in Philadelphia.

The two largest banks combined had 41.3 per cent of such total assets, and the four largest banks combined had 56.5 per cent of such total assets.

Q. How do these relative rankings change as of June 30, 1960?

A. They had increased somewhat. On June 30, 1960, the largest bank had 25.2 per cent of the total assets of insured commercial banks in Philadelphia, and the two largest banks had 48.4 per cent of such total assets. The four largest banks had 75.5 per cent of such total assets.

Q. And if the two banks were combined, what would be the relative ranking?

A. If the two banks were combined as of June 30, 1960, the largest bank, which, of course, would be the combination of Philadelphia National and Girard, would have had [fol. 842] 39.3 per cent of the total assets of all insured commercial banks in Philadelphia, and the two largest banks, that is, that combination and the next largest one, would have 64.5 per cent of the total assets of all insured commercial banks in Philadelphia, and the four largest banks would have had 85.4 per cent of such total assets.

By Mr. Price:

Q. This Exhibit G-34 is a graphical representation of the data that appears on Exhibit G-16 under the headings "June 30, 1950," "June 30, 1960 (actual)," and "June 30, 1960 (if Philadelphia National and Girard were combined)", is that correct?

A. Yes, that is correct.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 35 a document headed "Chart III, Concentration of Assets of Insured Commercial Banks in

Philadelphia, Delaware, Montgomery, and Bucks Counties, Pennsylvania, as of June 30, 1950, and June 30, 1960, and Effect of Proposed Merger Upon Such Concentration."

(Document entitled "Chart III, Concentration of Assets of Insured Commercial Banks in Philadelphia, Delaware, [fol. 843] Montgomery, and Bucks Counties, Pennsylvania, as of June 30, 1950, and June 30, 1960, and Effect of Such Proposed Merger Upon Such Concentration," was marked Exhibit G-35 for identification.)

Q. Dr. Gaffey, what is the source of the data on which you relied for Government's Exhibit No. 35?

A. This is also constructed from the materials which were shown as sources for Table 16, which is also Exhibit 16.

Q. And this is distinguished from Exhibit 34 to the extent that it is in the four-county area; is that correct?

A. Yes.

Q. What does the exhibit indicate with respect to the four-county area concentration, as of June 30, 1950?

A. On that date the largest bank in the area had 19.3 per cent of the assets of all insured commercial banks in this area. The two largest banks combined had 35.5 per cent of such assets, and the four largest banks had 48.6 per cent of such assets.

Q. And by June 30, 1960, what had happened to this concentration ratio?

A. It had increased somewhat. The largest bank at that time had 22.9 per cent of the total assets of all insured commercial banks in these four counties. The two largest [fol. 844] banks combined had 44 per cent of the assets of such banks, and the four largest banks considered together had 68.6 per cent of such total assets.

Q. And if the defendant banks would have combined, what effect would this have upon the concentration ratio?

A. It would have increased it substantially to the level shown on the last series of bars on the chart. The largest bank, which of course would be the combined Philadelphia National Bank and Girard Trust Corn Exchange Bank, would have had 35.7 per cent of all of the assets of insured commercial banks in this area. The two largest banks

together would have had 58.7 per cent of such assets, and the four largest banks combined would have had 77.6 per cent of such assets.

By Mr. Littleton:

Q. Doctor, do I understand that this chart G-35 was prepared under your direction?

A. Yes.

Q. And G-34 also?

A. Yes.

Q. May I ask you whether you have prepared similar charts for other metropolitan areas in the United States in which limited branch banking was permitted?

A. Well, not in this connection, no.

[fol. 845] Q. What do you mean, not in this connection? Not in connection with this case, of course.

A. Not in connection with this case.

Q. No, I don't mean that. You are a man apparently of some experience, from what you told us in the beginning. Now, in your experience have you ever had charts prepared under your direction of any other metropolitan area in the United States similar to this, where limited branch banking is permitted?

A. Yes.

Q. Which ones were they?

Mr. Reycraft: Well, Dr. Gaffey, if you think that you would suffer any embarrassment by disclosing information that is confidential in the department, I would ask that the Court permit you not to answer.

Mr. Littleton: Well, if Your Honor pleases, here is a man that is put up here as an expert on things of this kind, preparing the charts, and I ask him if he has made similar studies, and he says yes, he has had similar charts prepared, and I would like to know what they are. I would like to see how they work out.

Mr. Reycraft: We are not offering them. As a matter of fact, we have given Mr. Littleton a compilation which was prepared by the Comptroller's office, which shows relative [fol. 846] rankings of banks in many major cities in the United States, and this type of information is readily

available if Mr. Littleton wants to pick his cities and make his comparisons. This is something he can do in his case.

Mr. Littleton: I am asking this witness.

Mr. Reycraft: I don't think Dr. Gaffey should be required to give you information which will disclose matters he is working on within the department.

Mr. Littleton: Well, in the past, has he?

Mr. Reycraft: In the past he has worked on matters in the department.

The Court: Has he done it in other than pending litigation?

Mr. Reycraft: To my knowledge, I believe he has.

Would you care to answer it?

The Witness: I don't believe I have any other than with relation to pending——

Do you mean, by pending litigation, this case or other cases?

Mr. Reycraft: If it is only pending litigation, Dr. Gaffey, I have no objection.

By the Court:

[fol. 847] Q. Not only this case, but any other matter.

A. Yes, I have, in connection with other pending litigation.

By Mr. Reycraft:

Q. That is, cases which have been filed?

A. Yes.

By the Court:

Q. No completed cases? Have you done it in cases which have been finally disposed of?

A. No, Your Honor.

Q. Have you done it in other matters, that didn't result in suits, and which the department, so far as you know, is not planning action?

A. No.

Q. You haven't done it. So all your matters are connected with pending litigation in this particular area of statistics; is that right?

A. Yes.

The Court: All right. I won't require him to answer it.

Mr. Littleton: All right, sir.

Mr. Reycraft: Will you mark for identification as Government's Exhibit 36 a document headed "Statement of [fol. 848] Assets and Liabilities as of June 30, 1960." This was marked informally as Government's Exhibit 42.

(Document headed "Statement of Assets and Liabilities as of June 30, 1960," was marked Exhibit G-36 for identification.)

Q. Dr. Gaffey, what is the source of Government's Exhibit 36?

A. It came from the application which these banks file with the Comptroller.

Q. Without going into detail, will you compare the loans and discounts of the two banks indicated on the exhibit?

A. The exhibit shows total loans and discounts of the charter bank, which is the Philadelphia National Bank of $523,612,000, and loans and discounts net of the merging bank, which is the Girard Trust Corn Exchange Bank, of $399,362,000, or a combined total of net loans and discounts of the two banks which are seeking to merge here of $922,974,000.

Q. And these figures are as of June 30, 1960, Doctor?

A. Yes, they are.

Q. Now will you compare the total assets of the two banks.

[fol. 849] A. This exhibit shows total assets of the Philadelphia National Bank of $1,064,335,000 and total assets of Girard of $740,920,000, or a combined total after two relatively minor adjustments of $1,805,238,000.

Q. Will you compare the demand deposits of the two banks.

A. The demand deposits of the Philadelphia National Bank are shown as $786,974,000, and the demand deposits of Girard are shown as $521,260,000. The combined total after a minor adjustment is $1,308,213,000.

Q. And will you compare the time and saving deposits of the two banks.

A. The Philadelphia National Bank shows time and savings deposits of $137,521,000 and Girard, of $129,530,000, for a combined total of the two banks of $267,051,000.

Q. And will you compare the total deposits.

A. The total deposits of Philadelphia National Bank were $924,495,000, and such deposits of Girard were $650,790,000. After another relatively minor adjustment the combined total deposits are shown as $1,575,264,000.

Q. And what were the separate and combined total capital accounts of the two banks?

A. The total capital accounts of Philadelphia National [fol. 850] were $93,307,000, and those of Girard were $74,059,000. After two adjustments, which nearly cancel out, the combined total shown is $167,370,000.

By Mr. Littleton:

Q. Will you address yourself to the capital and surplus of each of the banks and explain to us your understanding of Note (d).

A. All right. Well, it shows, first, capital of Philadelphia National of $26,478,000, and of Girard, $16,919,000, and an adjustment in the capital, which is Note (c), after taking into account that adjustment, the combined total capital of the two banks would be $48,262,000.

Now, in the surplus it shows $53,522,000 for Philadelphia National, $43,081,000 for Girard, and the adjustment of an additional $5,135,000, to give a combined total of $101,738,000 in surplus.

That additional surplus is to be obtained, as explained in Note (d) by selling 98-7/16 new shares of stock at $43 a share, which is the current market price, and transferring a sum of $5,131,627 to the surplus account to round out the capital and surplus account to $150,000,000—combined capital and surplus account.

[fol. 851] Q. In other words, a transfer from undivided profits to surplus in order to bring the lending limit up to $15,000,000; is that correct?

A. That's correct.

Mr. Littleton: No other questions.

By Mr. Price:

Q. What is meant by Note (a)?

A. Well, that deduction of $21,000 is bank deposits which one bank carries—which either Philadelphia National car-

ries in Girard or vice versa—after netting out certain reciprocal balances.

The effect of Note (a) is to eliminate balances which the two banks which are seeking to merge have, each in the other bank.

Q. So as to avoid duplication?

A. That is correct; to avoid duplication.

Mr. Price: That's all, thank you.

Mr. Reycraft: Will you mark for identification as Government's Exhibit 37 the document headed "Analysis of Loan and Deposit Accounts (See Statement of Assets and Liabilities)."

(Two-page document headed "Analysis of Loan and Deposit Accounts (See Statement of Assets and Liabilities)," was marked Exhibit G-37 for identification.)

[fol. 852] By Mr. Reycraft:

Q. Now, Dr. Gaffey, will you identify the two banks described in the exhibit as charter bank and merging bank?

A. Those are the terms used in the application. The charter bank is the Philadelphia National Bank, and the merging bank is the Girard Trust Corn Exchange Bank.

Q. What is the source of this exhibit, Dr. Gaffey?

A. It came from the application of these two banks to the Comptroller of the Currency to merge.

Q. Dr. Gaffey, what does Government's Exhibit No. 37 indicate with respect to the commercial and industrial loans of the two banks?

A. It shows the commercial and industrial loans of each of these banks. It shows $306,587,000 commercial and industrial loans of Philadelphia National Bank and $200,001,000 of commercial and industrial loans of Girard.

Q. What would be the total loans and discounts of the two banks net?

A. It would be $506,588,000.

Mr. Reycraft: Would you read his answer? I didn't hear it.

The reporter read the testimony as follows:

"A. It would be $506,588,000.")

The Witness: I am sorry, I read the commercial and [fol. 853] industrial loans. You wanted a total——

By Mr. Reycraft:

Q. You have given the commercial and industrial loans, Dr. Gaffey.

I asked you if you will compare the total loans and discounts net.

A. Yes. The totals loans and discounts net of Philadelphia National Bank were $523,612,000; and the total net loans and discounts of Girard were $399,362,000.

Q. Will you compare the demand deposits of the two banks for individuals, partnerships, and corporations?

A. The total demand deposits for individuals, partnerships, and corporations of Philadelphia National Bank were $510,501,000.

The total individuals' and the partnerships' and corporations' demand deposits of Girard were $429,440,000.

Q. And the total demand deposits would be what for each bank?

A. Philadelphia National, $786,974,000; Girard, $521,260,000.

Q. And what does the exhibit indicate with respect to the time deposits of individuals, partnerships, and incorporations?

A. Philadelphia National's time deposits of individuals, partnerships, and corporations were $113,409,000. Girard's were $122,087,000.

[fol. 854] Q. And this data is also as of June 30, 1960, is it not?

A. Yes.

Q. Can we compare the total time deposits, Dr. Gaffey?

A. Philadelphia National Bank, $137,521,000; Girard, $129,530,000.

Q. And the total deposits?

A. Philadelphia National's total deposits were $924,495,000 and Girard's total deposits were $650,790,000.

Mr. Reycraft: Any questions?

Mr. Littleton: I have no questions.

Mr. Reycraft: Will you mark as Government's Exhibit 38 a document entitled "Basis for Proposed Merger of The Philadelphia National Bank and Girard Trust Corn Exchange Bank."

(Four-page document entitled "Basis for Proposed Merger of The Philadelphia National Bank and Girard Trust Corn Exchange Bank," was marked Exhibit G-38 for identification.)

Mr. Reycraft: I might point out that this exhibit is based on pages 141, 142, 144, and goes back to 143 of the application. In other words, it is not in the precise position in which it appears in the application.

Pages 3 and 4 of the exhibit are reversed as they appear in the application, and I am not sure it makes a difference [fol. 855] which way they appear.

Mr. Price: The first two pages are 141 and 142, respectively?

Mr. Reycraft: Yes. That's right.

By Mr. Reycraft:

Q. Dr. Gaffey, with respect to Government's Exhibit No. 38, will you refer to the net adjustments which will occur as part of the proposed merger?

A. (No response.)

Q. What are the net adjustments, Dr. Gaffey?

A. Well, the total net adjustments are $19,731,542 for Philadelphia National Bank and $17,014,686 for Girard; or a combined total of $36,746,228.

Q. Dr. Gaffey, moving down the page to the dilution per share, what is the dilution per share upon the merger?

A. 40 cents per share in Philadelphia National Bank—minus 40 cents a share in Philadelphia National Bank and plus 62 cents a share for Girard Trust Corn Exchange Bank.

Q. Moving down to the capital-to-deposits ratio, what is indicated with respect to the capital-to-deposits ratio of the Philadelphia National Bank prior to merger?

A. 10.09 per cent.

Q. And the capital-to-risk assets?

A. 14.83 per cent.

[fol. 856] Mr. Reycraft: Now may I ask counsel whether, as it appears in the application, the ratio on the right-hand side of the page is applicable to Girard or to the resulting bank after the merger?

Mr. Price: Yes.

Mr. Reycraft: So that there is no ratio for Girard prior to the merger?

Mr. Price: That's right.

Mr. Reycraft: And these ratios as I read them are 10.62 per cent for capital-to-deposit ratio and 15.49 per cent for capital-to-risk assets.

Mr. Littleton: I don't have any questions. I don't see the relevancy of it to the case.

Mr. Reycraft: I would be glad to explain it.

I think it shows that the capital-to-deposit ratios of the Philadelphia National Bank are quite sound and that the capital-to-risk-assets ratio is also quite high; and the combined bank's ratios would also be quite high to show the good financial condition of the bank.

Will you mark as Government Exhibit No. 39 a document headed "Interest Rates on Loans" marked informally as G-44.

(Three-page document entitled "Interest Rates on Loans," was marked Exhibit G-39 for identification.)

[fol. 857] By Mr. Reycraft:

Q. Dr. Gaffey, what does the Government's Exhibit 39 indicate with respect to the variation in interest rates of the charter bank on time credit?

A. It shows that on time credit the charter bank shows rates varying from 8.31 per cent to 9.95 per cent on consumer paper, and from 7.85 per cent to 16.62 per cent on dealer paper in the time-credit category.

Q. May I suggest, Dr. Gaffey, that the highest rate is 11.58 per cent and that the average is 9.95 per cent?

A. The average is 9.95 per cent.

Q. Yes, sir.

And with respect to commercial loans, what are the interest rates indicated?

A. The highest rate is 9 per cent and the lowest rate is 2.9 per cent; and the over-all rate of return for the month of September on all loans and discounts was 5.45 per cent.

Q. Turning to the next page, Dr. Gaffey, what does the exhibit indicate with respect to the average rate of all commercial loans as of August 31, 1960, for the merging bank?

A. For the merging bank, which was Girard, the average rate on all commercial loans was 5.18 per cent.

Q. And on collaterals?

[fol. 858] A. On collaterals, it was 5.26 per cent.

Q. And in the Consumer Credit Department, what was the average rate as of August 31, 1960?

A. For Girard the average rate, August 31, 1960, on consumer credit was 9.06 per cent.

Q. Now, this exhibit, also, Dr. Gaffey, was based upon the application to the Comptroller, was it not?

A. Yes, it was.

Q. And at pages 113 to 115?

A. Yes.

Mr. Reycraft: Would you mark for identification as Government's Exhibit No. 40——

Mr. Price: May I ask some questions on Exhibit 39?

By Mr. Price:

Q. Were those averages you spoke about weighted averages of absolute averages or what kind of averages?

A. (No response.)

Q. Or don't you know?

A. It doesn't say, but it is usual to use weighted averages, and I would assume that they are weighted averages.

Q. But that is only an assumption and you don't know what the fact is?

A. I don't know for sure. I think that it is very probably [fol. 859] weighted averages because that's the kind of figures that are usually used.

Q. I am just asking you whether you knew, not what it might have been.

A. Yes.

Q. Do you know or don't you?

A. I don't know.

Mr. Price: Thank you.

By Mr. Littleton:

Q. Doctor, this Exhibit G-39 is really a photostat copy of pages 113, 114, and 115 of the application to the Comptroller, is it not?

Mr. Reycraft: As a matter of fact, it is a Stenofax.

Mr. Littleton: All right. I said "photostat."

By Mr. Littleton:

Q. It is a copy?

A. Yes.

Q. And you were testifying solely from it; is that correct?

A. Yes.

Q. And in any instance where your oral testimony, if you can call it such, differs from what G-39 says, G-39 is to prevail; is that correct?

[fols. 860-864] A. (No response.)

Q. You did make a couple of mistakes at the beginning and your counsel called your attention to it, but I am not sure that we are all clear, and I simply want to have from you that any place where your oral testimony differs from what appears on G-39, G-39 is to prevail; is that correct?

A. Yes.

Mr. Littleton: All right.

The Court: It is exactly one minute of 4, Mr. Reycraft. Let's break until 10 o'clock tomorrow morning.

(Adjourned at 3:59 o'clock P.M. until 10:00 o'clock A.M. on Wednesday, June 7, 1961.)

[fols. 865-866] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

THIRD DAY

Philadelphia, Pa., June 7, 1961

Before Hon. Thomas J. Clary, J.

[fol. 867] The Court: I understood there was a motion to be presented. Is that correct?

Mr. Littleton: If Your Honor please, I was coming down this morning with Mr. Reycraft to find out when Your Honor would hear us on a motion to quash a trial subpoena

which has been served on the Philadelphia Bank. We can do it now or we can do it at the end of the day.

The Court: Suppose we do it at the end of the day. Let us not interfere with the trial.

JOHN DEAN GAFFEY, resumed.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 40 a document of two pages with the heading "Interest Rates on Time Accounts and Savings Accounts."

(Document headed "Interest Rates on Time Accounts and Savings Accounts" was marked G-40 for identification.)

Q. Dr. Gaffey, will you state the source of Exhibit No. 40.

A. This came from the application which Philadelphia National Bank and Girard Trust Corn Exchange Bank filed [fol. 868] with the Comptroller for approval to merge.

Mr. Littleton: No questions.

Mr. Price: No questions.

Mr. Reycraft: Will you mark for identification as Exhibit No. 41 a 1-page document with the heading "Personal Trusts."

(Document headed "Personal Trusts" was marked Exhibit G-41 for identification.)

Q. Dr. Gaffey, what is the source of the information contained in Government's Exhibit No. 41?

A. This came from the same source, the application to the Comptroller for approval to merge.

Q. What does the exhibit indicate with respect to the number of accounts of the two banks in the executor and administrator category?

A. The Philadelphia National Bank has 129 accounts and the Girard Trust Corn Exchange Bank had 236 accounts.

Q. And with respect to trusts under deeds?

A. Philadelphia National, 511 accounts, Girard, 2337 accounts.

Q. And with respect to trusts under Wills?

A. Philadelphia National, 474 accounts, Girard, 2721.

Q. And with respect to pension and profit sharing trusts?
[fol. 869] A. Philadelphia National, 95 accounts, Girard, 378 accounts.

Q. And skipping down the page to custodian accounts, what does the exhibit indicate?

A. Philadelphia National had 147 and Girard 621 accounts.

Q. What does the exhibit indicate with respect to the total number of personal trust accounts both by number and by dollar value?

A. Philadelphia National had 2570 accounts and Girard, 7555 accounts, or a total of 10,325 accounts.

As to market value, Philadelphia National had accounts of a value of $361,300,000, and Girard had accounts having a market value of $2,248,206,000. The combined market value of the accounts of the two banks seeking to merge exceeds $2,600,000,000.

Mr. Littleton: I have no questions.

Mr. Price: No questions.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 42 a 1-page document with the heading "Corporate Trust."

(Document headed "Corporate Trust" was marked Exhibit G-42 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, what is the source of Government's Ex-
[fol. 870] hibit No. 42?

A. This also came from the application for approval to merge Philadelphia National Bank and Girard Trust Corn Exchange Bank.

Q. What does the exhibit indicate with respect to trustee accounts?

A. Philadelphia National had seven trustee mortgage accounts and Girard had 37 such accounts.

Q. What are the totals indicated?

A. That would be 44 accounts all together. Girard had three collateral trust accounts.

Philadelphia National had one equipment trust account and Girard had 32 accounts of that type.

Philadelphia National had six debentures accounts and Girard had 15 such accounts.

Philadelphia National had 39 authorities trustee accounts and Girard had 46 such accounts.

Philadelphia National had 1 liquidating trust account.

In fiscal agency accounts, Philadelphia National had 4 and Girard had 8 such accounts.

The totals of all accounts in those classes thus far, that is, trustee accounts and fiscal agency accounts were 58 [fol. 871] Philadelphia National Bank accounts and 141 Girard Trust Corn Exchange accounts or a combined total of 199 such accounts.

Q. What does the exhibit indicate with respect to bond and coupon paying agencies of the respective banks?

A. Philadelphia National bank had 65 accounts in that classification and Girard had 158 such accounts, or a combined total of 223 accounts.

Q. And with respect to stock transfer agencies?

A. Philadelphia National Bank had 26 stock transfer agency accounts and Girard had 57 such accounts, or a combined total of 83.

Q. And with respect to registrar activities?

A. Philadelphia National Bank had 18 registrar accounts and Girard had 52 registrar accounts, for a combined total of the two banks of 71 such accounts.

Mr. Littleton: I have no questions.

Mr. Price: No questions.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 43 a 1-page document headed "Schedule 6, Aggregate Personal Trust Business of Philadelphia Commercial Banks as of December 31, 1959."

(Document headed "Schedule 6, Aggregate Personal Trust Business of Philadelphia Commercial Banks as of [fol. 872] December 31, 1959" was marked Exhibit G-43 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, what is the source of Government's Exhibit No. 43?

A. This came from the application of Philadelphia National Bank and Girard for approval to merge.

Q. What does the exhibit indicate with respect to the personal trusts of First Pennsylvania Company?

A. First Pennsylvania had personal trusts of a value as of December 31, 1959, of $3,260,000,000.

Q. And in percentage?

A. Or 35 per cent of the total of all banks in Philadelphia.

Q. What does the exhibit indicate with respect to the combined percentages of Philadelphia National Bank and Girard?

A. The combined percentage of Philadelphia National Bank and Girard was 28 per cent of the total.

Mr. Littleton: No questions.

Mr. Price: No questions.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 44 a document with the heading [fol. 873] "Schedule 7, Aggregate Consumer Credit Business of Philadelphia Commercial Banks as of December 31, 1959."

(Document headed "Schedule 7, Aggregate Consumer Credit Business of Philadelphia Commercial Banks as of December 31, 1959," was marked Exhibit G-44 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, what is the source of Government's Exhibit No. 44?

A. This came from the application of Philadelphia National Bank and Girard for approval to merge.

Q. And the estimates would be those of the banks?

A. Yes.

Q. Now, with respect to First Pennsylvania Banking and Trust Company, what does the exhibit indicate?

A. The First Pennsylvania Banking and Trust Company had $180,000,000 of consumer credit outstanding as of December 31, 1959.

Q. And in percentage of the total?

A. This was 34 per cent of the total of all commercial banks in Philadelphia.

Q. And what does the exhibit indicate with respect to the combined totals of Philadelphia National and Girard?

A. Philadelphia National and Girard combined had [fol. 874] $134,000,000 of consumer credit outstanding as of December 31, 1959, and that accounted for 25 per cent of the total of such volume of all commercial banks in Philadelphia.

Mr. Littleton: No questions.

Mr. Price: No questions.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 45 a four-page document with the heading "Service Charges, Charter Bank, Merging Bank, Proposed for Resulting Bank."

(Document headed "Service Charges, Charter Bank, Merging Bank, Proposed for Resulting Bank" was marked Exhibit G-45 for identification.)

Q. Dr. Gaffey, what is the source of Government's Exhibit No. 45?

A. This exhibit also came from the application of Philadelphia National Bank and Girard for approval to merge.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 45-A a document entitled "Comparison of Proposed Service Charges of 'Resulting' Bank with Service Charges of Philadelphia National Bank and Girard Trust Corn Exchange Bank Immediately Prior to Their Application to Merge."

[fol. 875] (Document entitled "Comparison of Proposed Service Charges of 'Resulting' Bank with Service Charges of Philadelphia National Bank and Girard Trust Corn Exchange Bank Immediately Prior to Their Application to Merge," was marked Exhibit G-45-A for identification.)

Q. Dr. Gaffey, will you explain what Exhibit 45-A shows.

A. This compares the proposed service charges for the combined bank which they stated they planned to put into effect if they had merged, comparing them with the charges in these categories of Philadelphia National Bank and Girard Trust Corn Exchange Bank immediately prior to their application to merge.

Q. And what does the exhibit indicate with respect to the proposed change in the service charges on special checking accounts?

A. In five categories of service charges the resulting bank would have taken the higher charge of Philadelphia National Bank or Girard, that is, whichever was higher. There were no instances in which they would have taken the lower of the two. There was one instance in which they would have taken a charge which was between the charge which was formerly made by Philadelphia National Bank and Girard. In both of the—well, in this one instance the [fol. 876] charge was somewhat closer to the higher than the lower previous charge, and there were three instances in which they proposed to leave the charges the same as they were before.

Q. And what does the exhibit indicate with respect to any proposed changes in the charges for company and personal accounts?

A. There were only two instances in that category, and in both instances they proposed to take the higher of the Philadelphia National Bank's charge or Girard's charge.

Q. What does your examination indicate with respect to analysis of personal accounts over $500?

A. In three instances they proposed to take whichever charge was higher, that of Philadelphia National Bank or Girard. In one instance they proposed to take the lower charge. In two instances the charges were proposed to remain unchanged.

Q. What did your examination indicate with respect to analysis of company accounts over $500?

A. In three instances they proposed to take Philadelphia National's or Girard's charge, whichever was higher. In three instances they proposed to take Philadelphia National's charge or Girard's, whichever was lower. In two instances they proposed to leave the charges the same as [fol. 877] before.

Q. What did your study indicate with respect to other analysis charges?

A. There were nine instances in this category in which they proposed to take the charge of Philadelphia National or Girard, whichever was higher. There were no instances in which they proposed to take the lower of the two charges. There was one instance in which they proposed to take a charge between that formerly charged by Philadelphia National and that charged by Girard, although somewhat

closer to the higher than to the lower previous charge. There were two cases in which the charges would have remained unchanged.

Q. And what did your study indicate with respect to other miscellaneous charges?

A. There were four instances in which they proposed to take either Philadelphia National's charge or Girard's, whichever was higher. There were two classes of charges of these which were indeterminate. That is, I was unable to determine whether it was higher or lower or the same, because the basis of charge was so different. The basis of the charges, the former charges of the two banks, Philadelphia National and Girard, were on such a different basis that I was unable to determine whether the resulting charge [fol. 878] would be higher or lower.

Q. What did your study indicate with respect to charges of the correspondent banks?

A. There were six instances in which they proposed to take the higher of Philadelphia National's or Girard's charges. There were none in any of the other categories.

Q. And the total of all of these charges, what do they indicate, Dr. Gaffey, with respect to the increase or decrease in service charges?

A. In 32 cases the proposed charges of the resulting bank would have been Philadelphia National Bank's charge or Girard's charge, whichever was higher. In four instances the resulting bank's charge would have been Philadelphia National Bank's charge or Girard's, whichever was lower. In two instances the proposed charges of the resulting bank would have been between the charge formerly made by Philadelphia National Bank and Girard, in both instances somewhat closer to the higher than to the lower previous charge, and there were nine instances in which they proposed to leave the charges the same as before.

By Mr. Littleton:

Q. Doctor, this G-45-A which you submitted is purely a numerical count, is it not, of the higher and lower?

[fol. 879] A. Yes.

Q. You haven't made any study, have you, of the relative comparative dollar values of these changes?

A. No.

Q. Have you made any analysis of the earning credits of this type of account?

A. No.

Q. Will you look on Page 2 of Sheet 45. Do you have that?

A. Yes.

Q. Will you look at "Personal over $500," where you say "Analysis," and look down to "Earnings Credit.". Do you see the line "First 100,000, $1.50 per thousand, over $100,000, $1.75 per thousand"?

A. Yes.

Q. Have you included your earnings credit among your highers that you have given in 45-A?

A. Yes, I did. One of them shows the same as before and one shows the higher.

Q. So you have included earnings credits in these highers and lowers also, haven't you?

A. Yes, I did.

Q. What does that produce in your numbers? Aren't you again mixing apples and pears, Doctor? In other [fol. 880] words, is G-45-A just a summation by you or a statement of the number of items appearing on G-45 which go up and the number which go down and you don't care whether they are charges or credits; isn't that correct?

A. There are three credits on that page.

Mr. Littleton: Will you answer my question?

The Witness: Those three credits were included——

Mr. Littleton: Would you answer my question, please? Mr. Stenographer, will you read him the question?

(The reporter read as follows:)

> "In other words, isn't G-45-A just a summation by you or a statement of the number of items appearing on G-45 which go up and the number which go down and you don't care whether they are charges or credits; isn't that correct?"

A. Well, that is a difficult question to answer by yes or no. May I explain?

Q. Sure.

A. Your questioning has raised a question of whether I

should have included those three items of earnings credit. [fol. 881] Q. As I understand it, there is a doubt in your mind as to the accuracy of this G-45-A; is that correct, Doctor?

A. Yes, with respect to the inclusion of those three items of earnings credit.

By Mr. Price:

Q. Doctor, if you included credits in the number of changes, why did you entitle this document 45-A, "Comparison of Proposed Service Charges"?

A. Well, the basic material from which I compiled it was entitled "Service Charges." I have observed by a little further study of this that of the three items of earnings credit, two of them remained the same and therefore had no or very little significance, so I have included only one item that probably should not have been included.

By the Court:

Q. What do you mean, two of them remained the same?

A. The earnings credits for personal over $500 analysis on Page 2, about the middle of Page 2, is the same for the charter bank, the merging bank, and the proposed resulting bank. Therefore, it was included within the unchanged column.

Q. In other words, they are raising the credit 25 cents a thousand over what the Girard allowed, so that is an [fol. 882] allowance rather than a charge; isn't it?

A. Yes, there is one that they are raising the allowance. There are two on that page that remain the same. To revise this table to reflect it properly I should eliminate two items that remain the same and one item that is increased. The one item that is increased is an earnings credit for personal analysis over $500 for over 100M.

By Mr. Price:

Q. If you think there are only two credits on that Page 2, will you look first at the bottom of the section entitled "Personal Over $500" where you find first "$100,000" and "Over $100,000."

A. Yes.

Q. There are two there, aren't there?

A. Yes.

Q. Will you look at the next group, "Company Over $500 Analysis." There are two there?

A. There are two there also, so there are four.

Q. Now you are up to four?

A. Yes, two of which——

Q. Go back and take another look at it and tell us which the changes really are.

A. Going over the earnings credit on Page 2 now for [fol. 883] personal accounts over $500 analysis, on the first 100M that item is the same for the charter bank, the merging bank, and the proposed resulting bank.

The next item, over 100M, that item is higher for the charter bank than the merging bank, and the higher of the two items was taken for the resulting bank.

Going to the "Company Over $500 Analysis," earnings credit for the first 100M, that item is identical for the charter bank, the merging bank, and the resulting bank.

The next item "Earnings Credit Over 100M," that item was higher for the charter bank than for the merging bank, and the higher of the two credits is chosen for the resulting bank, so my table should be revised as to two higher items and as to two unchanged items.

[fol. 884] Q. Do you really think you put all those four items in this statement of proposed service charges?

A. I believe I did.

Q. But you are not quite sure?

A. My notes—what incomplete notes on my sheets that I used as work sheets indicate that I did, and I would have to check to be absolutely certain.

Q. Whether you did or didn't, all that Exhibit 45-A purports to show is the number of items, which either would change up or down or remain unchanged; and the exhibit does not purport to show the effect in dollars of these proposed changes, does it?

A. That's correct.

Q. And by merely listing the number of charges and indicating what they are on Exhibit 45, you show in figures the amounts that are charged or proposed to be charged for various services done; that's correct, isn't it?

A. Yes.

Q. However, the credits are dependent entirely on the amount of the individual deposits as they are maintained; isn't that so?

A. Yes.

Q. So that merely listing as a fact that there is a change, an increase in credit, and that there is a charge made gives [fol. 885] you no possible basis of comparison, does it?

A. (No response.)

Q. The charge is shown in pennies or cents, the credit is shown with relation only to the amount of the deposit, which is a variable factor; isn't that so?

A. Yes.

Q. And you wouldn't be able to tell the amount of any credit which would be available as an offset against the charge without knowing the deposits, would you?

A. No.

Q. Do you understand the way that earnings credit operates?

A. I believe generally, yes.

Q. Tell me what you think it is.

A. It's a credit which the bank gives to the depositor, based on the average balance which the depositor maintains in his account in the bank, which is used to offset in part or possibly wholly the service charges which the bank charges for its various services which it gives to the depositor.

Q. So that if the deposit maintained by the depositor is sufficiently large, all service charges may be absorbed by it and no charge actually made against his account; isn't that so?

A. That is possible, yes.

Q. Sure; and your exhibit does not purport to show whether that happens or, if so, how it happens, does it?

[fol. 886] A. No.

Q. Have you any figures as to the charges and credits made by other banks in Philadelphia?

A. I don't have any readily at hand.

Q. Did you prepare any——

A. I think we may have seen some.

Q. Did you prepare any tables showing a comparison between either the charter bank, the merging bank, or the combined bank with any of the other banks in Philadelphia?

A. No.

Q. Have you any information as to how these charges were arrived at in the first place?

A. No.

Q. Have you any information as to how the proposed charges were arrived at?

A. I don't recall whether there was any further information on that point in the application or not. There may have been.

Q. Have you seen any information as to the cost of rendering the several services which are listed in your Exhibit 45?

A. No.

Q. On page 2 of Exhibit 45, there is an item under the main section entitled "Personal Over $500," which is called "Float."

[fol. 887] Opposite the word "Float" there is the word "none" under the charter column, two days under the merging-bank column, and none for the proposed resulting bank. What does that mean?

A. Well, that means that the resulting bank proposes to follow the practice of Philadelphia National Bank with regard to float, to make no allowance for float there.

Q. I couldn't hear what you said.

A. It means that the resulting bank proposes to follow the practice of the Philadelphia National Bank with regard to float and not to follow the practice of the Girard Trust Corn Exchange Bank with regard to that item.

Q. Was the float entry included in G-45-A?

A. No.

Q. Why not?

A. Because I wasn't sure of the net effect of the proposed change.

Q. So that you can't tell and don't yet know, although you prepared the exhibit, whether or not the adoption of the "none" under the float designation instead of the two days is better or worse to the depositor?

A. I believe that the practice proposed for the resulting bank is less favorable to the depositor, but I was not sure on that point, so I left it out.

[fol. 888] Q. So you think the result is less favorable to the depositor?

A. I believe so.

Mr. Price: That's all.

By Mr. Littleton:

Q. Doctor, while you are on that page to which Mr. Price has directed your attention, under the category of "Personal Over $500 Analysis," will you look at the item checks drawn, 6 cents charter bank, 5 cents merging bank, proposed resulting bank 5 cents.

I assume that change appears under your "Lower" in G-45-A; is that correct?

A. Yes, it does.

Q. Drawing checks is something that is done by everybody who has a deposit; isn't that so, as for as you know?

A. Yes.

Q. From your experience it is the very common thing, isn't it?

A. Yes.

Q. You haven't weighted your figures in G-45-A at all, have you?

A. No. I had no basis for doing so.

Q. Will you look on page 3 of G-45 under other analysis charges, and I notice under G-45-A you have under other [fol. 889] analysis charges nine instances of the higher charge.

Non-sufficient funds is one of the higher charges, isn't it?

A. Yes.

Q. And so is uncollected funds, isn't it?

A. Yes.

Q. And so is post-dated checks, isn't it?

A. Yes.

Q. And so are overdrafts?

A. Yes.

Q. And down a little further, roll coin takes a higher charge, doesn't it?

A. Yes.

Q. And wire transfers take a higher charge?

A. Yes.

Q. Are they very common things?

A. (No response.)

Q. Compared with drawing checks, for instance?

A. Well, no, they are not as common.

Q. Could you give them the same weight in G-45-A as the one "Lower" item in the drawing of checks?

A. I had no basis for weighting them, so I didn't weight them.

Q. I am just asking you the fact. You gave them exactly [fol. 890] the same weight?

A. Yes.

Q. Have you made any analysis to see what the net effect of this might be on what I might call the "small depositor"?

A. No.

Q. Have you made any check or analysis to show what the effect of this might be on what we might call the "middle-sized depositor"?

A. No.

Q. And you have made no analysis to ascertain when either of these banks, either Philadelphia National or Girard Corn Exchange, last made a change in any of their service charges, have you?

A. No.

Mr. Littleton: All right. Thank you.

By Mr. Reycraft:

Q. Dr. Gaffey, if the two items on earning credits which you included in the first column of 45-A were omitted, that would give you thirty, would it not?

A. Yes, it would.

Q. On the high side; and earnings credits are like interest rate on demand deposits, are they not?

A. Yes. They are generally similar to that.

[fol. 891] By Mr. Price:

Q. They are like it except that you can't collect it?

A. (No response.)

Q. Can you?

A. (No response.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 46 a one-page document headed "Mutual Accounts, Checking, Time, and Savings."

(Documents entitled "Mutual Accounts, Checking, Time, and Savings," was marked Exhibit G-46 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, will you state the source from which the information on this exhibit was obtained?

A. This exhibit came from the application of Philadelphia National Bank and Girard Trust Corn Exchange Bank for approval to merge.

Q. Now, it is a fact, is it not, that certain written material which appeared in the application was omitted in preparing these statistics?

A. Yes.

Q. What does the exhibit indicate with respect to the number of mutual checking accounts held in the two banks?

A. There were 392 mutual checking accounts in Philadelphia National Bank and Girard Trust Corn Exchange [fol. 892] Bank.

Q. And these accounts are limited to those in excess of $10,000 balance, are they not?

A. Yes. They are.

Q. And what are the total balances carried in these accounts in the Philadelphia National Bank?

A. $163,820,700.

Q. And in Girard?

A. $101,782,——.

Let me start again. I am sorry, Cross that figure. $101,782,700.

Q. And how many mutual time accounts are indicated?

A. Eight.

Q. What are the balances carried in the respective banks in that category?

A. $1,149,400 in the Philadelphia National Bank, and $3,094,000 in Girard Trust Corn Exchange Bank.

Q. What does the exhibit indicate with respect to the number of mutual savings accounts?

A. There were thirty-six mutual savings accounts in the two banks.

Q. And the balances carried in the respective banks?

A. $736,400 in Philadelphia National Bank; $589,500 in [fol. 893] Girard Trust Corn Exchange Bank.

Q. And what does the exhibit indicate with respect to the number of mutual loan accounts?

A. There were sixty-seven mutual loan accounts.

Q. And the dollar balances?

A. The loans outstanding at the Philadelphia National Bank were $48,949,000, and the loans outstanding at Girard were $43,599,000.

By Mr. Littleton:

Q. Doctor, addressing yourself first to what is called the number of mutual checking accounts, did you make any analysis or did you have any information as to the number of such accounts and the dollar amount which are controlled from within the service area of these two banks, but are sufficiently large and diversified to require or need banking services from outside the service area if the needs can't be met within it?

A. Would you read that question again? I am not sure that I understood it.

(The reporter read the pending question.)

The Witness: No.

By Mr. Littleton:

Q. You did have such information before you, though, didn't you?

[fol. 894] A. I don't believe I did.

Q. Where did you get this information, the information you have down there? From the application?

A. The information came from the application, yes.

Q. Did you read the entire page when you looked at the application?

A. Yes.

Mr. Littleton: Would you show him the page? Page 99 of the application?

By Mr. Littleton:

Q. Now will you answer my question—did you have such information before you?

A. The information was available, yes.

Q. It was before you, wasn't it?

A. Yes.

Q. Well, how many such accounts were there?

Mr. Reycraft: Now I object.

He doesn't know how many there were. He knows what the application says, Your Honor.

It is hearsay, and that is the reason we didn't put it in, and I think this is another instance where, if there is going to be testimony concerning the number of accounts controlled from outside the area, it ought to be put in by a witness who knows the facts. Dr. Gaffey does not know [fol. 895] how many are controlled outside the area.

By Mr. Littleton:

Q. May I ask, Dr. Gaffey, do I understand that you know of your own knowledge the information you have taken from page 99 of the application and put in G-46, to wit, the number of mutual checking accounts, the balances carried in the Philadelphia National Bank, the balances carried in the Girard? You know that of your own knowledge, do I understand; or do you know it only because it is on page 99 of the application?

A. I know it on the basis of what was stated as a fact in the application.

Q. Do you know it any better than you know what immediately succeeds it as to the material about which I questioned you a few minutes ago?

A. Well, there is a difference in the type of information. The information on this sheet is a simple statement of facts, number of accounts, and dollar amounts.

This other statement is somebody's judgment as to whether they are large enough to require or desire certain types of banking services.

Q. Do you know anything about any of this except what you read from page 99 of the application of these two banks?

[fol. 896] A. Well, I believe I answered that question before, that is, I took the figures on this exhibit from the facts as stated in the application.

Q. Will you answer me, whether you answered before or not? Maybe I have forgotten.

Will you answer me again?

Mr. Littleton: Read him the question.

(The reporter read the question as follows:

"Q. Do you know anything about any of this except what you read from page 99 of the application of these two banks?")

By Mr. Littleton:

Q. Now you can answer that yes or no, I think, Doctor.
A. No.
Q. What else do you know from page 99 of the application besides what you told us so far, since the source is the same and the quality of your information is the same?

Mr. Reycraft: If you are asking him if he knows what these claims are, as to who controls what, I submit that he doesn't know and he shouldn't be required to answer.

The Court: Pass that application over to me.

Do you want him to read that?

Mr. Littleton: That is what I would like to have him do.

[fol. 897] The Court: All right. You may ask the question and I will give the Government a chance to object and then I will rule.

By Mr. Littleton:

Q. Doctor, you have given us the information as to the number of mutual checking accountings on G-46, with the amount of balances which you got from page 99 of the banks' application to the Comptroller.

Will you now read to us what follows on page 99, the figures which you have in the first category on G-46?

Mr. Reycraft: I object, Your Honor.

The basis for my objection is that in this statement is contained a number of conclusionary statements. One is in the third line, the statement that some of these accounts are sufficiently large and diversified to require bank service from outside the service area. Now, "service area" is a conclusion.

It contains a conclusion with respect to the accounts which are controlled from outside the area. It contains a conclusion with respect to the choice the banks had and with respect to what its major banking connection is.

I submit the witness has no basis to know whether these [fol. 898] statements are accurate or not, and that if they want to put evidence of this type in they should do so through the presidents of the two banks who signed the application and who are the authorities for these conclusions.

Now, we have certainly relied on statistics which are contained in the application, which we assume are valid or the banks would not have submitted them.

Now, statistics are one thing, but conclusions are another when you get into such questions as sufficiently large and outside the service area, wide choice, and control. These are all matters which I submit we are entitled to have testimony on from the people who are putting forth these contentions; and we are not.

The Court: The objection is overruled.

You may answer the question.

The Witness: What was the question again?

The Court: Read it.

Let him read what is there. That is what he is asked to do.

Go ahead.

The Witness: Of the foregoing, thirty-five accounts, with balances of $57,631,000 in the Philadelphia National Bank and $36,309,000 in Girard Trust Corn Exchange Bank, are [fol. 899] controlled from within the service area, but are sufficiently large and diversified to require or desire banking service from outside the service area of the resulting bank, if their needs are not satisfactorily met within.

Additionally, eighty-four of the accounts, with balances of $44,149,000 in the Philadelphia National Bank and $24,173,000 in Girard Trust Corn Exchange Bank, are controlled from outside the service areas of the participating and resulting banks, and consequently have a wide choice of major banking connections.

Mr. Littleton: Thank you, Doctor.

By Mr. Littleton:

Q. Now will you look at the last category you have, loan accounts, the number of mutual loan accounts, sixty-seven, followed by the figures for each bank.

That you got from page 100 of the application of the two banks, did you not?

A. Yes.

Q. Will you read us from page 100 the additional information that you obtained from page 100 of the application?

Mr. Reycraft: May I note the same objection, Your Honor?

The Court: The same ruling.

The Witness: Of the foregoing, six of the accounts, [fol. 900] with loans of $9,714,000 at the Philadelphia National Bank, and $7,531,000 at Girard Trust Corn Exchange Bank, are controlled from within the service area but are sufficiently large and diversified to require or desire banking service from outside the service area of the resulting bank, if their needs are not satisfactorily met within. Additionally, sixteen of the accounts, with loans of $14,693,000 at the Philadelphia National Bank, and $17,867,000 at Girard Trust Corn Exchange Bank, are controlled from outside the service areas of the participating and resulting banks, and consequently have a wide choice of major banking connections.

Mr. Littleton: Thank you.

I have no other questions.

Mr. Price: No questions.

By Mr. Reycraft:

Q. Dr. Gaffey, returning to page 99, the statement you read, you don't know whether any of these accounts are large or diversified, do you?

A. No.

Q. You don't know whether they desire banking services from outside the service area, do you?

A. No.

Q. You don't know whether they are controlled from out-outside the service area?

[fol. 901] A. No.

Q. And you don't know whether they have a wide choice of major banking connections, do you?

A. No.

By the Court:

Q. And you don't know whether there are 392 accounts, either, do you?

A. I took the figure from the application.

The Court: I just asked the question.

Read the question back to him.

(The pending question was repeated by the reporter as follows:

"Q. And you don't know whether there are 392 accounts, either, do you?")

The Witness: No.

By Mr. Reycraft:

Q. Do you know that the presidents of the two banks signed a statement saying that there are 392——

The Court: We all know that, Mr. Reycraft. We also know that he is yielding statistics; you are using them.

I will decide what other matters to get into.

That is all this amounts to, so why play back and forth [fol. 902] with the witness.

It is 11 o'clock. Let us take a ten-minute break.

(A recess was had.)

Mr. Reycraft: Would you mark as Government Exhibit 47 a three-page document headed "Future Earnings Prospects, Statements of Current Operating Income and Expense."

(Three-page document entitled "Future Earnings Prospects, Statements of Current Operating Income and Expense," was marked Exhibit G-47 for identification.)

By Mr. Reycraft:

Q. Dr. Gaffey, did this document also come from the application?

A. Yes, it did.

Mr. Littleton: I have no questions.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 48 a one-page document with the heading, "A statement of the Total Assets, Risk Assets, Deposit and Capital Accounts as of June 30, 1960 and the relative ratios are as follows:"

(Document headed "A statement of the Total Assets, Risk Assets, Deposit and Capital Accounts as of June 30, 1960 and the relative ratios are as follows:" was marked [fol. 903] Exhibit G-48 for identification.)

By Mr. Reycraft:

Q. May I ask, this also comes from the application, does it not?

A. Yes, it does.

Mr. Littleton: What page of the application?

Mr. Reycraft: At page 33 of the application.

[fol. 904] Mr. Littleton: I have no questions.

The Court: Is this a compilation of what we discussed yesterday, the capital and surplus up to $150,000,000? Is that just in graphic form?

Mr. Reycraft: That is right. It contains the capital account and the ratios.

Will you mark for identification as Government's Exhibit No. 49 a two-page document headed "Growth Record (Dollars in Thousands)."

(Document headed "Growth Record (Dollars in Thousands)" was marked Exhibit G-49 for identification.)

This comes from Pages 86 and 87 of the application.

By Mr. Littleton:

Q. Doctor, did you prepare this Table G-49?

A. No. That is taken directly from the application.

Q. I notice you give the growth record of Girard Trust and Corn Exchange and Philadelphia National, then you give the growth record of Girard Trust Corn Exchange Bank and Trust Company and the Philadelphia National Bank. The growth records of what other Philadelphia banks did you study at the time you were making this analysis?

A. Well, I made no detailed studies of the other Phila-
[fol. 905] delphia banks.

Q. What kind of studies did you make if you didn't make a detailed study?

A. Well, I had considerable information concerning the other banks for the last five years. This is a summary over ten years. I did not have ten-year data.

Q. Which banks were they?

A. They had available the statements of condition of about ten of the leading banks in Philadelphia.

Q. Which are they?

A. May I consult my notes here? I can't name them all from memory.

Q. Certainly.

A. First Pennsylvania Banking and Trust Company was one of them, and the Provident Tradesmens Bank and Trust Company, Central Penn National Bank, Broad Street Trust Company, Liberty Real Estate Bank and Trust Company, and Fidelity-Philadelphia Trust Company. Those were the principal ones.

Q. Did you look at any industrial trust companies?

A. I don't recall whether we got the statements of condition from that bank or not.

Q. Do your notes show? Do your notes show whether you
[fol. 906] did or not?

A. The notes I have here don't show that one.

Q. Did you get Citizens and Southern Bank and Trust Company?

A. I believe we did, and we got Second National Bank of Philadelphia, although I don't have it on——

Q. You didn't get Industrial Trust Company?

A. I don't know whether we did or not. We may have.

Q. They were subpoenaed, weren't they, Doctor? You subpoenaed the records, didn't you?

A. I don't recall.

The Court: I doubt that the doctor did.

By Mr. Littleton:

Q. Well, of those that you looked at, which ones showed the greatest rate of growth in the last ten years, Doctor?

A. I made no comparisons of that type for the last ten years.

Q. What comparison did you make?

A. Well, we got records only for the last five years.

Q. Well, which ones showed the greatest rate of growth in the last five years?

A. I don't recall.

Q. You mean you weren't interested? Didn't you go into that?

[fol. 907] A. Well, on a preliminary analysis basis I looked over and made some compilations which we didn't finally use.

Q. Were you interested in rate of growth?

A. Yes, but not particularly interested in comparative rate of growth of all the banks in Philadelphia.

Q. Why not?

A. Well, in the limited amount of time we had available there were only so many things that could be done, and that was an analysis that was not pursued further.

Q. Well, your counsel subpoenaed records of all these banks named?

A. Yes.

Q. And you said you made a limited study of them?

A. Yes.

Q. But you made no study of any kind or any analysis of any kind of rate of growth of any of them except the two defendant banks here; is that it?

A. Well, I have no final studies that show comparative rates of growth of these different banks.

Q. Do you have any interim studies?

A. I made some review of those figures.

Q. And what do they show?

A. I don't have it compiled and I don't have it in mind well enough to be able to tell you.

[fol. 908] Q. In other words, you don't know?

A. Yes.

Q. The answer is yes, you don't know?

A. I don't know.

Mr. Littleton: That is all I have.

Mr. Reycraft: Thank you, Doctor. I have no further questions.

Mr. Reycraft: The Government calls Ernest Clarke.

ERNEST S. CLARKE, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Flocken:

Q. Mr. Clarke, will you describe to the Court your position.

A. I am president of the Citizens Union National Bank and Trust Company of Lexington, Kentucky.

Mr. Littleton: Will the witness keep his voice up.

Mr. Reycraft: Mr. Clarke, will it be possible for you to speak up a little bit.

The Witness: Yes, sir.

By Mr. Flocken:

[fol. 909] Q. Would you describe for us your experience in the banking field.

A. I have been actively associated with a commercial bank since 1933. I was with the Liberty National Bank and Trust Company in Louisville, Kentucky, 1933 to 1946. I came to Lexington, Kentucky, in 1946 as president of the Union Bank and Trust Company of Lexington. I became president of the Citizens Union Bank and Trust Company in 1954. It became a national bank in 1958, and I am now president of that bank.

Q. So would it be correct to say that you have been in the banking field since 1933?

A. Yes, sir.

The Court: Well, let us not do any whispering around here. Get your voice up. I can't hear you.

The Witness: You can't hear me, sir?

The Court: I can hear you, but I can't hear counsel. Let us get the voice up.

By Mr. Flocken:

Q. The question I asked was, is it correct to say that you have been in banking since 1933?

A. That is correct.

Q. Mr. Clarke, on the basis of your experience in the banking field, would you describe for the Court generally [fol. 910] the functions of a commercial bank.

A. Well, I think commercial banks are somewhat unique in our economy in that they are the only institutions that I know of that provide a demand deposit function for the business and personal interests of the people of our communities. We are unique in that we create a large part of the money supply of the country by making loans. We serve the businesses of our community in making loans to commercial enterprises, to individuals, both corporations large and small. We have facilities for the transfer of funds between communities which I think are available in no other convenient manner. We attempt to fill a complete need in the economy for demand and savings account deposits and working capital loans for business.

Q. As a holder of demand deposits, does this have any effect on the operation of the bank?

A. Well, I think it is the principal function of a bank.

Q. You described financing business, sir. Would you describe generally the needs of local business.

Mr. Price: Describe what?

Mr. Flocken: The needs of a local business for short-term loans.

[fol. 911] Mr. Price: Where?

Mr. Flocken: In Lexington.

Mr. Price: Objected to, sir.

Mr. Littleton: I object to that.

By Mr. Flocken:

Q. Well, on the basis of your experience, Mr. Clarke, would you describe for us the needs——

The Court: Just a minute. When an objection is made, wait for the ruling.

I will sustain the objection to the question as phrased.

By Mr. Flocken:

Q. Generally speaking, Mr. Clarke, would you describe the needs of local business for short-term loans.

Mr. Price: Objected to.

Mr. Littleton: Objected to.

The Court: Fundamentally it is the same question. I sustain the objection.

Mr. Reycraft: May I be heard on this, Your Honor, for a moment?

The Court: No. If you want to take over the questioning, go ahead.

By Mr. Flocken:

Q. Are there unique services, Mr. Clarke, that the com-
[fol. 912] mercial bank provides?

Mr. Price: What?

By Mr. Flocken:

Q. What unique services does a commercial bank provide, in the category of loans?

A. To my knowledge, there is no other type of financial institution which meets the great majority of needs of business for working capital.

Mr. Littleton: I object to this unless the witness tells what the extent of his knowledge is.

The Witness: I don't understand your question, sir.

By Mr. Flocken:

Q. Have you made commercial loans, Mr. Clarke?

A. Yes, sir, many of them.

Q. To what types of people have you made those commercial loans?

A. As I think of commercial loans, they are to people or corporations in business, performing a service or a manufacturing need in the community.

Mr. Littleton: I object to this as being irrelevant to the issue before the Court and move that the answer be stricken.

The Court: Overruled.

[fol. 913] Mr. Price: If Your Honor please, so as not to have duplication of our objections, may we both understand that whoever makes an objection——

The Court: It redounds to the benefit of both defendants. Any time there is an objection by one, I will assume it is on behalf of both, and I will for the rest of this trial conclude that you have an exception, as well as the one that makes the objection.

By Mr. Flocken:

Q. Mr. Clarke, have you had any experience in dealing with savings and loan associations?

A. Yes.

Q. What has been the nature of that experience?

A. There are four building and loan associations in our community. Two of them do business with us. We have had many years of experience with them in that they are depositors of ours, have at sometimes in the past been borrowers for short-term loans, and that many real estate loans, because of the terms requested, we do not consider acceptable in our bank, we refer them to these two building and loan associations. I would say our contact has been rather close to them over the years.

Q. Why do you say they are not acceptable?

[fol. 914] A. Well, usually it is the length of time that they want the money for.

Q. It is for what period of time, generally?

A. Well, they want long-term financing, in which field we are not active in any way, shape, or form.

Q. You mean a commercial bank, you as a commercial bank?

A. We as a commercial bank are not interested in long-term loans.

Purchase of homes, purchase of new buildings for commercial or industrial purposes.

Q. Why is that, Mr. Clarke? Why is it that you are not interested in that type of loan?

A. Because we feel that we have to maintain a liquidity that is inconsistent with the terms of the loans requested.

Mr. Littleton: If Your Honor please, I object to this line on the ground that it is entirely irrelevant to the issue before the Court as to what this witness does in Lexington.

Mr. Flocken: I don't think it is irrelevant, Your Honor,

in that it is showing Mr. Clarke's experience, describing his experience as a commercial banker.

The Court: The objection is overruled.

[fol. 915] Mr. Littleton: I am inquiring, are these questions directed to qualifying this man as an expert?

Mr. Flocken: As an expert as based on his experience, yes.

Mr. Littleton: These are questions directed to his experience to qualify him as an expert, do I understand?

Mr. Flocken: He has been qualified, I believe, as an expert on the basis of his experience which he has described, which was not objected to in any way, that he had not been in the banking field for the stated period of time.

Mr. Littleton: I didn't understand that we were given any opportunity to cross-examine him as to his qualifications as an expert.

The Court: You haven't been given any, and I haven't declared him an expert.

By Mr. Flocken:

Q. Mr. Clarke, you talked about the commercial loans that your bank makes. What is your capacity as president of the bank in the loan field in that particular type?

A. I am the chief loan officer of our bank.

Q. What do you do in that capacity if a man comes in for a commercial loan?

[fol. 916] A. I try to analyze the situation, and if we possibly can we make the loan.

Q. On the basis of?

A. The facts presented, and if it is acceptable from a term standpoint and the possibility of repayment.

Q. In addition to your experience with commercial loans as president of the bank which you are now concerned with, you had additional experience prior to that time with commercial loans in your previous banking career?

A. Yes, I have been dealing with loans since 1933.

Q. And that experience extended to all phases of commercial banking; is that correct?

A. That is right, as I know it.

Mr. Flocken: Your Honor, at this point I would submit that he is qualified as an expert witness or as an expert in commercial banking.

The Court: To testify as to what?

Mr. Flocken: The functions and nature of commercial banks.

The Court: All right, let him testify to that.

By Mr. Flocken:

Q. Mr. Clarke, you previously said that a commercial bank was unique in certain respects. Could you recapitulate [fol. 917] that testimony. In the area, for example, of demand deposits.

A. I think it is unique in that it is the only institution that I know of that is accepting and is a repository for demand deposits and that it also is the only source that I know of for the working capital needs of the great majority of businesses in the country.

Q. Now, the fact that you accept demand deposits, has that anything to do with the commercial banks' function in commercial and industrial loans?

A. Well, I certainly think that the funds that we get from demand deposits are the funds that we use to lend to business to conduct its affairs.

Q. You mentioned earlier also the need to retain short-term loans.

A. We try to maintain liquidity at all times.

Q. Are there other characteristics that result from demand deposits, such as quality, risk, rate analysis, things of that kind?

A. Well, demand deposits are just what they say they are. They are payable on demand, and we feel that we must be in a position at all times to meet any demands made by our customers.

Q. Can any other financial institution make that type [fol. 918] of loan?

A. Not in most of the cases, to my knowledge.

Q. Let's go back to the savings and loan associations with which you have had experience. Would you recapitulate your testimony on the nature of your association and your dealings with savings and loan associations.

A. We have been depositaries over a long number of years.

Q. Perhaps, Mr. Clarke, you could at this point, since you testified as to this, indicate the differences between the com-

mercial bank and savings and loan associations, on the basis of loans.

A. On the basis of loans, I don't think we are in competition in any way, shape, or form.

Q. Now, Mr. Clarke, would you describe the function of the commercial bank providing working capital for all types of industrial business firms.

A. I think commercial banks are the only source of working capital for the average business.

Q. What do you mean by the average?

A. There are many large corporations which can tap the commercial paper market or the bond market or the equity market for their needs, but there are very, very few businesses in our area that can qualify for that type of financing. [fol. 919] Q. Would you say that small and medium sized businesses in your area rely primarily on commercial banks?

A. Almost entirely.

Q. Mr. Clarke, in your experience, do you say this would be true generally of small and medium sized businesses?

Mr. Littleton: Objected to, if Your Honor please. The former question was asked to his own area. Now he is being asked generally.

Mr. Flocken: I think he has been qualified, Your Honor, as an expert on commercial banking, and I think he would have an opinion as to whether or not small and medium sized businesses generally rely primarily on commercial banks.

The Court: We haven't heard his experience outside of Louisville and Lexington, Kentucky.

Mr. Flocken: Well, we think this is a typical community, typical banking community, that the small businesses in that area are much like the small businesses in any area.

The Court: I haven't heard any testimony to that effect except your statement.

By Mr. Flocken:

[fol. 920] Q. Mr. Clarke, I assume you have customers who come to you for commercial loans; is that correct?

A. Many of them.

Q. What do you do if they seek a loan that would be larger than your lending limit?

The Court: Read that question.

May I please urge you to keep your voice up. If I don't hear the question, I will have to go back and read the record, and I prefer to have it in the first instance and then review it.

Read the question back.

(The reporter read as follows:)

"Q. What do you do if they seek a loan that would be larger than your lending limit?"

By Mr. Flocken:

Q. How do you handle that situation?

The Court: I don't like to interfere. Maybe he has never had that experience. We haven't established that yet.

By Mr. Flocken:

Q. Mr. Clarke, have you had experience in granting customers loans which exceed your lending limit?

A. Yes, I have.

[fol. 921] Q. What was the nature of your experience? Can you describe what happened in these circumstances?

By the Court:

Q. What is your lending limit?

A. $250,000, and if we have an application for a loan exceeding that, and we think it is a good loan, we would take them to any number of our, what we refer to as city correspondents, and I have never had a bit of difficulty in arranging the funds for them if they qualify.

By Mr. Flocken:

Q. What do you call that type of arrangement?

A. Participation.

Q. A participation?

A. Where the correspondent takes the excess part of the loan above the amount that we can lend.

Q. I would gather from what you have said, then, that it would be important to a small businessman or a medium sized businessman or one of any size who needed a loan from you to have a favorable relationship.

Mr. Littleton: Objected to as leading.

The Court: Sustained. The question may be stricken.

By Mr. Flocken:

Q. Is it important for business to have a favorable rela-
[fol. 922] tionship with a commercial bank?

A. I certainly think so.

Q. Why is that?

A. Because, as I said earlier, I think he is largely dependent upon a commercial bank for his working capital needs in his business, and if he doesn't have a favorable relationship with some commercial bank, he has nowhere to go for working capital, in my opinion.

Q. Is it important that you have a knowledge of your community as a commercial banker?

A. Absolutely essential.

Q. Why is that, sir?

A. We have got to know with whom we are dealing, what businesses they are in, how they are thought of in the community, whether they are providing an essential service or an essential manufacturing facility.

By the Court:

Q. Wouldn't service be included in that just as well, Mr. Clarke?

A. Yes, I think so. It depends on the nature of the business.

By Mr. Flocken:

Q. What is your experience in participating in loans
[fol. 923] outside of your community?

A. We don't do it.

Q. You do not do it?

A. We do not do it.

Q. Why is that?

A. We feel like our primary responsibility is to our own community. We neither solicit nor accept loans from concerns that do not have some business in our community.

Q. You mean that if a borrower would come to you and ask for a loan outside of your community, that you would perhaps say no to him?

A. Except in exceptional circumstances where there is no bank adequate to take care of him in his location.

[fol. 924] Q. What is the general geographic area of your commercial bank's customers?

A. Largely from Fayette County, Kentucky.

Mr. Price: I didn't hear the answer.

The Witness: Fayette County, Kentucky.

By Mr. Flocken:

Q. Is that true of checking accounts, checking-account customers?

A. Largely, yes.

Q. Would it be true of personal and commercial accounts?

A. Yes, sir.

Q. And savings accounts?

A. Yes, sir.

Q. How about commercial loans?

A. The same thing.

Q. Is it desirable for a bank to provide its proper services that it be located near its customers?

A. We think so.

Q. Why is that?

A. Because of their own convenience, if nothing else.

Q. Mr. Clarke, on the basis of your experience will you describe generally for the Court the areas of competition between or among commercial banks?

A. For what?

[fol. 925] Q. Would you describe the areas of competition between commercial banks.

Mr. Littleton: You mean in Fayette County, do you?

Mr. Flocken: The ways in which your banks compete with each other.

Mr. Littleton: In Fayette County, Kentucky, I am inquiring?

Mr. Flocken: To the extent of his experience.

Mr. Price: I know, but that is the limit of your question, isn't it?

The Court: Yes. He is limiting it to his personal experience; and that he may tell.

The Witness: I think we compete in all areas of commercial banking—loans——

By Mr. Flocken:

Q. What way do banks compete in commercial loans?

A. Well, in the service that we will give the loans, the extent of the lines of credit, the terms with which we will make them, the rates of interest,——

Q. Would there be competition for personal loans as well?

A. Surely.

Q. How about checking accounts?

A. Well, about the only way you can compete for checking [fol. 926] accounts is to offer adequate facilities to the people whom you are attempting to get business from and deposits from.

We are prohibited by law from paying interest on demand deposits, so about the only way we can compete for them is in the service we render.

Q. How about savings accounts?

A. Well, the same extent, in addition to the fact that you are able to pay interest on those; and in our area we all happen to be paying the same rate of interest, which is the legal limit permitted by the law.

Q. Are there any other areas that you can think of in competition among commercial banks?

A. Oh, we provide Christmas Clubs, savings clubs, sell Travelers Cheques, get football tickets, buy a dinner occasionally—do anything we can to keep—to get people to do business with us in that respect.

Mr. Flocken: Thank you very much. Your witness, Mr. Littleton.

Cross-examination.

By Mr. Littleton:

Q. What you are really telling us, isn't it, Mr. Clarke, that the thing you principally compete in is service?

A. That's right.

Q. You are subject to all kinds of regulations, are you not?

[fol. 927] A. Yes, sir.

Q. Tell us some of the regulations you are subject to.

A. Well, we are a national bank. We are subject to all of the regulations in the national banking laws and the rulings of the Comptroller of the Currency.

We are subject to the amount of real-estate loans that we can make in relation to our capital funds and our savings deposits.

We are subject to regulations on the amount of interest that we can pay on savings accounts. We are prohibited from paying in any form interest on demand deposits.

We have a book several inches thick of rules and regulations that we constantly have to refer to.

Q. In other words, it is a highly-regulated industry, isn't it?

A. In many areas.

Q. And aren't there controls also on the amount of interest you can charge?

A. The only controls I know on that, sir, are the usury laws of the State of Kentucky.

Q. That is as to the high side?

A. That's correct.

Q. How about——

[fol. 928] A. We have no limit on the amount we can charge a corporation. We are limited to 6 per cent on what we can charge an individual in my state.

Q. What fixes your rate of interest when you are trying to determine the interest to charge a person on a loan that he has asked for, a commercial loan?

A. Demand and supply only.

Q. You have a rediscount rate, don't you, federal?

A. Yes.

Q. What is that? Tell us about that.

A. It's 3 per cent at present.

Q. Do you ever charge 3 per cent on a loan yourself?

A. I haven't for a long time.

Q. Do you usually get 6?

A. Yes.

Q. What reserves are you compelled to keep against deposits?

A. The reserves required by the Federal Reserve System.

Q. What do they amount to at the moment in your Federal Reserve District?

A. I believe they are 12 per cent of demand deposits and 5 per cent of savings deposits.

Q. They have a controlling influence on the rates that you charge also, do they not?

[fol. 929] A. Some influence. I wouldn't say a controlling influence, no, sir.

Q. You are also subject to regulation on the amount of money you can lend, aren't you?

A. That's set by law in Kentucky.

Q. That's right. It is a regulation, isn't it?

A. And also by the national bank. It's a law.

Q. 10 per cent of your capital and surplus; isn't that correct?

A. That's correct.

Q. And you are restricted as to your investments you can make, are you not?

A. Within a wide area.

Q. Can you buy stocks?

A. No, sir.

Q. Can you buy bonds of any corporation?

A. It depends upon their rating, sir.

Q. I say, can you buy bonds of any corporation?

A. No, sir.

Q. Does it have to be of a certain type?

A. Well, they have to qualify for a certain rating.

Q. That's right. So that you are subject to that regulation, also?

A. Right.

[fol. 930] Q. How about acquiring real estate? What regulation are you subject to there?

A. I think we can only acquire it for use in our own business.

Q. That's right. You are entirely different from an industrial or a business corporation, aren't you?

A. Oh, yes, to a certain—in many ways.

Q. What is it that you deal in?

A. What do we deal in?

Q. Yes.

A. We deal in service.

Q. And money?

A. And money.

Q. And where do you get your money?

A. From our depositors.

Q. Demand deposits can be withdrawn at any time, can they not?

A. Right.

Q. Whether you are a little bank, whether you are a medium-sized bank, or whether you are a large bank?

A. I am sure that's right.

Q. You talked something about commercial loans.

May I inquire, are there any factors in Lexington, in or about Lexington?

[fol. 931] A. There are not.

Q. There are not?

A. That's right.

By the Court:

Q. How big a town or city is Lexington?

A. Approximately 125,000 people.

Q. How big is Fayette County?

A. About 135,000.

Q. That is for the county?

A. That's right.

Q. County-wide?

A. That's right; and those are estimates. The official census will give you a lot lower figure than that, sir.

Q. Good for you.

How many banks are there?

A. Six.

Q. Six?

A. No, five. I beg your pardon, one is subject to an anti-trust suit.

Q. Are there any savings banks there?
A. No, sir.

The Court: All right.

By Mr. Littleton:

Q. When did you say you began your banking career in [fol. 932] Lexington?
A. April 1, 1946.
Q. What was the largest bank in Lexington at that time?
A. Do you mean in total resources?
Q. Let's take it your way. Which one had the largest capital assets?
A. It wasn't my bank.
Q. Well, which one did?
A. It was the First National Bank.
Q. And what were its assets in amount?
A. I can't remember what it was in 1946.
Q. What were its loans?
A. I can't remember those figures, sir.
Q. But it had the largest amount of loans, did it?
A. Oh, yes.
Q. And the largest amount of deposits?
A. Oh, yes.
Q. You don't remember what the percentages were of the total in Lexington?
A. It was about 40 to 44 per cent; somewhere in that area.
Q. In each category? In deposits, loans,——
A. That's in deposits, I am thinking of, and I imagine the loans were about in the same area.
Q. Is that bank still in existence?
[fol. 933] A. Yes, sir.
Q. What are its capital assets now?
A. It has recently merged with another bank.
Q. Before its merger.
A. Before its merger, it was roughly a $60,000,000 bank.
Q. And what proportion did that make of all the commercial banks in Lexington?
A. I think it was about 44 per cent.
Q. Is it still about 44 per cent?
A. Still about 44 per cent.

Q. Would that apply also to deposits and loans?

A. I think so.

Q. And your bank in 1946 had what proportion of all of the commercial banks' assets?

A. I think it was about 10 per cent.

Q. About what?

A. About 10 per cent.

Q. About 10 per cent? What is it now?

A. Well, we have merged with another bank since then and we now have about 19 per cent.

Q. And how about deposits?

A. They are about the same.

Q. And loans?

A. About the same.

[fol. 934] Q. In other words, you have increased and grown?

A. Oh, yes.

Q. You had no difficulty competing with these other banks, did you?

A. I always have difficulty competing with other banks.

Q. You are always competing, of course.

A. I am trying to.

Q. That's right.

And you are competing how?

A. In every way I can think of.

Q. The service you give?

A. The service I give, the attention we give to customers, calling on customers,——

Q. And that is what competition is in banking?

A. Anything within reason.

Q. And that is what competition is in banking, isn't it?

A. Yes, sir.

Q. And it doesn't make any difference whether you are small or whether you are large; that's what the competition is, is it not?

A. Yes, but we find it extremely difficult to compete with the larger banks, much larger banks.

Q. But you still do compete and you increase in size?

A. All right.

[fol. 935] By Mr. Price:

Q. Mr. Clarke, what other competitors do you have in Lexington, other than commercial banks?

A. Competitors for funds, I would say the building and loan associations.

Q. Building and loans?

A. Yes, sir.

Q. What others?

A. For small loans, we have finance companies for certain categories of consumer loans, and when I say "finance companies" I am speaking of small-loan companies, which in our state are limited to $800 and under.

In automobile financing we are competing with the larger finance companies in that field.

I can't think of any other area or areas that we are competing in loans. We are certainly not competing for the long-term real-estate loans, which the insurance companies and the building and loan associations will make.

Q. You don't consider that the insurance companies offer you any competition?

A. No, sir.

Q. Are there any mutual-savings banks in Lexington?

A. No, sir.

Q. You say you have no factors there, either?

[fol. 936] A. No, sir.

Q. Any credit unions?

A. A few, yes, sir.

Q. Do they offer you any competition?

A. Not of any consequence.

Q. Insurance companies?

A. No, sir.

Q. Commercial finance companies?

A. To the extent that I named.

Q. Are you in competition with any banks outside of Lexington?

A. To a very, very limited degree.

Q. What is the nature of it?

A. My experience is that the Cincinnati and the Louisville banks would not solicit loans in the Lexington area, or other business, except through some bank there on an excess basis.

Q. So that Louisville and Cincinnati are the two closest large cities, are they not?

A. That's right.

Q. And you say that banks in neither of those cities solicit business in the Lexington area?

A. Not to my knowledge. We'd give them an awful hard time if they did.

Q. Do you solicit business in either Louisville or Cin-
[fol. 937] cinnati?

A. If they have a connection in Lexington, yes.

Q. But if they have no connection in Lexington, you don't?

A. No, sir.

Q. Have you any competition with banks outside of those three cities—Lexington, Louisville, and Cincinnati?

A. Not that I know of.

Q. Are you aware of the fact that the Provident Tradesmen's Bank & Trust Company in Philadelphia is financing a floor-planning operation in Lexington?

A. Yes, sir.

Q. And you don't consider that competition?

A. Not if I can help it.

Q. What?

A. Not if I can help it.

Q. Then you are not in that type of business?

A. That's right.

Q. What is the limit of that type of business that you are in?

A. (No response.)

Q. You say you don't do floor-planning. That is a normal operation of a commercial bank, isn't it?

A. I would say it is not normal in our community.

Q. All right. It is not normal in your community, but it
[fol. 938] does exist, doesn't it?

A. I am sure it does, sir.

Q. Do you know of any banks in your community or in Cincinnati or in Louisville that floor-plan for automobile dealers?

A. I think that is principally done by the finance companies—Commercial Credit, CIT, GMAC, Associates Discount, and companies of that kind in our area.

Q. But have you heard of any commercial banks doing it?
A. To only a limited extent.
Q. But some do it, do they?
A. Oh, yes. I am sure they do.
Q. All right, but you don't?
A. No, sir.
Q. Now, to what extent do you limit your banking activities? I suppose you make commercial loans?
A. Yes, sir.
Q. And you receive deposits?
A. Yes, sir.
Q. What else do you do?
A. We have a trust department. We have——
Q. Is that a large trust department?
A. No, sir.
Q. A small one?
[fol. 939] A. Very small.
Q. When did it start? When did you begin?
A. 1906.
Q. And it is still a small trust department?
A. Right.
Q. You don't push that especially?
A. Sir?
Q. You don't push that especially, do you?
A. It depends on what you mean by "especially." We want all the good business we can get.
Q. But you haven't made any special effort to get trust business, have you?
A. Yes, but not very successfully.
Q. All right. Then what else do you do besides the trust business?
A. Well, we sell Travelers Cheques, we have Christmas Clubs, we have branch banks; but it's all tied in with deposits and loans.
Q. You have branch banks, you say?
A. Yes, sir; three of them.
Q. The branch banks do the same kind of business that your principal office does, don't they?
A. We attempt to limit our lending entirely to our main office.

[fol. 940] Q. But you mentioned some of the various activities of your bank.

Are there any others?

A. We try to provide a complete banking service as we know it in our community.

Q. Yes, but I am asking you to tell me precisely what it is you do to provide that service.

A. Checking accounts, savings accounts, Christmas Clubs, savings clubs, Travelers Cheques, personal loans, commercial loans, automobile financing at the retail level——

By the Court:

Q. Safe-deposit boxes?

A. Safe-deposit boxes and various and sundry trust activities. That's about all I can think of.

By Mr. Price:

Q. Now, you have considered that your responsibility was local and that you should be able to provide for all the needs of your local customers, have you not?

A. Yes, sir.

Q. So that in the operation of your bank you would do anything within the law which would serve your customers better, wouldn't you?

A. That's right.

Q. How many applications for a loan in excess of your [fol. 941] lending limits have you had?

A. Not too many.

Q. Can you think of more than one?

A. Oh, yes. Probably a half a dozen or a dozen.

Q. Didn't the prospective borrowers know what your lending limit was?

A. I am sure they did.

Q. Were there any banks in Lexington that had a higher lending limit than yours?

A. Yes, sir.

Q. Did you go to them for assistance?

A. No, sir.

Q. Where did you go?

A. I went to Cincinnati or Louisville.

Q. Why didn't you go to a local bank in Lexington?
A. I wouldn't think of it.
Q. Why not?
A. We are competing with them.
Q. So that you felt obliged to go to another city for assistance in handling the loan that you couldn't handle locally?
A. That's right, sir.

By the Court:

Q. You didn't want to lose the account?
[fol. 942] A. That's correct, sir. It's as simple as that.
Q. I agree with you. I think you used excellent judgment.
A. Thank you, sir.

By Mr. Price:

Q. Did the banks in Louisville and Cincinnati to which you applied for help in handling such loans require a deposit from the borrower?
A. No, sir.
Q. Did they have deposits from you?
A. Yes, sir.
Q. From your bank?
A. Yes, sir.

Mr. Price: That's all, thank you.
Mr. Littleton: Just one other question.

By Mr. Littleton:

Q. In making a commercial loan, Mr. Clarke, what is your usual rule as to the requirement of deposit balance to be maintained by the borrower?
A. We don't try to set any arbitrary limit.
Q. What is the usual?
A. We want somewhere between 10 and 20 per cent, depending upon the nature of the business.
Q. In other words, you get that—something between 10 and 20 per cent in connection with commercial loans?
[fol. 943] A. I won't say we always get it; we try to.
Q. You try to?
A. Yes, sir.

Q. This one borrower that Mr. Price just asked you about, where you said you went to Cincinnati to get your correspondent bank to help you with a loan, that was a customer of yours who stayed with you because he knew you and because you gave him service; is that correct?

A. That would be my assumption.

Q. He could have gone to any other bank in Lexington, could he not?

A. Well, of course.

Mr. Littleton: All right. Thank you.

Redirect examination.

By Mr. Flocken:

Q. Mr. Clarke, with respect to the concentration of banking facilities that Mr. Littleton brought out on cross-examination, what has been the effect of that concentration upon competition in your community?

A. Would you read that?

(The reporter read the pending question.)

The Witness: I think it makes it extremely difficult for us to get new accounts, particularly of national concerns, because my experience with national concerns is that you [fol. 944] have got to have some compelling reason for them to do business with you; and if there is some other bank in your community that completely overshadows you statistically——

By Mr. Flocken:

Q. What effect has this same concentration of facilities had upon the small and intermediate-sized borrowers in your community?

A. I think the banks in our community take pretty good care of the borrowers. I don't think any deserving customers have not been able to meet their needs.

Q. Now, Mr. Price asked some questions about some other financial institutions with which you indicated there is some area of competition between your commercial bank and the other financial institutions.

Can any of those other financial institutions that he mentioned handle or provide the services offered by a commercial bank?

A. Not in the demand-deposit and the commercial-loan field.

Q. In the area of personal loans, for example, in the personal-loan companies, is there a difference between their operation and yours in loans, personal loans?

A. We certainly like to think so.

Q. Is there a difference in rates of interest, for example?

A. Tremendous.

[fol. 945] Q. What do you mean by "tremendous"?

A. Well, we are limited by law to 6-per-cent discount on consumer loans up to $2,000; and they have just changed the law in Kentucky, and my recollection is that they can charge now 3 per cent a month, which would be 36 per cent a year, up to a certain amount of the $800 that they can lend (I think that's up to about $200); and they can charge 2 per cent a month up to about $450, and then they can charge 1 per cent a month on the excess to the limit of $800—something in that nature.

Q. So, there is a substantial difference in rate?

A. Tremendous, tremendous.

Q. Mr. Clarke, in respect to the demand deposits which you generally seek that a borrower put into your bank as against a loan, you have indicated 10 to 20 per cent; is that correct?

A. That's what we strive for.

Q. Do you also do that in granting lines of credit? Do you require the same percentage against a line of credit?

A. Yes, sir.

Mr. Flocken: That's all.

Recross-examination.

By Mr. Price:

Q. Mr. Clarke, you said that your borrowers were well [fol. 946] taken care of by the Lexington banks.

Do you know of any case where a deserving borrower who had a proper bankable loan with adequate security failed to get a loan?

A. No, sir.

Q. So that the only effect of this concentration you are speaking about was on the national companies which had very large funds to handle and dispose of; is that correct?

A. I'd say that's the principal thing.

Q. That is the only one you mentioned.

A. Well, I can assume that maybe there are some local people who want the facilities of a larger bank.

Q. That want the facilities of a large bank?

A. The facilities of a larger bank or the largest banks.

Q. But they have a choice to take either the largest or the smallest or an intermediate one, if they want?

A. That's correct.

Q. So the concentration doesn't affect their choice between banks?

A. Possibly not.

Q. Does it?

A. It depends on the customer himself as to what he is looking for in a bank.

Q. And he has complete freedom of choice?

[fol. 947] A. Right.

Q. Now, so far as the national companies are concerned, the very large companies, they would only deal with the largest bank or the largest bank in any event, wouldn't they?

A. (No response.)

Q. So far as your experience in Lexington is concerned?

A. We have a few of them. We'd like to have more.

Q. And the few that you do have deal with the larger or the largest banks in Lexington?

A. We are not the largest bank in Lexington.

Q. No. Have you any of their accounts?

A. Yes.

Q. And the larger banks also have some?

A. Most of them.

Q. But the smallest banks don't have any, do they?

A. I can't answer that.

Q. You don't know whether they have any?

A. I don't know, sir.

Q. All right. But, in general, you would say that the larger companies look to the larger banks?

A. Right.

Mr. Price: That's all, thank you.

[fol. 948] By Mr. Flocken:

Q. Mr. Clarke, it is a fact that the mergers that have taken place in Lexington have deprived the small or medium-sized borrowers of an alternative for credit; is that correct?

A. If you eliminate one bank, that's one source; but we have still got plenty left down there, I assure you.

Q. Now in respect to Mr. Price's last line of questions about accounts of larger companies, it is harder for your bank to get them; is that correct, as the big banks get bigger?

A. I certainly think that is true.

Mr. Flocken: That is all.

By Mr. Price:

Q. But that is purely a matter of choice on the part of the large companies, isn't it?

A. (No response.)

Q. They can go where they choose?

A. Right.

Mr. Price: That's all, thank you.

Mr. Flocken: No further questions.

The Court: If we are going to start a new witness, suppose we start at 2 o'clock. We will adjourn until [fol. 949] 2 o'clock.

(Recessed at 12:20 o'clock for luncheon.)

[fol. 950] [File endorsement omitted]

AFTER RECESS

Mr. Flocken: Your Honor, the Government calls John Forlines.

JOHN FORLINES, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Flocken:

Q. Mr. Forlines, will you tell us what your position is.

A. I am president of a small country bank in North Carolina, Caldwell County. We have offices in two communities, Granite Falls and Lenore.

Q. How long have you had that position?

A. I have been president of this bank since 1954. I first entered banking in 1939, when I graduated from college.

Q. What college, sir?

A. Duke University.

Q. Have you had any special courses or any special educational background in banking?

A. Well, I might say I spent six years in the Army in the Finance Department, which had some relationship to banking, and I have graduated from the Stonier Graduate [fol. 951] School of Banking at Rutgers. I am now assistant chairman of the Carolina Bankers Conference in Chapel Hill, North Carolina, University of North Carolina.

Q. Mr. Forlines, would you describe your duties as president of your bank.

A. Describing the duties of a president of a small country bank is somewhat of a chore, because you do a little bit of everything, but generally you are the chief executive officer and supervise lending activities and act as a liaison between your Board of Directors and the other officers of the bank in setting policies and carrying out policies as far as banking operations are concerned.

Q. Are there any other duties that you perform?

A. Well, in our particular case I am in direct charge of our investment portfolio, and, as I said, I suppose the most important thing would be the supervision of our lending functions.

Q. Mr. Forlines, do you have membership in any banking association?

A. I am on the Executive Committee of the North Carolina Bankers Association, and at the present time I am a member of the Public Relations Committee of the [fol. 952] American Banking Association.

Q. What is the nature of these associations you have? Do you attend meetings?

A. That is right. Our Public Relations Committee meets three times annually, and we, of course, exchange ideas with other bankers all over the country.

Q. So you have had an opportunity to observe operations or exchange ideas with other banks, other bankers, in other parts of the country?

A. Yes, sir.

Q. Do you have correspondent relationships with any other banks?

A. Yes, sir, we do.

Q. Would you mind telling us what they are.

A. We have correspondent relationships in our own state with most of the large banks—Wachovia Bank and Trust Company and North Carolina National Bank, to name two. We have a correspondent in New York and a correspondent in Chicago.

Q. Mr. Forlines, do you subscribe to and generally read literature or other periodicals dealing with banking economic matters throughout the country?

A. Yes, sir, I do.

[fol. 953] Q. Do you feel it is important for you as the president of a bank to be informed on banking and economic conditions throughout the country?

A. Yes, I do. I think it is particularly important in a small community like ours, when the people and the businesses depend to such a great extent on the bank as being a sort of hub of the financial community, so to speak. They call on you for all types of help and advice that probably would not be the case perhaps in a larger area where you had other agencies to do some of these things for you.

Q. On the basis of your observation of banking in other parts of the country than your own community, is it your view that commercial banks engage in generally the same activities or similar activities?

A. Yes, I would say so.

Q. Now, as to your bank, is it a state bank or a member bank?

A. Our bank is a state non-member bank.

Q. Are you insured by the Federal Deposit Insurance Corporation?

A. Yes, we are.

Q. Are you required to comply with the rules and regula-
[fol. 954] tions of the Federal Deposit Insurance Corporation?

A. Yes, sir, we certainly are.

Q. Are they the same rules that are generally applicable to commercial banks throughout the country?

A. Yes, sir.

Q. What are some of these requirements?

A. Well, the requirements of FDIC, of course, are much too lengthy to go into at this time. They have a publication about so big (indicating), but I would say that they periodically examine our banks, along with the state banking department, to see that we are meeting liquidity standards, to see that we have proper reserves, to see that our loans are sound loans, and if they are not, we learn about them in a hurry.

Q. Do these restrictions or regulations affect the type of business your bank is able to engage in?

A. Well, yes. As has been pointed out here, banking is under a great many restrictions and regulations as far as our supervisory authorities are concerned; but, on the other hand, there is a broad area where judgment and management is most important too. Somebody is not doing everything for you. They are just sort of giving you guide lines on which to go by.

[fol. 955] Q. Is it correct that all banks subject to FDIC are subject to the same regulations?

A. As far as I know, yes, sir. All banks, by the way, in our state, with the exception of one bank, is a member of the FDIC, I am sure.

Q. What are some of the ways in which these legal requirements affect your business? For example, demand deposits.

A. Well, of course, these supervisory authorities, FDIC being one that you mentioned, are particularly interested in our small bank in seeing that we maintain adequate liquidity, and that would be one area definitely. They are interested in the solvency of the bank, to be sure that we are operating it in a sound manner.

Mr. Flocken: Mr. Littleton, would like to examine the witness as to his qualifications?

Mr. Littleton: What are you going to offer him for?

Mr. Flocken: I offer him as an expert familiar with commercial banks generally, to the extent that he is familiar with commercial banks beyond his area.

Mr. Littleton: I haven't heard that he is familiar with [fol. 956] commercial banks beyond his area.

Mr. Flocken: Well, he has indicated that he attends meetings of national banking associations, that he is on various committees, that he has studied in this field.

Mr. Littleton: Could I ask him about that?

Mr. Flocken: Yes, sure.

By Mr. Littleton:

Q. Have you engaged in banking anywhere outside the State of North Carolina?

A. No, sir, I have not.

Q. Have you observed banking anywhere outside the State of North Carolina or have you just talked to other bankers at meetings, and so on?

A. Well, I haven't actually gone into other banks and spent any time in them, if that is what you mean, sir. Most of my observing has been done through reading banking periodicals and talking to other bankers, and that sort of thing, plus the fact that I did attend this Graduate School of Banking over a period of three years.

Q. Which one was that?

A. That was at Rutgers, Rutgers University.

Q. In New Jersey?

A. Yes.

[fol. 957] Of course, I have spent considerable time, I might say, with our larger correspondents at conferences, meaning First National at Chicago, annual bankers conference that they have every year, also Wachovia.

Q. You mean you attend the meeting in Chicago and your correspondent there is the First National of Chicago, did you say?

A. Yes, sir.

Q. Where they have all other correspondent bankers meet for two or three days?

A. That is right, sir.

Q. I don't think you told us the name of your bank. Did you?

A. I beg your pardon if I didn't. It is the Bank of Granite.

By Mr. Price:

Q. How large a bank is that?

A. Sir, my bank is about a $5,000,000 bank. It is a very small bank.

Q. What is your lending limit?

A. $90,000, a little over $90,000.

Q. What is the largest loan you ever handled at that bank?

[fol. 958] A. Oh, I think $440,000.

Q. You didn't handle that yourself?

A. We handled it. We didn't supply the funds for it because we naturally couldn't, since it is beyond our legal limit. We did it through the help of our correspondents.

Q. Where did you get help from?

A. Well, I don't remember in that particular case, but we can get help from any number of the correspondents that I mentioned just about any time we need it.

Q. Whom did you get help from in that particular case of $440,000?

A. Well, I think in that case it was Wachovia.

Q. I couldn't hear you.

A. Wachovia Bank and Trust Company.

Q. Did the Wachovia Bank take the whole thing?

A. In excess of our limit.

Q. They took it all over your limit?

A. That's right, sir.

Q. Were there any other instances of that, sir?

A. Well, the instances of making loans in excess of our legal limit are too numerous to mention, sir. It is a very common practice.

Q. Because your limit is so low, you have to do that [fol. 959] frequently; is that it?

A. Well, yes, that would be the reason we didn't make it ourselves, but I might point out that this correspondent banking relationship is rather unique, as I understand, in our country, and it is a very fine relationship, we think. It enables us to compete with larger institutions. For example, we are now competing with a branch bank in our county which is a $200,000,000 institution. This would be the only way that we could do so and keep from being absorbed by a larger banking chain if we were not able to do that.

Q. But you can compete by this method you described?

A. We think that is a very helpful way for us to compete, yes, sir.

Q. And you would do that regularly?

A. Yes, sir.

Mr. Price: No further questions.

By Mr. Flocken:

Q. Is it your opinion that commercial banks have a unique role to play in the economy?

Mr. Price: I am sorry; I couldn't hear you.

By Mr. Flocken:

Q. Is it your opinion that commercial banks play a unique [fol. 960] role in our economy?

A. Well, they certainly do. Of course, the most unique thing, I suppose, that a commercial bank can do, as I am sure most everyone here knows, is the fact that by making a loan, crediting the proceeds of that loan to the person's account, they can actually create a new source of money, which can only be done, I believe, by commercial banks in this country.

I suppose the other most unique feature of commercial banking would be its ability or a bank's ability to handle a wide variety of services and loans rather than to be limited to some specialized type of lending, such as savings and loan institutions or personal finance companies and that type of thing. It is a particular sort of umbrella type financial operation that we try to create in commercial banking.

Q. Mr. Forlines, are you familiar with the personal loan part of your bank business?

A. Yes, I am.

Q. Your bank engages in such business and makes personal loans?

A. Yes, we do.

Q. Can you distinguish the type of activity your bank [fol. 961] engages in in that field from that engaged in by personal finance companies, particularly in terms of risks and interest rates?

A. Well, to a large extent in North Carolina personal finance companies or small loan companies beam their operations toward an element of our economy, people who need to borrow money who do not have adequate security or could not go to banks to get it. They generally charge a little higher rate of interest, and for the most part we do not consider ourselves in competition with those companies.

Q. How much higher are those rates, Mr. Forlines?

A. Well, we are having quite a battle in our Legislature now, and they are going to be considerably lower than they are now, but they are quite high at the present time. I really couldn't give you the exact percentage. Banks, I might say, in our state, are limited to six per cent interest across the board, and we do average, are able to realize a greater return from our small loan operations, and, of course, banks have in the past number of years gone into that rather heavily, particularly the automobile loans.

Q. The personal loan company rate, though, is higher than your rate?

[fol. 962] A. Considerably higher, yes, sir.

Q. Are there other services a commercial bank has to offer in this area that distinguish it from a personal finance company?

A. Well, of course, the big service that commercial banks offer, of course, are checking accounts and savings accounts, which these companies naturally don't have, in addition to safe deposit boxes and many other services that banks offer.

Mr. Price: I can't hear you when you drop your voice. You start out strong and then your voice fades.

The Witness: I am sorry, sir. I said in addition to many other services that I mentioned a while ago in connection with our over-all services, safe deposit boxes, travelers checks, of course, that type of thing, that we call this umbrella type service that banks perform that finance companies do not perform. Of course, in our part of the country the banks, in a sense, lend money to these finance companies in many cases, so that they can perform these services that they perform.

By Mr. Flocker:

Q. Mr. Forlines, considering the personal loans that you have in your bank, that you make, whom do you think [fol. 963] of as your principal competitor or competitors for those particular loans at the rate and terms you grant?

A. Well, our banking competition is our principal competitor, obviously.

Q. You mean by that other commercial banks?

A. Right.

Q. Do you have any experience with real estate loans?

A. We make very few long-term real estate loans in our bank because we are a small bank.

Q. Why do you say that?

A. Primarily because of the fact that we have to make our loans on a short term basis. We have to keep our money turning over. We have to make short-term loans. That is what we consider one of the main functions of our commercial banking system. We like to in our bank have access to means of credit for all of our customers, and very often we use insurance companies or bring them into the picture to make these long-term real estate loans. We occasionally make the loan as long as five or six years on a first mortgage basis, but it is very rare in our bank.

Q. Are you familiar with the making of loans to financial institutions? Does your bank make such loans?

A. Yes, I mentioned a while ago to some extent we do.
[fol. 964] Q. Tell us what type they are and to whom you make such loans.

A. Well, there would be short-term loans, 90-day loans, for operation purposes to these financial institutions, generally our local area finance companies.

Q. Finance companies, savings and loan associations?

A. We don't make any to savings and loan associations.

Q. Personal finance companies?

A. Right.

Q. Sales finance companies?

A. Right.

Q. Do you feel that you are in substantial competition with these institutions that you lend *to* such money to for loans that you want to make?

A. Oh, no, we definitely do not. If we did, we would stop making the loans to them.

Q. I am sorry; I didn't hear that.

A. I think we would stop making those loans if we thought we were competing with them. We would stop making loans to them if they were offering competition to us in the type loans that we make.

Q. Mr. Forlines, as president of your bank I assume that you are familiar with the making of commercial and industrial loans; is that correct?

[fol. 965] A. Yes, sir.

Q. Will you describe the function of a commercial bank as a source of working capital for business.

A. Well, as I mentioned a while ago, it has the unique faculty, a commercial bank has the unique faculty, of being able to create money by this business of making a loan and making a deposit of those funds. Our big job in our area is to make what we call short-term loans to businesses and individuals for operating purposes, for inventory in businesses, and that type of thing. Is that what you meant?

Q. That is correct. I believe Mr. Price brought out that there are occasions on which you have made loans in excess of your lending limit; is that correct?

A. Yes, sir.

Q. And you indicated in answer to his question that you had no difficulty doing so?

A. None whatsoever. I think I might mention one area that you mentioned, real estate loans, a while ago, that we do participate in on a rather large basis, relatively speaking, and that is in the construction real estate phase of the business. While the building is being made, we often make a construction loan until final financing is arranged. I believe that large loan I mentioned had that type of feature.

[fol. 966] By the Court:

Q. Provided you had the insurance company commitment before you gave out your loan?

A. That is right, sir.

Q. Wouldn't that be so?

A. That is right, sir.

By Mr. Flocken:

Q. Mr. Forlines, in your opinion, is the role of the commercial bank important to the small and intermediate size business? Will you describe that for us, in the commercial field.

A. Well, I think that the role of a bank in small and medium size businesses is perhaps the greatest role that we have. That is where we play our biggest part and we are of the greatest help to those borrowers in those fields. I mean by that that in our case I don't honestly feel there would be any other source of credit for these types of borrowers. I mean merchants and contractors and people in our area. They know no place else to go except to a bank, whereas, just to contrast that, I am sure that larger national firms or tremendously big business, it is a relatively easy proposition for them to get loans. If they can't get it here, they can get it some place else or they can float an [fol. 967] equity issue or sell bonds or something of that nature which would be beyond the realm of a small or medium sized business.

[fol. 968] Mr. Littleton: If Your Honor please, I understand the last answer to be confined within the limits of Lenoir and Granite, and if it goes beyond that, I would move to strike the answer.

The Court: Motion denied.

The Witness: May I see what I said that last? What was that?

The Court: The motion has been denied on the record.

Mr. Flocken: I believe His Honor has ruled.

By Mr. Flocken:

Q. Mr. Forlines, what is the general area from which your bank draws its customers?

A. Well, our bank and banks in our state generally, I think, draw their customers from what is commonly called the trading area. In our case, that is our county, primarily with a little overlapping into another county because of the fact that one of our offices is right near the county line.

We don't go out much beyond that, as far as soliciting business is concerned.

I might say that we feel that that is our purpose, to take care of our local people; and we have been in no position (and very few banks have) to go out and solicit loans from other parts of the country, when they have had all they [fol. 969] could take care of at home. That's been our situation.

Q. Do you feel that it is important that a bank be close to the people that it is attempting to serve?

A. Well, I very definitely do in North Carolina, and I will add that because that's where my experience has been.

Most of our communities are local communities. They have been built by local capital. I think banks and bankers become acquainted with their customers and they look to them for advice and counsel, and it means a great deal to them.

I think a great deal is lost when these banks lose their local character, as many of them have done in our state in the last several years.

Q. In that connection, Mr. Forlines, have there been any bank mergers in your area?

A. There have been a rash of bank mergers in our area over the past several years.

I might say that North Carolina, for the benefit of those of you who may not know, has unlimited branch banking.

Mr. Littleton: If Your Honor please, I object to this line as being irrelevant to this issue before the Court.

[fol. 970] Mr. Flocken: Your Honor, I am attempting to establish a basis on which I can ask Mr. Forlines some questions about commercial banking and the effects of mergers on commercial banking with which he is familiar.

The Court: What can Mr. Forlines say about a merger and try to contrast it between his county and Philadelphia? Where would he be an expert on the effects of a bank merger unless you intended to limit it, and limit it strictly, to a merger in a small area? You so stipulated.

Otherwise, I won't let him testify.

Mr. Flocken: To the extent that the experience in his community extends beyond his local area, I think it may well indicate that.

The Court: He said that it extends in one county, and because one town is on the edge of the county it may extend into another one. That is what his testimony is; I don't think I missed any of it.

Isn't that what you said?

The Witness: Yes, sir; as far as my immediate experience is concerned, sir.

Mr. Flocken: My attempt, sir, is to attempt to ask him questions about the general nature of the effect of mergers in his entire state, not just the immediate city or county in which he happens to be located.

[fol. 971] I believe he would be familiar with that as a banker in that area.

The Court: When you begin to do that you had better qualify him to do it, because he is not qualified at this point.

By Mr. Flocken:

Q. Mr. Forlines, you have indicated some of your associations. Are you a member of any state banking associations?

A. Yes. As I mentioned, I am on the Executive Committee of the North Carolina Bankers' Association.

Q. What is the nature of that organization?

A. It's very similar to a trade association in any large area of business.

Q. Have you indicated that you have in North Carolina correspondent bank relationships, as well as others?

A. That's right, sir.

Q. And you are familiar, somewhat familiar, with the areas in which those banks are located?

A. Yes.

Q. And the nature of commercial banking in that area?

A. Yes, sir.

Q. Are you acquainted with or familiar with other mergers that have occurred in the State of North Carolina?

A. Very definitely so, sir.

[fol. 972] Q. Could you indicate the extent of your knowledge on those mergers? For instance, do you know of any mergers?

The Court: Just a minute.

Mr. Littleton: I object.

The Court: We are coming to a point of qualifications. Don't tell him how he should be qualified.

You have asked him a question. Let him answer.

Read the question back.

(The pending question was repeated by the reporter as follows:

"Q. Could you indicate the extent of your knowledge on those mergers? For instance, do you know of any mergers?")

Mr. Flocken: Your Honor, let me rephrase that by saying,——

By Mr. Flocken:

Q. Do you know of any recent bank mergers in the State of North Carolina?

A. Yes, sir.

Q. What is that?

Mr. Littleton: I object as being irrelevant to this issue.

The Court: It may well be. I am going to let him answer the question, though.

[fol. 973] Overruled.

The Witness: Well, as I mentioned, we have had a number of mergers. We have had state-wide branch banking, as I mentioned. For many years there were—there was only one so-called state-wide bank in our state.

During the last several years, due to mergers, there are certainly two or three others which are attempting to be

state-wide and to gain this stature they have merged with these local independent banks throughout the state.

They have been almost too numerous to mention. We have had just literally——

Mr. Littleton: I move that answer be stricken out.

The Court: It may remain.

By Mr. Flocken:

Q. Can you name any of those bank mergers that you referred to?

Mr. Littleton: Objected to.

The Court: Overruled.

The Witness: Yes, sir. The most recent merger was a merger when Wachovia Trust Company merged with the National Bank of Thomasville, which was a locally-owned bank in our state. I think that happened quite recently.

Our biggest merger in the last several years—we had [fol. 974] two of our larger banks in the state—North Carolina National Bank is the resulting institution from this merger that was a merger of the American Commercial Bank in Charlotte and the Security National Bank in Greensboro, forming the North Carolina National Bank.

This bank has since broadened its state-wide activities by merging with several other banks. One is Statesville, which is some 30 or 40 miles from our bank, another in Reidsville, I believe it is.

By Mr. Flocken:

Q. Can you——

A. Your Honor, if I may——

The Court: Just answer questions.

By Mr. Flocken:

Q. Has there been a bank merger in your area closer than any of these that you have mentioned, or did you describe one that was close that I didn't hear?

A. Two years ago in Lenoir there were two local, independent banks, neither of which was my bank. At that time we had no office in Lenoir.

By Mr. Price:

Q. Neither of which was what?

A. Pardon?

Q. You said two independent banks, neither of which [fol. 975] was——

A. Neither of which was my own bank.

Our bank at that time had no Lenoir office. This is a merger which has affected our area more than any other merger. This large bank in Charlotte merged with not one of those banks, but two of them at the same time, combining the total banking in that community into one institution. This was an area of a community of 10,000 people.

After that our bank applied for permission to open an office there because it was in our county (it was our county seat) and we were in competition with another large bank to do so and we were given the right to have this bank; so we are now competing with this branch bank in Lenoir.

That's the merger that I am most familiar with, sir.

By Mr. Flocken:

Q. Can you state that——

A. I might add that this merger not only lessened competition in this particular area, it eliminated competition completely.

Mr. Littleton: I move——

By the Court:

Q. There was only one bank there?

A. That's right.

Q. So you started a branch of your bank and now you are in competition?

[fol. 976] A. That's right.

Q. So there are two banks there now in competition, where there were two before; is that it?

A. That's right. The only difference is ours is a small locally-owned bank with total resources of $5,000,000 and we are competing with a $200,000,000 institution.

Q. But you are still in competition?

A. We are still in competition, and I didn't mean to sound as if I was complaining about it, either.

Q. Well, you still know the people around there and you still know their habits, customs—frugality and integrity—don't you?

A. Yes, sir. Our bank does.

The Court: Your bank does.

By Mr. Flocken:

Q. Does the other bank?

A. I can't answer that question. I think——

Q. In your opinion.

A. In my opinion——

Mr. Littleton: Now wait a minute. I object.

Mr. Flocken: I beg your pardon?

Mr. Littleton: He said he couldn't answer the question and then he started to answer it.

[fol. 977] The Witness: I mean, I can not speak for the bank.

By Mr. Flocken:

Q. Well, in your opinion, is the other bank as familiar — the local problems as you are?

Mr. Littleton: Objected to.

The Court: Sustained.

By Mr. Flocken:

Q. Let me ask this:

Do you know of any other bank mergers in your state than those that you have mentioned specifically by name?

A. Well,——

Q. Are there others?

A. Well, they have been up and down the state. As I have said, we have come from about 250-some banks down to about 175 banks now in the last several years, roughly, so they have been in almost every area. There has been no other bank in our—no other bank merger in our county, but there has been one in all of the adjacent areas around us.

Q. Do you have an opinion as to the result of this merger movement in your area?

A. Yes. I think it's been——

Mr. Littleton: Don't state what it is.

The Witness: Pardon?

[fol. 978] Mr. Littleton: He just asked you if you have an opinion.

The Witness: I very definitely have an opinion.

By Mr. Flocken:

Q. What is it, Mr. Forlines?

The Court: Just a minute.

Mr. Littleton: Objected to.

The Court: Read that question, Mr. Lennox, the basic question.

(The pending question was repeated by the reporter as follows:

"Q. Do you have an opinion as to the result of this merger movement in your area?")

The Court: I will sustain the objection.

Mr. Flocken: Your Honor, I thought the reason I was not allowed to inquire originally was because we had not indicated his familiarity with bank mergers in his area.

I think we have now done so and that he does have an opinion as to what effect the mergers have had in his area and that we are entitled to have his opinion.

The Court: I would be much obliged to you if you would keep your voice up because again I didn't hear what you said.

What did he say?

[fol. 979] * * * commercial banking in these other areas that we have indicated through correspondent bank relationships.

The court: Again read back what he said.

(The proceedings were repeated by the reporter as follows:

"The area in which he understands commercial banking in these other areas that we have indicated through correspondent bank relationships.")

Mr. Littleton: My objection is on the ground of irrelevancy, Your Honor.

The Court: He may answer as to his own particular area.

The Witness: Sir, in my area, in response to the question (and this is my opinion) this trend in North Carolina has been very bad. It has concentrated banking resources in large centers of finance, large to us—Charlotte, for example.

It has done away with local independent banks which we think are very important, that have built our economy. It has eliminated this person-to-person type of banking that the people were familiar with and used to. Now they are dealing with people in far-away places by direct telephone lines and things of that nature to a great extent.

I think that it has been very disadvantageous to the [fol. 980] public. I think in many cases, for example in the one I mentioned in Lenoir, it hurt for a time, certainly, and we are trying to keep it from hurting now. It hurts small and medium-sized businesses, because many of them had lines of credit in both these banks when they were absorbed. Instead of having twice as much line of credit, in many cases their line of credit was cut terribly.

It means that all of these people doing business with these independent local banks in our state have to start over with a new relationship, in many cases with the larger successor bank.

I think the trend has been, in our case, largely caused by a desire to become big rather than a desire to be of service to the people.

By the Court:

Q. Then I understand you that these banks that come in couldn't perform any greater service than was already being performed; they added nothing to the community except trouble as you explain it. Is that what you are saying?

A. I would say that, yes, sir.

Q. And your idea being that the branch manager of the bank would be an outsider who wouldn't know the local people and who wouldn't be as willing to loan?

A. I am saying, sir, in many cases there would be a bank [fol. 981] on the other side of the state, with nothing in common with the problems in another part of the state; and they have simply taken this bank over to obtain its

resources for reasons—perhaps management was old or some such thing as that—and there was no real reason for them to do that except to increase their own resources, perhaps profits, or some other reason, sir.

Q. So that is the experience.

How big is the town you live in?

A. I live in a town of about 3,000 people, which is right outside of Lenoir—Granite Falls, North Carolina. Lenoir is a little over 10,000.

Q. What is the population of the other town in which you have your branch?

A. One, 3,000; and one, 10,000.

We have about 50,000—60,000 people in the county.

The Court: All right.

By Mr. Flocken:

Q. Mr. Forlines, as a banker, do you have an opinion as to the effect approval of the Philadelphia National Bank-Girard merger would have on bank mergers in your area?

Mr. Littleton: I am going to object to that whether he has an opinion or not.

[fol. 982] The Court: I will let him answer whether he has an opinion.

Read that question back carefully. Read it carefully, and the witness will listen to it carefully.

(The pending question was repeated by the reporter as follows:

"Q. Mr. Forlines, as a banker, do you have an opinion as to the effect approval of the Philadelphia National Bank-Girard merger would have on bank mergers in your area?")

The Witness: I am not sure I understand the question.

I don't think the merger would have any effect on banking in our area, if that is what the question is.

By Mr. Flocken:

Q. Mr. Forlines, I said bank mergers. I said——

Would other mergers be likely to follow is what I intended to follow in my question, if a merger of this size is approved?

Mr. Littleton: I object.
Mr. Price: Objection.
The Court: Sustained.

By Mr. Flocken:

Q. Do you have an opinion as to whether other mergers [fol. 983] would follow?

Mr. Price: Objected to.
The Court: Just a minute. Don't answer that
That question has been asked, has been objected to, and the objection sustained.
Mr. Flocken: No further questions.

Cross-examination.

By Mr. Littleton:

Q. Did you say your bank was a $5,000,000 bank?
A. Yes, sir.
Q. That is, the total assets are approximately $5,000,000?
A. Yes, sir.
Q. Ten years ago how much were those assets?
A. About $1,250,000, I will estimate.
Q. So it increased $3,800,000 in ten years?
A. Well, yes, sir. Our increase, of course, has been larger during the last year or two.
Q. That would be what, about 225 or 230 per cent rate of increase, wouldn't it?
A. Yes, sir. I suppose that's right.
Q. And you have total deposits of something over $4,000,000 at the present time, do you not?
A. Yes, sir.
Q. Ten years ago what were your deposits?
[fol. 984] A. (No response.)
Q. About $1,400,000, were they not?
A. I would suppose so.
Q. So you have got a rate of increase of almost 200 per cent there, haven't you?
A. I came with the bank in 1954, so I am trying to——
Q. I am talking about your bank.
A. Yes.

Q. You have a rate of increase of about 200 per cent there?

Your total loans at the present time are a little over $2,000,000, are they not?

A. Yes, sir.

Q. And ten years ago they were $730,000, approximately, were they not?

A. That sounds about right.

Q. So you have a rate of increase of about 200 per cent there, too, do you not?

A. Yes.

Q. And your lending limit at the moment is how much?

A. A little better than $90,000.

Q. A little better than ninety?

A. Ninety.

Mr. Price: I couldn't hear it. It's hard enough to hear you without putting your hand over your face.

[fol. 985] A. $90,000.

Excuse me. I think it must be my Southern accent. I am sorry.

Mr. Price: Your accent is all right, but if you put your hand over your mouth I can't hear anything.

By Mr. Littleton:

Q. Ten years ago what was your lending limit?

A. Possibly less than $25,000.

Q. It was about $11,000, wasn't it? About $11,000 or $12,000?

A. It could have been, sir. I don't have the figures before me that you have.

Q. So you got an increase there of well over 500 per cent in ten years?

A. I might say that this lending limit has been accomplished by broadening our stockholder base and selling additional stock to our people.

Q. And you were able to sell the stock?

A. Without any question. We were oversubscribed twice.

Q. And you were able to pay your dividend on the stock by your operations?

A. Yes, sir; increased it in the last six years, every year.

Q. So you are competing vigorously?

[fol. 986] A. You bet your life we are.

By Mr. Price:

Q. And successfully?

A. Yes, sir. I think so, within reason.

Q. Who are your competitors?

A. Our local banking competitors? Is that what you mean?

Q. Any competitors. Who are your competitors that you are competing successfully against?

A. Well, this bank that I mentioned, this $200,000,000 bank that's in Lenoir is our prime competition for deposits and loans in our area.

Q. Do they come in and seek business in your area?

A. They are in our area. They are the bank, the successor bank of the two independent banks that were there. They merged with them.

Q. All right; then that's your principal competition?

A. Yes, sir.

Q. That is a $200,000,000 bank?

A. Yes, sir.

Q. And what is their lending limit?

A. Oh, I have no idea exactly. When they merged they may have——

Q. Approximately.

A. They made a to-do about how much they could lend. I [fol. 987] think at that time it was about $1,000,000. It's up since then because they have taken over several other banks and had several other mergers.

Q. Anyhow, it is more than ten times——

A. To the best of my knowledge, they have not made a $1,000,000 loan, however, after doing a great deal of advertising that they could make such a loan, for the simple reason that I don't think anybody around our part of the country would know what to do with $1,000,000.

Q. At any rate, they have a lending limit which is more than ten times yours?

A. Yes, sir.

Q. Is there any other bank with which you are in competition?

A. Not in our county. We have two other banks across the river, within 4 or 5 miles of one of our offices in Catawba County, which we are competitors with, but the competition isn't quite as bad.

Q. But you are able to take business in that area, also, are you?

A. Yes, sir, to some extent.

Q. And you say that is further away?

A. That's right; without the county, more than just further away.

[fol. 988] Q. In another county, but in any event you compete there successfully, don't you?

A. Well, not as successfully because we don't put the effort into it there, as much as we do in our own county.

We advertise our bank to be locally-owned, independent-operated, by Caldwell County citizens.

We have over 400 stockholders in our bank.

Q. Four?

A. 400, which is pretty big down our way for a small bank, a large number; so we try to beam our operations to Caldwell County as much as possible.

Q. So that where you concentrate your activity you are much more successful than where you don't exert it so much, exert your efforts so much?

A. Well, I would say so, perhaps.

Q. Yes.

May I ask you what these papers are that you are referring to so frequently?

A. (No response.)

Q. Did you write these documents?

A. Papers?

Q. Yes.

A. Oh, I'm sorry if it was bothering you.

Q. It doesn't bother me at all. I was curious to know [fol. 989] what they were.

A. I tried to interrupt a while ago because this was the first time I have ever been in court and I didn't know I wasn't supposed to.

I simply have before me something dated last July, where one of the press agents in North Carolina interviewed a number of banks about the merger trend in North Carolina, sir, and these are answers to those questions which I gave to them.

I thought one or two of them might be pertinent, but I doubt if you'd want to hear any of the answers, sir.

Mr. Flocken: If Your Honor please, we would like to identify this document for the record.

By Mr. Price:

Q. What about the other long piece of paper that you have there, that brief?

A. Oh, that's just an outline of some questions that might be asked. I haven't really been looking at that, but this is something that was prepared by the United States Government in connection with this case.

Q. The United States Government gave you that list, did they?

A. That's right.

[fol. 990] Q. Of questions and answers?

A. No answers, just questions.

Mr. Price: That's all.

Mr. Flocken: Your Honor, we would like to have marked for identification the document that Mr. Forlines has referred to.

The Court: You may mark it for identification.

Leave it with the reporter.

Mr. Flocken: That will be G-50.

(Six-page carbon copy of letter dated July 13, 1960, on letterhead of The Bank of Granite, addressed to Mr. Joseph C. Koenenn, signed by John A. Forlines, Jr., was marked Exhibit G-50 for identification.)

Mr. Flocken: We have no further questions, Your Honor.

The Court: All right. You are excused.

Mr. Reycraft: The Government calls Warren Smith.

[fol. 991] Warren Smith, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. Prof. Smith, what is your present position?

A. I am professor of economics at the University of Michigan, Ann Arbor, Michigan.

Q. Do you have any other duties at the University of Michigan?

A. Well, I am—in addition to my teaching and research duties—what is called the Director of Graduate Studies in the Department of Economics. I think that's about it.

Q. What is the function of the Department of Economics Studies?

A. The function of the Department of Economics?

Q. Yes, sir, of which you are a director?

A. Well, oh, you mean the Graduate Students' Program?

Well, I am responsible for the administration of the Graduate Program in Economics at the University of Michigan largely, and I am responsible for advising graduate students with respect to the courses they are supposed to take, and I have various duties of that sort. I am sort of the sub-chairman of the Economics Department for graduate students, you might say.

Q. Prof. Smith, what has been your education?

[fol. 992] A. Well, I graduated from high school in 1932 and because of personal circumstances was not able to go to college or a university until 1940; so there was an eight-year gap there.

I went to the University of Michigan as a freshman in 1940 and then my career there was interrupted by military service, and I completed my B.A. degree in 1947; continued and took my Master's degree in 1952—in 1949, excuse me—and then completed my Ph.D. degree at the University of Michigan in 1952.

Q. After you received your M.A. did you begin teaching economics?

A. Yes. I taught as a teaching fellow and junior instructor at the University of Michigan for several years and spent one year after I completed my Ph.D. as an instructor in the department.

Q. Prof. Smith, in what field is your M.A.?

A. Well, that's a—all I can say is simply that my M.A. degree was simply in general economics.

Q. And your Ph.D.?

A. Well, my Ph.D. thesis was in the field of what you might call monetary theory. It had to do with the theory of interest-rate determination.

Q. Did you teach at the University of Michigan, Prof. Smith?

A. Yes. I taught at the University of Michigan from [fol. 993] 1947 to 1953 as a graduate student, teaching fellow, and instructor; and then for one year as an instructor after I had completed my Ph.D. degree, and then I taught at the University of Michigan again from 1957 to date, with certain interruptions.

Q. Did you teach at the University of Virginia?

A. I taught at the University of Virginia from 1953 to 1956; for three years.

Q. What courses did you teach there?

A. Well, let's see. I taught money and banking, undergraduate courses, graduate courses. I taught economic theory, I taught a course in investment analysis. I also taught some international trade and international monetary courses.

Q. Did you teach at Ohio State University?

A. I taught for one year at Ohio State University, 1956 to 1957.

Q. In what subjects did you teach there?

A. Well, again I taught money, undergraduate money and banking courses, and a graduate course in money and banking, and a sort of combined graduate-undergraduate course that was called Money Markets.

Q. After completing your teaching at Ohio State, did you then go back to the University of Michigan?

A. I went back to the University of Michigan in 1957. [fol. 994] Q. Have you ever taught at any other university?

A. Well, in 1958-59 I was invited to spend a year at Harvard University in Cambridge, Massachusetts, as a visiting lecturer, taking the place of one of their senior faculty members who had a leave of absence for that year.

Q. What courses did you teach?

A. Well, I taught the undergraduate money and banking course, and also taught the graduate course in money and banking at Harvard University.

Q. Prof. Smith, have you ever been a consultant to the Federal Reserve Banks?

A. Well, when I was teaching at the University of Virginia for a period of some two or two and a half years, I have a little trouble remembering exact dates, I was a consultant to the Federal Reserve Bank of Richmond.

Q. Have you ever been a consultant to any committee of Congress?

A. Well, yes. In 1959 and 1960 I served as a consultant to the Joint Economic Committee in connection with the big study that the committee was doing, largely done by an outside staff, called The Study of Employment, Growth, and Price Levels.

Q. And you participated in this study?

A. Yes. I participated in two ways. I participated in it [fol. 995] as one of the members of the group that wrote the staff report which the committee turned out; and I also wrote one of the so-called study papers.

I wrote a study paper on debt management for the Joint Economic Committee.

Q. Have you been a consultant to any department of the Federal Government?

A. Well, I am at the moment a member of a group of some 20 to 25 economists who are consultants to the Treasury Department on questions of monetary policy, debt management, fiscal policies, and so on.

Q. You are a consultant to the Secretary of the Treasury in that capacity?

A. Well, I am a member of a consulting team. I wouldn't want to put it that I am that exactly.

However, we have had one session of this group and the Secretary of the Treasury attended the meetings and took part in the discussions.

Q. Have you been a consultant to the Commission on Money and Credit?

A. Yes.

Q. Will you describe what that commission is?

A. Well, the Commission on Money and Credit is an organization that was established a couple of years ago by [fol. 996] the Committee for Economic Development, which is a businessmen's group. The Committee for Economic Development supported this Commission on Money and Credit, and the Ford Foundation put up a very large sum of money to finance it.

The function of the Commission on Money and Credit has been to make a very large-scale study, the largest one that has been made so far, as I know, in the last forty or

fifty years, of the whole American monetary and financial system.

The commission is just about finished its work and is now in the process of turning out its final report, which will be out in the next month or so.

Q. Will that study include in part the role the commercial banks play in the economy?

A. Yes—I can't vouch for the contents of a report that has not yet been published, but this is distinctly within the area of the interest of the Commission on Money and Credit.

Q. Prof. Smith, are you a member of any professional association?

A. Well, I am a member of the American Economic Association, of the American Finance Association, and of the American Association of University Professors.

Q. What does the American Finance Association do?

A. Well, it's a group that consists largely of teachers, [fol. 997] and also practitioners in the field of finance and banking. It publishes a journal called The Journal of Finance, which is published quarterly and contains articles on financial and monetary matters.

[fol. 998] Q. And you were a member of Phi Beta Kappa, were you not?

A. That is right.

Q. Have you written any articles or papers?

A. Well, yes, I have written a number or articles and papers, yes.

Q. Have you written any involving banking?

A. Well, monetary policy, which obviously includes a good deal of emphasis on commercial banking as well as other financial institutions, has been the main field of my interest for the last, well, I guess ten years.

Q. And you have written substantially in this field?

A. Yes, I have written a number of articles.

Q. I have a list of your publications, Professor Smith, which I would like to mark for identification.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 51 a two-page document headed "Bibliography" and "I. Articles and Papers," and the first article is "Professor Gurley on Fiscal Policy in a Going Economy," published in the Journal of Political Economy.

(Document headed "Bibliography I. Articles and Papers" was marked Exhibit G-51 for identification.)

[fol. 999] The Court: Well, it is 3:00 o'clock. We will take our break at this point.

(A 10-minute recess was taken at 3:00 o'clock P.M.)

[fol. 1000] Mr. Reycraft: Before proceeding, I wonder if I might ask permission to make copies of Exhibits 50 and 51 overnight. We only have one copy.

The Court: Surely.

By Mr. Reycraft:

Q. Professor Smith, are you in the process of writing a book?

A. Yes, I am.

Q. What type of book are you writing?

A. Well, as a matter of fact, it is a textbook in the field of money and banking, which will deal with commercial banking, other financial institutions, Federal Reserve System, monetary policy, fiscal policy, and so on—a standard type of textbook in this field.

Q. Covering the entire range of money and banking?

A. That is right.

Q. Professor Smith, in connection with your preparation for your testimony in this case have you had an opportunity to consider whether there are unique features of commercial banking?

A. Yes, I have.

Mr. Reycraft: Pardon me. Before I continue, do you want to cross-examine on qualifications, Mr. Littleton?

[fol. 1001] Mr. Littleton: Yes. Perhaps, if Your Honor please, if I ask for an offer of proof as to what this witness is going to testify to, it may limit what I may ask him as to his qualifications on cross-examination.

Mr. Reycraft: Your Honor, the witness is going to testify at some length, and I would say that he is going to testify about the unique features of commercial banking generally, the role of money creation in the banking system, the process of bank credit expansion, the function performed by the Federal Reserve, the credit controls of the Federal Reserve.

He is going to testify with respect to the discount rates and open market operations of the Federal Reserve System with respect to regulation and protection of depositors in commercial banks generally, to place the role of commercial banks in our economy in context. He is going to testify with respect to distinctions between commercial banks and other financial institutions, with respect to the reasons why special protection for depositors in commercial banks is needed, the liquidity requirements of commercial banks, solvency requirements of commercial banks, the capital requirements of commercial banks, and the degree to which commercial banks are regulated and the degree to which [fol. 1002] commercial banks are subject to the normal forces of competition.

Then he is going to testify with respect to the market structure and competition in commercial banking with reference to the effect of increasing loan limits and larger loans, the effect they have on the flow of funds from an area where large loans are made. He is going to testify with respect to competition among commercial banks in the national, regional, and local markets, the impact on small business of bank mergers, and increasing bank concentration.

He is going to testify with respect to the sources of capital in financing of large and small businesses, with respect to the bank debt of large and small corporations, and the effect it has upon their business; an analysis of the possible effects of an increase in lending limits of banks, the effect upon interest rates on the variations and sizes of banks, the types of loans which banks can concentrate on with respect to their size, interest rates charged large and small business, and as it applies particularly to this particular merger.

[fol. 1003] Mr. Littleton: That is, you are going to ask him his opinion as to the effect of this particular merger on all these things?

Mr. Reycraft: I am going to ask him his opinion with respect to certain aspects of this merger, yes.

Mr. Littleton: Doctor, may I ask you a few questions?

The Witness: Sure.

By Mr. Littleton:

Q. Your field has been principally that of monetary policy, monetary control?

A. Yes.

Q. Aside from this new book that you are writing, what have you written particularly on commercial banking?

A. Well, I have written a good bit and include some evaluation of the impact on the economy of the performance of commercial banking and the way in which credit controls work through commercial banks, and in evaluating the working of monetary controls I have had to be concerned to a considerable extent with the operation of commercial banks.

Q. This large report which you say is coming out shortly, in which you participated——

[fol. 1004] A. Let me put that straight. The Commission on Money and Credit—this is the thing you are referring to—I am not a member of the Commission—the Commission is composed largely of businessmen, and so on. What I have done with respect to this work is, I have, as have a number of other people, served as a consultant to the Commission on Money and Credit and have written some material which has been submitted to the Commission on Money and Credit, and to the best of my knowledge will in the course of time be published. The Commission is now in the process of publishing its report. It has not yet published the staff reports.

One of the things I did which is quite directly related to commercial banking, is the study I did for the Commission on Money and Credit, which is a study of bank reserve requirements. They wanted somebody to evaluate bank reserve requirements and see what ought to be done in this area, and I did this job for the Commission.

Q. But the section of this report which is about to come out, which you are referring to, the part of it which has to do with commercial banking, do I understand you did not write it?

A. I did not.

[fol. 1005] Q. What part did you have?

A. I did not write the report. I was a consultant to the Commission. They assigned me tasks, and the major one

of them was writing a monograph for the Commission on the subject of member bank reserve requirements.

Q. But not on commercial banking?

A. Well, no, no.

Q. Mr. Reycraft has stated that you are going to be asked your opinion as to this particular merger. What materials related in particular to Philadelphia have you had committed to you and studied?

A. Well, I have gone through the application that the Philadelphia National Bank and the Girard Trust Company submitted to the Comptroller of the Currency asking for permission to carry out the merger, and the reports that the other agencies prepared, with the Comptroller's report, the report of the Federal Reserve Board, the report of the FDIC, and the report of the Department of Justice, on this merger application, and I have also gone through a good many other materials that the Department of Justice has collected from the banks. I have also ——

Q. Before you leave those, will you tell us which they were. Have you been in court the last couple of days?

A. No, I have not. I have been outside the court room [fol. 1006] working on this case.

Q. Are you familiar with the exhibits that the Government has had identified?

A. In general, yes.

Q. Have you seen all of those?

A. I am not sure I have seen all of them.

Q. You think you have seen most of them?

A. I think I have probably seen most of them, yes. I have been working on some other aspects of the case. I think there are some things about this case that one can work on that have validity, that involve some general knowledge of the working of banks and of the banking system, and I have been working on this kind of material. I have used some local statistics and materials in connection with these studies.

Q. What other materials have you used?

A. Well, I have used some of the material from the responses that the banks made to the Government's questionnaire with respect to the bank loans and bank lines of credit. I have used some ratios and things derived

from depositions that the Department of Justice received from some of the witnesses in this case, and materials of this kind.

Q. When did you begin working on it?

[fol. 1007] A. Well, I have been working intensively on it for about the last ten days, and I worked off and on it for another two weeks before that but was interrupted very frequently. After all, a university professor has to teach.

Q. In other words, you have been reviewing all these things in the last three weeks?

A. That is right.

Q. In your work, either during college or since college teaching, have you made any study at all of the Philadelphia area banking?

A. No, I have not.

Q. This is your first contact?

A. That is right.

By Mr. Price:

Q. When were you first retained or asked to be a witness in this case?

A. I am terrible at remembering dates. It must have been around the 10th of May or thereabouts.

Q. About a month ago?

A. That is right.

Q. Had you testified before in matters of this sort?

A. Not before a Court.

[fol. 1008] Q. Had you testified on behalf of the Government before?

A. In what connection, sir?

Q. In any case.

A. No.

Q. The monetary controls that you referred to in answer to Mr. Littleton's question were governmental controls or regulatory controls of some sort, were they not?

A. That is right.

Q. Not just the forces of economics independently of Government regulation?

A. No, but I have been concerned in my work with the way in which the controls that the Government uses impinge upon—the controls, after all, impinge upon and work

through free markets, and I have been concerned with the way in which the controls are managed by the authorities and also by the way in which the structure of markets in commercial banking and other financial institutions influence the way in which the controls work, so I have been somewhat concerned with the market structures in this area in connection with my other work.

Q. I merely wanted to understand that the controls were regulations of some Governmental agency.

A. Right. Largely the Federal Reserve System.

[fol. 1009] Q. You said that you had acted as consultant to some committee of Congress or committees of Congress. Were you consulted in connection with the amendment to the Banking Act which resulted in the act of 1960?

A. No, I was not.

Q. Have you ever been consulted by any committee or act as an advisor or consultant to any committee of Congress in connection with the consideration or revision of banking laws?

A. No.

By Mr. Reycraft:

Q. Professor Smith, in your preparation for your testimony here have you had an opportunity to consider whether commercial banking has unique features?

A. Yes, I have.

Q. And what was your conclusion in that regard?

A. Well, I have broken down what seemed to me to be the unique features of commercial banks into four headings. I suppose someone else could reorganize these into a different number, but here is the way I see the picture.

In the first place, it seems to me banks are unique in the sense that they are the only financial institutions that are [fol. 1010] able to create money in the form of commercial bank demand deposits and also to create credit to a substantial degree beyond the amount that is made available by the current savings from income; and as a result of their ability to create credit, we have found it necessary, as has almost every other country in the world, to have controls and regulations over commercial banks in the interest of controlling the supply of money for the purpose of main-

taining a stable economic system. That is one thing. Banks create credit and therefore are subject to regulation in the interest of controlling the money supply.

The second unique feature of commercial banks that seems to me to be important is that the commercial banks to a great extent, in a modern economic system, are the administrators of our payment system. Most of our large payments, particularly those that are made between economic units some distance apart, are carried out by using checks, rather than the old-fashioned method of using currency, and the banks are the administrators of this machinery for making payments. That is the second item.

The third is that banks have some peculiar features with [fol. 1011] respect to the nature of their operations. As an economic unit a commercial bank has some distinctive characteristics that distinguish it from non-financial institutions and also from other types of financial institutions, and these unique features of commercial bank operations have made it necessary in this country and in most other countries also to regulate commercial banks and to control commercial banks, not only for the purpose of maintaining economic stability through controlling the money supply, but also in the interest of protecting bank depositors against losses on their deposits. That is in addition to the regulations over banking designed to control the money supply, we have a number of regulations that are designed to protect bank depositors. That is the third thing.

The fourth is that commercial banks are unique with respect to their lending and investing activities, it seems to me, in two different ways: In the first place you might say they are the most general and widely operating financial institutions we have. Sometimes we refer to commercial banks as the department stores of finance. There is almost no area of finance that commercial banks do not engage in to some extent.

[fol. 1012] That is the first point, but then there is the second point. The second point is that while commercial banks operate in a wider range of credit markets than almost any other financial institution we have—I will modify that—than any other financial institution we have, in spite of that, they also specialize and have specialized particularly in certain areas, the most important one of

which is the making of commercial loans to business enterprises, and also in certain aspects of the financing of consumers. So that is the fourth point, that they are unique in their lending aspects in the sense that they are the most general and also that they are highly specialized in certain areas that other institutions do not operate in to a very great extent.

Q. Professor Smith, directing your attention to the first unique feature you have described, that of money creation, will you explain how that comes about.

A. Well, in the first place, I think it might be well to point out that most economists these days would define money in the sense that to a layman might appear a little broader than he would think. That is, we would include not only currency and coins that people carry around in their pockets, but we would include check deposits or demand deposits of commercial banks as part of the money [fol. 1013] supply, simply because most of our payments are made by the use of checks in the transfer of demand deposits from one customer to another. So the usual definition of the money supply is that it includes all the commercial banks demand deposits adjusted, that is, demand deposits held by individuals, partnerships, corporations, and state and local governments essentially, plus what we call currency outside banks, that is, the amount of currency, the best we can judge, that is held by the general public.

Now, just to get an idea of the magnitudes involved, the money supply of the United States at the end of 1950 was 144½ billion dollars on this basis. Out of that 115.1 billion, or 79.7, practically 80 per cent, was in the form of demand deposits, most of which had been created by commercial banks in the process of making the loans or investments according to a procedure that I shall attempt to describe in a minute.

I might add that not only does 80 per cent of our money supply consist of commercial bank deposits which are liability claims directly against commercial banks, but the other 20 per cent arise in the form of currency which got into circulation largely as a result of bank operations. That is, not only do bank liabilities themselves constitute part [fol. 1014] of the money supply, but even the part that is

not bank deposit liabilities largely find its way into the economic system by passing through the commercial banking system.

Now, let me outline that just a little bit more about that in addition to creating money the other side of the coin is the commercial banks creating credit. They make loans. They are able to expand their loans and also their deposits and also to pump currency into the economy through their lending operations; and I just might add that other financial institutions, such as savings and loan associations, mutual savings banks, life insurance companies, personal and sales finance companies, and so on, are not able to engage in this process of money creation the way commercial banks are. Most of these other financial institutions either collect savings from individuals and make them available to finance investment activity, or else, as in the case of sales finance companies, to a great extent they collect money partly through selling securities to people, but also partly through borrowing from the banking system and then making it available to other people.

These other institutions are what we frequently refer to in economics as financial intermediaries. Their job for [fol. 1015] the most part is collecting savings from people and making that savings available to other people or to firms for financing expenditures in excess of the current income flow of those people.

I think it would be worthwhile to go through with some care the process by which commercial banks and the banking system as a whole create credit. There is some testimony I hope to give later on which will require an understanding of some of these points.

I have an exhibit that I hope will help to make it possible for me to proceed through this explanation of the process of bank credit creation with alacrity, and I hope make it understandable.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 52 a three-page document with the title "Hypothetical Illustration of Expansion of Credit by Commercial Banks."

(Document entitled "Hypothetical Illustration of Expansion of Credit by Commercial Banks" was marked Exhibit G-52 for identification.)

By Mr. Reycraft:

Q. Professor Smith, referring to your exhibit; will you continue your testimony.

Mr. Littleton: If Your Honor please, I would appreciate [fol. 1016] it if Mr. Reycraft would state what the relevance of this testimony is to the issue before the Court.

Mr. Reycraft: It seems to me the unique characteristics of commercial banks is one of the crucial issues in this case. You have taken the position or your bank has taken the position in the application and throughout this case that competition from other financial institutions narrowed your markets and reduced your market percentages, and we are going to demonstrate in this testimony that commercial banks are unique and that competition among commercial banks is of considerable importance, that commercial banks cannot be replaced by other types of financial institutions, that small and medium sized business relies almost completely on commercial banks for financing, and that commercial banks play a role in our economy in creating credit, creating money, that is performed by no other institution. It seems to me that all of these features distinguish commercial banks, and this is one of the purposes of this testimony. It also lays the foundation, as the Professor has indicated, for some analysis and observation that he has which relate very directly to the claims which have been made by the defendants with respect to the effect [fol. 1017] of their limits on attracting additional business and improving business in this particular area, and this foundation will show, and the later analysis, that these claims are not sound.

Mr. Littleton: Passing for a moment your telling me what my argument is in this case, which I haven't advanced yet, I still would like to know the relevance of what the Professor is talking about to the issue before the Court.

Mr. Reycraft: It is as I have stated.

Mr. Littleton: I object on the ground of irrelevance, Your Honor.

The Court: I will hear it. Overruled.

A. I prepared this exhibit, as I say, for the purpose of illustrating the process by which credit and money are created by commercial banks. It is a somewhat oversimplified illustration, and when I get through running rather quickly through it, I will point out some of the qualifications that have to be made to it.

What I have assumed, as you can see from reading this thing, is that we have one bank—perhaps I should begin by describing a little bit more about the banking, a little background about the banking system that we need. In [fol. 1018] our country we have, for purposes of this kind of analysis, two different kinds of banks. We have several subclassifications of banks in other connections, but for purposes of this kind of analysis of credit creation we have banks that are members of the Federal Reserve System and banks that are not members. The banks that are members of the Federal Reserve System have to hold reserves behind their demand deposits in percentages that depend on their location. For example, at the present time banks in what we call central reserve cities, market reserve cities, have to carry reserves equal to 16.5 per cent of their deposits, and the country banks, so-called, that is, banks outside the larger cities, have to carry reserves equal to 12 per cent of their deposits. These reserves must be carried in the form of deposits at the district Federal Reserve Bank or in the form of cash, that is, currency or coin in the vaults of the bank, and the control by the Federal Reserve System of those reserves serves to set limits on the expansion power of the commercial banking system.

There are, I might say, over half the commercial banks in the United States that are not members of the Federal Reserve System, so it will sound like the Federal Reserve policy is not as important as you might think at first. However, 85 per cent of the bank deposits, approximately [fol. 1019] 85 per cent of the bank deposits in the United States are located in member banks, in spite of the fact that member banks constitute a little less than half the commercial banks in the country, so that an analysis that assumes, as I do here, that all banks are members of the Federal Reserve System and have to carry reserves in

the form of deposits in the Federal Reserve System is substantially in accordance with the truth.

I have assumed that banks have to maintain a 20 per cent reserve requirement for purposes of simplicity in expounding here, and I have started off by assuming that one of the banks in the system gets $100,000 of additional reserves by borrowing, as banks that are members of the Federal Reserve System have a right to do, at the District Federal Reserve Bank. When it borrows from this District Federal Reserve Bank, as indicated in a little T-type balance sheet in the beginning here, this bank will get credit to its reserve account, as we call it, that is, the reserves asset here, which is its deposit account at the Federal Reserve Bank.

It gets a credit of $100,000, and the other side of its balance sheet shows bills payable. That is the amount of his borrowing at the Federal Reserve District Bank of $100,000.

[fol. 1020] At this point I should mention that Federal Reserve Banks create credit also. In this case the Federal Reserve Bank of the district in which Bank A is located has created, really, out of thin air, 100 of additional deposits on its books in favor of Bank A which serve as the reserves of Bank A for purposes of its extension of credit. That is, the Federal Reserve System creates credit, too, but it creates it in the form largely of reserves.

[fol. 1021] Now, the first stage in this process is that Bank A has $100,000 of reserves in excess of its requirements, since I assumed to begin with it had deposits exactly equal to 20 per cent of its reserves; so it had, as we economists put it, no excess reserves to begin with.

It now has, as a result of borrowing, $100,000 of reserves in excess of requirements and it will now be possible for the bank to make loans to customers or buy securities to the extent of about this $100,000.

In the second little key account, two thirds of the way down the first page, this is shown. The bank makes loans of $100,000 and the customers take these loans in the form of credits to their demand-deposit accounts, which is the reasonably common way in which borrowers do take the proceeds of commercial loans at commercial banks.

Now, however, when borrowers obtain funds in this way from commercial banks we can reasonably expect that they will utilize the funds so borrowed within a relatively short time after the funds have been received, so I have assumed here that within a relatively short time the customers who borrowed the $100,000 from this Bank A utilized the $100,000 of deposits to make payments, perhaps to pay for inventories or for other purposes.

Our banking system is unique in one respect, which I [fol. 1022] intend to dwell on a little later on, and that is that we have a very large number of independent or, as we call it, "unit," commercial banks in the United States. We have approximately 13,000 independent banks in this country as contrasted with many other countries which have a highly-concentrated banking system.

Now, under these circumstances when a borrower obtains funds from a bank, as in this example that I have worked out here, we could expect that when the checks are written, since we have so many banks in the country, most of the checks that are written will lodge themselves, as a result of having been received by the person to whom payment is made, in the hands of other banks in our system; so I have assumed that all such checks written on this original 100 loans made find their way to other commercial banks in the banking system.

When that happens, those banks will send the checks in for collection—if they are member banks certainly they will send them, very likely, through the District Federal Reserve Banks for collection. When the Federal Reserve Banks get those checks they will reduce the reserves of Bank A, the one that made the loans on which the checks were written, to the extent of $100,000 and they will increase the resrve of other banks, the banks that received the [fol. 1023] checks and sent them in for collection, by the same amount.

So that as a result of having made these loans, to wind up the analysis of Bank A, Bank A (the first bank in the process) will lose 100 of reserves and 100 of deposits when the customers use the funds obtained from borrowing; so that when Bank A gets through with it it will have an additional 100 of loans, it will have lost the reserves that it originally received, it will have lost the deposits that it

originally created in making the loans; the deposits will not show up in Bank A but will transfer to another group of banks.

Now I have described the banks to which the deposits transfer as Banks B, but I might sum up this first stage by saying that it is the sort of standard rough formula with respect to a single commercial bank in a system like ours that it can lend an amount, safely afford to lend an amount, about equal to the amount of excess reserves that it has available. It can't lend several times its excess reserves; it can only lend an amount about equal to its excess reserves.

However, as I have proposed to show here, as a result of operations working through other stages and spreading through the banking system, the banking system as a whole can lend an amount equal to several times its [fol. 1024] reserves.

Now we come to Stage 2. The deposits and reserves lost by Bank A are now deposited in another group of banks, and I have tried to identify these banks simply by calling them Banks B. They are that group of banks which received the checks written on the original loans made by the first bank.

Now, the original deposits that were made, that were created in Bank A as a result of making the loan, were deposits that the bank could rely on that would very likely be lost by it within a very short time, so that the bank had to have on hand, when it made loans like that, reserves sufficient to cover those deposits because it could expect very promptly to lose the reserves.

However, the deposits in Banks B that result from the deposit of checks written by the customers who borrowed at the first stage, are of a different sort. That is, they actually come into existence as a result of people bringing checks into the bank and really depositing them in their accounts rather than by a process of creating deposits through bank lending.

Past experience has told bankers that when deposits are created by customers voluntarily coming in and depositing checks or perhaps currency, there is a certain [fol. 1025] stability of this relationship and it is safe to carry fractional reserves behind these deposits. As a matter

of fact, the legal reserves that are imposed by the banking authorities are probably higher than the banker normally would really, if called upon himself, if it were left to his own judgment, carry behind his deposits.

Accordingly, I have assumed that Banks B set aside $20,000 of the reserves they obtained as a result of the receipt of these checks as reserves behind those deposits, and they have then $80,000 of what we call excess reserves which they can lend or invest.

When, however, they make loans and investments with the $80,000 of excess reserves, by the same argument that I used in connection with Stage 1, these banks can expect to lose deposits and reserves (the newly-created deposits and reserves along with them) to the extent of the $80,000 of loans, and I have put down a little key account down here, about two thirds of the way down page 2, showing that Banks B first make loans of $80,000, creat demand-deposit credits to their customers of $80,000; and then, when the customers use those deposits and on the assumption that virtually all the checks written will go to other banks, these banks, Banks B, lose 80 of reserves and demand deposits go back down by 80.

Stage 3 is very similar to that. At Stage 3 another [fol. 1026] group of banks, which I designate as Banks C, receive the reserves and deposits resulting from the loans made by Banks B at Stage 2. Again, they can safely operate on a fractional reserve behind the newly-created 80 of deposits they receive from their customers, so they set aside 16 of reserves and they have 64 of excess reserves, which they proceed then to use as a basis for making further loans.

So, Banks B, in the key account right near the bottom of page 2, show reserves increased by 80, demand deposits increased by 80. When they receive the checks written on the deposits created by the loans of Banks B, then they make 64 of loans and their customers take 64 of credits to their deposit accounts.

Then the customers promptly use the 64 deposits created and in any bank, banking system like this, it is a reasonably safe assumption to assume that the reserves are lost by Bank C; so, Bank C's reserves and deposits go down by 64 and these reserves and deposits go to another bank and this process can continue.

Now, I don't propose to carry that any further, but merely rather to recapitulate.

If we look back through the analysis that I have just presented we will see that Banks B, the second-stage banks, come out with $100,000 of additional deposits that didn't [fol. 1027] exist before this process of credit-creation began; that Banks C, the next stage, come out with $80,000 of additional deposits; that Banks D (that will be the next stage) would receive $64,000 of deposits; and so on, in a series of stages.

What happens is that this process goes on, spreading reserves around the economy from bank to bank, and in the process a pyramid of deposits and loans is built up. The limit in this particular case on the size of that pyramid of loans and deposits is approximately $500,000. That is, the banking system can create approximately $500,000 of additional deposits and make about $500,000 worth of additional loans on the basis of the additional $100,000 of reserves received in the first instance by Bank A borrowing from the Federal Reserve Bank.

The final key account on page 3 shows the situation of the banking system when this course is all over with as compared with what it was at the beginning. The banking system now has 100 of additional reserves. While these reserves have shuffled around from one bank to another, they have not left the banking system. It has bills payable to the original borrowing of the first bank of 100. The banking system as a whole has additional assets in the form of loans made to customers of $500,000, and it also [fol. 1028] has additional liabilities in the form of demand deposits to the extent of $500,000.

Now, the conclusion that I would draw then is that even though any individual bank—and this is an important distinction. In some cases it is very important in our banking system to distinguish between lending power of one bank which can, roughly speaking, lend only the amount of reserves it can afford to lose, which is the amount of its reserves in excess of requirements, and the lending power of the banking system, which is several times the amount of excess reserves for the banking system as a whole.

As a matter of fact, arithmetically the multiple by which the banking system can expand credit is approximately

equal to the reciprocal of the reserve requirement after the operation of the commercial banking system. In this case the reciprocal of the 20 per cent is 5, and so the sort of multiple by which the banking system can expand credit on the basis of additional reserves is 5; that is, on the basis of additional reserves of 100, it can expand credit by about 500.

Now, that concludes my run-through of the process of credit expansion. I would just like to point out two or three qualifications to this argument and analysis, which I might say is pretty standard analysis on the part of [fol. 1029] economists of the way bank credit is created.

The first qualification is that this is only potential expansion. There has to be loan demand or attractive investments for the bank to make here or they are not necessarily going to carry this out. Ordinarily, except in periods like the 1930's, when we had a terrible depression, the banking system does, in fact, tend to expand credit about as far as it can on the basis of reserves it receives.

The second point is that things in the real economy are a little more complicated than this because the different banks are subject to different reserve requirements rather than a uniform requirement and because, in addition to a member bank, we have some non-member banks that are subject to reserve requirements set by state authorities.

Finally, I would like to point out that I am not saying here that an individual commercial bank can't make a loan unless it has in its possession, when the customer comes in, excess reserves because a commercial bank can, when a customer comes in, if it does not at the moment possess excess reserves, proceed to make several adjustments.

For example, it can sell some of its commercial paper or Government securities in the open market to obtain the funds needed to make the loan; or it can borrow funds from the District Federal Reserve Bank for that purpose. [fol. 1030] But if we take the amount of reserves that a bank has as being given and take the composition of its assets and other liabilities as given, then this analysis indicates the approximate limits of credit expansion for the single bank and for the commercial banking system.

Q. Prof. Smith, this entire example that you have given us depends upon a banking system with a large number of banks; isn't this correct?

A. Well, that's right.

It does in this sense—that if we had a highly-concentrated banking system, then the individual bank coincides with the system and multiple credit expansion could be carried out by the single bank alone. That is, this peculiar sort of thing about how an individual bank is more limited than the banking system is a peculiarity of the American system, in which we have very many commercial banks.

Q. Would you explain how the Federal Reserve credit controls apply to the commercial banking system?

A. Well, now, as I said at the beginning, commercial banks are regulated for several different reasons, and one of those reasons is because of this business that I just discussed about their being able to create credit.

[fol. 1031] It is by controlling, basically controlling, the amount of reserves available to the banking system that we are able (the Government and the monetary authorities of the country) to control the supply of money, for instance, to tighten it up, reduce it, perhaps, or slow down its rate of increase in times of inflation with a view to stop rising prices or to increase its rate of growth or to increase the total of it to fight unemployment and recession in the economy.

Now, this is the function, the main function, at least, of our Federal Reserve System, which is, unlike the central banking systems in other countries, a decentralized central banking system. Not only do we have a decentralized commercial banking system with very many small commercial banks, but we also have a decentralized central banking system, consisting of 12 regional Federal Reserve Banks, one of which is the Federal Reserve Bank of Philadelphia, located next door to us, and as a top supervising agency in this field, the Board of Governors of the Federal Reserve System, consisting of seven members appointed by the President for the purpose of coordinating our credit-control activities.

Now, the Federal Reserve's chief function is to control the supply of money and credit in the economy in [fol. 1032] the interest of maintaining economic stability

and the generally-healthy economic situation. They do this fundamentally by controlling the supply of member-bank reserves, that is, the reserves that I was talking about in my discussion of bank-credit expansion; and fundamentally we have in this country three major devices that the Federal Reserve System can use to control the supply of member-bank reserves.

One of these methods is by establishing or changing or fixing the percentage of reserve requirements that member banks have to hold behind their deposits. As I indicated, those requirements are now, for reserve-city and central-reserve-city banks, 16½ per cent; and for banks in smaller centers, 12 per cent.

Now, the Federal Reserve can change these percentages. It can lower them for reserve-city and central-reserve-city banks as low as 10 per cent, and it can raise them for those banks as high as 22 per cent. For country banks, it can lower the requirements as low as 7 per cent or raise them as high as 14 per cent.

By raising the requirements, then it ties up some of the reserves that the bank carrying more reserves in relation to the deposits they already have and it restricts their ability to create credit and money.

[fol. 1033] By lowering the requirements, it permits the bank to increase the amount of loans and investments and money that they can create on the basis of the reserves they have.

That is one control.

A second device that the Federal Reserve uses is the discount rate, which has some influence on the extent to which member commercial banks borrow from the District Federal Reserve Bank. By encouraging, lowering the discount rate and perhaps doing other things to encourage member banks to borrow reserves at the District Federal Reserve Bank, as in the example I went through, the Federal Reserve can supply additional reserves to the banking system so as to permit credit to expand, and by tightening up and raising the discount rate, contracting the amount of its loans to the commercial banks, it may be able to exert an influence in the direction of contracting credit.

That is the second device.

The third one, and I might say by all odds the most important method the Federal Reserve has for controlling

the supply of money and credit is what we refer to as open-market operations; that is, the Federal Reserve can buy and sell United States Government securities in the open market. That is, simply going to Government-security [fol. 1034] dealers and placing, buy or sell orders, the same as anybody else would, the Federal Reserve System is able to, by buying United States Government securities and pumping its own funds into the banking system in payment therefor, expand the supply of member-bank reserves.

On the other hand, if it wants to contract credit, by selling United States Government securities in the open market and taking the funds received into its own accounts and taking them—this means that they come off the balances, the reserve balances of member banks—it can contract the supply of reserves and put restrictive effects on the banking system, force a contraction of credit, a move that it might take in time when inflation threatened the economy.

I would like to point out (and I think it is of some relevance here to recognize) that not all of these weapons are really of equal importance. The really important weapon the Federal Reserve uses is the open-market operation, which has a direct influence and is a flexible weapon that it is using all the time.

The point that I am trying to emphasize here is that banking, it is true, is a regulated industry. It is substantially regulated, but one of the main reasons it is regulated is that it has the function of creating money. We have reg- [fols. 1035-1037] ulations on banking. One reason is because such regulation is necessary in order to permit the central authorities to do what the Constitution tells them they are supposed to do, namely, control the supply and availability of money.

Mr. Reycraft: Does Your Honor wish to continue?

The Court: It is close to 4 o'clock. I think we will suspend for five minutes and then I will hear your application.

We will suspend the case until tomorrow morning at 10 o'clock.

(Adjourned at 3:58 o'clock P. M. until 10:00 o'clock A. M. on Thursday, June 8, 1961.)

[fols. 1038-1039] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

FOURTH DAY

Philadelphia, Pa., June 8, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 1040] WARREN L. SMITH, resumed.

Direct examination (cont'd.)

By Mr. Reycraft:

Q. Professor Smith, yesterday you testified with respect to what you described as the first unique function of the feature of the commercial banking system, namely, money creation. Would you be able to summarize briefly that testimony so that we can go on to the next unique feature of commercial banking.

A. Yes. To summarize what I was saying yesterday, commercial banks play a key role in our economic system, in large part because they are the unique institutions that are able to create money through the process of expanding their loans and investments, or I might say reduce the supply of money through the contraction of their loans and investments; and I tried to demonstrate yesterday that in a banking system such as we have, this process is a bit complicated due to the fact that the expansion power of a single bank in the system is different from the expansion power of the system as a whole.

I tried to show that individual banks having a certain amount of excess reserves can expand its loans by about that amount, but in this process of making loans the bank loses reserves to other banks, thereby permitting other

[fol. 1041] banks to expand credit, and the banking system as a whole can expand credit several times over.

I mentioned in the example I used yesterday that the multiple amount of credit expansion possible for the banking system was 5 to 1. This was because I happened to select 20 percent as my hypothetical reserve requirement. It is generally accepted, I think, in our banking system today that the reserve requirements at the level now in effect, I think most of the Federal Reserve estimates are that the multiple power expansion of our banking system is about 6 or 7 to 1. That is, an increase of, say, a million dollars in member bank reserves will permit the money supply and the amount of bank loans in general to expand in the neighborhood of 6 to 7 million dollars for the banking system as a whole. I might add that this expansion usually takes place quite rapidly. This is quite a fast-moving process.

Then I tried to explain that as a result of the fact that commercial banks do increase and decrease the supply of money through their operations, it has been necessary for us to develop a set of controls over commercial banks in order for the Government to be able to regulate the total supply of money in the interest of economic stability, and [fol. 1042] that these controls are the primary responsibility of the Federal Reserve System. That is the main reason we have a Federal Reserve System, it is to control the supply of bank reserves and thereby control the supply of bank credit and money, and the Federal Reserve tries to do this in such a way as to maintain a stable economy, that is, to prevent inflation and deflation.

Q. Are there any other financial institutions other than commercial banks to which this process applies that you have described?

A. Well, certainly I think not in the same way. There are other institutions that have some similarities to commercial banks. Commercial banks, in addition to creating demand deposits, also, of course, issue time deposit claims to their customers. These time deposit claims of commercial banks are quite similar to the claims of time deposits of mutual savings banks, and they are also very similar to shares in saving and loan associations.

As a matter of fact, the time deposits creation aspect of commercial banking is somewhat similar to these other savings institutions. However, I think it is generally true that these savings institutions, such as the savings depart-
[fol. 1043] ments of commercial banks, savings and loan associations, mutual savings banks, are not able independently to create money. They rather serve what we might call financial intermediaries. The first thing they have to do is to offer claims that are attractive enough to induce people to place part of their savings in their claims, and then having done that, they can use the funds so reserved to invest in securities or to make loans; but they don't have the power to expand credit. They don't issue demand deposits. They don't have the power, obviously, to expand the money supply in this sense, nor do they, in my judgment, have the power to increase the supply of credit. They can only channel the flow of credit and facilitate the flow of savings into investment, rather than creating additions to the supply of credit.

Q. Professor Smith, you have related the similar function of commercial banks to some of the financial institutions, that is, the acceptance of time deposits. Can you describe the relative size of time deposits to demand deposits in the banking system as a whole?

A. Well, time deposits have been growing relative to demand deposits, and at the present time, if you include time deposits in commercial banks and time deposits in
[fol. 1044] mutual savings banks, time deposits are approximately as large as demand deposits.

Q. With respect to the time deposits held within the commercial banking system, what is the relative size of time to demand deposits?

A. I would have to look that number up.

Mr. Littleton: Do I understand that we are talking about the entire United States?

Mr. Reycraft: Yes.

The Witness: I think time deposits in commercial banks are around 70 per cent of demand deposits, but I would really have to look that figure up to be certain of its size.

By Mr. Reycraft:

Q. All right. Professor Smith, yesterday you referred to at least four unique features of the commercial banking system, and you indicated that the second unique feature was the administration of payment. Will you describe how this feature works.

A. This second unique feature of commercial banking is intimately connected with the first. That is, since commercial banks do create demand deposits, and since demand deposits are the main means by which the bulk of the payments in our economic system are made, this means [fol. 1045] that the commercial banks play a key role as administrators of this payment system.

I might add that the Federal Reserve has a key role in this process through its facilities for collecting checks. That is, we have developed in the course of time a highly efficient system for making, transmitting, payments from one part of the country to another, or even for the making of local payments through the use of checks. Commercial banks have done a superb job in developing a highly efficient system of check collection, and in this process they have been assisted greatly by the development of a very efficient system of check collection by the Federal Reserve System. I think this is one of the important functions that commercial banks perform that can't be performed by any other financial institution, even though such institutions might possibly be similar to commercial banks in some respects.

Q. Does this feature have any application to the cost of transferring capital among the banks in the United States?

A. I think yes. I think it really means that money capital, that is, that the financial resources, the financial wherewithal for obtaining command over, say, capital [fol. 1046] goods, for the purpose of building, say, a plant or industrial equipment in a particular part of the country, that financial wherewithal, that is, the money capital necessary for carrying on business activity, has virtually a zero transport cost from one part of the country to another. That is, it is possible to transport money capital very efficiently, swiftly, and at minimum cost from one part of the country to another, and that payment system has

greatly increased mobility of funds from one part of the country to another.

Q. You also referred yesterday, Professor Smith, to another unique feature of the commercial banking system, which was the nature of its regulation for the protection of depositors. Will you describe the manner in which this occurs.

A. Well, as I started to sketch out yesterday, and as I propose to discuss it at greater length now, it seems to me that banking has unique features in the sense of the nature of the industry, the character, its assets, liabilities, and so on, that has made it necessary for us to develop regulations in the interest of protecting bank depositors. That is, in addition to having regulations that are connected with regulating the money supply, that is, Fed- [fol. 1047] eral Reserve controls over the banking system, it has been necessary for us to have other controls over the banking system for the purpose of protecting bank depositors.

Now, in that connection I think it is well to start by distinguishing two rather unique features of our banking system, unusual at least in the sense that our banking system differs from the banking systems of most other countries in these respects.

Q. Professor Smith, what is the first unusual feature you have referred to?

A. Well, the first unusual feature of our banking system is that we have what might be described and what is frequently described as a unit banking system, that is, we rely not on a single or a small number of large branch banking systems extending throughout the country, but rather we depend on a great number of individual commercial banks in our banking system. As of December 31, 1960, we had nearly 12,500—over 13,000—separate commercial banks in the United States. Now, we have developed in the last few years an extensive system of branch banking, but we do subject branch banking to restrictions with respect to the district within which branch banking can be developed.

[fol. 1048] These limitations on branch banking in the United States differ from state to state, and I have pre-

pared a table that shows the distinctions, which I would like to refer to now.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 53 a table headed "Table I, Commercial Banks and Branches in the United States, December 31, 1960."

(Document headed "Table I, Commercial Banks and Branches in the United States, December 31, 1960" was marked Exhibit G-53 for identification.)

The Witness: As you can see from this table, as of the end of last year we had, to be exact, 13,472 commercial banks. I said approximately 13,500. Of those, 2329 maintained some form of branch arrangements, and these 2329 banks maintained a total of 10,216 branches. Of those only 4000 were in the head office cities of the banks. The remainder were in outside head office cities located either in the head office county, in contiguous counties, or in noncontiguous counties to the head office city.

Now, if you add in all the branches along with the main banking offices, the total number of banking offices in the United States at the end of last year was 23,688. Now, [fol. 1049] branch banking, as I said, is subject to regulation by the states; and the Federal Government, to the extent that it charters banks, has largely brought its branch banking requirements in line with those of the states in which the banks are located.

There are in this country four fairly distinct patterns with respect to branch banking in different states. Some states, for example, the State of Illinois, prohibit branch banking entirely. Other states permit branch banking within the head office county in which the bank is located. There are others, such as this state, which permit branch banking in the head office county and in counties contiguous thereto, and there are a few states, the most notable one being California, in which statewide branch banking is permitted.

Branch banking has developed to a considerable extent in the United States in recent years, and I might add that we have in some parts of the country fairly extensive development of another form of arrangement which brings together groups of banks, namely, group banking, working

through bank holding companies, but I would like to stress that in spite of the fact that we have had some develop-
[fol. 1050] ment of branch banking in the United States and have also developed group banking to some degree, we still fundamentally have what we have always described as a unit banking system, that is, a very large number of independent commercial banks, even though we may permit some of them to have branches and even though we may permit the combination of some of those banks and the joint operation of them through bank holding companies, we still have fundamentally a unit banking system in the United States, and I think this is one of the fundamental features of our banking system.

COLLOQUY BETWEEN COURT AND COUNSEL

Mr. Littleton: If Your Honor please, at this time I am going to object to the relevancy of this type of examination, that question and answer. We are here trying a case located in Philadelphia, Pennsylvania, in the 10-county area around Philadelphia. Mr. Reycraft is apparently covering the whole national scene. I realize he has other cases to try in other parts of the country, but I don't see the relevancy of what happens in California or what the branch banking system in California has to do with a merger case here in Philadelphia, Pennsylvania, in the Delaware Valley area.

I object to this line of examination. We will be here [fol. 1051] here all month talking about all parts of the United States and everything that happens in banks in all parts of the United States.

Mr. Reycraft: Your Honor, so far it seems to me from Professor Smith's testimony that the commercial banking system is a unique system and that the features of commercial banks in any section of the country, including Philadelphia, are derived from the manner in which the commercial banking system operates as a whole; and I might say that in addition to its relevance to show the uniqueness of commercal banks as distinguished from other financial institutions, it is also relevant to show the points which Professor Smith later proposes to make with respect to the specific problem in the Philadelphia area.

Mr. Littleton: You will remember, if Your Honor please, at the outset of this case I raised the question of relevant market, and Mr. Reycraft is insisting that the relevant market that this Court is to consider here is just the 4-county area of Philadelphia, Bucks, Delaware, and Montgomery. We contend it is larger than that. Now he is directing the questions to the whole United States. What has branch banking or the branch banking regulations in California or any other state at a distance to do with the [fol. 1052] merger question that we are here supposed to be trying.

The Court: Well, may I say, Mr. Reycraft, that that has been bothering me considerably. As a matter of fact, it kept me awake a couple of hours last night as to the relevancy of this testimony here.

Mr. Reycraft: Well, Your Honor, it seems to me the unique function which commercial banks perform can only be understood in relation to the commercial banking system as a whole. In other words, the way commercial banks in Philadelphia operate is really governed by the regulations of the Federal Reserve or by the Comptroller's office, as Your Honor knows, and by the Federal Deposit Insurance Corporation, so that beginning from the way in which these regulations apply overall, we could say just as well that we could use the word "Philadelphia National" and "Girard" to describe how they are governed by the Federal Reserve Board, but we must refer to the Federal Reserve Board and to the FDIC, which do regulate these banks.

Now, these are national regulatory authorities, and there isn't any purpose or really any basis to distinguish the manner in which they regulate the Philadelphia National Bank and the Girard Trust Company from banks [fol. 1053] overall, so this is part of our point to show that commercial banks are unique and the reasons why they are unique; and the money creation and credit creation function of commercial banks is perhaps one of the most outstanding features of the commercial banking system. So this money creation system, as I believe Professor Smith has explained, can only be understood in relation to the transfer payments among commercial banks in the United States as a whole, so that a single bank, for example, in the Phila-

delphia area would not, as I understand it, be able to accomplish this function. It is only by the transfer of payments among banks and throughout the system that the working of a commercial bank in any area of the country can be properly understood.

Mr. Littleton: If Your Honor please, I haven't the slightest objection to Mr. Reycraft developing the many, many regulations and controls under which banks situated in this area operate. In addition to these federal controls he is talking about, of course, there are state controls, there are state laws, there are state regulations. So far as that is concerned, he can demonstrate that, so far as we are concerned, in Pennsylvania, but what has California's law with respect to branch banking *to branch banking* got to [fol. 1054] do with this case? I am perfectly happy to have him develop all the regulations and laws and controls which affect banks operating in the Delaware Valley area, in the greater Philadelphia area.

Mr. Reycraft: California's regulations are a mere footnote to this testimony, and I submit that it is merely by way of illustrating the variety of commercial banks which are comprehended within the overall system which applies to these two Philadelphia banks.

Mr. Littleton: There could be 49 other systems in every other state. We are interested in this.

The Court: It appears to me from your offer of proof yesterday that we are going to get a course in the American history of banking, and drawing from that, we are going to get the theory of money control, the theory of regulations, and end up with an opinion. Is that generally what you are going to do?

Mr. Reycraft: Well, no, sir, it is certainly not our purpose to offer a history of commercial banking, but we do think it is appropriate to go into the regulatory functions of this Federal Reserve Board and the FDIC.

The Court: I agree with you. There is no problem about [fol. 1055] that at all, but we are, it seems to me, proceeding on a broad sweeping scope that isn't warranted by the facts of this case. However, I don't intend to tell you how to try your case or to limit you except where I feel it is in the interests of justice. You go ahead. I will overrule the objection as stated, and you go ahead, but I am just

interested in not going into every possible facet of the banking business that has an application to this case.

Mr. Reycraft: I will be guided by Your Honor's wishes.

[fol. 1056] By Mr. Reycraft:

Q. Prof. Smith, can you refer to the manner in which the Federal Reserve Board and the other regulatory provisions which apply to banks in this area, as well as in other areas of the United States, come into effect?

A. Well, I think, if I might, it would be helpful in getting at the core of this, without going into greater detail about it, if we would look at—I have prepared a balance sheet for all commercial banks in the United States, the purpose of which I could just as well have used the balance of a single bank, but the purpose of this is to illustrate some peculiarities of commercial banking. They can be illustrated, I think, well, from this tabulation showing the assets and liabilities of all commercial banks in the United States.

The relevance, I think, is to show the need for public regulation of banking in certain connections.

Q. Is that Table IIa?

A. That's right.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 54 a document headed "Table IIa" entitled "Consolidated Balance Sheet all Commercial Banks in the United States December 31, 1960."

(Document headed "Table IIa," entitled "Consolidated [fol. 1057] Balance Sheet all Commercial Banks in the United States December 31, 1960," was marked Exhibit G-54 for identification.)

By Mr. Reycraft:

Q. Now, Prof. Smith, I understand that Government's Exhibit IIa could apply equally well to any single bank, but that you have adopted a balance sheet on the basis of banks as a whole in order to achieve a uniform or average model rather than one that might be distorted with respect to this individual area?

The Court: Suppose you amend that to G-54 instead of Government's Exhibit IIa.

Mr. Reycraft: Yes, sir.

Mr. Littleton: Would you wait until we have a chance to look at it?

By Mr. Reycraft:

Q. Prof. Smith,——

Mr. Littleton: Wait just a moment, if you will.

Mr. Reycraft: I am sorry.

Mr. Littleton: If Your Honor please, I think the balance sheet which would be really of interest and pertinency here and relevancy would be the balance sheets of the two applying banks and the resulting bank.

I don't know what a consolidated balance sheet of all [fol. 1058] commercial banks in the United States is going to contribute to this session.

Mr. Reycraft: We would be happy to have that also, Mr. Littleton.

Do you have it?

Mr. Littleton: You put it in evidence.

Mr. Reycraft: Do you have Government's Exhibit 36?

The Court: Government's Exhibit what?

Mr. Littleton: 36.

By Mr. Reycraft:

Q. You may refer to both Government's Exhibit 36 and Government's Exhibit 54.

A. I might say that the point that I am driving at here is related to a question that came up yesterday in connection with the cross-examination of one of the witnesses.

It was mentioned, it was suggested, it seems to me, at that time——

By Mr. Littleton:

Q. What is the question to which you are addressing your answer, please?

A. I am sorry.

Mr. Reycraft: I had asked Prof. Smith earlier if you would describe the manner in which the regulation of [fol. 1059] the commercial-banking system works; and you indicated that you wished to do so with reference to Gov-

ernment's Exhibit 54 to explain how the balance sheets of commercial banks as a general rule are set up.

Now will you continue your explanation?

Mr. Littleton: I move that what the witness has just said prior to this be stricken as not being responsive to that question.

The Court: It may be.

By Mr. Reycraft:

Q. Prof. Smith, will you continue with your explanation without reference to that testimony?

A. Would the clerk please read the question?

(The reporter repeated the proceedings as follows:

"I had asked Prof. Smith earlier if you would describe the manner in which the regulation of the commercial-banking system works; and you indicated that you wished to do so with reference to Government's Exhibit 54 to explain how the balance sheets of commercial banks as a general rule are set up.")

The Witness: Yes.

I think commercial banking has some peculiarities with [fol. 1960] respect to the asset and liability structure of commercial banks as compared with other types of business enterprise that makes it necessary and has in our history made it necessary for us to develop peculiar types of regulations in commercial banking that we don't have in other kinds of industries.

Now referring to the Table IIa, there are several things about commercial banks——

By Mr. Littleton:

Q. Referring to what?

A. Referring to Table II——

By Mr. Reycraft:

Q. Which is Government's Exhibit No. 54?

A. Government's Exhibit No. 54. This balance sheet of commercial banks brings out, I think, several interesting features of commercial banking which are equally well

brought out by reference to the balance sheets of the charter bank, the merging bank, and the resulting bank here in Philadelphia.

In the first place, if we look at the liability side of a commercial-bank balance sheet we find that the major liability of commercial banks consists of deposits. For the banking system as a whole, total deposits, including both demand deposits and time deposits, as of December 31, 1960, amounted to about $230,000,000,000 out of total assets of [fol. 1061] about 258.

In the Philadelphia situation you can see that the total liabilities and capital accounts of the charter bank amounted to a little over $1,000,000,000, about 1.1; and their total deposits were about slightly over $900,000,000. That is, deposits are predominantly the liabilities—the predominant liability of commercial banks. The other liabilities——

The Court: Just a minute.

Read that answer back. I would like to see it on G-36.

(The last answer was repeated by the reporter.)

By Mr. Reycraft:

Q. Referring to Government's Exhibit 36, Prof. Smith,——

The Court: All right. I follow it now.

He lost me there, and I wanted to catch up.

By Mr. Reycraft:

Q. Will you indicate the relative proportion of time and demand deposits?

A. Well, I just might refer, before I do that, to the fact that for the merging bank similarly deposit liabilities are about $651,000,000 out of total liabilities and capital accounts of $741,000,000. Again, deposit liabilities are the predominant type of liabilities.

[fol. 1062] Mr. Littleton: Would you read that back? I couldn't hear that.

The Witness: Deposit liabilities are the predominant type of liabilities for commercial banks.

By Mr. Littleton:

Q. Are we talking about G-54?

A. G-36.

Q. I thought the question was G-36.

Mr. Reveraft: That is what he has.

The Witness: G-36.

Mr. Littleton: All right.

The Witness: Well, now, these liabilities break down into demand deposits and time deposits.

I was somewhat off a while back when I mentioned, when I was asked about the ratio of time deposits to total deposits. Time deposits represent roughly a third of total deposits and demand deposits two thirds of total deposits for the commercial banking systems as a whole.

In the Philadelphia area, for these two banks, the time deposits, time and savings-deposit liabilities, are somewhat smaller relative to demand deposits than is true for the country as a whole, as can be seen from the Government's Exhibit 36.

[fol. 1063] So that the major liability of a commercial bank is its deposits. The other liabilities are relatively small in amount. Other liabilities, such as indebtedness to other banks, indebtedness to Federal Reserve and so on, amount to only about $6.8 billion for the banking system; and other liabilities in these Philadelphia banks are also a relatively small sum.

The main other item on the liability side of the balance sheet is capital accounts which, for the banking system as a whole, amounted to $21,000,000,000; and in the case of the Philadelphia banks, for the charter bank total capital accounts amounted to $93.3 million and for the merging bank, $74.1 million.

Now——

By Mr. Littleton:

Q. May I ask at that point, therefore, G-36 shows figures which do not reflect the same proportions that your G-54 does?

A. That's quite right.

Mr. Littleton: This just points up, if Your Honor please, and fortifies my objection against national figures and

national regulations and national controls being brought in here because of the difference, relatively, between, we will say, time deposits and demand deposits of all the commercial banks throughout the United States and those [fol. 1064] here in Philadelphia.

Mr. Reycraft: I think again it is an obvious fact that the function and the place of the commercial banks in Philadelphia——

The Court: I am waiting for him to get to the meat of the question. He is making comparisons here, but I am waiting for him to give an answer to your question.

That is what I am interested in, regardless of the statistics and the differences between them.

Mr. Reycraft: Would you read back the question?

The Court: He started to tell us about regulations and how and why. He hasn't gotten to that yet.

Suppose you tell us how they are regulated.

By Mr. Reycraft:

Q. Prof. Smith, who regulates commercial banks in Philadelphia?

A. Well, Philadelphia has both member banks of the Federal Reserve System and non-member insured commercial banks.

Q. Who regulates the member banks?

A. The Federal Reserve authorities and the state regulatory authorities regulate commercial banks that are members of the Federal Reserve system. The regulatory responsibilities are divided between the Federal Reserve and the state authorities.

[fol. 1065] Whereas for banks that are not members of the Federal Reserve System, that is, state, non-member banks, that are insured, the regulation is divided between the state authorities and the Federal Deposit Insurance Corporation.

Q. Who insures banks?

A. Well, the commercial banks in the United States, of which about 97 per cent are insured—the insured banks carry about 99 per cent of the deposits—I believe all the banks in the Philadelphia area are insured banks.

That insurance is provided by the Federal Deposit Insurance Corporation.

Q. And why, in your opinion, was it thought necessary to have insurance for depositors in banks?

A. Well, it relates to the points I was bringing out here in connection with the balance sheet.

Commercial banking is unusually subject to two peculiar types of problem that are present to some degree in all businesses, but are peculiarly acute in connection with banking, namely, the twin dangers of a bank being insufficiently liquid and of a bank, perhaps, being insolvent.

Q. Why is it necessary to have protection with respect to the liquidity of a bank in Philadelphia, as well as in [fol. 1066] other areas?

A. Well, that relates to the point that I was making about the liabilities of commercial banks, being almost entirely deposits. That is, a bank has a great many deposits and only a very small amount of capital.

Those deposits, demand deposits, are redeemable on demand and in practice many time deposits, while in some cases it is legally possible to defer payment on time deposits, in practice many time deposits are treated as redeemable on demand; and for that reason a commercial bank must have a high degree of liquidity in order to be able to meet the drains that are placed upon it by the possibility of the customers coming in, cashing checks, and drawing money directly out of the bank, or writing checks that fall in the hands of other commercial banks and are collected against the banks in which the depositor has his account through our clearing machinery, through the Federal Reserve, or through correspondent banks.

For that reason, commercial banks have to maintain a very high degree of liquidity and this, too, is reflected in the balance sheet on the asset side.

For all commercial banks in the United States you will notice that those commercial banks as of the end of last year carried $67,000,000,000 of United States Government [fol. 1067] securities and $52,000,000,000 of cash assets in the form of cash in the vault, deposits with correspondent banks, deposits at the District Federal Reserve Banks, and checks-cash items in process of collection.

The total amount of those two items together comes to $119.4 billion or about 46 per cent of the total assets of all commercial banks are in the form of liquid assets.

Now, we find, if we look at the balance sheets of the Philadelphia banks, we find a similar situation. Out of total assets of $1,000,000,000, slightly over $1,000,000,000, the charter bank at the end of last year had $169.3 million of United States Government obligations, direct and fully guaranteed, and the cash and due from banks of $266,000,000 approximately out of total assets of a little over a billion. That is, it had about the same proportion as the national average, a little over 40 per cent of its assets, in the form of cash and Government securities.

The merging bank had $147.7 million in cash and $142.1 — in Government securities, or a total of about $280,000,000, a little over $280,000,000, out of total assets of 740; again about 40 per cent of its assets were in the form of Government securities and cash.

Now, one of the reasons we have imposed on commercial [fol. 1068] banks reserve requirements in addition to the function of helping the Federal Reserve System to control credit, another partial reason for this is to help insure the liquidity of the banking system.

Q. Pardon me. Why is it necessary to insure the liquidity of the banking system?

A. Why, for the reason that most of their liabilities are deposits; and those liabilities can be cashed in on demand and the bank has to be prepared to meet drains either through the cashing of checks or through the clearing of checks through the clearing machinery. In order to be prepared to meet sudden unexpected drains, it is necessary for the bank to have a lot of cash in hand or deposits in the bank or liquid assets that it can sell readily in the market to obtain the funds to meet those requirements.

Q. Does this necessity to maintain liquidity affect the type of business which a commercial bank can do?

A. Well, it certainly tends to channel the energies of commercial banks in the direction of short-term financing, particularly the financing of business enterprise, through the making of commercial loans.

I think the liquidity requirements tend to channel the energy of the commercial bank into making short-term commercial loans.

[fol. 1069] Would it be possible for a bank to be liquid and not solvent?

A. That is quite possible. A bank might fail, for example, because of ill liquidity; it would have to be closed down because it couldn't get cash.

However, another possible cause of difficulties in a commercial bank would be that the bank might be insolvent, and that problem of insolvency in the commercial-banking system is related particularly to the point I started out to make, namely, the small amount of capital accounts in commercial banks. Commercial banks are distinct from most other types of business enterprise in the sense that their capital accounts are very much smaller relative to their total assets and other liabilities than is true for other business enterprises.

As you can see, for the United States as a whole, total capital accounts amounted to $21,000,000,000, which works out to be about 8.2 per cent of the total assets of those banks of 257.6.

It is similarly true here in Philadelphia that the total capital accounts for the charter bank were $93.3 million on June 30, 1960, or about 9 per cent of their total assets of a little over $1,000,000,000.

For the merging bank the capital accounts were $74,-[fol. 1070] 000,000, approximately, out of total assets of $740,000,000, about a 10-per-cent ratio.

Each of thes banks has a capital ratio slightly higher than the national average, but my point is that the capital ratios of banks in general are low relative to capital rates in most other business.

That means that if banks make loans or investments that turn out to be unsound—perhaps the customer to whom the bank has made a loan has a business failure and he is unable to repay the loan—this kind of development can occur only to a very limited degree without wiping out the capital accounts of a commercial bank, that is, for the banking system of the country as a whole only about a 10-per-cent decline in the value of the assets of the banking system, that is, losses on loans amounting to 10 per cent of the total assets of the banking system would have wiped out the capital accounts of the whole system; or for the typical commercial bank around an 8- to 10-per-cent reduction in the value of its assets through loan losses would wipe out the stockholders and render the bank insolvent, and the

regulatory authorities would find it necessary to close the bank.

Now that capital cushion which provides protection to the depositors in a commercial bank is much smaller [fol. 1071] than it is in most other types of business enterprise, and I think this is another reason why it has been found necessary to regulate commercial banks—to protect depositors against loss, that is, to protect depositors and to protect banks.

To summarize, it is two types of diffculty—one, the difficulty of becoming ill-liquid because they have insufficient liquid assets to meet the drains resulting from the outflow of deposits and to provide a sufficient amount of capital; and other regulations to protect depositors against insolvency, that problem being particularly acute in the commercial-banking system because of the relatively low capital rate.

Q. Now, Prof. Smith, you have indicated the various types of regulation which are involved in the commercial-banking system as they apply to Philadelphia as well as to the rest of the country.

Does this mean that the commercial-banking system is like a public utility, that its rates are regulated?

A. No. Commercial banks are regulated, to summarize what I have been saying, for two reasons fundamentally.

One is that they create money and we have to control the supply of money in the country.

[fol. 1072] The second reason is that the structure and type of operations that commercial banks engage in tend to make them particularly vulnerable to the possibility of failures resulting either from ill-liquidity or from insolvency; and it has been necessary to develop regulations to protect depositors in this respect, those regulations taking the form of things like the loan limit—preventing the bank from lending more than 10 per cent of its capital and surplus to one customer; regulations on the type of assets that commercial banks can invest in.

For instance, commercial banks, except for very unusual circumstances, are not permitted to invest any money in corporate stocks and their investments in corporate bonds are restricted to the highest grades of corporate bonds; and there are many other restrictions on the lending and in-

vesting activities of commercial banks that are designed to insure that the banks don't take too much risk and to protect the depositor against loss.

Now, this is a quite different type of regulation from the type that applies to public utilities, that is, an electric-power company or a railroad company, where the nature of this business is such that we accept the inevitability of monopoly.

We simply, in the public-utility field, have decided that [fol. 1073] it is simply impossible to have competition in the field of providing electric-power services or telephone services and so on to the public. We have accepted monopoly. We have given up on the idea of letting the market determine prices and protect the consumer against the effects of monopoly. Instead of that, we have introduced Government-directed regulation over prices and profit rates and so on for the purpose of protecting the public.

In other fields we rely on the market, the competitive market, as the means of preventing business enterprises from overcharging and protecting the consumer, insuring good service, and so on.

This is true in the banking field. We have not, in spite of the fact that banks are regulated—we have not viewed banking as a public-utility area in which we accept the inevitability of monopoly, but rather we have decided to rely on competition and we have tried to promote that competition by sticking to the idea of a unit-banking system with a very large number of commercial banks.

Q. What are some of the forms of competition which are preserved despite this regulation?

A. Well, commercial banks compete for the custom of their customers through charges on loans and through providing services—competition in the form of improved serv- [fol. 1074] ices to their customers.

They compete also for deposits.

Q. Prof. Smith, you referred to a unique feature of commercial banking which you described as lending and investment opportunities. Will you describe how that feature is unique in commercial banking.

A. Well, as I said when I began yesterday, it seemed to me that the lending and investing activities of commercial

banks can be viewed as unique among financial institutions in several different ways, in two different ways.

First, commercial banks operate in a much wider variety of market than do other financial institutions. As I said, they are sometimes referred to as the department stores of finance. They engage in most types of lending and investing activities, while at the same time they do tend to specialize. They tend to specialize particularly in the area of making commercial loans to business enterprises.

I have prepared a table here showing loans and investments of all commercial banks, which I think is relevant.

Mr. Reycraft: Will you mark Table III as Government's Exhibit No. 55 for identification, please, headed "Loans and Investments of all Commercial Banks December [fol. 1075] 31, 1960."

(Document headed "Table III," entitled "Loans and Investments of all Commercial Banks December 31, 1960," was marked Exhibit G-55 for identification.)

By Mr. Reycraft:

Q. Prof. Smith,——

Mr. Littleton: Do you mind waiting a moment?

Again, if Your Honor please, without going into the detail of it, I object to this because it covers the whole United States and I think the much more pertinent think would be a reference to, I believe, Exhibit G-6, which shows the situation with the defendant banks.

The Court: I will overrule the objection. Let's get along.

By Mr. Reycraft:

Q. Will you continue to explain, Prof. Smith, the manner in which the loan and investment activities of commercial banks, including the two banks who are defendants in this case affect the unique characteristics of the commercial-banking system?

A. Well, one point I intended to make with this table is the fact that commercial banks, as you can see, operated in very many markets. They make commercial loans, agriculture loans, loans for the purchasing and carrying

[fol. 1076] of securities, loans to other financial institutions.

They make mortgage—real-estate mortgage loans, other loans to individuals, which consist largely of consumer credit, including consumer installment loans; and then other loans to banks, which are a relatively small amount.

At the same time they invest very substantial amounts in United States Government securities, and also in other securities. Other investments and securities by all commercial banks were 20.9 per cent, or about a little over 10 per cent of their total assets.

However, in spite of the fact that they operate in this wide variety of markets, commercial banks do tend to emphasize certain areas. As you can readily see, the largest elements in their loan and investment policy are, in the first place, commercial loans. Commercial loans are better than a third of their total loans, or about $43.1 billion at the end of last year.

Real-estate loans are another large item, amounting to about $29,000,000,000; and other loans to individuals (that is, consumer loans) amount to 26.4.

To summarize briefly the areas in which commercial banks tend particularly to concentrate, I think you can see that those areas are commercial loans, that is, [fol. 1077] securities, loans to other financial institutions.

They make mortgage—real-estate mortgage loans, other loans to individuals, which consist largely of consumer credit, including consumer installment loans; and then other loans to banks, which are a relatively small amount.

At the same time they invest very substantial amounts in United States Government securities, and also in other securities. Other investments and securities by all commercial banks were 20.9 per cent, or about a little over 10 per cent of their total assets.

However, in spite of the fact that they operate in this wide variety of markets, commercial banks do tend to emphasize certain areas. As you can readily see, the largest elements in their loan and investment policy are, in the first place, commercial loans. Commercial loans are better than a third of their total loans, or about $43.1 billion at the end of last year.

Real-estate loans are another large item, amounting to about $29,000,000,000; and other loans to individuals (that is, consumer loans) amount to 26.4.

To summarize briefly the areas in which commercial banks tend particularly to concentrate, I think you can see that those areas are commercial loans, that is, loans to [fol. 1078] business of various kinds; real-estate mortgage loans, consumer credit, and finally state and local government securities.

Commercial banks, of all the institutions, are the largest institutions in the country in terms of their concentration of investment in state and local government obligations. The reason for that is simply that the commercial banks are one of the very few major financial institutions that are subject to the 52-per-cent corporate income tax, which puts them in a sufficiently high tax bracket so it is beneficial for them to invest in tax-exempt state and local government securities. So they are the largest investors in this area other than individual investors.

Now looking at the balance sheets, the loan and deposit accounts of the charter bank and merging bank, Government Exhibit 37, we find, I think, a somewhat similar concentration.

There total loans and discounts of the charter bank were $523.6 million; commercial and industrial loans amounted to $307,000,000, approximately, out of that. In other words, the local bank, the charter bank, concentrates in making commercial and industrial loans to a somewhat greater degree than does the typical bank in the United States. It may develop ⅗ or almost ⅗ of its total loans and discounts were [fol. 1079] commercial and industrial loans.

The merging——

By Mr. Littleton:

Q. May I interrupt and ask you what you mean by a typical bank in the United States? Do you mean your average?

A. That's right.

Q. That is not a typical bank, is it, Professor?

A. Well, it certainly could be defined as one.

Q. It is the average you made up for all commercial banks of all the states in the Union?

A. All right. I will restate the answer.

The charter bank went in for commercial and industrial

loans to a somewhat greater degree than is shown in the consolidated average for the banking system as a whole.

Similarly, the merging bank had about $200,000,000 of commercial and industrial loans out of total loans and discounts net of $399,000,000; or its commercial and industrial loans were about 50 per cent of its total loans and discounts.

Again, the merging bank has commercial and industrial loans to an amount somewhat larger than the national average as computed by taking the consolidated balance sheets of all commercial banks in the United States.

[fol. 1080] The other areas that I suggested in which commercial banks tend to concentrate one is mortgage loans, and here we find loans let's see mortgage loans for the banking system, for the consolidated balance sheet of all commercial banks, amounted to about 14 per cent of the total.

For the charter bank, real-estate loans amounted to $62,000,000 out of $523,000,000, which is not very far from the average shown for the balance sheet of all commercial banks.

For the merging bank, the total was $32,000,000 out of $399, a somewhat lower percentage than is shown in the balance sheet of all commercial banks.

The third major-loan category that I mentioned is the other loans to individuals, that is, consumers; and here we find, taking account of single-payment loans, individuals, installment loans on automobiles, installment loans on consumer goods, FHA Title I loans, and other installment loans, total loans to individuals amounted to $92,000,000 out of 523, a little under 20 per cent. Again, the charter bank went in for loans to individuals to a somewhat lesser extent than is shown in the loans and investments for all commercial banks.

The merging bank, its single-payment loans $71,000,000; its total installment loans, $50,000,000; making $121,000,000; [fol. 1081] It had installment loans of approximately 30 per cent of its total loans and discounts, a somewhat higher ratio than you find for all commercial banks.

By the Court:

Q. Do you call a single-payment loan an installment loan?

A. No. The other loans to individuals category in G-55 for the banking system includes both single-payment loans to individuals and installment loans. It's all personal loans.

For that reason, in referring to Government Exhibit 37 I added in installment loans together with single-payment loans to individuals because that's the way the classification runs in the national total.

By Mr. Reycraft:

Q. Prof. Smith, how do these investment and lending activities distinguish from those in which other financial institutions engage?

A. Well, there are a number of other important financial institutions in the United States that compete to some extent with commercial banks, but it seems to me that the competition is, in the case of most of these types of institutions,——

Mr. Littleton: I didn't hear that, sir.

The Witness: The competition in the case of most of [Tol. 1082] these types of institutions, I think, is somewhat restricted to certain specified areas because the other major types of financial institutions in the United States tend to specialize in certain particular areas, for the most part areas in which commercial banks are much less inclined to specialize on.

I have prepared a balance sheet, again for the United States as a whole, for some of our major types of financial institutions for the purpose of trying to show what some of the differences are between these institutions and commercial banks.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 56 "Table IIIa," with the heading "Assets of Savings and Loan Associations in the United States December 31, 1959."

(Document headed "Table IIIa," entitled, "Assets of Savings and Loan Associations in the United States De-

cember 31, 1959," was marked Exhibit G-56 for identification.)

The Court: We will take a ten-minute recess at this point.

[fol. 1083] Mr. Littleton: If Your Honor please, before Mr. Reycraft interrogates the witness on G-56, may I ask the witness whether or not he has made a similar study of savings and loan associations in the Philadelphia area? The reason for my inquiring is that he introduced this by saying that savings and loan associations vary in various areas of the United States, some areas are characterized one way and some are characterized the other, yet G-56 throws them all together.

By Mr. Littleton:

Q. Is that correct?

A. That is right.

Q. Have you made any special study as to those in the Philadelphia area?

A. Only to the extent of the material presented in the application of the charter bank and the merging bank.

Q. You haven't done any independent study of that yourself?

A. That is right, I have not had time to do so.

Mr. Littleton: I will formally object to anything about G-56, because it throws all savings and loan associations in the United States together, although he has said they differ in different parts of the country.

[fol. 1084] Mr. Reycraft: All I make the same point that Professor Smith is going to compare the situation by reference to the average throughout the country.

The Court: Proceed. Let's get along. I still caution you as I did before. Let us get on those facets which are indiginous to Philadelphia. That is what we need.

By Mr. Reycraft:

Q. Professor Smith, referring to Government's Exhibit No. 56, will you indicate the manner in which the lending and investment activities of savings and loans generally differ from commercial banks.

A. Well, as you can see from this exhibit, which shows the breakdown of the assets structure of savings and loan associations, the main point about this is that savings and loan associations specialize almost entirely in making mortgage loans. In fact, they are legally restricted with respect to the types of other loans they can make. About the only other type of loan that savings and loan associations can make is loans collateraled by share accounts with their depositors, and they can also invest in Government securities. They carry cash, Government securities, mortgage loans, and a small amount of other assets, and their mort-
[fol. 1085] gage loans amounted to about 84 per cent of their total assets. This is as of the end of 1959.

With respect to savings and loan associations in the 4-county area here, as shown on Exhibit B attached to the merger application, on Page 92——.

Q. Will you indicate how the local figures compare to those in Exhibit No. 56.

Mr. Littleton: Excuse me just a minute.

Your Honor, I don't think the application has been identified.

Mr. Reycraft: I have no objection to identifying it, although I have doubts about the reliability of some of the statements in it.

The Court: Read that back, that comment.

(The reporter read as follows:)

"Mr. Reycraft: I have no objection to identifying it, although I have doubts about the reliability of some of the statements in it."

Mr. Littleton: Maybe the witness better not testify from it, then.

Mr. Reycraft: We have no doubt as to these statistics.

Mr. Littleton: You have checked it?

Mr. Reycraft: No, indeed. We are relying on the state-
[fol. 1086] ment of Mr. Brown and Mr. Potts as to the statistics.

Mr. Littleton: Although you doubt the reliability of it?

Mr. Reycraft: No, sir, I don't doubt the statistics, as I have indicated earlier.

Will you mark it as Government's Exhibit No. 57.

(Merger application was marked Exhibit G-57 for identification.)

The Court: I have been waiting for that. I thought that would be Exhibit No. 1, Mr. Reycraft.

Mr. Reycraft: This is the prior application.

By Mr. Reycraft:

Q. Referring to Exhibit No. 57, Professor Smith, will you indicate how the figures for the four-county area compare to the average figures you already described.

A. Well, I can't make exactly the same comparison because this table does not give the total assets of savings and building and loan associations in the four-county area. It gives total mortgage investments and it gives the savings accounts of these institutions and the savings accounts of savings and loan associations constitute the great majority [fol. 1087] of their liabilities. They are something like commercial banks in this respect: They get most of their funds by investment of individuals in the shares of the association so that their shares, that is, the total headed I.P.C. savings here, will, I am sure, turn out to be approximately the same, almost as large as the total assets and liabilities of the associations.

As you can see, the mortgage investments, as a matter of fact, are larger than the other savings accounts, and I am sure that you would find, as in the case of the national associations, that mortgage investments constitute almost their entire portfolio apart from cash assets and Government securities. In other words, the point I am making is that savings and loan associations in Philadelphia as well as elsewhere are highly specialized financial institutions that invest most of their funds in the mortgage field. This is true here as well as elsewhere. Although there may be differences in respect to state regulation of savings and loan associations, I don't think they have much bearing on what we are talking about here. So savings and loan associations, my point is, are highly specialized institutions in the mortgage field. They do compete with com- [fol. 1088] mercial banks to some extent in this field because commercial banks are one of the major lenders.

By the Court:

Q. What do the figures show with respect to total investments and mortgages in the four-county area.

A. I don't have that figure, sir.

By Mr. Reycraft:

Q. Professor Smith, referring to mutual banks, mutual savings banks, will you explain the distinction between mutual savings banks and commercial banks resulting from their lending and investment activities?

A. Well, mutual savings banks, in general, are institutions that we find in only a few parts of the country, largely in the Northeast—Massachusetts, New York—and Pennsylvania happens to be one of the states. We find several large mutual savings banks in the Philadelphia area. I don't have detailed figures on the asset portfolios of Philadelphia mutual savings banks. I do have detailed figures, reasonably detailed figures here, in Table IIIb of the assets of mutual savings banks nationally, and I have some information here on Page 92 of the merger application for the Philadelphia area.

Mr. Reycraft: Will you mark for identification as Gov-
[fol. 1089] ernment's Exhibit No. 58, Table IIIb, headed "Assets of Mutual Savings Banks in the United States, December 31, 1959."

(Document headed "Table IIIb, Assets of Mutual Savings Banks in the United States, December 31, 1959" was marked Exhibit G-58 for identification.)

Mr. Littleton: For the record, if Your Honor please, I will object to this also because it is national, particularly when the witness has said that they do not exist nationally the way they do in the East.

The Court: The same ruling.

The Witness: Looking at Table IIIb we find that mutual savings banks are a little more complex institution than savings and loan associations.

By Mr. Reycraft:

Q. Referring to Government's Exhibit 58, Professor Smith, will you indicate the distinctions between commercial

banks and mutual savings banks in their investment and lending activities.

A. Mutual savings banks, as I say, are slightly more complex investing institutions, in general, than savings and loan associations, but again they also tend to concentrate rather heavily, not quite as heavily as savings and loan associations, but rather heavily in the mortgage field.

[fol. 1090] As you can see from Government's Exhibit 58, nationally mortgage loans constitute about two-thirds of the total assets of all mutual savings banks. The other major assets were Government securities, 6.7 billion, or 17.6 per cent of their total assets, and corporate and other securities, 4.8 billion, or about 12.4 per cent. They do invest, unlike mutual savings and loan associations, to some extent in corporate securities and in the securities of state or local governments.

In the local area, the merger application, on Page 92, gives only the mortgages, the reason being, I assume, that mortgages are felt to be the major asset and major type of investment that mutual savings banks make, and we can see for the Philadelphia area, again mutual savings banks—we don't have the total assets figure but we do have the total amount of savings accounts, which amounted to about 1.8 billion, and total mortgages amounted to about 871 million dollars. Mortgages, in other words, constitute half of the assets of mutual savings banks in the local area. These institutions are specialized institutions, and particularly they don't compete very much with commercial banks in the making of commercial and industrial loans. They specialize largely in the holding of mortgage loans and to some extent in the holding of corporate and state [fol. 1091] and local securities.

Q. Directing your attention, Professor Smith, to life insurance companies, will you explain whether there is a distinction between life insurance companies and commercial banks with respect to their investment and lending activities.

A. I have again prepared nationally the assets of life insurance companies in the United States in this next table.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 59 Table IIIc, headed "Assets of

Life Insurance Companies in the United States, December 31, 1959."

(Document headed "Table IIIc, Assets of Life Insurance Companies in the United States" was marked Exhibit G-59 for identification.)

By Mr. Littleton:

Q. On G-58, Professor, you say your source is the Federal Reserve Bulletin. Do you have the number of that Federal Reserve Bulletin?

A. Yes. It was April, 1961.

Q. April, 1961?

A. Right.

By Mr. Price:

Q. The same one that was the source of the other data [fol. 1092] which appears in the previous exhibits?

A. Some of it, that is right.

By Mr. Reycraft:

Q. Referring to Government's Exhibit No. 59, Professor Smith, answer the question which I previously directed to you.

A. Yes. Again with respect to insurance companies, Exhibit 59 shows the total asset breakdown of all life insurance companies in the United States. This shows that they are very important institutional investors, having total assets at the end of 1959 of 113.6 billion dollars. The two major areas in which they invest are in corporate securities and in mortgages. Their investments in corporate bonds amounted to 45.3 billion, or about 40 per cent of their total investment. Their investments in corporate stocks, 4.6 billion dollars, or about four per cent of their total investment, and their investment in mortgages, 39.2 billion, or 34.5 per cent of their total loans and investments. In other words, their investments in corporate securities and in mortgages amounted to about 75 per cent, about three-quarters of their total investments.

Again the mortgage field is an area in which insurance companies compete with commercial banks, with savings

[fol. 1093] and loan associations, and with mutual savings banks. I might say that these four investor groups are the major investors in mortgage loans. This is the main area where life insurance companies compete with commercial banks, in this mortgage market, which is a relatively competitive type of investment market. They are not important in most of the other areas where commercial banks tend to concentrate.

Q. Professor Smith, would you agree with the statement on Page 95 of the application that it is probable that actual competition by insurance companies is not significant? That appears toward the end of Paragraph A on Page 95.

A. I would think that statement is true.

Q. Would it also be your judgment that long-term borrowings, as the application states, have tended to gravitate toward the insurance companies while commercial banks are more active in the field of short-term loans?

A. I think that is right. For one thing, as the national table indicates, life insurance companies tend to concentrate in investments in corporate bonds, and to the extent that they engage in lending activity, they tend to engage in term lending type of activity to a greater relative degree than commercial banks do, and their activities in this area are not very large anyway.

[fol. 1094] Q. Professor Smith, have you given any attention to the differences, if any, between the lending and investment activities of finance companies as compared to commercial banks?

A. Yes. There are several different kinds of finance companies that one can distinguish, and these institutions have become relatively important in our financial markets in recent years. We can distinguish what we usually call sales finance companies, which are largely important——

Mr. Littleton: May I break in just a moment? On G-59, before you leave G-59, have you prepared any table to show how much business the insurance companies we are talking about have done in the Philadelphia area?

The Witness: No, I have not.

By Mr. Reycraft:

Q. Will you continue with respect to finance companies.

A. Yes. I think we can distinguish several different types

of finance companies. The first one is sales finance companies, which concentrate rather heavily in the field of consumer installment credit. These institutions constitute a fairly complex credit system. There are several thousand sales finance companies in the United States. I might say that one difficulty in this field is that the statistics are not readily available, at least on a current basis. There is [fol. 1095] a good deal of information on sales finance companies several years back in the Federal Reserve study of consumer installment credit, but current statistics in this area are not very satisfactory.

There are several thousand sales finance companies, ranging from very large companies, such as General Motors Acceptance Corporation, which operate numerous offices all over the country, down through companies that operate on a regional basis, and to small companies that operate in local areas. These institutions focus most of their activity in the financing of consumer installment credit, and I might say that they obtain their funds in a different way. That is, they don't tap the savings of individuals directly, but they tend to raise their funds in the capital market through basically three major sources.

In the first place, these sales finance companies have lines of credit with commercial banks. Some of the large ones have lines of credit with several hundred commercial banks scattered all over the country. The smaller ones have lines of credit with commercial banks concentrated in smaller areas, and I believe the smaller finance companies located in local areas have lines of credit with local commercial banks. So they raise a good deal of their funds by bor- [fol. 1096] rowing under lines of credit from commercial banks. They raise another portion of their funds by selling commercial paper in the open market. Increasingly sales finance companies have used open market commercial paper. This open market commercial paper is invested in also by commercial banks and also by corporate non-financial corporations. These non-financial business corporations have increasingly invested a substantial portion of their liquid assets in the paper of sales finance companies; and, thirdly, sales finance companies raise a substantial amount of money by selling longer term securities in the form of debentures in the open market.

They have in the last few years proved to be extremely skillful at shifting the focus of their financing from one sector of the capital market to another, using the facilities of commercial banks, open market commercial paper, and sale of debentures as a means of raising funds sufficient to meet the demands of consumers. The institutions concentrate their lending activities in the field of consumer installment credit, automobile financing, and the financing of other consumer durable goods purchased on the installment plan.

Their relation to commercial banks, I think, is somewhat complex in the sense that on the one hand sales finance [fol. 1097] companies compete with commercial banks for loans, installment loans, and at the same time the sales finance companies use the commercial banks as a source of obtaining funds.

As a result, looking at the figures for commercial bank installment loans tends to understate the extent to which commercial banks are important in the consumer installment credit market, because they are important not only as lenders directly to consumers, but also as a source of financing for sales finance companies.

The Federal Reserve consumer credit study made in 1956 estimated that commercial banks finance directly or indirectly over 50 per cent of the total installment credit in the economy.

Q. Professor Smith, how does the dependence of finance companies on commercial banks for capital affect or differentiate their activity?

A. Well, as I say, they are in the nature of intermediaries, to some degree, between commercial banks and borrowers, and I think to some degree in a local area the elimination of competition in the commercial banking field, through the elimination of existing commercial banks reduces the alternatives open to some of the local sales finance companies that rely on commercial banks as a source [fol. 1098] of funds.

Q. Professor Smith, do you have any information with respect to the lending limits and interest rates of personal loan companies in the Philadelphia area?

A. Personal loan companies, what are sometimes called small loan companies, have sprung up in every state——

The Court: Read the question back.

(The reporter read as follows:)

"Q. Professor Smith, do you have any information with respect to the lending limits and interest rates of personal loan companies in the Philadelphia area?"

A. Yes, I do.

The Court: That can be answered yes or no.
The Witness: Yes.

By Mr. Reycraft:

Q. What is that information, Professor Smith?

A. Well, under the Pennsylvania Small Loan Act as amended in 1953, personal loan companies can make loans up to $600 at rates of interest that amount to 3 per cent per month on the $150, 2 per cent monthly on the next $150, and 1 per cent per month on the remainder, with loans over 18 months being subject to a 6 per cent per annum rate on the [fol. 1099] unpaid balance.

Q. What does this mean in terms of annual rates?

A. 3 per cent per month on the unpaid balance amounts to 36 per cent per year as an interest rate, 2 per cent per month on the unpaid balance amounts to 24 per cent a year, and 1 per cent a month amounts to 12 per cent a year.

Q. And how do those rates compare to the rates charged for consumer lending by the two banks involved in this case?

A. Well, there is information in the merger application, but I have to search for it. I am sure that the rates charged for small loans by commercial banks here, as in other communities, are substantially lower than the interest rates charged by companies under the Small Loans Act.

Q. Refer to Government's Exhibit No. 39 (handing to the witness).

A. Well, according to this, on regular consumer loans, which include both direct loans and contracts purchased from dealers, the range is from 5 to 6 per cent simple interest and $7 or $8 per hundred add on.

Mr. Littleton: What are you reading from?
The Witness: Reading from G-39.

[fol. 1100] By Mr. Reycraft:

Q. Professor Smith, referring to factors, can you describe what function is performed by a factor?

Mr. Littleton: Before you go into that, may I have the answer to your last question.

Mr. Reycraft: My question, sir, was does the exhibit indicate the interest rates charged by one or both of the merging banks with respect to consumer loans?

Mr. Littleton: Are you talking about the actual rate or the maximum rate?

Mr. Reycraft: The range.

The Witness: Well, this section I have here refers to the interest rates charged in the consumer credit department of the merging bank, and it indicates that the interest rates on direct loans in contracts purchased from dealers ranged from 5 to 6 per cent simple interest to $7 or $8 per $100 add on.

Now, the $7 to $8 charge add on is approximately—it depends a little bit on the maturity of the loan—but it is approximately a 14 to 16 per cent interest rate. That is, for a one-year loan that is paid back on an installment basis, a borrower has in his possession on the average during [fol. 1101] the year about half the amount of the loan originally made, and so the interest rate is approximately double the regular interest rate computed on a compound basis.

By Mr. Littleton:

Q. Now you are comparing that to the statutory maximum for small loan companies?

A. The point I am trying to make is that here as elsewhere in the country it is much less expensive for the consumer to borrow from a commercial bank than it is to borrow from one of those small finance companies which are permitted by the state law to charge high interest rates precisely because it has been found difficult to find financing for consumers of low-credit risk, where the banks simply can't afford to make loans to them at normal interest rates.

Mr. Littleton: Mr. Stenographer, will you read my question, and, Professor, will you listen to it and answer.

(The reporter read as follows:)

"Q. Now you are comparing that to the statutory maximum for small loan companies?"

A. Yes.

Q. To the statutory maximum?

A. Yes.

[fol. 1102] Q. You don't know anything about the actual rates charged by small loan companies?

A. No, I really don't.

Q. In the Philadelphia area, of course, I am talking about.

A. No.

Q. You do not know anything about the actual rates?

A. No, I don't.

Q. The comparison you are making of the figures you read from G-39 is with the statutory rates for small loan companies in Pennsylvania; is that correct?

A. Yes, sir.

Q. And you don't know the actual rates or have any record of the actual rates charged by those small loan companies?

A. No.

By the Court:

Q. From what part of Exhibit G-39 did you read, Professor?

A. It is Page 2 under "Merging Bank." I read a portion of the second paragraph.

The Court: All right, I have it. Thank you.

By Mr. Reycraft:

[fol. 1103] Q. Professor Smith, directing your attention to the question I asked you a little earlier with respect to factors, will you explain the manner in which the activities of factors differ, if they do, from those of commercial banks.

A. Well, factors and commercial finance companies, their activities are to a considerable extent directed toward financing receivables of relatively small concerns. Factors by receivables, take responsibility for the collection, and

bear the risk, whereas other commercial financial institutions simply take over the collection process without taking the risks. Factors activities are mainly connected with the taking over and collection of accounts of business enterprises.

Q. Professor Smith, would you agree with the statement at Page 97 of the application, which states that because of the nature of the risks their business—that is, factors—does not compete significantly with the credit business of commercial banks?

A. I believe that is true nationally, and I would expect it to be true in the Philadelphia area.

By Mr. Littleton:

Q. Even though it is stated in the application?

A. Yes, sir.

[fol. 1104] The Court: That is one of the reliable parts.

By Mr. Reycraft:

Q. Professor Smith, in order to understand the markets in which the two combining banks operate, will you indicate the nature of the geographic markets in which large banks do operate?

A. Well, I think we have to distinguish in discussing the market structure of commercial banking. I think we have first to direct our attention at the national markets that these banks operate in. To some extent large banks, and as far as that goes, smaller banks also, operate in the national money and credit markets of our economy. Now, these markets I would characterize as among the most competitive markets that we have in our economic system. That is a national credit market, and I would rate the national credit market down, at least roughly, somewhat as follows, as including the Government securities markets, the markets for bonds of large national corporations, the markets for bonds of states and large municipalities having high credit ratings, the commercial paper market—this is more on the short-term end of the national open market—and also closely related, the market for prime [fol. 1105] bank loans of large corporations, which have

numerous alternatives as far as banking connections are concerned.

Q. Are there also regional markets, Professor, in which large banks operate?

A. Yes, I think when we get away from the national market, then the markets in which banks operate break down into a number of overlapping and loosely connected regional markets. That is, it is not possible clearly to define these regional markets except in the sense that most individual borrowers have a market within which they have banking connections and other facilities for raising capital. That is, the market alternatives open to each borrower depend to a great extent upon the size of his operations, on his credit rating, on the size of the area with in which he is well known, and the number of lenders willing and able to meet his credit needs within this area.

It seems to me that the elimination of a large lender through the merger of two large city banks may therefore significantly reduce the degree of competition or significantly—to be more specific, eliminate an important alternative source of credit for many borrowers over a rather wide area, but with the greatest effects being concentrated [fol. 1106] nearest the locale of the banks that are involved in the merger.

Q. Referring to the local market aspect of the operation of commercial banks, Professor Smith, will you state what your opinion is with respect to the primary local market of commercial banks, and particularly the two commercial banks involved in this case.

A. Well, it seems to me that the major impact of a merger of the kind we are discussing is likely to be felt in the immediate vicinity in which the banks are located. Although the local market area shades off gradually into regional markets for different borrowers depending upon their size, so it is really difficult to define the local market area with great precision. It seems to me that it is appropriate, as a practical matter, to specify the local market as the area in which the banks involved are located, that is, in this particular situation, the four-county area within which the banks can establish branches, that is, within which the offices of the banks involved are located. It seems to me that it is in this area where banking offices are available for

customers of the banks, where the major anti-competitive effect of such a merger is likely to fall.

Q. Is it your opinion, Professor Smith, that there would be a competitive impact as a result of the merger pro-
[fol. 1107] posed in this case?

A. Well——

Mr. Littleton: Objected to, if Your Honor please. I haven't heard this witness demonstrate that he shows the slightest knowledge of Philadelphia as yet. He hasn't told us what he has done in the way of study. He said he has been on this job three weeks. How can he possibly express an opinion as to the impact of this merger on the competitive situation in Philadelphia?

By Mr. Reycraft:

Q. Professor Smith, will you describe the study which you have undertaken with respect to familiarizing yourself with the statistics and other materials related to the Philadelphia area?

A. Well, as I said yesterday, I have studied the merger—I have worked terribly hard in the last two weeks on this case, and I have spent considerable time going through the merger application and the other materials that have been developed in connection with the case, and I have done some specific work, which I will come to in a little while, which is very distinctly related to the Philadelphia area, although not quite——

The Court: You better get to it pretty fast to answer
[fol. 1108] that question which was asked you, Professor, because I have to hear it first before I will permit you to answer it.

Mr. Reycraft: Your Honor, I am not sure that I understand that.

The Court: In other words, I want demonstrated to me what work he has done so that I can pass on his capacity to answer the question that you have just asked him. So I suggest you develop it along that line, because it may be that I will permit it in a limited sense or take it for what it is worth. I am not ruling on it one way or the other, but if he is going to give it as strictly an expert opinion

on Philadelphia, I want to know what he knows about Philadelphia.

Mr. Reycraft: I understand, Your Honor.

By Mr. Reycraft:

Q. Professor Smith, have you examined the application which the bank submitted for approval to merge?

A. Yes, I read the merger application with considerable care.

Q. Have you examined the exhibits which the Government has identified in the record in this case?

A. I have examined most of the exhibits.

Q. And are you familiar with the exhibits relating to [fol. 1109] the geographic origin of the loans, deposits, lines of credit of the banks involved in this case?

A. I can't recite the chapter and verse on these without reference to them.

Q. I have them here, Professor, if you care to refer to them.

Have you in connection with your preparations for your testimony undertaken other studies which are not included in the exhibits which are in the record of this case?

A. I have.

[fol. 1110] Q. Will you describe the nature of the study that you have undertaken?

A. Well, I have made a—what I have really focused my attention on with respect to this local area more than anything else is the question of whether a merger of this kind—and I hope I can show that my material relates specifically to the Philadelphia area——

Q. Will you describe your material, Professor?

A. Well,——

Q. Go ahead.

A. Using the materials taken from the answers to some of the questions, as well as the materials taken from the depositions of witnesses and other materials, I have attempted to develop an evaluation of the impact of the merger in the Philadelphia area that we will not expect to have if the merger resulted in the opening of further large accounts in this area by large corporations.

I tried to develop to some extent a quantitative study of the impact of this form of development.

Q. Have you also discussed the local banking situation with other persons in this area?

A. Yes. I have.

Q. Are those persons familiar with the banking situation in this area?

[fol. 1111] A. Yes. They are.

Q. Will you state who some of them are?

A. Well, I have discussed it with Prof. Oscar Goodman of Northwestern University, who is to be a witness in this case, and who has analyzed the local banking situation with considerable care.

By Mr. Littleton:

Q. How can you say that last? How do you know he has?

A. Well, I have seen some of the materials he has been working on with respect to the details of the branch banking locations of the banks involved in this case.

By Mr. Reycraft:

Q. Have you discussed it with other persons as well?

A. Also with Prof. Donald Jacobs of Northwestern University, who is also to be a witness in this case, and with the staff of the Department of Justice, the people who have been working on the case.

Q. Have you discussed it also with employees of the Federal Reserve Bank?

A. I have discussed certain aspects of it with employees of the Federal Reserve Bank, yes.

By Mr. Littleton:

Q. Name them.

A. Name the people?

[fol. 1112] Q. Name them, the employees of the Federal Reserve Bank with whom you have discussed this.

A. Well, I have discussed it with members of the Research Department.

Q. Name them.

A. Mr. David Eastburn, the Vice-President in Charge of the Research Branch of the Federal Reserve Bank of Philadelphia, and Mr. Clay—Dr. Clay Anderson, who is

a member of the Research Department of the Federal Reserve Bank of Philadelphia.

May I amplify that answer a bit?

Q. May you what?

A. May I amplify that answer?

Q. I just asked you to name the people.

A. I know you did.

By Mr. Reycraft:

Q. Would you care to explain your answer, Professor?

A. Yes.

I have discussed the case with these people and I have also obtained some of the information with respect to the Philadelphia banking situation that I needed for the purposes of the specific studies I was making from people in the Federal Reserve Bank of Philadelphia.

[fol. 1113] By Mr. Littleton:

Q. Who?

A. The people I mentioned.

Q. Any others?

A. Yes. There is one whose name I can't remember, who was in the Research Department.

Q. What is his position?

A. I am not sure. He's an employee in the Research Department.

He helped me dig out some information on Philadelphia and the four-county area demand deposits which I used for a certain purpose.

By Mr. Reycraft:

Q. Have you discussed it with Prof. Lester Chandler?

A. Only very briefly.

By Mr. Littleton:

Q. Who is he?

A. He is a professor of economics at Princeton.

By Mr. Reycraft:

Q. Will you identify him?

By Mr. Littleton:

Q. I beg your pardon?

A. He is a professor of economics at Princeton.

Q. Where is he now?

[fol. 1114] A. I have no idea. I have not discussed the case with him.

Mr. Reycraft: He is in India.

Mr. Littleton: I know that. That's what I wanted him to say.

The Court: He is in India?

Mr. Littleton: He is in India, Your Honor.

Mr. Reycraft: He is in India, Your Honor. He left on June 2nd.

By Mr. Reycraft:

Q. Prof. Smith, on the basis of your study of material and discussions——

Mr. Littleton: May I cross-examine him, if you have finished?

Mr. Reycraft: Oh, surely.

By Mr. Littleton:

Q. When did you first come to Philadelphia in connection with this case?

A. Let's see. It was—I have been here about ten days, I believe.

Q. Ten days?

When did you first start working on the Philadelphia aspect of this case?

A. Well, I read the merger application before I came.

[fol. 1115] Q. When?

A. I beg pardon?

Q. When?

A. Oh, about two weeks before I came to Philadelphia.

Q. And that would be——

A. I did not have time to spend very much time on the case until I came here.

Q. And you were first retained in this case about three and a half weeks ago?

A. That's right.

Q. Had you ever made any study of the Philadelphia banking situation before that?

A. No, sir. I had not.

Q. Particularly?

A. No, sir, I have not.

Q. You speak about a four-county area. What are those counties?

A. Philadelphia, Montgomery, Bucks, and Delaware Counties.

Q. In which direction from Philadelphia does Bucks County lie?

A. I believe it's northwest—I am not sure, to tell you the truth.

Q. Where does Delaware County lie?

A. I am not sure.

[fol. 1116] Q. How about Montgomery?

A. I am not sure.

Q. Did you ever hear of Camden, New Jersey?

A. Certainly.

Q. It's right across the river, is it not?

A. That's right.

Q. It is connected by two bridges, isn't it, with Philadelphia?

A. I don't know.

Q. You don't know that.

Did you include the Camden area at all in the consideration that you gave on the basis of which you were about to express an opinion?

A. No. I did not.

Q. How many commercial banks are there in Philadelphia?

A. Seventeen, I believe.

Q. How many branches are there in Philadelphia?

A. Thirty-eight, I believe.

Q. How many——

A. No, no. No, there are thirty-eight banks, I think, in the four-county area.

Q. How many branches?

A. Oh, I just can't remember the numbers.

Q. How many banks? When you speak about the four-[fol. 1117] county area, how many banks in the four-county

area could make loans to persons or corporations up to $25,000?

A. I can't—I can't answer that question.

Q. You don't know anything about the lending limits of any of these banks?

A. I know the lending limits of the two, the charter bank and the merging bank, and the lending limit of the Pennsylvania Company, approximately.

Q. We are talking about alternative sources, aren't we?

A. Yes, sir.

Q. How many banks have a lending limit sufficient to make loans up to $50,000 in this four-county area that you picked out?

A. I am not sure.

Q. You haven't made any study of that?

A. That's true.

Q. And I suppose that goes for other categories of loans by size?

A. That's true.

Q. Is that correct?

A. That's true.

Q. How many of the Philadelphia National Bank borrowers over $50,000 have banking relations outside the Philadelphia area?

[fol. 1118] A. I am not sure of that, either.

Q. Have you given any consideration to any counties other than the three or four that you named?

A. No. I have not.

Q. What is the population of Philadelphia?

A. Slightly over 2,000,000.

Q. Something over what?

A. 2,000,000.

Q. What is the population of Bucks County?

A. I beg your pardon?

Q. Bucks County—what is the population of Bucks County?

A. I don't know that.

Q. I suppose you don't know Delaware or Montgomery, either?

A. No; I don't. I have a rough idea, but I——

Q. What is the number of population for each banking office within the four-county area that you selected?

A. I don't know that. I have seen the numbers, but I can't remember them.

Q. You don't know how many banks or banking offices there are per population?

A. No, I don't.

Q. You haven't studied that at all?

A. Well, I have looked at the figures, but I can't remember them.

[fol. 1119] Q. But you haven't made any study of that at all?

A. That's right; I have not.

Q. I suppose you haven't made any study at all in the ten-county area which appears in the application?

A. No, I haven't.

Q. Have you given any consideration to any of the counties other than Bucks, Montgomery, and Delaware?

A. No. I have not.

Q. Did you give any consideration to Bucks, Montgomery, and Delaware Counties?

A. As I say, I have done a study here on a certain aspect of this case that involved the four-county area.

Q. Well, let me ask you on another line, then.

The Girard Trust and the Corn Exchange bank merged in 1951. What study have you made of the other commercial banks in Philadelphia as to increase in loans of each since that merger in 1951?

A. I have not made any.

Q. Nor of the increase in deposits?

A. That's right.

Q. Nor of the increase in assets?

A. That's right.

Q. The Pennsylvania Company and the First National Bank of Philadelphia merged in 1955. What studies have [fol. 1120] you made with reference to all the other commercial banks in Philadelphia as to what their increase in loans has been since that merger?

A. None.

Q. Or increase in assets?

A. None.

Q. Or increase in deposits?

A. None.

Q. What is the leading bank of Delaware County?

A. The Delaware County National Bank, I believe. I believe it's the only bank in Delaware.

Q. What has been its growth over the last ten years?

A. Well, I don't know what its rate of growth is; it's grown substantially because it's carried through a number of mergers with other banks in Delaware County.

Q. It did what?

A. It carried through some mergers with other banks in Delaware County.

Q. Tell me which they were.

A. I can't tell you that.

Q. How many branches does it have?

A. I don't know that.

Q. Have you made any study of the commercial banks in New Jersey—Camden or elsewhere?

[fol. 1121] A. No. I have not.

Q. Have you made any study of the commercial banks in Wilmington, Delaware?

A. No. I have not.

Q. Would you consider or have you considered in your studies, if any, the First Camden National Bank & Trust Company as an alternative source for borrowing or depositing?

A. Not specifically, no.

Q. Where does the First Camden National Bank have its offices?

A. I would assume that they are in Camden, New Jersey.

Q. Any place else?

A. I don't know. The Camden—that bank has a branch in Philadelphia, I believe.

Q. Did you make a study of that?

A. Not specifically, no.

Q. You haven't made any study of what its growth has been in the last five years?

A. No. I have not.

Q. Or ten years?

A. (No response.)

Q. What is the lending limit of the First Camden National Bank & Trust Company?

A. I don't know.

[fol. 1122] Q. How many commercial banks are there for each range of loan in the four-county area?

A. I don't know.

Q. Do you know it for Philadelphia?

A. For each range, meaning loan size?

Q. Up to $25,000, $25,000 to $50,000——

A. I don't know.

Q. You don't know at all?

A. No.

Q. Do you have any figure on any of those things?

A. I know what the loan limits of some of the largest banks are, but I haven't made a study of the categories of the smaller banks.

Q. Now, you spoke of having had discussions with certain gentlemen in the Federal Reserve Bank of Philadelphia.

With what officers of any commercial bank in Philadelphia have you had discussions?

A. None.

Mr. Littleton: If Your Honor please, I object to this witness expressing any opinion as an expert or otherwise on the effects of this merger on competition or the banking situation in Philadelphia.

By Mr. Reycraft:

Q. Prof. Smith, will you explain in further detail the [fol. 1123] study which you made of the four-county area?

A. Well,——

Q. You may refer to any of the exhibits which have been identified, if you wish, or to the application.

A. Well, one of the things that interests me about this case is the contention that has been made that the Philadelphia area has shown a marked lack of growth in bank deposits and the contention that one way to get additional deposits——

Mr. Littleton: If Your Honor please, I object to this as not being responsive to the question and I move that it be stricken.

Mr. Reycraft: He is describing the foundation for his study, the aspects of it which appeared to warrant study;

and he is then going to describe the study that he made on the basis of his analysis.

Mr. Littleton: I object to the question.

The Court: Read the question.

(The testimony was repeated by the reporter as follows:

"Q. Prof. Smith, will you explain in further detail the study which you made of the four-county area?

"A. Well,——

[fol. 1124] "Q. You may refer to any of the exhibits which have been identified, if you wish, or to the application.").

The Court: You may proceed, Professor, without a dissertation.

Tell us what you studied.

The Witness: Well, I made a study of the effect of the increased loan limit on the Philadelphia area with respect to what this increase in the loan limit is likely to do, the effect the increase in loan limit is likely to have on the local availability of credit in Philadelphia.

By Mr. Reycraft:

Q. Prof. Smith, in making this study, what did you do? Will you please state the steps that you took in making this study.

A. Well, it's kind of hard to do.

I first developed——

By the Court:

Q. You considered certain factors, at least, didn't you?

A. I considered certain factors.

Q. All right. Tell us what factors you considered.

A. Well, I considered the probable ratio of new deposits to loan limits in Philadelphia, that is, how much additional deposits would be brought into Philadelphia, to the extent [fol. 1125] that large companies opened additional or established additional lines of credit in Philadelphia.

I tried to make a study of the probable extent to which those lines of credit would be used, and taking account of factors such as the reserve requirements in the Philadel-

phia area and the extent to which deposits that are generated by local loans are likely to stay in the Philadelphia area, I tried to make (and I think I have succeeded in making) at least rough approximations to the impact on the local area of the change in the lending limit.

By Mr. Reycraft:

Q. Now, in making this study, Prof. Smith, was it necessary that you know the detailed location of each branch?

A. I don't think that the material that I have been asked questions about has anything particular to do with the problem to which I have directed most of my energies.

Mr. Littleton: Let me ask you a question about this last thing you have said.

By Mr. Littleton:

Q. Of which banks did you inquire as to their largest borrowers and the deposits maintained by the largest borrowers?

A. I didn't. I relied on the material that I obtained from the deposition of Mr. Brown with respect to this. [fol. 1126] I think in making my calculations I have made assumptions—I have attempted to make assumptions that I have felt were particularly inclined not to exaggerate the conclusions that I arrived at.

Q. You didn't check on any facts?

A. I checked on facts with respect to loans in relation to loan limits from the material submitted by the two banks in response to the questions submitted by the Justice Department.

Q. Did you make any checks on the deposits maintained by large borrowers in each of the commercial banks in Philadelphia?

A. No, I didn't.

By Mr. Reycraft:

Q. Did you consider that it was necessary for you to do these things in order to reach a conclusion?

A. No. I think it seems to me that the study that I have carried out has relevancy to this case and that it is not

necessary for me to know all the details of the local banking situation in order to carry this out.

By Mr. Littleton:

Q. Don't you have to take all——

A. If I spent my time——

Q. Don't you have to start with facts, Professor?

[fol. 1127] A. I have used facts. The analysis is rather complicated; it's a little bit difficult for me to explain this in simple language.

I have prepared an exhibit with respect to this analysis that I would like to present to the Court, but I can't—it's too complicated for me to — able to explain exactly what I have done in this way.

Q. Well, would this study that you have made, that you say you have made, be applicable to any city in the United States?

A. That's right; it would.

Q. In other words, this wasn't directed just at this Philadelphia situation?

A. Well, the basic analysis that I developed would be applicable to any area and then what I attempted to do was to make some judgment, the best I could with the available materials, as to what the quantitative magnitudes were for the Philadelphia area.

The fundamentals of the analysis I developed would be applicable, it seems to me, to any area.

Q. Even though the facts and the conditions and the customs might vary in different cities?

A. I don't think it would make much difference in this particular case; that's right. I think——

[fol. 1128] Q. You mean your theory would be the same?

A. The quantitative; that's right.

Q. Your theory would be the same?

A. That's right.

Q. No matter what the facts might show?

A. Well, I would say to a considerable extent that's true. I admit that it sounds rather odd, but I think——

Q. But it is true?

A. I think it is true.

By Mr. Reycraft:

Q. You are not referring, are you, Prof. Smith, to the fact that the statistics on which you relied, for example, the loan limits in the area, the amount of reserves, for example, which it was stated by Mr. Brown, are kept behind loans?

A. No. I am referring to——

Q. The facts that you are referring to are the local customs of people, the geography, the population?

A. That's right.

Q. These are the types of things that you are indicating as an economist are not relevant to this particular type of analysis which you undertook?

A. That's right.

[fol. 1129] By Mr. Littleton:

Q. Professor, referring to the last answer you gave to me that this would be your theory and this is your theory no matter what the facts might show,——

A. No, that's not true. I can't explain why it is not true until I can present the analysis.

Q. But you have formed a theory without reference to facts other than the ones you have seen in the application and these exhibits that you are talking about.

A. I suppose that's true.

Q. And this theory would apply to any other city in the United States?

A. I think it would, yes, sir.

Q. In other words, this is a theory that you had even before you were retained to give an opinion in this case?

A. Some of the fundamentals of it, I had; but I developed the analysis as applied to this kind of a problem.

Q. So that you were retained because this was your theory——

A. That is not——

Q. —before you formed your opinion on this case?

A. No, sir; no, sir. That is not true.

All I meant to say is that I have studied problems of this kind quite a lot. I am concerned with commercial banking and how it works.

[fol. 1130] As a matter of fact, this particular analysis I did not develop until after I started working on the case. Once I got onto the case and ran across this particular problem, I directed and channeled a good bit of my energy into developing this particular kind of analysis, and I couldn't——

Q. As I understand it, it worked out to your usual theory; is that correct?

A. All right, yes.

The Court: Proceed, Mr. Reycraft.

By Mr. Reycraft.

Q. Prof. Smith, will you explain what you did in making your analysis?

A. Now, there is some material that I haven't presented here as background, and I might say in my judgment, fundamentally necessary background to this study, that is——

Q. Pardon me a moment, Professor. Is this one of them?

A. No, no. I have got an exhibit here.

However, there is some background material to this analysis that simply has to be presented if I am going to do a satisfactory job of explaining.

Q. Prof. Smith, I request that you make such background explanation as you believe is necessary in order to fully explain your analysis.—

[fol. 1131] A. All right. Let me explain the analysis I have carried out, starting from the beginning.

In the first place, the question, as I see it, is whether an increase in the loan limit in Philadelphia—and I think the essentials of the analysis would be the same in any other area; the details might be different, as I will try to show, whether an increase in the loan limit in the Philadelphia area will draw in loanable funds into the area, and therefore benefit the local area.

There is a suggestion in the merger application and some discussion in Mr. Brown's statement to this effect, and that is what I have directed my energy to some extent toward trying to analyze—whether, in fact, increasing the loan limit in banks in a particular area, with specific reference to Philadelphia, would increase or tend to de-

crease the supply of loanable funds available in the local area.

The first step in this analysis—and this is where I have to develop some background—that I have to discuss is the question of the effects of the availability of banking facilities on the location of business activity. That is, does an increase in the available banking facilities, an increase in the size of the largest bank, or any development with [fol. 1132] respect to banking likely to have a significant effect on the location of industry in a particular area.

Now, I would like to consider this question from two standpoints—one from a logical standpoint, and, two, from the standpoint of such empirical studies as have been made with regard to the factors influencing the location of economic activity.

In the first place, looking at the thing from a logical or a theoretical standpoint (and I think this is not—I think this is one necessary way to look at it) there is a fairly standard doctrine of analysis developed by economists with respect to the factors influencing the location of economic activity.

One way to look at it is that we can break down the costs connected with economic activity that will tend to vary from one area into another, for example, into transfer costs, so-called, and into processing costs.

That is, transfer costs have to do with the costs of transporting materials and other elements necessary to produce a product, and also to the area where the production is carried out—from the area where the materials come from to the area where the production is being carried on, and the cost of transporting the final product from [fol. 1133] the area where it is being produced to the area where it is to be used or consumed; that is, the transport cost of the final products.

Now with respect to these transfer costs, they do influence the location of many types of economic activity, and in this connection it is possible to distinguish approximately a couple of different kinds of industries with respect to their locational orientation. Some industries are oriented toward their sources of raw materials; for example, the steel industry historically is a good example of this.

It tends to be pulled toward locations of coal and iron ore because the transportation cost of these relative to the transportation of the final product is very high; so the steel industry tended to be located near its raw materials.

Other industries, such as retail trade, banking, and industries that are strongly oriented toward consumers, tend to be located near markets. One reason for this may be that the cost of transporting the final product relative to the cost of transporting the raw materials is relatively low, and also because the market of convenience factor and so forth.

Also, other factors that influence location include production-cost factors, such as the labor costs of production, [fol. 1134] the availability of labor of a particular type, the availability of an industrial complex within which the particular industry fits, and factors of this kind; that is, in addition to transfer costs that relate to the cost of transporting raw materials and final products, there are production factors in particular areas that influence the location of industry.

Now, how does the availability of banking services fit into this picture?

Well, from a theoretical point of view we can think of banking services as an input into a production process, like a raw material. A company that is going to produce a product has to have banking services—lending facilities, deposit facilities, and so on.

The thing about banking services, and particularly lending facilities, that is peculiar in this respect is that the transportation cost on this particular kind of facility is practically zero. That is, it costs almost nothing to transfer funds from New York to Philadelphia or, as far as that goes, from San Francisco to Philadelphia; that is, the cost of transfer of these particular things is virtually zero. The transportation costs of banking services, therefore, one would not expect would enter into the decisions of business firms concerning the location of economic activity.

[fol. 1135] I might say, then, to summarize that on a theoretical basis we would not expect the adequacy of banking facilities to have anything to do (at least I wouldn't expect) with the location of economic activity; and I might

add in a general way that there have been many studies that related to location of particular industries to this kind of general analytical framework that I have just mentioned, and this analytical framework generally seems to explain the facts with respect to the location of industry in many segments of the economy very well, indeed.

Now, turning from the analytical aspects of this to a review of the empirical studies of the location of industry, I spent a little time trying to find materials relating to studies empirical, actual studies that have been made of the factors that, in fact, seemed to influence businessmen with respect to their decision as to where to locate plants and other types of business activity, and I found several studies that I might refer to.

There is a study, for example, by George Katona and J. N. Morgan, called The Quantitative Study of Factors Determining Business Decisions in The Quarterly Journal of Economics for February, 1952.

This was a sample survey designed mainly to analyze the [fol. 1136] factors influencing industrial-location decisions, a sample survey of manufacturing plants in the State of Michigan, in which the producers of this study selected a sample of executives of plants and interviewed these executives with respect to the factors—well, the reasons for locating in the state and the disadvantages of a Michigan location and so on.

Well, now, they tabulated the results of their interviews in terms of percentages, with the percentages being weighted according to the amount of employment represented by the different firms that they discussed.

In considering the reasons for locating in Michigan they found such things as the fact that personal reasons, preferences of the executives of the firm represented 51 per cent of the replies; the location near markets, 33 per cent; such factors as the availability of plants or plant sites, 12 per cent; and so on.

There was no mention whatever of banking facilities or any other factor that seems to be at all related to banking facilities in any of the answers.

Similarly, in asking some of these executives their opinions with respect to the disadvantages of a location in Michigan, things that were mentioned were such things as

wage rates, 31 per cent; and so on. Again, no reference was made to the adequacy of banking facilities as a factor [fol. 1137] in their attitude toward the state.

In addition, I studied another analysis that had been prepared along the same line. These are the only two major studies of this kind that I know of. This one was prepared by G. H. Ellis and was called Why New Manufacturing Establishments Located In New England, studying the period from August 1945 to June 1948, in The Monthly Review Of The Federal Reserve Bank Of Boston For April 1949.

Now, this study was conducted by Mr. Ellis by taking the reports on the findings of a study of the location procedures, that is, the methods followed in deciding on industrial location and the problems related thereto, of 106 New England establishments which were set up in New England during the immediate post-war period. The two principal objectives of this study were to determine the factors which induced businessmen first of all to locate in the full New England area and then specifically to find out what made them pick out the particular communities which they decided to locate in.

In carrying out the study, a sample of firms that moved into New England of 106 firms was picked from a master list of new establishments that had been developed in New England during this 1945 to 1948 period, and then the [fol. 1138] individuals were interviewed by Mr. Ellis or his representatives.

Again, we find that tabulations were prepared in which the respondents were asked their main reasons why new establishments were located in New England. The tabulation was as follows:

There were 106 companies and they then mentioned 118 reasons. Some of them mentioned more than one principal reason, for example, and that is why the total number of reasons tabulated amounts to more than the companies.

Again, for all firms involved, personal reasons account for 37 of the locational decisions; market advantages for 28; production relationships, that is, the availability of ancillary production facilities and so on, 19 per cent; avail-

ability of materials—not per cent, I am sorry. These are cases, the number of cases out of the total number of 106.

Material availability, 11; management relationships with other management people in the area, 8 cases; labor considerations, 6 cases; available plant in the area, 5 cases; water supply in the area, 2 cases; waste disposal in the area, 1 case; transportation facilities, 1 case.

No mention whatever of banking facilities or related financial facilities.

Now, there was further a study made of the particular [fol. 1139] reasons for selecting particular localities within New England as a place to locate.

The Court: We will wait until 2 o'clock to hear that.

(Recessed at 12:28 o'clock P. M. for luncheon.)

[fol. 1140] [File endorsement omitted]

AFTER RECESS

WARREN L. SMITH, resumed.

Direct examination (cont'd.)

By Mr. Reycraft:

Q. Professor Smith, before the intermission I asked you whether you had examined any other material with reference to the decisions of corporations to locate business enterprises.

A. Yes, I examined everything I could find. I examined the Katona and Morgan article that I mentioned this morning and the Ellis article in the Federal Reserve Bank of Boston Bulletin, and an article which I found in "Iron Age," by an official of the Fantus Factory Locating Service, entitled "How to Choose a Plant," in the March 27, 1958, issue of "Iron Age," and I looked rather carefully throught the standard book in this field of industrial location, a book by Edgar M. Hoover, called "The Location of Economic Activity."

To summarize what I found, or rather what I didn't find, I found no reference in Professor Hoover's book anywhere to any banking facilities consideration as a factor in determining the location of industry, nor did I find in any of the [fol. 1141] articles which presented material on the empirical studies, interviews with businessmen and the like relating to the factors influencing the location of industry, nor did I find at any of those sources any indication that banking facilities have anything to do with industrial location.

The one conceivable exception to that finding is one interviewee in the Ellis study who was relocating a plant in New England, indicated that the major factor in his decision was the availability of capital. This could mean a lot of things, and there is no indication that it means banking facilities, but, in any case, this is the only response or reference in any of these studies that I was able to find that could conceivably be regarded as having anything to do with the availability of banking facilities.

Q. Professor Smith, did you give any consideration in your analysis to the assumption that an increase in lending limit would cause large corporations to increase their borrowing in the Philadelphia area?

A. Well, I think this is a somewhat conjectural question, and I am not sure that anybody can give a clear cut answer to it. I would, on the basis of my general——

Q. First let me ask, Professor Smith, what materials did you rely on in making this analysis?

[fol. 1142] A. Well, I relied to great extent on the general work I have done in this field. I have done a good deal of work in the past in the banking field, and I have had some contacts with people in this field, and I have done a very intensive analysis of the, for example, the consumer credit area, a very careful study of the Federal Reserve consumer credit study, where there is a lot of discussion of bank lines and lending limits, and so on, particularly in connection with the sales finance companies, and on the basis of this I would be inclined to doubt whether the expansion of the lending limit of a local bank would be likely to induce very many corporations to open lines of credit here, and particularly whether they would tend to increase their deposits.

Q. Even despite your doubt, did you analyze the situation on the assumption that it might?

A. Yes, that is really the main thing that I did do.

By Mr. Littleton:

Q. You mean you analyzed the situation in Philadelphia?

A. Yes, sir. That is, suppose we did have an increase in the lending limit of a local bank, let's say through the merger that we are considering here, and let's suppose that the increase in the lending limit did in fact induce some large national companies located outside the area [fol. 1143] or located in the area already, I don't care which, to open credit lines with the expanded bank in the Philadelphia area. Let's take this to be a fact. The question I am addressing myself to, is, if this happens, what would be likely to be the effect of such an activity on the availability of credit in the local Philadelphia area, and I shall address my attention in my analysis to the four-county area, that is, the branch banking area contiguous to Philadelphia, that is, the counties of Philadelphia, Bucks, Delaware, and Montgomery, as the local area.

By Mr. Reycraft:

Q. What other assumptions are contained in your analysis?

A. I think the best way for me to go through this analysis is to—I have prepared an exhibit on this point——

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 60 a three-page document headed "Effects of the Opening of New Credit Lines for Outside Firms on the Availability of Credit in Philadelphia."

(Document entitled "Effects of the Opening of New Credit Lines For Outside Firms on the Availability of [fol. 1144] Credit in Philadelphia" was marked G-60 for identification.)

Q. Professor Smith, referring to Government's Exhibit No. 60, will you explain what you did in preparing this exhibit.

A. Yes. What I did was to develop a general framework of analysis for this kind of program and then try to apply

that framework of analysis specifically to the Philadelphia area.

Q. In other words, you proceeded from the general to the particular?

A. That is right. Now let me explain the logic of my analysis here, and I will just go through this exhibit pretty carefully, because I realize that for somebody unfamiliar with this, it is kind of hard to follow.

In the first place, I have used symbols here, because it is easier to work out the general case this way and then substitute values for some of these symbols that I have estimated on the basis of materials taken from the bank activity in the Philadelphia area. I will explain where I got the estimates that I used for Philadelphia, in a little bit.

Let me explain the symbols first. First let this capital C [fol. 1145] at the beginning stand for the amount of new credit lines established. What I am saying is, suppose that the large companies open credit lines in Philadelphia, and I don't really care whether they are all firms that have economic activities located in Philadelphia already or whether they are large firms not now located in Philadelphia who open credit lines here. It doesn't matter.

Let C be the amount of new credit lines established on this basis. Now, when those new credit lines are established, I am assuming that what happens is that the firms in establishing the credit—let me go next to this—the letter d stands for the deposit requirement as a percentage of the credit line. That is, I am taking it as an assumption that when a credit line is established in a Philadelphia bank the firm establishing the credit line is going to be required to maintain, in a form of a deposit account in the Philadelphia bank, a certain portion of that credit line, and that percentage of the credit line that he has to maintain in the form of a balance in the Philadelphia bank is designated by the letter d in this analysis.

Q. Professor Smith, what is the basis for that particular assumption?

A. Well, the basis for that assumption is the statement [fol. 1146] that it made in the deposition of Mr. George H. Brown, the president of the Girard Corn Exchange Bank, on Page 29 in that deposition, where Mr. Brown mentions, on Page——

Mr. Reycraft: Pardon me, Professor. Before we proceed may we have this marked as Government's Exhibit No. 61.

(Deposition of George H. Brown was marked Exhibit G-61 for identification.)

Mr. Littleton: That is the whole deposition?

Mr. Reycraft: Yes, sir.

The Witness: On Page 29 of the deposition Mr. Brown is speaking about the establishment of new credit lines, and in a paragraph starting about slightly over half way down the page he says:

> "To illustrate, if we gave a line of credit of $2 million to a customer, he would carry $400,000 with us as a deposit. If we could move that line of credit up to $5 million for that very same customer, he would carry a balance with us something on the order of $1 million; so that we would increase our deposits [fol. 1147] just by being able to grant greater lines of credit availability."

Let me amend a statement I made at the beginning to make it a three-way rather than a two-way statement. I don't care whether the credit lines I am talking about are credit lines that are established in Philadelphia by companies that did not have operations in Philadelphia and did not have any credit lines here before or whether they are credit lines that are established by firms outside that have no operations in Philadelphia, nor whether it is an increase in credit lines by companies who already have a credit line in the Philadelphia bank. The analysis applies to any of those cases, whether it is an establishment of a new credit line by an inside or outside firm and whether it is an increase in a credit line already in existence.

Q. What is the next factor you considered, Professor?

A. Well, the next thing that has to be taken into account in this analysis is the reserve requirement percentage applicable to banks in Philadelphia or whatever the area is that one happens to be applying this particular framework to. That is designated by r.

Q. What is the next factor you used?

A. The next factor that has to be taken into account is [fol. 1148] the proportion of the credit line that is open that is in use on the average. That is, the amount of the customer's actual borrowings from the bank involved as a percentage of the credit line. That is, his loan from the bank as a percentage of his available line of credit. That is what the letter k stands for.

Q. Did you use additional factors?

A. Well, the additional factors that we have to take into account, we have to have a symbol here to stand for the amount of the addition to excess reserves of Philadelphia banks. I might point out this can be either positive or negative, that is, these operations may increase or they may decrease the amount of excess reserves available in Philadelphia banks to support lending and investing activities.

The next thing is, let's suppose that any additional excess reserves that Philadelphia banks get as a result of the opening of credit lines in local banks—let's suppose that any excess reserves they get for this purpose are used for the purpose of making loans in the Philadelphia area. For example, if they get more reserves in as a result of the opening of lines and the making of deposits than they use [fol. 1149] to make loans to outside customers—let's suppose that they use all that money to increase their loans to local firms located within the four-county area. Now, the amount of additional local loans that they make is designated by the letter L.

Finally, the final factor that I took into account—this is not a very important factor, but I thought that it ought to be introduced into the picture—the letter p stands for the proportion of new deposits that result from the making of loans in this locality that can be expected to remain in Philadelphia banks. That is, when a Philadelphia bank makes a loan to a borrower in this area, that borrower may spend that money anywhere in the United States, or, as a matter of fact, outside the United States. A great deal of these deposits will, I know, be drained out because they will be used to make payments to persons located outside the four-county area, but some of the deposits are likely to kind of stick in the Philadelphia area in the local banks,

and I tried to take into account in this analysis the proportion of deposits that can be expected to remain in Philadelphia, as distinct from those that can be expected to move out.

Q. What is the next step in your analysis?

A. Well, the next thing is to fit these variables that [fol. 1150] I have put down here together into an analysis. Let me run through the steps in this analysis and try to explain how I went about this.

In the first place, if we multiply d, which is the deposit requirement as a percentage of credit lines, by C, which is the dollar amount of new credit lines established, then this factor dC is the amount of additional reserves and deposits received by Philadelphia banks as a result of establishing credit lines.

Let me illustrate that with a number. If $100,000 of additional credit lines were established, and if d were 20 per cent, Philadelphia banks would gain $200,000 of deposits, and since by assumption these deposits come in from outside Philadelphia, they would bring with them $200,000 of reserves. That is, let's say a firm located in New York opened a credit line and put down a $200,000 deposit in Philadelphia. I am assuming that he would do this by writing a check against a deposit he has already in a New York bank and depositing that check in Philadelphia to open a credit line, and the reserve would shift at the Federal Reserve Bank from the bank in New York to the bank in Philadelphia. That is the first step.

[fol. 1151] The next step is, what I did was to take the product of k and C, k being the proportion of new credit lines in use on the average. That k times C is the amount of new loans to firms opening credit lines and the amount of reserves leaving Philadelphia as a result of these loans.

To illustrate what the numbers mean again, suppose a $100,000 credit line was opened, and let's say the average amount that the company borrowed under the credit line was, let's say, 25 per cent. Then this kC would be $25,000.

Now, at this point I would like to emphasize that the analysis I went through a few minutes ago about the location of idustry is crucial to my argument. I want to make my argument perfectly clear. You see, I am saying here in this second step, kC equals the amount of new loans to firms

opening credit lines. That is one thing it means. It also means the amount of reserves leaving Philadelphia as a result of these loans.

Now, if firms' actual economic activity in Philadelphia is unaffected by the availability of credit in Philadelphia, that is, if my argument that I went through a few minutes ago is correct, namely, that the availability of banking facilities is not a factor in determining industrial loca-
[fol. 1152] tion, then it follows that the firms located in Philadelphia have already decided the scale of their operations, their payrolls, and other activities in Philadelphia, quite apart from the availability of banking facilities here, and it follows from that that any money they borrow in Philadelphia will be spent, in effect, outside the Philadelphia area, and when it is spent outside the Philadelphia area, it will take outside the Philadelphia area an equal amount of reserves along with it.

That is why I want to make, as I say, perfectly clear what the basis for this argument is, that this study and factors influencing industrial location is directly related to this.

So now this is the first two steps.

Now, the next step is to put these two steps together. That is, if, when a firm opens a credit line, it makes a new deposit equal to d per cent of the credit line C, and it borrows in Philadelphia and spends outside k per cent of the credit line C, then the gain in reserves to the Philadelphia bank is equal to d minus k multiplied by C.

That is, to take an illustration of that: If they put down, if the credit line is $100,000, and they put down a deposit
[1153] of 20 per cent, or $20,000, and they immediately borrow 10 per cent or $10,000 and spend the money outside Philadelphia, when they put the deposit in, they put in $20,000, and when they borrowed and spent outside Philadelphia, they took out $10,000, the net gain of reserves to the Philadelphia bank from this operation is $10,000, the difference between the $20,000 and the $10,000.

This third step here tells us how much the net gain in reserves is to the Philadelphia bank. The next thing we have to take account of is the fact that if the local outside firms establish credit lines here and put down deposits behind those credit lines, and those deposits amount to d times C, then behind those credit lines the Philadelphia

banks are going to have to carry some additional reserves, so that to get the amount of reserves they will need to tie up, behind those new deposits that are created as a result of the credit lines we have to multiply the factor dC by the reserve requirement of the Philadelphia banks.

To carry that example through on that. If C is $100,000 and d is 20 per cent, then dC is $20,000, and if the reserve requirement was 10 per cent, then the amount of reserves that the banks would have to put down behind those new [fol. 1154] deposits would be $10,000. That is 10 per cent of the additional $100,000. I am sorry, $2000, 10 per cent of the additional $20,000 of deposits.

Now, next I tried to put all these factors that I have discussed so far together. That is, if the amount of loans that the Philadelphia Central Reserve City banks, the large banks in which these lines of credit are open, the amount of excess reserves they would have as a result of this operation is equal to the additional reserves they obtain, which is d minus k times C minus the amount of reserves that is tied up behind the deposits created, so it is d minus k minus rd multiplied by C, and I have just, in the second step here in line—Step 1, 2, 3, 4, 5—I have simply reorganized the algebra a little bit and I have said that that is equal to the gain in excess reserves of Philadelphia banks resulting from the establishment of new credit lines.

Maybe I ought to try to explain that again. d minus k times C is the additional reserves received. rd times C is the additional required reserves needed, and the difference between the reserves received and the reserves tied up is the amount of additional excess reserves, so that as a result of this operation the gain in the excess reserves to Philadelphia—or maybe I should really have made that [fol. 1155] more general to say the local area banks—is equal to that amount.

Now, the next thing I do is turn to a different aspect of the problem, namely, the local loans.

Now let us suppose that Philadelphia banks make L dollars of loans locally. The proportion p I took up here is the amount of the new deposits resulting from the local loans that can be expected to remain in Philadelphia banks. So when you multiply that f factor, p times L, we get the

amount of deposits resulting from local loans that remain in Philadelphia banks. That is, suppose p is 5 per cent and $100,000 of local loans are made, then to the extent loans are made, deposits are created, 5 per cent of those deposits, or $5000, remain in Philadelphia banks.

[fol. 1156] The next step is to calculate the amount of reserves needed to support those additional local loans and that is obtained by multiplying the amount of deposits resulting from the local loans by the reserve requirement. That gives us the factor rp times L, that is, carrying the analysis one step further, if $100,000 of local loans are established and 5 per cent of them were in Philadelphia, that will be $5,000; and the reserve requirements, for example, are 10 per cent, then it will require $500 additional reserves. rpL will be $500 to support the newly-loan-created deposits in the Philadelphia area.

Now, the next step is that the deposits that do not remain in Philadelphia banks obviously go somewhere. They have to go outside the Philadelphia area, so the ratio (1—p)L is the amount of reserve leaving Philadelphia as a result of local loans. That is, 1 stands for 100 per cent. I am using decimals instead of per cent here, really, and if p is .5 per cent, 1 minus p is .95, or 95 per cent. That is, 5 per cent of the deposits created by local loans remain in Philadelphia; and obviously 95 per cent of them must go outside Philadelphia.

Now, next we can put these two factors together taking rp times L, which is the reserve needed to support new loan-[fol. 1157] created deposits in Philadelphia, plus 1 minus p times L, which is the amount of reserves going out of Philadelphia. This gives the amount of reserves that are absorbed by making L dollars of local loans. They are either absorbed by being lost to the city or by being tied up behind local loans in Philadelphia and this also, therefore, represents the amount of excess reserves that the Philadelphia banks in the first place must have had in order to make L dollars of additional loans.

So that we could set this expression, which I have rearranged algebraically here, 1 minus p—I am now on the second line on page 2 of this thing—1 minus p with p multiplied by 1 minus r and the whole thing multiplied by L equals X.

That merely reflects the fact that the amount of excess reserves must be equal to the amount of reserves needed to support the loans, and we can turn that around and solve for the amount of loans that can be made on the basis of a given amount of excess reserves when we get the expression—the reciprocal expression—$L = \frac{1}{1-p(1-r)}$, and the whole fraction multiplied by X gives us the amount of loans.

In other words, from this thing, if we know the proportion of deposits that remain in the Philadelphia area, the reserve requirements of the Philadelphia bank and [fol. 1158] the amount of excess reserves available, we can calculate the amount of loans that can be made here.

Next, and the final step in the algebra is the bringing together of the two pieces of analysis that I have carried out. That is, I figured out analytically, taking account of the deposit requirements and the loan tendencies of outside depositors, the amount of excess reserves that would result from C dollars of new credit lines being installed in Philadelphia.

That expression is on the first page, the fifth step. It is $d(1-r)-k$; the whole thing multiplied by C, the credit lines, and that is equal to X, the amount of excess reserves resulting from this; and the other factor that I developed tells us how many loans the banking system in Philadelphia can make locally per dollar of additional excess reserves.

If I put these two factors together, in other words, if I substitute the factor $d(1-r)-k$ times C for X, in the formula on line 3 on the second page, I get my final result. That is a rather complicated-looking algebraic expression, L equals an enumerator, the $d(1-r)-k$, divided by the denominator $1-p(1-r)$; and that whole fraction multiplied by C, the number of dollars of new loan lines established [fol. 1159] in Philadelphia. This tells the amount or gives at least the basis for an estimate of the amount of loans that can be made in the local area as the result of the opening of new credit lines here.

Now, to try to make this clearer, I have put down here a numerical example which was worked out for the purpose of having the arithmetic come out easily so that

people could follow what I was trying to say, how you come out in it.

Suppose that, for example, C equals $96,000; that $96,000 of additional new credit lines are established, say, in Philadelphia.

Now, let me clarify that I am not trying to say that this particular numerical example fits the Philadelphia situation. This is a hypothetical example designed to clarify what I am trying to say.

In the next step I am trying to discuss the applicability of this analysis to the Philadelphia area.

Let us suppose that $96,000 of new credit lines were established here. I might say I take the number $96,000 because it happens to make the arithmetic come out simply, because I am merely trying to illustrate my point here.

Let us suppose, for example, that d is 25 per cent, that [fol. 1160] is, .25. That is, the deposit requirement behind the line of credit is 25 per cent, instead of 20 per cent, as Mr. Brown's deposition indicated.

At the next step there, there is a typographical error. That should be r equals .2, not r minus or r = .2; but r equals .2. That r equals 20 per cent reserve requirements, which are assumed to be 20 per cent.

The next thing is that k equals .1 in this illustration. In this illustration I have assumed that borrowers use only 10 per cent of their loan limits; that is, that their loans are only 10 per cent of their lines of credit on the average.

Finally, let us suppose that p, the proportion of deposits remaining in the local area is .05, or 5 per cent.

If we substitute these values into the formula, if you might want to call it that, that I have worked out up above, we come out, when we solve it all through, that L equals $10,000; that is, this suggests that if deposit requirements behind lines of credit are 25 per cent, reserve requirements are 20 per cent, loans run 10 per cent of lines, and that 5 per cent of the deposits are created by local loans and stay in the local area, then an increase in credit lines of $96,000 will permit the banks in the area to increase their loans to local borrowers by $10,000.

[fol. 1161] Now, again, to carry the illustration further, just to make it as clear as possible what I am saying here,

I have constructed a little hypothetical balance sheet showing the outcome when this operation is carried out.

Suppose borrowers did open $96,000 of new credit lines in Philadelphia and suppose they did, in fact, put down 25 per cent deposits behind those credit lines. Then demand deposits in Philadelphia of these borrowers would increase by $24,000, and when they transferred those deposits in here they would bring in $24,000 of reserves from outside, so, that the first step would be that reserves would increase by 24 and deposits by 24.

Then I have assumed that borrowers borrow an amount equal to 10 per cent of their line. 10 per cent of the $96,000 is $9,600, or 9.6; so, next I have assumed that outside loans are 9.6.

I have assumed that when they borrowed 9.6 they used the funds outside Philadelphia and these, as a result, take 9.6 thousand of reserves out of Philadelphia.

That is the next step, outside loans plus 9.6 reserve minus 9.6; and then, after this, I have calculated through my formula how much local loans can be made on the basis of this.

[fol. 1162] Suppose the banks did make local loans of $10,000 and suppose that of the deposits generated in the Philadelphia banks, in the first instance by those $10,000 of local loans, 5 per cent remain in Philadelphia. Then we will have on our liability side of our balance sheet an increase in demand deposits of $500, .05.

On the other side, the local loans will increase by 10, if the borrowers used funds that they borrow, and I assume they do, then they will either spend them here or they will spend them outside. If they spend 5 per cent of them here they will spend 95 outside; and those outside spendings when they clear through the reserve system will take $9.5 thousand of reserves out of Philadelphia.

Now, if you look at this balance sheet you will see that everything comes out right in the sense that when you get through the banks have 24.5 thousand of additional deposits, against which they are required to have a reserve of 20 per cent, or $4.9 thousand of reserves; and you will see that the reserves increased by $24,000 in the first step, they decreased by 9.6 thousand as a result of the outside

loans, and they decreased by 9.5 as a result of the funds drained out by the local loans.

The result is that reserves increased by 4.9, which is precisely the amount necessary to support the $24.5 thousand of additional deposits. This is the maximum amount [fol. 1163] the banks could lend in Philadelphia on this basis.

If they loaned any more than that they would wind up with less reserves than they need to support their additional deposits; and if they loaned any less than that they would wind up with some unutilized excess reserves. This is precisely the amount they could lend.

Now, that constitutes my explanation of the procedure I followed in developing this analysis.

Q. Now, Prof. Smith, applying that procedure to the Philadelphia area, what do you come up with?

A. Well, let me refer to the last page first.

Q. That is page 3?

A. As to the basis of my calculations with respect to Philadelphia.

In the first place, I took as my value of d, that is, the deposit requirements behind lines of credit, the 20 per cent figure suggested by Mr. Brown's deposition, where he said that if a firm increased its line of credit from $800,000 to $1,000,000, it would increase its credit line accordingly; and this suggested a 20-per-cent requirement for deposits behind lines of credit.

The second thing, my value r, I took the 16.5-per-cent reserve requirement applicable to central reserve city member banks. Now, that is the value that I used for r. [fol. 1164] It would be, as I tried to explain here, slightly preferable—it is all right to use r as the reserve requirement in connection with the establishment of new lines of credit because I am assuming that the lines of credit are established by the central-reserve-city bank in Philadelphia, where the reserve requirements are clearly 16½ per cent.

But in the Philadelphia area as a whole there is one commercial bank in Philadelphia; the Second National Bank, that is classified by the Federal Reserve System as a country bank rather than a reserve-city bank and is, therefore, subject to a 12-per-cent reserve requirement instead of a

16½-per-cent reserve requirement; and there are a number of banks outside Philadelphia in the four-county area that are member banks subject to a 12-per-cent reserve requirement.

In addition to that, there are a number of non-member banks in Philadelphia and in the outside counties.

Now, there is a problem as to how to handle non-member banks because they have reserve requirements that are—in Pennsylvania non-member banks are permitted to count—I have got the information here some place, but they include holdings of federal and state and local government [fol. 1165] securities to the extent of, I think, 40 per cent of their reserves; and inter-bank deposits, that is, correspondent balances, to the extent of a further portion of their reserves. In other words, their reserve requirements are not comparable to those of member banks.

What I did to try to get an estimate of what the reserve requirement in this area would be on the average, I just assumed that the reserve requirement applicable to non-member banks is really zero, because in the sense that it doesn't absorb any member-bank reserves, it only absorbs member-bank reserves to the extent that non-member banks hold deposits in member banks, and the member banks, in turn, have to hold reserves behind those correspondent balances.

This is a relatively small amount and it is extremely difficult to judge what it would be, so I just calculated what the result would be on the assumption that it was zero. It wouldn't be very far from that; and I come out with a 14-per-cent average reserve requirement for all the banks in the four-county area.

Now let me say that in order not to complicate the analysis unduly, I didn't use that 14 per cent, which would be slightly preferable to use in the denominator of the final expression that I developed in the fourth step down from [fol. 1166] the top of page 2. It would have been a little better to use 16½ percent for r in the enumerator and an estimate of the average reserve requirements of 14 per cent in the denominator. It would have made very little difference in the results that I got, so I didn't bother to do it.

The reserve-requirement factor isn't terribly important

in this analysis, but anyway, that's what I did on the reserve requirements.

Next, with respect to k, which is the proportion of lines of credit that are in use on the average, in other words, the ratio of loans to lines, the best I could do on that was to take from the response of the Philadelphia National Bank to Questions 2 and 3 propounded by the Department of Justice some estimates. Well, those Questions 2 and 3 contained a list showing all the loans and lines of credit of customers in excess of $50,000.

There were some figures in the loan column marked with an x, and this was to indicate or designate cases where there was no formal line of credit. In all cases where there was an x in that column, the loan was exactly equal to the line of credit.

What I did was drop all of those cases out of my average [fol. 1167] because there was indicated to be no formal line of credit established, and took the rest—I simply took the sum of all the loans that had been made to those customers; and secondly, the sum of all the lines of credit extended to those customers, and then took the ratio of the total loans to the total lines of credit for all of those customers, as I say, leaving out the ones that were indicated to have no formal line of credit.

This, I might say, reduces my ratio somewhat because in all cases where they had not a formal line of credit, their loan was exactly equal to their line of credit.

When I got through with this I got a ratio of loans to credit lines of 51.8 per cent. That is my third step.

The fourth step was to try to get some kind of statement of what p is for the local area. The way I did that was—and I might say that in connection with getting the materials for constructing some of these estimates, particularly this estimate of the four-county area deposits, the Federal Reserve Bank was helpful. They let me have some materials to use for making these estimates.

I took from the Distribution of Bank Deposits by Counties and Standard Metropolitan Areas, June 15, 1960, published by the Board of Governors of the Federal Reserve [fol. 1168] System, the total amount of demand deposits—sorry, IPC demand deposits for the four-county branch-banking area surrounding Philadelphia as of June 15, 1960;

and for any estimate of p I took the ratio of that total to the total IPC demand deposits for the entire United States as shown in the same source, in order to get strictly comparable information.

The actual ratio of IPC demand deposits in the four-county area to the United States total on June 15, 1960, was 2.6 per cent. That is, Philadelphia on that date had 2.6 per cent of total IPC demand deposits in the United States.

Now, let me explain the rationale for making that calculation. p, remember, is the proportion of deposits that are generated as a result of making loans in this area that tend to stay here.

Now, what I assumed here when I made this calculation is that this figure is equal to the ratio of total demand deposits in the United States, total IPC demand deposits in the United States—I am sorry, excuse me—the ratio of total IPC demand deposits in the four-county Philadelphia area to the IPC demand deposits in the United States.

Now, this really must be approximately the case be- [fol. 1169] cause, as deposits clear through the Philadelphia area, if there was a strong tendency for more deposits than 6 per cent to stick in the Philadelphia banks, then Philadelphia bank deposits would tend to build up as a percentage of the total; and that is the basis on which I made that assumption.

Now, I think this assumption is, from the standpoint of this analysis, on the conservative side. I am told that for some time there has been a trend in this area toward a reduction in the Philadelphia ratio of demand deposits. That is, the additions to demand deposits in Philadelphia are very likely less than 2.6 per cent of the additions to demand deposits in the United States and this is, strictly speaking, the number that ought to be used here.

The truth is that this factor is so unimportant within any reasonable limit anybody could imagine in affecting the results that you get that it doesn't make a terrible amount of difference whether it's 2 per cent or 3 per cent or 5 per cent or even 10 per cent. It would make very little difference in the analysis, and yet I still felt that it should be taken into account.

Well, then, going back to page 3 of the analysis, what I did then was use my formula developed above and substitute into it the ratios calculated and estimated on the basis of the Philadelphia situation using d, deposit requirement behind lines of credit at 20 per cent.

[fol. 1170]

Q. Pardon me, Professor. You are referring to page 2 now, are you?

A. Page 2, I am sorry.

Reserve requirements of 16½ per cent, which coincides with the reserve requirements of reserve-city banks.

I didn't bother to take the k factor, that is, the ratio of loans to credit lines, exactly to 51.8 per cent. I have said equal to 50 per cent, which is about the same as this.

I wouldn't want to defend the accuracy of this analysis down to the last decimal point. I think the best you could get is some rough approximations to the situation.

Finally, I took p to be 3 per cent instead of bothering to make it equal exactly the 2.6 per cent.

So, on that basis my calculation comes out that L from my formula is equal to a minus—let me be sure that you notice the minus on there .342 C.

Now, that minus sign means that the opening of credit lines in Philadelphia on this basis will not increase the supply of bank credit available for making local loans in Philadelphia, but will tend to reduce it; and the order

[fol. 1171]

of magnitude of the reduction, taking the assumption that the ratios are what I have taken them to be from the statistics and from certain statements and so on, my estimate is that the supply of credit available in the local area, local Philadelphia area, would be reduced by something like 35 per cent of the amount of credit lines that are established here on this basis.

Mr. Reycraft: Any questions?

Mr. Littleton: If Your Honor please, I have no intention of anticipating cross-examination at this time, but I wonder if I could ask the professor one question.

The Witness: Surely.

Mr. Littleton: To see if he could clarify in my mind this numerical example on page 2.

By Mr. Littleton:

Q. Do I understand, Professor, that if this merged bank could grant a line of $9,600,000 to any customer, which neither of the banks can do now, it would add $1,000,000 to the amount available to lend?

A. If the money——

Q. May I finish?

A. Surely.

Q. —add $1,000,000 available to lend to local business and industry?

[fol. 1172] A. No, no. That is not correct.

Q. What do this C and L then mean?

A. If new credit lines were established of $96,000——

Q. I am just multiplying that.

The Court: $9,600,000 was the question.

Mr. Littleton: $9,600,000.

By Mr. Littleton:

Q. Wouldn't that mean, under your numerical example, that there would be——

A. That's right.

Q. —this $1,000,000 available to lend to local business and industry?

A. Yes, sir. That's right.

Q. Thank you. That's what I thought your numerical example meant.

A. I am sorry I misinterpreted.

By Mr. Reycraft:

Q. That numerical example, Professor, is not based on the actual situation for the Philadelphia area, however?

A. No. I would just simply like to emphasize that the numerical example was merely put in here to clarify my analysis.

By the Court:

Q. But the same example would reduce the credit available [fol. 1173] in Philadelphia, according to your testimony, by $3,420,000?

A. That's right, sir.

Q. So no bank in this world should take outside lines of credit because it reduces the area by one third; is that it?

A. Well, I have considerable more to say about this

Q. Good. Maybe you will make it clear.

Right now your testimony indicates that bank merger or otherwise that puts lines of credit outside reduces the availability of credit to the area.

A. That's correct; and I think that to a limited extent this is correct.

Q. That is your testimony. I followed you, I am sure.

A. But I do have, as I say, a number of further things to say about this before I am through.

Q. Very well. I will be happy to hear them.

A. Shall I go ahead now?

By Mr. Reycraft:

Q. Yes, Professor.

The Court: There is no question before you at this point. Mr. Reycraft has to pick up the ball.

By Mr. Reycraft:

Q. Will you explain your assumption further?

A. Well, I think, let me first say that in some respects I think the analysis I have developed here is conservative, [fol. 1174] and substantially so.

In the first place, I don't really think that this estimate of 20 per cent deposits behind lines of credit is likely to prove to be, likely to be realized.

Now, this is the impression I have on the basis of the study of banking generally—that banks do, in fact, usually try to maintain lines of credit, if they can get away with it, of something around 20 per cent behind loans, but not behind lines of credit. That is, there is a difference between lines of credit outstanding, that are not in use, and outstanding loans.

Now, it is my understanding that most banks do like to have the customer maintain a 20-per-cent deposit behind a loan, and I am also certain that no bank in its right mind would open a line of credit with a customer who did not have a deposit in the bank; and if he opened a line of credit with the bank he would have to put a deposit in.

The thing that I am rather inclined to question is whether the deposit would be likely to be as large as 20 per cent of the line of credit. I think it would be in some cases, where the bank had strong bargaining power with the customer, but I am not sure that this would generally be true.

It is my impression that in the cases where banks have [fol. 1175] succeeded in maintaining 20-per-cent lines of credit, in the most clear-cut fashion, have been the case of sales-finance companies, where sales-finance companies utilize the borrowing facilities of so many commercial banks, including very large ones scattered all over, that their bargaining power in relation to the banks is not as great as some other borrowers; and the banks are, in fact, able to obtain 20 per cent deposits behind, I believe, loans usually on the part of sales-finance companies.

Now, if the banks maintain deposits behind loans smaller than 20 per cent, this makes the analysis stronger; that is, I am sorry, if the banks maintain deposits behind lines of credit, succeed in inducing customers to make deposits behind lines of credit smaller than I have assumed, then this makes the credit drain out of the local area larger.

If they succeed in inducing companies to make deposits, establish deposits only behind loans, there is certainly no ambiguity whatever about the result, as long as my assumption is correct that the borrower spends all the money outside the local area.

On the other hand, I don't want to exaggerate the potency of this analysis, and I think maybe just the calculation I have made here does to some extent tend to exaggerate [fol. 1176] it.

What I think is very likely to happen is that if a commercial bank, by opening another larger lending limit, reorients its lending activities toward the national credit market or the regional credit market and away from the local area, and what would tend to happen would be that interest rates in the local area will tend to go up, that is, the supply of credit in the local area will be somewhat smaller.

As the interest rates rise in the local market, then it seems to me that the banks are likely to find it desirable to redirect their energies back into the local area some more and redistribute, that is, cut down a little bit on the extent

to which they emphasized the national market; and the result of this would be, I think, not so much a drain of credit away from the local area, although I would expect this to happen some, but a tendency for interest rates in the local area to rise somewhat above what they would be in the absence of this particular kind of activity.

That is, I don't want to exaggerate, also, if the local credit situation tightens and interest rates rise somewhat, there are many other lending institutions in the country that are in a position to transfer funds around from one part of the country to another, who will respond to [fol. 1177] the rise in interest rates in the local area and keep this tendency within bounds.

I think what I am really trying to argue here more than anything else is that the local area is very unlikely to gain credit as a result of the opening of lines, as a result of the expansion of the lending limits of its banks and the opening of lines of credit in the local area. I think, on balance, the local area is likely to lose. I don't want to exaggerate that the supply of credit is likely, to some extent, to be drained out of the local area and interest rates increased in that area.

On the other hand, I don't want to exaggerate the magnitude of that effect, but the direction of the effect seems to me to be fairly clear. I am fairly convinced, quite convinced, that a development of this kind would have some tendency to drain credit out of the local area, and certainly I can not imagine that it would tend to increase the flow of credit.

Maybe I can give the essence of this analysis more simply. If we neglect the complicating minor factors of reserve requirements and local deposits, I am simply arguing that if the banks induce customers to open lines of credit here and put down deposits here, and if the deposits they put down [fol. 1178] here are not greater than the amounts they borrow in the local area and spend outside, then the local area is simply bound to lose as a result of that.

If the firms do not put more in deposits in here than they borrow and take out, then the local area is bound to lose.

I have tried to take account of a number of minor complicating factors in the analysis, namely, the reserve requirement; and secondly, the tendency for credit to stick in the

local areas when local loans are made; but the effect of both of these factors is really rather unimportant. They are sort of refinements in the analysis.

But the essential point is that if a firm or firms borrow here more than they put in in deposits—and let me make quite clear what my specific assumption is— if they spend the money outside the area, that is, if the ability to borrow here does not induce them to expand the scale of their real economic activities and increase their pay rolls and things like that in the local area, which I firmly believe is the case, that they will not be induced to do so, then it seems to me it is clear that there is a tendency against which there are some natural economic forces at work that will tend to equilibrate the situation for credit to be drained out of the local area as a result of a development of this kind.

[fol. 1179] Mr. Reycraft: Would this be a convenient time for recess?

The Court: We will take a ten-minute recess.

(A recess was had)

By Mr. Reycraft:

Q. Prof. Smith, is the situation you described prior to the recess as applied to Philadelphia indicative of what, in your opinion, is happening in other large cities as banks increase in size?

A. I think this is true in several large cities. For example, it is true in New York City, that deposits in New York have not been growing as fast as the national average.

I think and I would suggest the fact that deposits in Philadelphia have not been growing as fast as the national average suggests to me that one factor in this development may well be that Philadelphia banks are directing a considerable amount of their energies toward financing economic activities outside the City of Philadelphia. I believe Philadelphia is, although very, very much smaller than New York, one of the six largest areas in terms of the proportion of loans made by the banking system outside the local area, that is, in the national market.

[fol. 1180] It seems to me that one way to describe what I am saying is that Philadelphia has, in relative terms, an unfavorable balance of payments, or the four-county area has an unfavorable balance of payments with the rest of the

country that reflects itself in the fact that deposits in this area don't grow as fast as deposits in the country as a whole.

What I am suggesting is that perhaps to some extent this unfavorable balance of payments, that is, this lack of growth in deposits in Philadelphia as fast as elsewhere, is already attributable to the fact that Philadelphia is exporting capital to the outside.

Now, exporting capital to the outside world does not improve an area's balance of payments. It tends to make it worse and so export of capital outside may well already be a factor in explaining what has been happening to Philadelphia bank deposits.

If Philadelphia banks concentrated still more on financing economic activity and borrowings—financing persons who now obtain their funds from areas outside Philadelphia—I suggest that this is likely to make the situation worse rather than better; although let me finally conclude, I don't want to exaggerate the importance of this fact.

[fol. 1181] Mr. Littleton: If Your Honor please, I wonder if the witness would tell us where he got his statistics about the position of Philadelphia being sixth.

The Witness: Well, I'm sorry, I can't—it's an article I read. I can find it.

By Mr. Littleton:

Q. Would you do that for us, please?

A. Yes. I will.

Mr. Littleton: Thank you.

Mr. Reycraft: Will you identify as Government's Exhibit 26 a table headed "Table VI"——

The Court: 61, isn't it? Isn't 60 the last one?

Mr. Reycraft: Mr. Brown's deposition is No. 61, Your Honor, which we did not give you.

The Court: I am sorry.

Mr. Reycraft: Will you amend my remarks to make this Table VI, "Relative Size of Business Borrowers at Member Banks by Size of Bank."

(Document headed "Table VI," entitled, "Relative Size of Business Borrowers at Member Banks by Size of Bank," was marked Exhibit No. G-62 for identification.)

[fol. 1182] The Witness: This table, which was taken from the Federal Reserve Bulletin of April——

Mr. Littleton: May we look at it for just a minute, please?

Mr. Reycraft: Yes.

Will you wait just a minute, Prof. Smith.

The Witness: Sorry.

By Mr. Littleton:

Q. Professor, I notice your source here is the Federal Reserve Bulletin of April 1958. Is that the latest there is on this subject?

A. Yes. This is the results—the Federal Reserve made two surveys of member-bank loans in 1955 and 1957; and they don't compile information classified in this way on a regular basis, so this is the latest available.

Q. But this is the latest?

A. Yes, sir.

[fol. 1183] Q. The survey which is referred to as your source is the survey with respect to which the two banks submitted sample studies; is that correct?

A. Yes, sir.

Q. Professor, referring to Government's Exhibit No. 62, what does it show with respect to the relative size of business borrowers at member banks by size of bank?

A. As you can see from the table, it certainly suggests a distinct tendency, which is really not at all surprising, for large banks to emphaisze lending to large borrowers more than smaller banks do.

Mr. Littleton: Excuse me just a minute.

If Your Honor please, I notice that large banks and small banks are indicated by under 10 million, 10 million to a hundred million, and so on, but we are now talking about small and medium and large business. May we have the definition of each of those before we get into it?

The Witness: Again, as you will see in the footnote, the Federal Reserve used a classification, and I didn't bother to copy down the details of it. I will be glad to get it and supply it for the record if you would care to have me do that.

By Mr. Littleton:

[fol. 1184] Q. You can't yourself define small business?

A. I simply took the Federal Reserve definitions. What they did was by industries. I don't think anybody can really define small versus large businesses.

Q. You made up the table in which you speak of small business, and I would like to know what your conception of small business is in the table you made up.

A. Generally speaking, the Federal Reserve used the definition of a small business as under $50,000, I believe.

Q. Is that the definition you are using in your table?

A. May I please explain? The Federal Reserve, however, felt—and I think this is unquestionably true—that a small business in some lines involves different size assets than in other lines. Small retail stores are of different size from small steel manufacturers, and what the Federal Reserve did was go through by industries and make their own judgments as to what constituted a small and a medium size and a large business in different industries. As I say, I can't remember the precise details of the Federal Reserve classification. I simply accepted it. There is a reference here to the place where you can find it. I would be very glad to get the table. As a matter of fact, it is not a very big table. It takes up half a [fol. 1185] page in the Federal Reserve Bulletin. I would be very glad to get the table and supply it for the record.

Q. In your testimony now as to small, medium, and large, your definition is within the frame of reference of the Federal Reserve category?

A. I simply accept the Federal Reserve definition of small, medium, and large business, yes, sir.

Now, accepting those definitions, this table does indicate that larger banks tend to orient their lending activities increasingly to larger borrowers, and particularly the last two classifications, I think there was some significance. Banks with assets between a hundred thousand dollars and a million dollars, their loans to medium sized businesses are about half of the total loans, and they make more loans in the aggregate to small borrowers than any of the classes of banks do. Their loans to large borrowers, as classified by the Federal Reserve, constitute about a third of their loan portfolios.

For banks with assets of a million dollars and over, the absolute amount of small loans goes down. The medium sized loans drop relative to the total, and the large loans constitute somewhat slightly more than half of their total [fol. 1186] loan portfolios. This does suggest that larger banks do tend to concentrate their activities in the field of larger business.

I would like to relate that to the analysis that I developed.

Q. Can you explain the relation of this exhibit to your analysis?

A. I am not so sure that this line of credit argument has a tremendous amount of validity to it, because I am not convinced at all that large firms will in fact tend to open lines of credit right and left because the bank gets slightly larger from a loan limit of $8,000,000 to a loan limit of $15,000,000, but I do think, from what we know about the way banks operate, that a substantially larger bank is very likely to redirect the channels of energy toward the larger borrowers and toward the national market. So that apart from the increase in lines of credit, and maybe the increases in lines of credit will be a by-product this, that is, if they are willing to make larger loans and make that known, they may be able to attract more business, but it will be their lending desire and their emphasis on the servicing of large business that will tend to attract lines of credit and build up their loans.

I suggest that this is not likely to benefit the local area, [fol. 1187] because the increase in banking facilities, in my judgment, will not have a tendency to cause business firms to locate their real economic activities in this area any more than before. What I am trying to say is that what we know about the different size banks suggests that as a bank gets larger it tends to direct its energies more and more to the financing of the national market and large firms.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 63 a one-page table headed "Table VII," entitled "Size-of-Bank Variations in Interest Rates on Business Loans by Size of Borrower."

(Document entitled "Table VII, Size-of-Bank Variations in Interest Rates on Business Loans by Size of Borrower" was marked Exhibit G-63 for identification.)

Q. Professor Smith, what is the source of the information contained in Government's Exhibit No. 63?

A. That again is taken from the same source as before. That is taken from the Federal Reserve Bulletin of April, 1957, from an article discussing the findings of the Federal Reserve loan survey of 1957.

Q. Professor Smith, what does the exhibit indicate with respect to variations in interest rates on business loans by size of borrower as related to the size of banks?

[fol. 1188] A. Well, as can be seen, the table cross-classifies—this time the Federal Reserve did not use the definitions small, medium, and large, but rather simply used a numerical classification for borrowers less than $50,000 total assets, 50 to 250, 250 to 1000, and so on, with the largest class consisting of borrowers with assets of $100,000,000 or more. I would like to be sure every one understands those figures are in thousands, so that the lowest number is $100,000,000 or more. Then they classify banks in the same way as before with total deposits under $10,000,000, between $10,000,000 and $100,000,000, between $100,000,000 and $1,000,000,000, and $1,000,000,000 and over, and relate from their survey of business loans the size or the interest rate on loans classified by size of borrower and size of bank.

I might say that the general information that we have, when we don't classify loans according to the size of the bank, is that large borrowers pay lower interest rates on loans than small borrowers do, and this table clearly suggests that.

In every one of these columns that you start from the top, with the borrower less than $50,000 of total assets, interest rates go down as the size of the borrower goes up. This, I might say, is not at all surprising. A large borrower [fol. 1189] is, generally speaking, a somewhat safer borrower, and also the loans to the large borrowers tend to be larger loans, and the administrative costs of the loan are to some extent fixed costs that don't vary with the size of the loan, so that the cost is spread over a larger number of dollars if a larger loan is made. So that there are really good, sound reasons why large companies might be expected to pay lower interest rates, but I would like to direct your attention to the behavior of the interest rates on loans of different sizes as the size of bank changes.

You will notice that for borrowers with less than $50,000 of total assets, as we go across that row, for all banks the average interest rate was 6½ per cent. Banks under $10,000 charged on the average, in the loan survey, interest rates just equal to the average. Banks with assets between $10,000,000 and $100,000,000 charged small borrowers on the average an interest rate of 6.4 per cent. As the size of bank went up to the hundred million and to the billion dollar class, interest rates rose to 6.6 per cent for borrowers in this size group, and for banks with deposits in excess of a billion dollars, the rate rose still further to 6.9 per cent.

A similar tendency is apparent as you go across the rows [fol. 1190] here for the different sizes. 50 to 250, the interest rate falls from 5.8 per cent to 5.6 as you move from under $10,000,000 banks to $10,000,000 to $100,000,000 banks. It increases slightly as you move to banks of a hundred million and a billion dollars and rises still more as you go to banks with deposits of over a billion dollars.

A somewhat similar tendency is apparent for borrowers with assets between $250,000 and $1,000,000, but when we get to borrowers with assets of $1,000,000 to $5,000,000 and the classes thereafter, the tendency becomes somewhat different. We begin to encounter a tendency, especially when we get to some of the larger banks, when we go from the $10,000,000 to $100,000,000 total deposit bank, through the $100,000,000 to the billion dollar deposit bank, and finally to the $1,000,000,000 and over deposit bank, we have a tendency for the interest rates charged to borrowers with assets in these larger size ranges to decline.

Now, the information available on the relationship between the size of the borrower and the size of the bank and the interest rate is admittedly quite limited. This is the only material that I know of that is available on this [fol. 1191] subject, and I do not want to exaggerate its significance. I think it is distinctly worth giving our attention to. That is, it does appear from this table that for some reason there is a tendency for the interest rates that smaller borrowers have to pay to go up as the size of the bank they borrow from increases, and that for the same—borrowers in the same size classes, for the larger size classes—borrowers in a given size class tend to pay a lower interest rate as the size of the bank increases.

Now, one possible explanation for this that I would like to suggest and then refute is that—now banks make loans of various terms. They make short-term loans, which are usually defined to be commercial and industrial loans with maturities of less than a year. They make so-called term loans which are sometimes divided into two classes, loans with maturities between one and five years and loans with maturities of over five years. One possible explanation for the fact that interest rates on loans by large banks tend to rise as the size of the borrower—interest rates tend to rise as the size of the bank increases for the same size borrowers, it is possible that larger banks make more term loans to small borrowers than the smaller banks do.

[fol. 1192] I have a table here that I would like to introduce giving some information on this.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 64 Table No. VIII, headed "Term Loans as a Percentage of Business Loans at Member Banks by Size of Borrower and Size of Bank, October 16, 1957."

(Document entitled "Table VIII, Term Loans as a Percentage of Business Loans at Member Banks by Size of Borrower and Size of Bank, October 16, 1957," was marked Exhibit G-64 for identification.)

Q. Professor Smith, what is the source of the information contained in Government's Exhibit No. 64?

A. This is also taken from the Federal Reserve 1957 loan survey as presented in the article given in the Federal Reserve Bulletin for April, 1958.

Q. And what does it show?

A. This table shows the amount of term loans as a percentage of business loans at member banks by size of borrower and size of bank as of October 16, 1957, the date on which the Federal Reserve loan survey was made. That is, these figures in this table are all percentages—and the term loan in connection with this table means a loan with an original maturity in excess of one year. That is, the fig- [fol. 1193] ure in the first column for all borrowers, the 38 per cent means that for all banks and all borrowers the percentage of loans—and these are percentages in value, —not numbers of loans, but amount of money outstanding

in the form of loans of different kinds—the term loans amounted to 38 per cent of the total for all borrowers and all banks.

Now, the reason I introduce this——

By the Court:

Q. If these are percentages, Professor, do not each one of these as you come down include the prior one?

A. No, no.

Q. How can you possibly add up percentages taking all banks?

A. I am not adding anything. You see, the first percentage in the upper left-hand corner, all borrowers and all banks, is derived by simply taking the total loans of all banks and the total amount of term loans of all banks and taking the percentage. The one right below it for banks less than $50,000 is derived from taking for banks with less than—I am sorry—the one right below it, the 46.2 per cent, is taking all banks but simply taking loans to borrowers less than $50,000, the proportion of those short-term loans. Now, actually the percentages in, let's see, for all borrowers and all banks is really a weighted average of all the per- [fol. 1194] centages in the table, the weights being the amount of loans outstanding in the different classes.

I can't construct that because I don't have the weights, but that is what it comes to.

The Court: I see. All right.

By Mr. Reycraft:

Q. Would it be correct to say they took these percentages, added them together, and took a weighted average?

A. Took a weighted average, but I don't know the weights.

Q. And this comes out to 38 per cent?

A. That is right. The reason I introduced this table, really, is to relate it to the point I just mentioned. I think it would actually clarify my discussion if I had the next table at the same time that I have this one.

Mr. Reycraft: Will you mark as Government's Exhibit 65 a table headed "Interest Rates on Member Bank Loans to Business By Size of Borrower and Maturity of Loan, 1957."

(Document entitled "Interest Rates on Member Bank Loans to Business By Size of Borrower and Maturity of Loan, 1957" was marked Exhibit G-65 for identification.)

Q. What is the source of the data contained in Govern-[fol. 1195] ment's Exhibit No. 65?

A. This also comes from the Federal Reserve loan survey as outlined in the article in the Federal Reserve Bulletin for April, 1958, and the classifications here are the same as used in the —wait a minute——

Q. Professor, will you indicate the relations between Government's Exhibit 65 and your testimony with respect to Government's Exhibit 64?

A. Well, in studying the prior table, Government's Exhibit 63, which suggested that for small borrowers interest rates tend to rise as the size of bank rises, I simply wanted to consider the possibility that this is explained by the fact that large banks tend to make a very large proportion of their loans to small operators in the form of term loans and that term loans bear higher interest rates.

Now, from Government's Exhibit 65 we see here the relation between interest rates on loans to different sized borrowers, classified according to the term of the loan, and there is one slightly odd pattern that we find here, which is apparent for borrowers—well, until we get up to borrowers with assets between $25,000,000 and $100,000,000, we find that interest rates rise as the term of the loan increases; that is, an interest rate, for example, for bor-[fol. 1196] rowers less than $50,000 of assets, it is 6.1 per cent on short-term loans, 8.7 per cent on intermediate-term loans with maturities of 1 to 5 years, and then drops to 5.8 per cent on long-term loans. That is, the interest rate is higher on intermediate-term loans with maturities of one to five years than it is on either short or long-term loans. This is apparent for smaller borrowers until we get to the $25,000,000 to the $100,000,000 class, then the interest rate remains constant. It is the same for one year as it is for one to five years.

I think the reason for this hump in the interest rate, that is, the fact that intermediate-term loans bear the highest rates, is that many banks charge borrowers—these loans are installment loans, and they are handled on an add on interest rate basis. They charge them, let's say, 6 per cent

interest on an add on basis, which works out roughly to 12 per cent interest when calculated in the proper way for comparison with an interest rate of so many per cent per month on the unpaid balance.

That, I think, is the reason.

Now, in the longer term loans to small borrowers they [fol. 1197] tend to be more mortgage loans and the interest rates on those for that reason tend to be lower.

Referring back to the previous table, you see, since interest rates on these loans are higher, one explanation of the fact that the interest rates tend to rise as the size of the bank increases for small borrowers is that large banks make more term loans with these high interest rates; but Government's Exhibit No. 64, which shows the term loans as a percentage of business loans at member banks by size of borrower and size of bank, it seems to me clearly does not substantiate this explanation because, for example, for borrowers of less than $50,000 the percentage of loans, short-term loans, rises from 42.6 per cent for banks with deposits between $10,000,000 and $100,000,000 to 48.2 per cent for banks with deposits between $100,000,000 and a billion dollars, and 60.1 per cent for banks with deposits of $100,000,000 and over.

It is true, the proportion of term loans, total loans, does rise as the size of the bank increases for small borrowers. The same tendency is true for borrowers with assets of $50,000 to $250,000. That percentage rises to 35.8 for banks with deposits of $100,000,000 to a billion, and to 41.2 for [fol. 1198] banks over a billion.

For the next class the ratio drops, but then for the larger classes there is an even more distinct tendency for term loans to increase than there is for smaller borrowers. Borrowers with assets between $25,000,000 and a hundred million, the ratio of term loans rises steadily as the size of the bank increases, from 15.5 per cent for banks with deposits under $10,000,000 to 17.2 per cent for banks with assets between 10 and a hundred million, to 31.9 for banks with assets between a hundred million and a billion, to 55 per cent for banks with assets of a billion dollars, or deposits of a billion dollars and over, and the similar tendency is present for the largest class of borrower, so that large banks make not only more term loans to small borrowers,

but they also tend to concentrate on term loans to large borrowers too.

I am quite prepared to admit that one has to be rather careful and cautious in interpreting, drawing conclusions, from materials that have been collected on the basis of a national sample of this kind, and I merely suggest that this is indicative and, certainly not conclusive evidence of a tendency for large banks to charge higher interest rates to smaller borrowers.

[fol. 1199] On the other hand, I would suggest that it ties in as a possibility, at least, with some of the analysis that I attempted to present earlier. That is, it seems to me that there is the possibility that the larger a bank gets, the more likely it is to concentrate on the lending to large national borrowers, the more favorably it may well treat these borrowers, to the extent that it succeeds in attracting accounts from these borrowers.

I have attempted to present an analysis that suggests that the supply of funds tends to be drained out of the local market area where the bank is located, and one might well expect that if this development should take place, it would tend to raise interest rates, particularly to small local borrowers who are dependent—particularly to small local business borrowers who are heavily dependent for the supply of their funds on the local market.

I suggest that this tendency, since large banks tend to be located in large centers, is at least not inconsistent with the line of analysis I attempted to develop earlier.

Mr. Reycraft: I have no further questions.

Mr. Littleton: No cross-examination.

[fol. 1200-1202] Mr. Price: I have no questions.

Mr. Reycraft: Your Honor, would it be asking too much to adjourn early today in view of the —

The Court: Due to your amazement?

Mr. Reycraft: Yes, sir, due to my amazement.

The Court: We will adjourn.

Gentlemen, since tommorrow is Friday, what is your pleasure? Do you want to go through to 4:00 o'clock or would you prefer, as I do, to quit at 3:00?

Mr. Reycraft: Is that a question, Your Honor?

The Court: All right, we will go right through to 1:00 o'clock and call it a day at the end of three hours.

Mr. Reycraft: We would be grateful for 1:00 o'clock, Your Honor.

The Court: We will go through then. Tomorrow morning we will start at 10:00 and go through to 1:00 and we will recess for the weekend.

(Adjourned at 3:50 P.M. until Friday, June 9, 1961, at 10:00 o'clock A.M.)

[fols. 1203-1204] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

FIFTH DAY

Philadelphia, Pa., June 9, 1961

Before Hon. Thomas J. Clary, J.

[fol. 1205] D. EMMERT BRUMBAUGH, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. Mr. Brumbaugh, where do you reside?

A. Claysburg, Pennsylvania.

Q. What do you do in Claysburg, Pennsylvania?

A. I am president of the First National Bank.

Q. Will you describe the geographic area in which Claysburg is located.

A. Well, it is located in the southern part of Blair County. Blair County takes in Altoona, the main city, Tyrone, and quite a large number of small cities.

Q. What is the approximate population of that area?

A. 140,000.

Q. In your capacity as president of the bank in Claysburg, will you describe your duties.

A. Well, I am in charge of the administration of the affairs of the bank.

Q. What do those duties include? Do you have anything to do with loans?

A. I do, yes, sir.

Q. And do you administer all other activities of the bank?

[fol. 1206] A. That is right.

Q. Mr. Brumbaugh, have you held any official position with the State government?

A. I served as Secretary of Banking from 1947 to 1951.

Q. That is Secretary of Banking in the State of Pennsylvania?

A. In Pennsylvania, yes.

Q. What were your duties as Secretary of Banking in the State of Pennsylvania?

A. We had supervision of all State banks, savings and loan associations, mutual savings banks, pawn brokers, and also to administer the Automobile Sales Finance Act, and as an ex-officio member of the Securities and Exchange Commission.

Q. Of the State of Pennsylvania?

A. State of Pennsylvania, yes, sir.

Q. Would you describe the types of problems which were presented to your office in connection with these institutions.

A. Well, naturally, we had a group of examiners that examined all these institutions, and we also examined savings and loan associations and pawn brokers and everything. We had to supervise them as far as the requirements of the Government was concerned, or the State government [fol. 1207] was concerned.

Q. Your office examined the banks with respect to their financial condition?

A. Yes, sir.

Q. With respect to their financial soundness generally?

A. That is right.

Q. Did matters involving the establishment of branch banks come to your office?

A. Yes, sir.

Q. What were your duties in connection with applications for branch banks?

A. We had the privilege, as Secretary of Banking, to grant branches in counties, but when it came to contiguous counties, we had to get the consent of the Banking Board.

Q. Did you have similar duties with respect to the other financial institutions you refer to?

A. Same duties.

Q. The examiners you referred to, what were their duties?

A. Their duties were to go into the bank and examine their affairs completely in regard to loans and any fraudulent activity that might take place and whether they were exceeding their authority in any capacity—similar to the examinations that are taken care of by the FDIC, the Federal Reserve, and the Comptroller of the Currency in [fol. 1208] national banks.

Q. And these examiners reported to you at the time that you were Secretary of Banking?

A. That is correct.

Q. During your tenure of office as Secretary of Banking did you have an opportunity to become familiar with banks throughout Pennsylvania?

A. I did, yes, sir.

Q. Did you have an opportunity to become familiar with all types of bank problems arising in the State of Pennsylvania during that time?

A. Yes, sir.

Q. Would that include banks in Philadelphia?

A. Yes, sir.

Q. Will you tell us who some of the State banks are or were at the time of your tenure of office, who are located in Philadelphia.

A. I can at least recall the majority of them, I suppose. The Girard Trust Company was one at that time. The Provident Trust Company, Land Title and Trust, the Broad Street Trust, and some of the outlying banks. The First Pennsylvania Company was the largest one we had to supervise.

Q. Would it be correct that you received reports from [fol. 1209] examiners with reference to these banks as well as other banks in Pennsylvania?

A. Yes, they all come into the State Banking Department's offices at Harrisburg.

Q. You acquired a general familiarity with their operations?

A. That is correct.

Q. Mr. Brumbaugh, have you been a member of any legislative body?

A. I served in the Congress of the United States.

Q. How long a period did you serve in the Congress of the United States?

A. Two terms.

Q. What were the years?

A. From 1943 to 1947.

Q. And why did you leave that position, sir?

A. Well, I either tried to stay there—of course, you have to be elected to that office—or I was offered the appointment of Secretary of Banking, and having been in the banking business all my life, I thought I would rather have that than to go back to Congress at that time.

Q. When did you begin in the banking business, Mr. Brumbaugh?

[fol. 1210] A. Back in 1911.

Q. In what capacity did you begin?

A. I started as a clerk.

Q. With what bank?

A. First National Bank of Martinsburgh.

Q. Will you indicate the other banks with which you have been associated.

A. I was associated with Mountain City Trust Company of Altoona and then transferred from there to Claysburg, where I have served ever since in one capacity or the other.

Q. While you were a member of Congress were you a member of any committees?

A. I was a member of the Banking and Currency Committee.

Q. The House Banking and Currency Committee?

A. The House Banking and Currency Committee, yes, sir.

Q. What were your duties as a member of the House Banking and Currency Committee?

A. To attend all hearings where bills are presented to be acted upon — the Congress as a whole, where you naturally get a chance to vote a bill out or to not vote it out, and if it is voted out, then it comes before the Congress as a whole. The Committees all must decide on the bills that go before the Congress.

[fol. 1211] Q. So you had an opportunity as a member of that committee to study bank problems that were presented to the committee?

A. Yes, I have the privilege of studying them.

Q. Mr. Brumbaugh, have you been a member of any committees of the American Bar Association?

A. Not the American Bar Association. I have never been. I am not a lawyer.

Q. Pardon me. American Bankers Association.

A. Yes, I have been connected with the American Banking Association for many years, I would say. I am at the present time chairman of the Federal Deposit Insurance Corporation Committee, and I am on the Legislative Committee and also the Executive Committee. I am not appearing here, though, in that capacity. I am just here subpoenaed as an individual.

Q. You are not here at all as a representative of the American Bankers Association?

A. That is correct. No.

Q. Mr. Brumbaugh, did you have an opportunity during your tenure of Secretary of Banking and during your period of service as president of a bank in Pennsylvania to observe the workings of the various types of financial institutions in Pennsylvania, such as small loan companies, savings [fol. 1212] and loans, mutual savings banks?

A. Yes, sir.

Q. Would you describe the difference, if there is one, in your opinion, between commercial banks and other types of financial institutions.

A. Commercial banks, of course, accept demand deposits, and they carry checking accounts and do a complete commercial banking business, where a savings and loan association and a mutual savings bank, savings and loan associations sell shares. However, they do at times try to let the impression out that they are depositories of funds; and mutual savings banks, naturally, they are an organiza-

tion without a capital investment, who are supposed to pay their dividends out as they are earned. Their interest is paid on a dividend basis, as I understand, and it is based on the earnings that they secure. They have no checking accounts. I think commercial banks are the only ones that do furnish checking accounts, and that is one of the differences, and also they deal in demand deposits, rather than in time deposits, as the majority of the rest have a stipulation as to the time that you can withdraw amounts, especially large amounts.

Q. Mr. Brumbaugh, do you have an opinion with respect to the importance of commercial banks to a community?

[fol. 1213] A. I think it is the life blood of a community as far as their economy is concerned.

Q. Will you describe the way in which you believe this to be true.

A. Well, for instance, if an individual wants to build a home, if an industry wants to borrow some money to conduct their affairs, and churches and municipalities and everything rely almost entirely on their local bank to secure their loans and go to them for all their business transactions, you might say.

Q. With respect to the reliance of these groups on commercial banks for business transactions, could the same needs be fulfilled by any of the other financial institutions you referred to?

A. No, they could not.

Q. Is there one particular area of concentration of commercial banks?

A. I don't know exactly what you mean by that now.

Q. You referred to the fact that commercial banks have demand deposits. Does this affect the type of loans they make, for example?

A. It does, yes. Naturally, they have to keep the loans within the amount that they have on deposit.

Q. Does it affect the term of the loans that they make?

[fol. 1214] A. It affects the term of the loan. They make short-term loans, they make demand loans and collateral loans and all types of loans, especially to businesses. Where they only want credit for a short time, they can grant it. That is the difference between them and a savings and loan association or any other type of bank.

Q. If there were substituted for commercial banks in the community of the type with which you are familiar institutions of the type such as savings and loan associations and mutual savings banks, in your opinion, could these institutions fulfill the functions now fulfilled by commercial banks?

A. I would say definitely no.

Q. What in your opinion would be the effect upon the community of the substitution of institutions of the type I have described other than commercial banks?

A. Well, it would certainly place them to a considerable inconvenience, because they would have to go to some other community to transact their banking business.

[fol. 1215] Q. In your opinion, is it possible for a business to operate efficiently without access to a commercial bank?

A. I would say not.

Q. Now, in your experience as Secretary of Banking in Pennsylvania and in your capacity as an official of a committee of the American Bankers' Association, and your experience as a president of a bank in Pennsylvania, do you have an opinion with respect to bank mergers in Pennsylvania?

A. Well, as practically every banker, I guess, in Pennsylvania knows, I have more or less tried to retard both branch banking and bank mergers because I have always been opposed to anything that might tend to a monopoly; and I think that that would be bad for the country as a whole, I think it would be bad for the State of Pennsylvania. I am of the opinion and I always have been that it should be controlled by law, because if the laws permit it, as I have stated many times, you either become a party to it or a victim of it; and in this trend of bank mergers I think it should be possibly controlled by some type of legislation.

Laws are only made to protect the weak against the strong, and if this trend continues, this merger is permitted, it will only lay the foundation for possibly another merger [fol. 1216] in order for the other bank to get as large as they are.

I think that that is what is bringing about most of the mergers.

Mr. Littleton: If Your Honor please, I move that particularly the latter part of his answer be stricken. He wasn't asked about this merger. "This merger" I assume would be the one we are considering.

Mr. Reycraft: Would you read back the answer, please?

Mr. Littleton: I don't think he is qualified to speak on it, or he hasn't had qualifications adduced as yet.

Mr. Reycraft: Will you read back the answer?

The Court: Strike out every bit of his reference to "this" until he is asked questions which would justify that opinion, until we know whether his knowledge is sufficient to base an opinion or not about this particular merger.

By Mr. Reycraft:

Q. Mr. Brumbaugh, confining your answer to the question I asked——

The Court: Generalities.

Mr. Reycraft: Pardon me, sir?

[fol. 1217] The Court: Everything he says generally, his opinions on banking generally and so forth, may stay in the record.

When he digressed and began to be specific about this one, that's stricken. I don't say that he can't testify about it, but at this point the foundation has not been laid for any such expression of opinion.

By Mr. Reycraft:

Q. Now, Mr. Brumbaugh, you have already testified that you acquired familiarity with banking in Philadelphia on the basis of your knowledge of, among others, the Girard Trust Company, the First Pennsylvania, the Broad Street, and the Provident Tradesmen's Bank while you were Secretary of Banking.

Since that time have you had occasion or the opportunity to continue your general familiarity with banking in Philadelphia?

A. I would say only from the outside. I know when I supervised banks I didn't have the privilege of looking inside the Philadelphia National Bank, but I did the Girard Trust, and I want to say that it was one of the best-managed banks that I know of.

Q. During the time that you were Secretary of Banking, did you have an opportunity to form an opinion with respect to the reasons mergers were proposed to your [fol. 1218] office?

A. Well, there's various reasons that bring about mergers. Some of them are desirous, without a question of a doubt. In the case of emergency, I think no law should be ever passed that you couldn't merge a bank or permit branch banking because, if you do, sometimes you might not be able to save an institution that could be saved by merging.

Q. The occasion that you are referring to, what type of an emergency do you have in mind?

A. Well, as you know, banks sometimes get in financial difficulties, as well as any other type of business. Human frailties enter into it and sometimes you have people from the inside that really take advantage of them, steal money, which has occurred in many instances, some as high as $3,000,000.

Mr. Littleton: If Your Honor please, I move that this answer be stricken as being strictly irrelevant to this issue.

The Court: Overruled.

Proceed.

By Mr. Reycraft:

Q. Now, you referred to the financial condition of banks as being a reason for mergers. Will you repeat your answer with respect to the various types of financial problems which you have encountered?

[fol. 1219] The Court: He doesn't have to repeat it; he can just continue whatever he is saying.

The Witness: I would say that very often bad loans enter into it. There are communities that fail, and when the communities fail the industries fail and the banks sometimes fail, too, not due to any improper management or anything, but just simply due to a community that is passing out of existence.

By Mr. Reycraft:

Q. In your opinion, if a merger can be shown to be beneficial to the community it would be permitted then, as I interpret your answer?

A. I would say it should be permitted, yes.

Q. What are the reasons which you believe might justify a merger as being beneficial to the community?

A. When it is necessary to take over another bank to save it, I think that would be very beneficial to the community; and there are times in smaller communities, where there's two banks and the business has fallen off to any extent, where it would be much better for those two banks to merge into one institution, because I think they can serve the community better.

Q. In your opinion, might this be necessary to protect [fol. 1220] depositors of the banks?

A. I think in cases it would be, yes.

Q. This would be because of the financial condition of the banks?

A. Not necessarily financial condition; but if they could serve the community better by the two merging, especially where they are small institutions and it is difficult for them to make sufficient funds to pay their officers and function as they should, then I think it would be much better for two small banks in the community to merge, rather than have an outside bank come in and take them over by the same method.

Q. Mr. Brumbaugh, you testified earlier that you had knowledge of banking conditions in Philadelphia.

Will you describe in a general way your opportunities that you have had recently to keep familiar with banking problems in Philadelphia?

A. I wouldn't be qualified to say that I am sufficiently acquainted with the banking situation in Philadelphia at the present time, only from my outside, that is, from the outside of the institutions, looking at them from financial statements and so forth.

Q. Do you have an opportunity to examine financial statements of Philadelphia banks?

[fol. 1221] A. Yes.

Q. Have you had an opportunity to review the relative market shares of the Philadelphia banks, either in Philadelphia or elsewhere?

A. Only according to the quotations in the papers, as to the bid-and-asking price.

Q. Have you had an opportunity to observe in a general way the type of businesses in which these banks engage, that is, the Philadelphia banks?

A. I do, yes.

Q. Do you maintain correspondent relationships with any Philadelphia banks?

A. We do. We have correspondent relationships with the First Pennsylvania Company and the Provident Trust—that's not just the Provident, now, it's a combination.

Q. Would that be the Provident Tradesmen's?

A. The Provident Tradesmen's; that is correct.

Q. And the name of that bank has changed over the past several years, has it not?

A. Yes. They merged with the Tradesmen's.

Q. Now, you testified that you have a correspondent relationship with these banks.

Will you explain what a correspondent relationship is? [fol. 1222] A. A correspondent relationship is any banking institution, whether it's in Philadelphia or otherwise, to keep your excess funds and to clear your items.

While it can be done through the Federal Reserve, it's done more satisfactorily, I think, through the corresponding banks.

Q. Have you ever had a loan participation with either of the banks in Philadelphia?

A. I have had, on many occasions, and they have taken excellent care of us.

Q. Will you describe what a loan participation is?

A. Well, for instance, we are only permitted to make loans up to 10 per cent of our capital and surplus, which gives us a limited amount of loans to individuals and corporations; and we, for instance, have the County deposit, where they borrow considerable funds at times. I have negotiated loans here with our corresponding banks up to $550,000.

And also in participations of mobile homes and so forth, where we put in our share that we can and they take over the balance, and we have it for them.

Q. When you have had an application for a loan which exceeded your loan limit, have you had any difficulty in handling it?

A. I have not.

[fol. 1223] Q. Have you ever had to turn down a loan because of your loan limit?

A. I never have, no.

Q. Have you had a number of applications for loans in excess of your loan limits?

A. We have quite a few at times, yes.

Q. In your experience or your opinion, have you ever lost a customer because you haven't been able to grant him a loan?

A. No, not to my knowledge.

Q. Now, would you say——

A. We have lost customers that we didn't grant loans to, not because they weren't too large or we couldn't get the funds, but because we didn't think they were sound loans.

Q. Do you consider that your bank relies upon correspondent banks in order to carry on your business?

A. Not necessarily.

Q. Do you——

A. We might have less business and larger transactions, but we can still exist without it.

Q. But are there some foundations or purposes for which correspondent banks assist you substantially?

A. (No response.)

Q. In addition to the loans that you described?

A. Oh, they can assist us in many ways—in analyzing [fol. 1224] our securities. They are most helpful in anything you ask them to do.

We place a lot of our securities with our correspondent banks and they look after them for us. In a case where you have to place securities up for municipalities and so forth, they act as the trustee in that respect and they handle the securities, clip the coupons, credit our accounts, and so forth.

They are most helpful.

Q. On the basis of your background and experience is it your opinion that major banks compete for correspondent business?

A. They certainly do. I used to—one of our first corresponding banks here in Philadelphia was the Corn Exchange, which, I believe, has been taken over by the Girard. That was one of my first banks and they naturally compete for business.

In fact, they have not only competition in Philadelphia for business in Pennsylvania, but they also have competition from Pittsburgh and the other larger centers, as well as New York City.

Q. Do you consider it important that you have alternative sources of correspondent relationships; that you have available to you at least alternative sources?

[fol. 1225] A. I think it's very good to have them, yes.

Q. You testified that you have had correspondent relationships with three Philadelphia banks, now, and that you have had——

A. Two. We only have two.

Q. Two existing?

A. Yes, two existing.

Q. And you testified, I believe, that you had an earlier relationship with the Corn Exchange?

A. Earlier relation. That was one of our first correspondents, but, of course, since they merged, why, then we have changed our corresponding banks.

Q. Mr. Brumbaugh, do you have an opinion with respect to the effect on the community of the proposed merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank?

A. Do you mean from a——

Mr. Littleton: Just yes or no, Mr. Brumbaugh, please.

The Witness: Read the question again, will you, please?

The Court: Read the question.

(The pending question was repeated by the reporter as follows:

[fol. 1226] "Q. Mr. Brumbaugh, do you have an opinion with respect to the effect on the community of the proposed merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank?")

Mr. Littleton: Just yes or no, Mr. Brumbaugh.

The Witness: I would say that inasmuch as I have made no study of it, no.

By Mr. Reycraft:

Q. Do you have an opinion with respect to the effects on banking competition of the merger of the Philadelphia National Bank——

Mr. Littleton: Just yes or no.

The Witness: I would say yes.

By Mr. Reycraft:

Q. What is that opinion?

Mr. Littleton: Objected to, if Your Honor please.

The Court: Read the question back.

(The pending question was repeated by the reporter as follows:

"Q. Do you have an opinion with respect to the effects on banking competition of the merger of the Philadelphia National Bank——")

The Court: I will sustain the objection until we know [fol. 1227] whether we are talking about New Zealand or the United States, Alaska, Pennsylvania, Philadelphia, or where we are talking about.

By Mr. Reycraft:

Q. Do you have an opinion with respect to the merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank on banking competition in Pennsylvania?

A. I would think that it would not affect banking in Pennsylvania to any great extent, no. I would think not because we still would have larger banks in Pennsylvania than the combination of these two banks.

I think that it——

The Court: Mr. Brumbaugh, may I suggest, don't go off the end.

The Witness: O.K.

The Court: You have answered your question. Now let him ask another one.

The Witness: Thank you.

The Court: Because we are in a sensitive area now. Let's keep the record clear.

The Witness: Thank you.

The Court: You understand the reasons.

The Witness: Certainly. That's all right, perfectly all right. I want to do that.

[fol. 1228] By Mr. Reycraft:

Q. Do you have an opinion, Mr. Brumbaugh, with respect to the effects of the proposed merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank on banking competition in Philadelphia?

Mr. Littleton: Just yes or no.

The Witness: I would say yes.

By Mr. Reycraft:

Q. What is that opinion?

Mr. Littleton: I object.

The Court: I will give you a chance to cross-examine at this point on——

Mr. Littleton: If Your Honor please, the witness stated sometime ago, at the beginning of this line of questioning, that he didn't consider himself qualified to speak about Philadelphia because all that he had was the reports from the various banks and the state of the market so far as the stock of the banks is concerned.

The Court: Well, he has been in the banking business a lot of years, he has had the highest office within the gift of the Commonwealth with respect to banking, and I would say that of all the people who have appeared here he is probably the most expert in the line.

Now, if you want to question him on the basis of an [fol. 1229] opinion, I am going to let him express one.

By Mr. Littleton:

Q. Mr. Brumbaugh, when did your term of office as Secretary of Banking terminate?

A. '51.

Q. And you have had no official position in the Banking Department in Pennsylvania since that time?

A. No, sir.

Q. The only contacts you have had with the Philadelphia bank are such as you have described here to us?

A. That is correct.

Q. That is, your correspondence with the First Pennsylvania and your correspondence with the Provident Tradesmen's?

A. That's correct.

Q. Is that correct?

A. That's correct.

Q. And the First Pennsylvania is the result of a merger in what year?

A. The year that the First National Bank merged with the Pennsylvania Company.

Q. What year?

A. I don't recall what year it was that they took over the First National Bank.

Q. In what year did the Provident Tradesmen's merge? [fol. 1230] A. That, I can't give you.

Q. In what year did the Tradesmen's and the Land Title merge?

A. It's been about two years ago, I think.

Q. Before or after the Provident Tradesmen's?

A. Do you mean—you just asked me when did the Provident Tradesmen's merge.

Q. You said you didn't know.

A. I said that I thought it was about two years ago.

Q. I thought that it was Tradesmen's Land Title you said two years ago.

A. Well, it possibly was. I do not have——

Q. You are not familiar; is that correct?

A. I do not have the facts as far as the dates is concerned.

Q. How many commercial banks are there in Philadelphia at the present time?

A. I think I can give you that.

Q. While you are giving it, give us the names, will you please?

A. How's that?

Q. What is this you have there?

A. Pardon me?

Q. What is this paper you have there?

A. These papers?

[fol. 1231] Q. Yes.

A. Why, these papers include the assets, deposits, loans, offices, and capital of the Philadelphia banks as of June 30, 1960.

Q. Did you prepare this paper?

A. I did not.

Q. Who prepared it?

A. The Justice Department.

Q. And handed it to you?

A. That's correct.

Q. Did you not say a few minutes ago in answer to one of Mr. Reycraft's questions that you have not studied the situation in Philadelphia?

A. I have not. I have studied or I know the facts in connection with this. I have had it for over two weeks as to the number of banks that are here and the number of banks that are in the contiguous counties and the amount of——

In other words, the total amount of assets in the Philadelphia banks as of that date was $4,689,000,000.

Q. Let me ask you this:

If a person wanted to borrow $50,000, how many choices of commercial banks in Philadelphia would be have?

A. $50,000?

[fol. 1232] Q. Yes.

A. I would say he'd have a good many choices in that. $50,000 would only mean a $500,000 capital, and I think they'd all have that much.

Q. Are you sure of that?

A. No, I am not sure of it. I don't think there is any bank in Philadelphia that would have a capital less than $500,000, though, including their surplus.

Q. Well, suppose somebody wanted to borrow a million dollars, how many choices would he have in Philadelphia?

A. I would say about possibly four or five.

Q. You are just guessing on this?

A. Maybe I can tell you.

Q. You mean you can tell me from this sheet of figures that the Department of Justice has furnished you?

A. Yes, but——

Q. Not as a result of your own study?

A. I asked for these figures when they told me that I was going to be called as a witness. I certainly didn't solicit this job in any respect.

Q. I am sure you didn't.

A. Because I was asked to come as an expert witness, which I declined; and when you are subpoenaed, why, of course, you do want to know something about the answers, and naturally I asked for these data.

[fol. 1233] Q. Why did you decline to be an expert witness, Mr. Brumbaugh?

A. In the first place, I declined on the basis that I didn't think I was qualified to be an expert witness unless I had at least three to six months' time to prepare my testimony.

Q. Have you had three to six months' time to prepare your testimony?

A. I have not.

Q. So you do not consider yourself qualified to testify as an expert as to this merger?

A. That's correct.

Mr. Littleton: I object to any opinion being expressed by this witness.

Mr. Reycraft: Your Honor, I submit that Mr. Brumbaugh is being unduly modest in relation to the experience that he has had.

Mr. Littleton: I suggest he is being unduly frank and honest.

Mr. Reycraft: Your Honor, I submit that his background——

Mr. Littleton: As he usually is.

Mr. Reycraft: I submit that his background speaks for [fo. 1234] itself.

The Court: Mr. Brumbaugh is very honest. He said he is "agin them all." He started out in his testimony with that.

I am going to let him testify. I am going to overrule your objection.

By the Court:

Q. Didn't you say that at the outset?

A. That I am against——

Q. That you are generally against any mergers or any branch banking?

A. Any further—I think there should be a moratorium declared on mergers in the United States because I think it's gone far enough.

The Court: You can't ask a franker expression of opinion than that, so I am going to let him testify.

Mr. Littleton: May I ask one or two more questions?

The Court: Surely.

By Mr. Littleton:

Q. You spoke of being a member of a number of committees of the American Bankers' Association. Are you a member of the Independent Bankers' Association?

A. I am a past-president of the Independent Bankers' [fol. 1235] Association.

Q. You are a past-president?

A. Yes, sir.

Q. Are you a member of any of their committees now?

A. By reason of being a past-president I am on the executive committee.

Q. And what is the Independent Bankers' Association?

A. The Independent Bankers' Association is made up of over 6,000 independent banks in the United States, which takes in almost half of the banks.

It is an organization made up of not only unit banks, but the smaller banks in the country; and it was brought about, I think, to just more or less stop something like is going on here in the way of mergers and to prevent a monopoly in banking.

Q. In other words, it is an association to oppose mergers?

A. Not to oppose mergers only; to oppose branch banks and opposition against holding companies which goes and buys some banks.

Q. Among the other things, it is against mergers, is it not?

A. Against mergers?

Q. Yes.

A. It's against mergers, where it brings about any possible chance of a monopoly, yes, but for small mergers they have raised no objection.

[fol. 1236] Q. You mean if any of the individual members want to merge their banks, that's all right; but if anybody else wants to merge, the independent bankers are against it?

A. Well, knowing the organization as I do, I would say that that is not correct.

Q. They are against mergers, they are against branch banking; is that correct?

A. They certainly don't favor any particular individuals, as far as they are concerned, and say that because you are a member of our organization we will raise no objection. That is not correct.

Mr. Littleton: All right.

[fol. 1237] Cross-examination.

By Mr. Littleton:

Q. Is the Philadelphia National Bank, in your opinion, an independent bank, so far as you know?

A. I would say definitely not an independent bank if they have any branches of any size or any number.

Q. Is it an independent bank?

A. Philadelphia National Bank?

Q. So far as you know, yes.

A. No.

Q. What is it dependent on?

A. Well, it is dependent on its branches as well as its home office. I would say an independent bank is a bank like First National Bank of Chicago or the Republic National Bank of Dallas, Texas, in states where they don't permit branch banking.

Q. Any bank that has a branch is not an independent bank; is that it?

A. Not taking it from the membership of the Independent Bankers Association, no, because they have members who have branch banks.

Q. How many branches does the First National Bank of Claysburg, that is your bank, have?

A. One.

Q. Are you an independent bank?

A. I am not, not absolutely an independent bank. In [fol. 1238] our county we used to have 17 banks. We are down to three now, through this merger route, that are independent.

Q. Even though you have one branch, your bank is an independent bank?

A. You couldn't consider it absolutely an independent or unit bank, no.

Q. What is the population of Claysburg?

A. The population of Claysburg, the county which we serve, is an incorporated vicinity. It serves about 3000 people.

Q. How far is Claysburg from Philadelphia?

A. 218 miles approximately.

By Mr. Price:

Q. Were you Secretary of Banking when the Girard and Corn Exchange merged?

A. I don't believe. I do not know the date that that took place, so I wouldn't want to say definitely.

Q. What was the last merger that took place in Philadelphia which occurred during your term of office?

A. I don't recall any that took place during my term of office.

Q. So that while you were Secretary of Banking there were no mergers of any Philadelphia banks which you had occasion to consider or approve or disapprove?

[fol. 1239] Just to my knowledge now, no. I would have to check into the record on that. I would say that I would have approved them if they were justified--mergers—if I felt that they were. At that time the mergers had not been nearly as prominent as they are right now. For instance, we are down half in banks in the last fifteen years through mergers and branches.

Q. These 17 banks that were in Claysburg——

A. No, in Blair County.

Q. —in Blair County, which are now down to three——

A. Three unit banks.

Q. How many banking facilities are there in the county?

A. We have got the same number.

Q. But they are three banks?

A. Three unit banks.

Q. Are they in a stronger position than the 17 separate banks were before?

A. I don't think they are in a stronger position now.

Q. You don't think they are any better?

A. No. They paid well for these banks. They paid $400 and $500 a share for banks that were started from small capital.

Q. You don't think that was wise?

A. I think it was wise on the part of the bank that [fol. 1240] bought them, yes. I don't blame them for it. It is only natural, you know. You want to broaden out as much as you can. I don't think those things—where the laws permit it, I don't see how you are going to prevent it, as far as stopping it is concerned.

Q. Then you want to have the law changed to prevent mergers of that sort?

A. I think we should have laws to prevent it going too far, because I don't think it is for the best interests of the economy of the nation or the country, and I don't think it will serve the people as good as they are being served by the smaller banks in the smaller communities.

Q. Have the people in Blair County got any better or any worse service as a result of the merger?

A. I don't think it has changed it much yet, but I do know that once they get control of practically all of them, I don't think the service is going to be as good. I can relate a little incident to you, if you would like to hear it, that happened to me the other day just before I came down here.

Q. I am asking you about Blair County and the change that has taken place as the result of an original number of 17 banks and their contraction into three. Has the service of the community been improved or worsened by that [fol. 1241] change?

A. Can I use this illustration to bring about the answer to that question?

Q. Can you answer my question first? Has it or has it not?

A. Has it been improved?

Q. Improved or worsened?

A. I don't think it has been worsened. I think it is just about the same. I don't think it has been improved.

Q. Over what period of time did that change take place?

A. In about the last ten years or less than that, you might say.

Q. After you left the Banking Department?

A. After I left the Banking Department, yes.

By the Court:

Q. When did you leave the Banking Department in 1951, Mr. Brumbaugh?

A. In January.

By Mr. Price:

Q. Wasn't it 1949? Wasn't Mr. Campbell there between 1949 and 1951?

A. No, I think you will find it is between 1950 and 1951, in January, I left. I left at the end of Jim Duff's adminis-
[fol. 1242] tration.

Q. What year was that?

A. As I understand it, he went out in 1950. I stayed over for about two months after that.

Q. Two months in the year 1950 or the year 1951?

A. 1951.

Q. In 1951?

A. Yes.

Q. Now, as far as Philadelphia is concerned, have you made an examination or study of the activities of the Girard and the Philadelphia National Bank lately?

A. I have not.

Q. Are you familiar with them at all, except as a member of the public able to read the newspapers?

A. I know the personnel personally. I have a high regard for all of them. They are very able individuals, no question about it. That is one reason why I can't understand why they want to bring about a merger, because on the FDIC coverage of deposits they have 20,000 in the two banks. The opportunity to become president of the bank is just double what it would be right now with one bank if you merged them. I think the employees down the line would resent it. I believe I would.

Q. Do you consider that an important factor in determin-
[fol. 1243] ing whether they should merge?

A. Well, it is important if you believe in people who will take an interest in banking business, that if they have an inclination to someday be president of the bank, it would be twice as easy to become president of one of the two banks than it would be if they merged. I don't think there is any question about that.

Q. But so far as business activities and needs and demands on either of these two banks, you have no information, have you?

A. No, I have no information from the inside, none whatever, no, I couldn't have.

Q. And because of your failure or inability in the time available to get information of that sort, you feel that you are unable to express an opinion as to the desirability of this merger; is that right?

A. Well, I, of course, have expressed in generalities that as far as I am concerned, if I would be in either one of the banks, knowing the personnel and the ability of the group to manage their own affairs, it would seem to me I would want to continue as is. I can't see much to be gained by a merger, even from a large loaning standpoint, because if they are competing with New York, one bank up there has $7 billion. Take all the banks in Philadelphia and con- [fol. 1244] solidate them and you couldn't compete with them. I can't see that that is a particular argument in that respect.

Q. But you have to go to New York to get more than $8 million in one loan today, don't you?

A. These banks have their connections in New York, don't they, with their corresponding banks. Couldn't they get participations the same as we little banks up in the country get participation with these banks?

Q. So you think that the larger banks in Philadelphia should be compared with the little banks up in the country when they have demands in excess of the lending limits?

A. I think we have the same problems, only on a much smaller scale.

Q. You consider that comparable, d ou?

A. I would say so.

Mr. Price: That is all.

By Mr. Littleton:

Q. Do I understand you are just generally against mergers?

A. I am against mergers as far as mergers are being brought about just to get larger banks. I have no objections to mergers where mergers are brought about for the purpose of taking over an institution that is in financial diffi-
[fol. 1245] culty, or anything in that respect, but somewhere along the line, if we don't stop this merger situation, in place of having 400 and some banks that we have now in Philadelphia, or 500, I guess it is, where we are down from 960 some within the last short time, we are going to go down to 250 or possibly 50 and later on to 5 or 10.

Q. Let me put it this way: Do I understand that this expression of your opinion so far as this particular merger is concerned is simply an expression in particular of your general opinion about mergers?

A. I would say definitely it is. It is based on the fact that I think they have gone too far.

Q. Let me ask you about your own situation. You have been in the First National Bank of Claysburg for the last ten years?

A. I have been in the banking business—I just finished my 50th year this year. In Claysburg I have been about 40 years.

Q. Let us address ourselves to the last ten years, if you please. At the end of 1951 the total assets of the Claysburg Bank were about $3,420,000?

A. I think that is about right.

Q. Today they are what?

A. About $7 million, a little over $7 million.

[fol. 1246] Q. In other words, that is an increase of over a hundred per cent in that time?

A. That is about right.

Q. And the deposits in 1951 were about $2,981,000; is that right?

A. I couldn't tell you accurately because I just don't——

Q. Or about that?

A. About that, I would say, yes.

Q. And what are they today?

A. Well, the deposits would be about $6,200,000.

Q. In other words, an increase in something over 105 per cent?

A. That is right.

Q. And at the end of 1951 the total loans were $987,000, were they not?

A. That is about right.

Q. And today they are what?

A. They are about 3 million, pretty close to $3,150,000.

Q. About a 225 per cent increase?

A. That is correct.

Q. And your lending limit at the end of December, 1951, was $30,000, wasn't it?

A. That is right.

[fol. 1247] Q. Today your lending limit is what?

A. 50.

Q. That is an increase of about 66⅔ per cent?

A. That is about right, yes, sir.

Redirect examination

By Mr. Reycraft:

Q. Mr. Brumbaugh, you were asked during the cross-examination questions concerning the branch which your bank has. Will you describe the manner in which your bank obtained this branch.

A. There were no banking facilities in this particular community. It was on a direct route to Altoona, in a community in which we had quite a few depositors, and we asked for the privilege of placing a branch there or establishing a unit bank, and the Comptroller advised us that he felt there wasn't sufficient business there to justify a unit bank, but he would give us the privilege for a branch bank, which we established.

Q. So that you did not obtain this branch by acquisition or merger?

A. No. Understand, I don't want to tell you anything here but what is absolutely correct. If I had an opportunity to merge a bank in my community that we felt was going [fol. 1248] to go to a larger institution and we would lose business by it, I would also make an attempt to take over that institution, for the simple reason that it would at least prevent more or less of a monopoly in that particular

community, because that is what we are trying, I think, to avoid, is to have larger banks take up all these here smaller banks and then later on the still larger banks will want to cover the whole state and take them in.

I can tell you a little incident, if you want to hear it, about part of the Girard Trust Company institution when I was Secretary of Banking. That is the banks down in Delaware County.

Q. Will you please relate that.

A. I was called down here and even told by the Governor to discourage any branch banking going out in Delaware County. This man, Wilkinson, at that time was very anxious to preserve the banks out in that section and not permit Philadelphia to move out. Later on, after he got them all, he moved into Philadelphia and sold all his banks out, So you never know what happens in this here acquisition of banks. You fight to keep the little fellow, and then he turns around and after he gets to be pretty big he becomes a party to the same thing that he tried to prevent.

[fol. 1249] Q. You referred during your testimony earlier to being a party to it or a victim of it. Is that what you have in mind?

A. I think that you have to, where the State laws permit it, I think you do. I definitely think you do. I am not here trying to criticize or condemn these two groups for the effort they are making to bring about this merger. I am not criticizing them whatever. I am criticizing the fact that somewhere along the line the supervising agencies, or by law, it will have to be stopped or it will engulf the whole nation.

Q. Mr. Brumbaugh, in answering one of the questions that you were asked by I believe Mr. Price, you said you wished to illustrate your answer by relating an incident which occurred in Blair County. Will you give that incident.

A. If I am permitted, I intended to at that time, I had a gentleman, when a small bank was taken over only five miles from us, and at that time we didn't like to see it take place, and I talked to him about it and he said, "Well, my position is this: I run a large orchard"——

Mr. Price: I object to what his position was. We are [fol. 1250] getting too far afield.

Mr. Reycraft: We are getting a conversation which was reported to Mr. Brumbaugh, on the basis of which he has an opinion.

The Witness: This gentleman came over to my bank the other day and wanted to make a loan.

I said, "It hasn't been so long ago that you came over there and told me that you were in favor of the Altoona bank, the larger bank, taking you over just because they had a larger loaning capacity, and under the circumstance that you would be able to get the credit that you needed. Now you are over here getting a loan." I said, "What took place?"

He said, "I have changed my mind a little about that." He says, "They are more interested in taking care of the interest in the larger centers than they are in the smaller centers where they have established these branches."

So that is an incident that just occurred this week.

By the Court:

Q. That is a country condition, isn't it?

A. That is right.

Q. The banks at Broad and Chestnut wouldn't be likely [fol. 1251] to be involved in an orchard, would they?

A. They would if they had branches out in the rural districts. This is a branch from the Altoona bank. That is the largest city in our community.

By Mr. Reycraft:

Q. Mr. Brumbaugh, you referred earlier to the number of banks in Philadelphia as being hundreds, and I believe you meant Pennsylvania; is that correct?

A. 254, I believe, isn't there, banks in Philadelphia? Is that correct, 254?

Q. That is Pennsylvania.

A. Wait till I see. I have it here. I think there is 284 banking offices in Philadelphia County and contiguous counties. Am I correct in that?

Q. I asked you earlier, Mr. Brumbaugh, whether you had an opinion with respect to the effect on banking competition in Philadelphia of the proposed merger of the Philadelphia National Bank and the Girard Trust Corn Ex-

change Bank, and you said you did. Will you state that opinion.

A. The only reason I would say, as far as my opinion of that would be concerned, it would give them larger loaning capacity, and that would certainly be in competition with the banks that their capital wouldn't justify loans of the same size.

[fol. 1252] Q. Do you have any opinion with respect to what effect it might have on other mergers in Philadelphia?

Mr. Price: Objected to.

The Court: Sustained.

By Mr. Reycraft:

Q. Do you have an opinion with respect to the effect it would have on depositors as it relates to their coverage by the Federal Deposit Insurance Corporation?

A. I think I did answer that or state that a while ago. It would naturally reduce the coverage that they have now. One bank has 10; the other has 10. That would be $20,000. The combination of banks would only have the same $10,000 on deposits up to that amount. That is the only way it would affect it.

By the Court:

Q. You mean there would be one less bank and therefore one less coverage?

A. That is right.

Q. Mathematically?

A. Yes.

By Mr. Reycraft:

Q. Now, Mr. Brumbaugh, referring to the information which you have examined with respect to the capital of Philadelphia banks, will you state how much of a loan a [fol. 1253] local company could get by going to all the Philadelphia banks.

A. I will have to refer to me——

The Court: You mean go into the 17 present Philadelphia banks?

Mr. Reycraft: Yes, sir.

The Court: You tell me.

Mr. Reveraft: I believe it is about $45 million.

Mr. Littleton: I think it is 49.

The Court: All right. That is a mathematical calculation too. That means going through 17 Boards of Directors and 17 sets of lawyers.

The Witness: I won't refer to those figures, then. I have them here but I won't refer to them.

The Court: While you gentlemen are conferring, I would like to ask Mr. Brumbaugh a couple of questions.

By the Court:

Q. When you talk about monopoly, what do you mean? What is your meaning of monopoly, Mr. Brumbaugh?

A. I think it is detrimental to the economy of the country. I think it is more advantageous to have a large number of banks in the country, smaller banks, for more than [fol. 1254] one reason. They serve best in a community in which the individuals of that community own the bank, and if another bank takes them over, that absentee ownership doesn't have the interest in that community, naturally, that they do in the community in which their home office is, and a monopoly is brought about.

Q. What is a monopoly? Don't tell me it is brought about. What is a monopoly? That is what I am interested in.

A. When capital gets in the hands of too few people.

Q. Who are too few people?

A. That is hard to describe, but it is pretty bad. If you want a few banks to handle all the credit of the people of the nation, it certainly isn't for the best interests of the country, and experience has taught me, during the last depression, when the smaller banks started to fail, there was very little said about it, but when the larger banks started to fail, the result was that they had to immediately take some action. I can tell you the figures that the Reconstruction Finance Corporation had to put up to save the banks at that time, and among them were some of the very large banks. There was over $3,200,000,000.

Q. And even the insurance company that I then represented had to be saved. I went through that too. I know the [fol. 1255] problems there, but we are talking in present-

day context. At least two or three times in your testimony you said you were against mergers to prevent monopoly. I would just like to get your definition of what you personally mean by monopoly.

A. I would think that once you get the banks of the State of Pennsylvania, possibly four or five controlling the whole state, then you have a monopoly.

Q. I would agree with you.

A. And that's the thing that you have to stop somewhere along the line.

Q. How many banks are there in Pennsylvania now, unit banks, exclusive of branches?

A. I think I can give you that. There were 526 in 1959, the last figures I have. In 1920 there were 1567. In 1945 there were 967. In other words, from 1945 to 1959—since then we lost some more—we lost 441 unit banks that went into other banks by merger.

Q. Well, is there a monopoly in Pennsylvania today?

A. I don't think it is here yet, no, but I think it is in the making.

Q. You mean provided there is a snowballing of mergers?

A. That is correct.

[fol. 1256] Q. Would the difference between, say, 525 and 524 create a monopoly in Pennsylvania?

A. No, but it is a trend in the right direction.

Q. It is a trend in the wrong direction?

A. It is a trend in the wrong direction, yes, to bring it about.

Q. Would you say that it would create a monopoly if one bank happened to merge with another? Assume there are 17 commercial banks in Philadelphia and there would be 16, would that create a monopoly?

A. I would say not at the present time, but, as I say, it is a move in that direction.

Yesterday I talked to two gentlemen in here that were telling me about several mergers that are pending right now in addition in Pennsylvania, and there has been quite a few in the last couple of years. However, if you continue it, you are going to certainly develop into a monopoly in banking.

Q. One won't do it but a continuation of the trend would do it?

A. That is correct, yes.

The Court: We will take a 10-minute recess at this point.

(A 10-minute recess was taken at 11:05 A.M.)

[fol. 1257] By Mr. Reycraft:

Q. Mr. Brumbaugh, before the recess you indicated some familiarity, I believe, with the term "monopoly."

Do you have any views, or do you have any familiarity with the phrase "tendency to monopoly"?

A. Tendency to monopoly?

Q. Yes, sir.

A. Well, I would say definitely yes, because monopoly is not brought about overnight. They are brought about gradually and the tendency of monopolies, I think, are brought about by just what's going on right now in the banking world, or in the banks of Pennsylvania and the nation as a whole, except in the states where they don't permit branch banking.

Q. You testified earlier with respect to the reduction in number of banks from 17 to 16, and I believe you indicated that that, standing alone, would not create a monopoly.

In your opinion, does the size of the banks involved have any bearing on your answer?

A. You mean does the size of the bank have any bearing on my answer?

Q. In other words, if the 17 banks that you were asked about, the two merging are among the largest of the 17, does this have any bearing upon the answer that you gave?

[fol. 1258] A. I would say it would to a certain extent, yes.

Q. And would you explain to what extent?

A. Well, the extent that it brings about not only the present merger, but it also will, no doubt, bring about additional mergers to meet the size of this particular institution.

Q. Is it your opinion that other banks will attempt to meet the size of the merging bank?

Mr. Price: Objected to.

Mr. Litteton: Objected to.

The Court: Overruled.

The Witness: I would think it would, definitely. I would be disappointed if it didn't.

By the Court:

Q. You would be disappointed?

A. I would be disappointed if it didn't bring about demand on the part of the other banks to bring about mergers to equal the size of this one in Philadelphia.

By Mr. Reycraft:

Q. Why do you say that, Mr. Brumbaugh?

A. Well, it's natural that a bank that once has the advantage of being the largest bank in a community wants to keep that position, and possibly that has something to do with this present merger because not too very long ago the [fol. 1359] Philadelphia National Bank was the largest bank in Philadelphia. Now the First Pennsylvania Company is the largest bank.

Q. Do you have any knowledge as to what would be the results if this merger would be approved, with respect to the relative size?

A. I think—I think it would bring about demand for more mergers.

Mr. Littleton: He said relative size, Mr. Brumbaugh.

The Witness: Oh, well, relative in size similar to this.

By Mr. Reycraft:

Q. Would the combined bank be bigger than the First Pennsylvania?

A. This combination?

Q. Yes.

A. Yes.

Q. Mr. Brumbaugh, you have also indicated some familiarity with the management and business of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank.

Will you express your opinion or state whether you have an opinion with respect to the quality of these two banks

as banking institutions, beginning with the Philadelphia [fol. 1260] National Bank?

A. Well, from my observation and my personal acquaintance with the officers of these banks, I think they are of the highest types. I don't think they could be improved upon, either bank. I think they are both excellent, in excellent hands.

Q. Referring to the Philadelphia National Bank, is this your opinion with respect to the management of the bank?

A. That would be my opinion, not from—I have never had the privilege of looking at the inside of the bank, but I would think it was very capably managed, that it is an excellent bank.

Q. And with respect to the soundness of the Philadelphia National Bank as a Philadelphia institution?

A. Yes, sir, I think it's a very sound institution.

Q. And with respect to its future possibilities as a commercial bank?

A. I think it has a great future as is, without the merging.

Q. What is your opinion with respect to the management of the Girard Trust Corn Exchange Bank?

A. The same thing exactly. It's well managed.

Q. And what is your opinion with respect to the financial condition of the Girard Trust Corn Exchange Bank?

A. According to their statement, they are both in excellent condition.

[fol. 1261] Q. What is your opinion with respect to the future prospects of the Girard Trust Corn Exchange Bank?

A. I think it's very good, too. I think both of them have excellent opportunities as they stand right now to increase in size.

Q. You testified earlier concerning conditions under which you thought a merger might be desirable for the community; is that correct?

Mr. Littleton: Which community?

Mr. Reycraft: For a community, on the community level.

The Witness: It would be desirable, in my opinion, where there were, say, several banks in the community or in the city wherever they operate; and if one bank got into

financial difficulties, possibly through poor management, bad loans, it would be advantageous to merge that bank with the other bank and save it.

By Mr. Reycraft:

Q. On the basis of your knowledge, do any of these considerations apply to either the Philadelphia National Bank or the Girard Trust Corn Exchange Bank?

A. No.

Mr. Littleton: May I hear that question?

[fol. 1262] (The pending question was repeated by the reporter as follows:

"Q. On the basis of your knowledge, do any of these considerations apply to either the Philadelphia National Bank or the Girard Trust Corn Exchange Bank?")

Mr. Littleton: If you know.

Mr. Reycraft: He has already said that they didn't.

The Witness: The argument usually to take over these smaller banks in the smaller communities has been no continuity of management; and besides that there, there the men may have gotten to an age that they are not no longer able to continue in the capacity of management themselves, and the results of it is that the banks are sold out on that basis—just because of the lack of management.

I couldn't say that they are——

By the Court:

Q. In other words, they had no depth of management?

A. Pardon me?

Q. They had no depth of management and when the boys got too old, the bank went down?

A. The bank went down, with the results was that the argument was that that was the reason for taking the bank over and merging; but you could not say that in this par-

[fol. 1263] ticular instance.

Q. No, but you have talked about that.

Isn't it a fact that many country banks are relatively owned by one person or one or two persons; that they just hang on too long and the bank goes down?

A. I think that's true; but my experience has been that the banks that take over, they continue the management and reduce them to branch managers rather than to put new management in. Practically every bank in Blair County which was taken over, the same management is there.

Q. Yes, but under supervision?

A. Well, under certain supervision, yes.

The Court: Yes.

By Mr. Reycraft:

Q. Mr. Brumbaugh, would it be a fair summary of your conclusions that a merger should be permitted only when there is an extraordinary reason of the type that you described to justify it?

A. If there isn't some laws enacted to prevent this merger situation from getting out of control or unless the supervising agencies prevent it (which they have the power to do), I think that there is no question about it getting out of control and causing a lot of trouble.

[fol. 1264] Q. In your opinion, have the supervisory agencies exercised sufficient control in that area?

Mr. Littleton: Objected to.

The Court: Sustained.

By Mr. Reycraft:

Q. You testified, Mr. Brumbaugh, with respect to the functions performed by a branch manager just a few moments ago.

In your opinion is a community better served by having an executive of an independent bank or the same person as a branch-office manager of a bank in perhaps even the same area?

Mr. Littleton: What community?

Mr. Reycraft: In the community, in your own community.

The Witness: Well, there would be no question in my opinion but what the public could be better served by a bank that had authority to grant loans; and so forth is right in that community, rather than in a larger center,

which takes time to even find out whether they are going to grant the credit.

Naturally, the president of a bank in a small community is very anxious to develop that community, and it certainly would be much to the advantage to have the independently-owned bank operate in that community than it would be absentee ownership from a large center.

[fol. 1265] I think it would give better service, I think it could serve the public better.

By Mr. Reycraft:

Q. You think that the same man performing the function of supervising a particular banking unit would do a better or a worse job as the president of a bank or as an official of a branch office of a larger bank?

Mr. Littleton: Are you talking about the county in which Mr. Brumbaugh operates?

Mr. Reycraft: Yes.

The Witness: I would think the president of the bank or the executive officers in that bank could do a better job than if they were subordinated to branch manager and didn't have the authority to make the decisions.

By Mr. Reycraft:

Q. In your opinion, is the same conclusion applicable throughout Pennsylvania?

A. I would think so.

Mr. Littleton: Objected to unless he knows what the conditions are in each of the places he is talking about.

Mr. Reycraft: Well, Your Honor, he is testifying with respect to a motivation of officials of banks and he has [fol. 1266] certainly had an opportunity during his fifty years of banking to observe a large number of banking officials.

The Court: Yes, he has. He is talking in generalities on his opinion based on his knowledge and experience. That is what he is trying to do.

He is not trying to say that there isn't a branch manager to whom has been delegated full authority. There are some such situations, I assume, but we are not talking about that. We are talking about general impressions.

By Mr. Reycraft:

Q. Would you answer the question, Mr. Brumbaugh?
A. Pardon me?

Mr. Reycraft: Would you read the question?

(The testimony was repeated by the reporter as follows:

"Q. In your opinion, is the same conclusion applicable throughout Pennsylvania?
"A. I would think so.")

The Court: That is the answer and I will let it stand.

By Mr. Reycraft:

Q. Mr. Brumbaugh, during your experience in relation to commercial banking and your knowledge of other types of [fol. 1267] financial institutions, have you had an opportunity to observe the opportunities which are available to larger business to obtain financing?

The Court: Read that question back.

(The pending question was repeated by the reporter.)

The Witness: I have had. I don't think, if the corporate individual or whatever it is, has the proper financial statement and is doing the type of business that shows a profit, that the matter of securing loans is a very serious problem. I think they can be secured today most anywhere.

By Mr. Reycraft:

Q. As the business increases in size, is there any change in the types of financial institutions a business has available for financing?
A. I would think not.
Q. Do you have any knowledge as to the availability of stock issues, for example?

Mr. Littleton: What?
Mr. Reycraft: Stock.
The Witness: The availability of stocks?

[fol. 1268] By Mr. Reycraft:

Q. The ability to sell stock to raise capital.

A. Oh! Well, of course, that again would depend on the corporation that would want to sell the stocks and, of course, as to the earnings and so forth.

Do you mean common stocks, preferred stocks, or what types?

Q. Any kind, any kind.

A. Any type of stock?

Q. Which raises capital, which raises capital.

A. The problem of selling the stocks, as long as they would be approved by the Securities & Exchange Commission, if they were an unlisted stock you may have some trouble to sell stocks in the State of Pennsylvania.

Most corporations, though, of any size, the stocks are listed on either the New York Stock Exchange, the American Stock Exchange, or some of the other exchanges; and it is really no problem because they are usually sold through a broker.

A broker usually handles those transactions and it is not hard to get a broker to underwrite it.

Mr. Reycraft: Cross-examine.

[fol. 1269] Recross-examination.

By Mr. Littleton:

Q. Mr. Brumbaugh, you, of course, have no idea of what the lending limit of any manager of any branch of the Philadelphia National Bank has, do you?

A. What the lending limits are?

Q. What his authority is, what the authority of any manager of any one of the branches of the Philadelphia National Bank is?

A. No, sir.

Q. And the same with Girard Trust?

A. That's right.

Q. You have no knowledge of that?

A. No, I have no knowledge whether authority is granted or what authority they grant to them.

Q. You spoke in very laudatory terms of the gentlemen who run and manage both these banks.

In your opinion, would any one of them sign his name to an application to the Comptroller of the Currency that contained anything fraudulent or misleading?

A. I would say definitely no.

Mr. Littleton: Thank you.

Mr. Price: I have no questions.

Mr. Littleton: That's all, thank you.

[fol. 1270] Mr. Reycraft: That's all.

Mr. Reycraft: The Government calls Mr. Du Bois.

Ben Du Bois, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. Mr. Du Bois, where do you reside?

A. Sauk Centre, Minnesota.

Q. What do you do in Sauk Centre, Minnesota?

A. I am Executive Manager of the Independent Bankers' Association, and I am also——

Q. Pardon me? Go ahead.

A. And I amsalso President of The First State Bank.

Q. How long have you been connected with The First State Bank?

A. 49 years this fall.

Q. How long have you been President of that Bank?

A. 24 years.

Q. When did you first become connected with— I believe [fol. 1271] you referred to the IBA.

Will you state what those initials stand for?

A. Independent Bankers' Association? Is that what you asked?

Q. Yes, sir.

How long have you been connected with the Independent Bankers' Association?

A. I was one of the organizers back in May of 1930. I became secretary in May of 1933; so I guess that would be 28 years that I have been active in the Association's operations.

Q. What is the Independent Bankers' Association?

A. What is it?

Q. Yes, sir.

A. It's an organization of independent banks. The purpose of the organization is to use the collective strength of the individual banks in a way that will protect their future, maintain our so-called diffuse system of independent, home-owned, home-managed banks, banks that are responsive to the needs of the respective communities.

Q. And how many——

A. It also——

Q. Go ahead, sir.

A. And also in opposition to this monopolistic trend that rears its head in different forms in different sections of the [fol. 1272] country.

Q. How many members are in the Independent Bankers' Association?

A. In our Association we have 5924. That's the number we had when I left Sauk Centre last week.

We are closely associated with the Independent Bankers' Association of the West Coast, the Twelfth Federal Reserve District; and they have a membership of a little less than 300.

So you can say between 6200 and 6300 banks that are interested in the same cause.

Q. Now, you have referred to a diffuse system of banking. Will you explain what you mean by that phrase?

A. It's the opposite of a concentrated form of banking. It's banks in the different communities, that are part and parcel of the community, organized and operated and managed by people of the community, independent of other banks; where the Board of Directors is a sovereign board, as sovereign as it can be with the legislation and regulation that affects banks, but where the decisions on matters are made at their own directors' table, and the idea is a continuation of the idea that was in the National Bank Act of '63—1863—when every bank was supposed to stand alone and on its own feet.

[fol. 1273] Q. Why do you think it is important——

The Court: Just a minute, just a minute.

By the Court:

Q. Is there any innuendo that banks other than your banks do not make their decisions at the directors' table?

Do you mean by what you said the purposes of your bank and your operations, do you mean to infer by that statement that other banks don't make their decisions at the directors' tables?

A. I will say, Your Honor, that for instance, a subsidiary of a holding company, I don't think the important decisions are made by the Board of Directors of that bank, but by the owners of the bank.

Q. Let's eliminate holding companies.

A. All right.

Q. Let's just have a bank of which the stock is not owned by a holding company. Let's take another kind of a bank, a bank that has a Board of Directors.

I just want to make sure that you didn't mean to infer that they didn't make their decisions. Do you?

A. No. Any bank, any independent bank—you asked a question, Judge, I think, if there was any bank, so I brought in these subsidiaries of holding companies.

Q. You are talking about banks whose stock is completely [fol. 1274] owned by holding companies?

A. Yes.

Q. You are talking about the West Coast Giannini operation; is that it?

A. Well, I had more reference to the holding company that operates in the Ninth Federal Reserve District, with which I am a little more familiar.

Q. That is not in this district.

A. What? That is not in this district.

Q. Do you know of any that is operating in this district?

A. No. I would assume, sir, that these banks in this state that are operating, whether they have merged or not, the head office certainly has its own Board of Directors that makes its own decisions.

The Court: All right.

By Mr. Reycraft:

Q. How many members were there in your Association, Mr. Du Bois, when it began its existence?

A. 28 members, sir.

Q. And you testified that there are 5924 now?

A. That's correct.

Q. From what area of the country are your members drawn?

A. They are drawn from the first eleven of the twelve Federal Reserve Districts, and, as I mentioned before, we [fol. 1275] have a close relationship with the West Coast organization that operates in the Twelfth District.

Q. Do you have any members in Pennsylvania?

A. We have 247 members in Pennsylvania.

Q. Mr. Du Bois, what have been your duties as executive of the Independent Bankers' Association?

A. Well, they have been very varied. I am in charge of the office, I have traveled through most of the states calling on banks, I have been in hundreds of banks and I have called on banks in the majority of the states.

I have tried to represent the Association in Washington. When we have hearings before Banking Committees, we have our executive officers in the Association in. In the early days I think I did most of the testifying between the two Banking Committees of the Senate and the House.

We have appeared in opposition to what we refer to as monopolistic intent. We were on the opposite side when the First National City Bank wanted to expand into Westchester County. The Board turned them down.

Up in our state, we have appeared a number of times when the two holding companies were trying to get—acquire additional acquisitions, new subsidiaries.

We met in Washington early this year, as I recall it, on a merger in Mississippi.

[fol. 1276] Mr. Littleton: Just a moment. Excuse me.

If Your Honor please, I question the relevancy of this and desire to object to it.

I don't know whether this is supposed to be qualification of this witness as an expert or what it is supposed to be, but it certainly doesn't have any relevance to the issue before this Court, as far as I can see.

Mr. Reycraft: The question I asked him was to describe his duties as an executive of the Association. I believe he did go beyond that question.

Mr. Littleton: He did.

By Mr. Reycraft:

Q. So, could you, Mr. Du Bois, confine your answer a little more closely to describing your specific duties as an executive of the IBA?

A. Well, I referred to the fact that we operate the office and I don't suppose I need to enlarge upon that. You know about how any office would be operated. We have a lot of correspondence, we have a lot of accounting.

In the office we have a publication, a monthly publication. I am not the editor of that; but it is an associate that operates the magazine, but it is the official mouthpiece for the organization, so I am very familiar with its operation and its content.

[fol. 1277] Q. Mr. Du Bois, do you have an opportunity to discuss banking problems with members of your Association?

A. Continuously.

Q. Is this one of the principal features of your job?

A. It is one of the very important features of the job, yes.

Q. Do you have an opportunity to discuss problems with your members in Pennsylvania?

A. On quite a number of occasions, yes, sir.

Q. What are some of the problems which you discuss with your members?

Mr. Littleton: In Pennsylvania?

Mr. Reycraft: First, generally, and then I will ask for Pennsylvania.

The Witness: Well, we are always discussing federal legislation and then, when we come down to states, we are often discussing state legislation.

We have been active in different states, either for or opposing legislation—legislation supporting, we thought was beneficial; legislation opposing, that we thought might be damaging to our type of banking.

By Mr. Reycraft:

Q. Mr. Du Bois, on the basis of your discussions with your members throughout the United States and in Pennsyl-[fol. 1278] vania, what is the most important problem that you believe confronts them?

A. The most important problem to the independent bank is naturally its survival; and if it its to survive there has got to be a check of this monopolistic trend.

This monopolistic trend, as I said before, comes through a number of devices. Mergers are now running rampant. They are attracting a great deal of our attention.

Q. What do you mean by "monopolistic trend"?

A. The Judge was asking monopoly, and I think that's hard to define. I have always thought that we had a monopoly when competition ceases to exist.

Q. In your opinion, is there a monopolistic trend when competition is reduced?

A. When it is reduced, it increases the trend toward monopoly.

Q. Are you familiar with the term "tendency to monopoly"?

A. Tentative——

Mr. Littleton: I object to that.

The Court: Sustained.

Mr. Littleton: You asked the other witness——

The Court: Sustained.

By Mr. Reycraft:

Q. Mr. Du Bois, you have testified that the monopolistic [fol. 1279] trend is an important concern of your members. Why is that an important concern of your members?

A. I don't understand. Just state that question again.

Mr. Reycraft: Yes, sir.

The Court: Read the question back.

(The pending question was repeated by the reporter.)

The Witness: Well, the trend—if the trend keeps on it will be the death of our old system of American banking.

By Mr. Reycraft:

Q. Why do you think it is important to keep the type of system that we have?

A. Because it has served the people better than any other banking system that was ever devised in this world. It is uniquely American, and it has not only built the hinter-

lands, but it has also done a great job in the metropolitan centers.

Mr. Littleton: If Your Honor please, may I ask, are we still in qualification or have we gotten to the point where you are asking his opinion as a proposed expert?

Mr. Reycraft: I consider him qualified.

Mr. Littleton: You consider him qualified?

Mr. Reycraft: Yes.

[fol. 1280] Mr. Littleton: For what purpose?

Mr. Reycraft: For the purpose of asking——

Mr. Littleton: May I ask for an offer of proof?

Mr. Reycraft: Yes. I expect to ask him further questions about the problems which confront the members of the Association which he represents, with respect to the type of problem confronting them; why they think it is a problem; what importance they attribute to bank mergers; what effect bank mergers have on the country and on the community in their opinion, on the basis of Mr. Du Bois' observations.

Mr. Littleton: I object to this on the statement of the offer of proof unless it is restricted to Philadelphia and the surrounding ten counties.

The Court: I am going to permit him to testify.

I will let you make your record in the way you see fit.

The effect of the testimony or the weight of it, when it doesn't clearly touch on the matter before me, will be for the Court.

Mr. Reycraft: Will you read the question back?

The Court: You may proceed.

Mr. Reycraft: Will you read the question back?

[fol. 1281] By Mr. Reycraft:

Q. I believe I asked you, Mr. Du Bois, what problems your members considered among the most important; and I believe you testified that——

The Court: There has been a lot of talk about monopolistic trend. Let the witness define what he means by monopolistic trend. I will ask the question.

You put on the record your definition of monopolistic trend.

The Witness: The concentration in few hands, and we are to speak on banking, Judge, I assume?

The Court: Only banking.

The Witness: The concentration in banking that has been going on in this country is what I would call a trend toward monopoly. It is fewer people controlling a greater amount of bank assets. It is a concentration of economic power that I think is particularly dangerous.

Banking—the banking business mushrooms into all types of business. We have seen these gigantic corporations outside of banking that are too big for their own good——

The Court: Let's keep it to banking.

The Witness: I just made a reference to that.

The Court: Let's keep it directly to banking.

[fol. 1282] By the Court:

Q. What did you mean by monopolistic trend and what did you mean when you say the concentration of power in a few hands?

These banks are owned by a lot of people, the stockholders. Now, are you eliminating stockholders? Are you saying that it is in the hands of bank officials or that it is in the hands of the Board of Directors?

Let's get some specific reference around here so we will understand what we are talking about.

A. I wouldn't want to eliminate stockholders, except that as a general thing stockholders in a large corporation are to quite an extent voiceless.

I assume you would not eliminate the Board of Directors. That's the sovereign board, presumably directing the management.

But if banks are reduced in number there are less Boards of Directors, less management officers to direct the banking affairs of the country.

Q. Well, we had in this country at one time a lot of independent private banks. You remember that, don't you?

A. Yes. They practically have been eliminated.

Q. They practically have been eliminated.

We also know——

[fol. 1283] A. After the Jackson era we had a bad system of banking there, when banks grew up in out-of-the-

way places and their purpose was the issue of currency more than anything else.

Q. And we know that there were many banks in many towns when there wasn't enough business for one bank.

A. Very true.

Q. So there were a lot of bank failures?

A. Very true.

Q. Are you taking all of that into consideration? Would you want that condition restored, where there are too many banks?

A. By no means. I wouldn't want to see an over-banked condition because that is just a breeder of trouble.

I think in this country now—I don't believe we have too many banks. We have had a growth in wealth, a growth in population, and the number of banks—there's 13,400-something now, when at one time I think we had 29,000, at a time when there was less people and less volume of business.

I think we are at a pretty decent point, but I'd hate to see——

Q. You want to keep it that way; you want to maintain the status quo; is that it?

A. We want, as long as it's in the proper proportion, as it [fol. 1284] is.

Q. Are you in any position to say what is the proper proportion in Philadelphia?

A. I have been pretty well educated. I have sat in this courtroom for a week.

It seems to me there has been——

Q. Wait a minute. You can answer that yes or no.

A. Yes, I think I can.

Q. Do you know how many industries have come within 20 miles of Philadelphia in the last ten years?

A. I don't know that detail, but I know that the banks in Philadelphia in the last fourteen or fifteen years have been cut down. They have been cut down from 39 to 17.

The Court: Read my question and get the answer and strike everything else.

I don't know the answer to your question.

Strike everything he said beyond the answer to my question.

Read him the question.

(The questions were repeated by the reporter as follows:

"Q. Are you in any position to say what is the proper proportion in Philadelphia?

"Q. Do you know how many industries have come [fol. 1285] within 20 miles of Philadelphia in the last ten years?")

By the Court:

Q. What is your answer to that?
A. No.

The Court: Proceed, Mr. Reycraft.

By Mr. Reycraft:

Q. Do you have an opinion, Mr. Du Bois, as to the effects of banking mergers in Philadelphia?

Mr. Littleton: Just answer yes or no.
The Witness: Yes.

By Mr. Reycraft:

Q. What it is?

Mr. Littleton: Objected to.
The Court: I will let him express it.
Objection overruled.
The Witness: I think this merger is entirely uncalled for and I think it would trigger mergers here and elsewhere.

By Mr. Reycraft:

Q. Why do you think that?
A. Well, this desire of these big bankers to always be the biggest, and the fact that the biggest bank, if this merger goes through, will be second in size, I would expect to see another merger in town.
[fol. 1286] But what happens here has repercussions a long ways off. It is just where are we going to stop this merger? Are we going to stop it here? Are you going to get it a little further on?

Every time one of these mergers are consummated, there seems to be an invitation for more mergers to be brought forth.

Q. Do you think that this merger will have repercussions in areas beyond Philadelphia?

A. Oh, country-wide.

Q. Why do you think this?

A. I think that those things are infective. The fact that we have had these rash of mergers—one merge begets another merger. It is an invitation to merge when they can successfully put two banks together.

Q. Do you think the size of the banks involved has any relation to that?

A. I think the size of the bank is of great importance.

Q. Why?

A. Because it is creating—it creates giants in the banking business, and in the banking business, while there is competition between the small and the large bank to an extent, it is a contest between giants and pygmies, and it's a difficult—it's a difficult question.

[fol. 1287] It is Goliath and David. The only reason that is recorded is because David did the unexpected and won.

Q. Mr. Du Bois, on the basis of your experience as president of a bank, have you had an opportunity to or have you received applications for loans beyond your loan limit?

A. Oh, yes.

Q. Have you had any difficulty accommodating those loans?

A. I don't think any decent bank ever had any. All the testimony that we have heard is that it is an easy matter; and I have never heard of any difficulty.

Q. On the basis of your own experience——

A. No trouble.

Q. —has there been any difficulty?

A. No trouble.

Q. What do you do when you get such an application?

A. We take it up with our correspondent bank. They take the portion that overruns our limit.

Q. Have you, Mr. Du Bois, ever, in your capacity in your bank, made loans which other banks were unwilling to make?

A. Time and again; and time and again the other bank has made loans that we have turned down.

I like to see a borrower at least have two chances to propose—to offer the proposal to a bank.

My judgment has been wrong many times, and I am sure [fol. 1288] the other fellow's has been offside at times, but I like to see—I like to bank in a town where there is competition; where, if I turn a man down, he may have a chance elsewhere.

Q. In your opinion, Mr. Du Bois, on the basis of your experience, what are the principal areas of competition among commercial bankers?

A. Well, commercial banks, I would say the competition between commercial banks, there is no question nowadays but that the competition for savings between savings and loan associations and commercial banks is very, very brisk.

They have a tax advantage and a nice charter that gives them a little margin.

Q. Are there other areas of competition?

A. Well, in the rural section of the country we are in competition with some of these Government agencies; but this competition, I think, is pretty decent competition and probably keeps the bank on its toes a little bit better.

Q. With respect to your competition with other banks, what form does this competition take?

A. Everything that we can think of in the dead of night.

Q. Does it include interest-rate competition?

A. Interest rates on loans; but, of course, not interest rates on our time deposits. That is set by——

[fol. 1289] Q. Does it include service?

A. Service charges? Oh, I think as a general thing the banks follow a pretty universal charge throughout the state.

Q. Does it include personal service?

A. Personal service? I have always found the best way to secure business was to make a loan that the other fellow couldn't make and set it up in such a way that it would work out successfully.

If you are loaning a man money, he's going to carry his account with you, even if you didn't insist.

By the Court:

Q. Isn't that the secret of successful banking?

A. Sir?

Q. Isn't that the secret of successful banking, to set the program up so that the man can meet it, instead of giving him impossible situations?

A. That's the way it has to be done for intelligent banking.

Q. Certainly.

A. And another thing, Judge, if I may remark, I like to see a banker have enough interest in his client so that he will try to work him out of debt and not keep him in perpetual bondage.

I think that's something that a banker should always [fol. 1290] hold in mind.

Q. That is what you would call servicing the loan?

A. Yes.

By Mr. Reycraft:

Q. Mr. Du Bois, you have testified with respect to competition with savings and loan associations.

Do commercial banks compete with savings and loan associations in any way other than the one you described?

The Court: Read that question, please.

(The pending question was repeated by the reporter.)

The Witness: Not to any extent at all.

I think sometimes on mortgage loans, house loans, there might be a little competition; but the competition is in the securing of the savings deposits.

Cross-examination.

By Mr. Littleton:

Q. Mr. Du Bois, your bank is The First State Bank of Sauk Centre, in Minnesota?

A. Yes, sir.

Q. And you don't have branches by law in Minnesota; is that correct?

A. That's correct.

Q. And Sauk Centre is how large in population?

[fol. 1291] A. 3500, about.

Q. How many banks are there?

A. Two.

Q. And how far away is Melrose?

A. Melrose? 9 miles.

Q. And how many banks are there?

A. One.

Q. Pardon me?

A. One.

Q. And in the whole State of Minnesota, what is the average number of population per bank?

A. (No response.)

Q. About 5,000, would you say?

A. No. I think about 4600 or 4700.

[fol. 1292] Q. Per bank?

A. Yes.

Q. 26?

A. 46 or 47.

Q. 46?

A. I had the figures a short time ago.

Q. And the capital of your bank is what?

A. We got 100 capital, 150 surplus, and——

Q. Just the capital first.

A. $100,000.

Q. $100,000, and that is 1 par?

A. Par?

Q. Par per share.

A. $100 a share.

Q. What is your surplus?

A. Surplus is $150,000.

Q. And all the decisions of your bank are made around the Board table?

A. Yes, sir.

Q. And your Board of Directors at the present time consists of Ben Du Bois, that is you?

A. Yes.

Q. Dave Du Bois.

A. That is my son.

[fol. 1293] Q. That is your son. J. F. Du Bois?

A. My brother.

Q. Pat Du Bois?

A. My son.

Q. And one other man, Earl E. Fox.

A. My son-in-law. I would call that a family bank, Mr. Littleton.

Q. And that is a family bank.

How much of the stock of your bank, what proportion of the stock of your bank is owned or controlled by your family?

A. All of it.

Q. And that has been so for the last 10 years?

A. No, it has been the last two years.

Q. Mr. Kels used to be a vice president?

A. Yes. Mr. Kels died a couple of years ago, and he sold his stock in the bank to my boys.

Q. But this is a personal enterprise?

A. Yes. Years ago we had a larger list of stockholders, but it has been drifting into closer control.

Q. And your total assets in the last ten years have increased from about $1,800,000 to what are they now?

A. Oh, a little short, total assets a little short of $4 million, I guess.

[fol. 1294] Q. So it is about a hundred per cent increase. And your deposits ten years ago were $1,780,000, were they not? What are they now?

A. About twice that.

Q. And your loans ten years ago were $991,000. What are they now?

A. Over twice that.

Mr. Littleton: That is all I have.

By Mr. Price:

Q. Have you a monopoly in your town?

A. No, there is another bank in our town that is owned by the First Bank Stock Corporation. We have very violent competition.

Q. So that so long as there are two banks in the town there is no monopoly, in your judgment; is that right?

A. Not in the situation that exists in that town.

Q. What?

A. Not with the situation that exists there where there is vigorous competition between the two shops.

Q. In your opinion, if you have two or more banks in the town, you won't have a monopoly, will you?

A. You won't have a monopoly unless they get together and cut out competition. As long as you have got vigorous competition between two, there is no monopoly.

[fol. 1295] Mr. Price: That is all.

Oscar Duane Hansen, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. Would you give your full name for the record.

A. My full name is Oscar Duane Hansen.

Q. Mr. Hansen, what is your residence?

A. It is Elk Point in South Dakota. I am president of the Bank of Union County.

Q. How long have you been president of that bank, sir?

A. Since 1948. I was executive vice president prior to that.

Q. How long have you been in banking?

A. In Elk Point 18 years.

Q. Mr. Hansen, have you had any duties in connection with any associations of bankers?

A. Yes, I have.

Q. And what were they?

A. One is a member of the Executive Council of the Independent Bankers Association since 1949 to date.

Q. Did you ever have any other position with that association?

A. Yes, I had.

[fol. 1296] Q. What was it?

A. I was president of the association beginning in 1960 and ending in April of this year.

Q. Has your association sponsored any training or educational activities for its members?

A. Yes, we have sponsored a senior bank officers seminar

at Cambridge through the head of the School of Business at Harvard University.

Q. Mr. Hansen, have you had any positions with your state involving banking?

A. Yes, I have.

Q. What was it?

A. I was a member of the South Dakota State Banking Commission beginning in 1951 and for a six-year period ending in 1957.

Q. And what were your duties?

A. In our state the three-man commission have, among their duties, the granting of bank charters and assisting the superintendent of banks in supervision, particularly in areas where there are difficulties of any kind.

Q. Are you referring to financial soundness of banks among those difficulties?

A. Yes.

Q. And did you have the duty of passing upon these problems?

[fol. 1297] Q. Have you had any other duties in connection with the American Bankers Association?

A. Very minor. I was a delegate once or twice to their national convention, to the nominating delegation.

Q. Have you had any duties, other duties, in connection with your state?

A. Yes, I have. I served on the State Board or Advisory Council of the Small Business Administration for a period of eight years ending in 1960.

Q. What were your duties as a member of the Board?

A. The meetings were held at the call of the supervisor for the district, and my duty was, with others, to advise particularly in regard to loans in the locality nearest to my county and bank.

Q. You had an opportunity to become familiar with the problems of small business in obtaining loans?

A. Yes.

Q. Will you describe the functions of a commercial bank from your standpoint as a bank executive.

A. Well, they are the business, I think, primarily of supplying credit needs and the distribution of money through commercial accounts and other personal accounts. I would say those are the principal duties. Of course, creation of

money, as has been stated, through the granting of loans [fol. 1298] and the sundry other services, including advisory services to the clientele of your bank in matters of investment, and so forth.

Q. Do commercial banks perform any functions different from savings and loan associations?

A. Yes, they do.

Q. And what are they?

A. Well, they are entirely different in the sense that they receive deposits, both demand and time, and certificates of indebtedness, whereas savings and loan associations are an organization that sells shares for the participation in long-term loans.

Q. Mortgage loans?

A. Yes.

Q. Do other financial institutions offer commercial and industrial loans, to your knowledge?

A. Well, not in the sense that—if you eliminate private lending companies and finance companies, I would say no.

Q. Well, do personal finance companies offer commercial and industrial loans?

A. In a very limited way only.

Q. On the basis of your knowledge as a banker, is it practical for small or medium sized business to depend on [fol. 1299] personal finance companies for commercial and industrial loans?

A. No, it is not.

Q. In your opinion, could financial institutions of this type perform the function of a commercial bank?

A. They could not under their present mode of operation.

Q. And could a savings and loan association perform the function of a commercial bank?

A. No, they could not.

Q. Could a mutual savings bank perform the function of a commercial bank?

A. We have no mutual savings banks in our part of the nation. I think to a limited extent only, in that they do not participate in the transfer of money. They could perhaps, to some extent, in the loan activities.

Q. Do you know what kind of loan activities they specialize in?

A. No, I do not.

Q. Mr. Hansen, as president of the Independent Bankers Association did you have an opportunity to discuss problems of bankers with your members?

A. Yes, I did.

Q. And what are some of the problems which were brought to your attention during the time that you were president?

[fol. 1300] A. The problems, I would say, that were most frequently brought to my attention have been mentioned here before, and this is the various means of decimating unit banks by various routes—branching, merging, and holding company. That would be, I would say, a leading problem. Another quite pertinent problem that has been before the attention of my office during the past year is that of taxation and the different approach of taxation to commercial banks as compared to other financial institutions.

Q. With respect to the first category of problems you referred to, were you informed as to why these matters were matters of concern to your members?

A. Yes.

Q. Why?

A. In a great many areas of the nation bankers fear the eventual loss of their position as unit banks because of the encroachment of mergers. They are very much concerned about that.

Q. Why are they concerned?

A. They watch the diminishing of the unit banks in the various states where these mergers are going on, and it becomes a matter of question as to their survival in perpetuity.

Q. Is it a question of their survival as banking units? [fol. 1301] Is that what you are referring to?

A. As independent banking units, yes.

Mr. Littleton: If Your Honor please, may I interpose an objection here to this line of examination, and may it be a continuing objection to anything that does not relate to the situation which is presently before the Court?

The Court: You may have an exception. Proceed.

And that is to the whole line.

By Mr. Reycraft:

Q. Mr. Hansen, are you making a distinction between the survival as an independent bank or a branch bank?

A. I beg your pardon?

Q. You indicated earlier that concern had been expressed toward survival of banks. Are you indicating banks go out of existence? Are you indicating that or that they have become branches?

A. That they have become branches and perhaps continue in the locality but not as a unit bank.

Q. Why is this a matter of concern to your members?

A. I would speak in answer to that from the viewpoint of a managing officer of a small bank and as one who probably won't be in charge of the bank a great many more [fol. 1302] years, because of my age, but I am still concerned. I would like to see this institution continued as a home-owned unit bank rather than to become a part of a vast chain of banks.

Q. Why do you think this is important?

A. I believe it is important, first, to the people in my community, and also the people who have made banking their career.

Q. Why do you think it is important to the people in your community?

A. I think they would lose some of the benefit of direct touch with the actual ownership of the bank in their community. I believe that bank is more concerned about the welfare of the community because it is locally owned.

Q. Why do you think it is important from the standpoint of management?

A. I believe that it is important from that standpoint because management, this is, top management, dislikes the idea of becoming part of a vast concern. They would rather be in control of the bank locally on their own. I think that is just human nature.

Mr. Reycraft: All right. Thank you, Mr. Hansen.

[fol. 1303] Cross-examination.

By Mr. Littleton:

Q. Mr. Hansen, when did you cease to be president of the Independent Bankers Association?

A. In April of this year, sir.

Q. And you and Mr. DuBois and your association were very active in Congress, were you not, in getting passed the act under which the Philadelphia National and Girard Trust are endeavoring to merge?

A. Yes.

Q. Had your association taken any official or formal position on this particular merger?

A. No, I believe not. The position they have taken, sir, has been certainly against this merger so far as it applies to mergers in general.

Q. Well, I am not sure I know what that means. At any meeting of the association or at any committee of the association was any formal action taken by this association against this merger of the Philadelphia National and the Girard Trust Corn Exchange Bank?

A. I believe not, although it has been discussed a good deal among officers of the association.

Q. There was conversation but no formal action?

A. No formal action, to my knowledge.

[fol. 1304] Q. You spoke at the last convention of your association, did you not?

A. Yes, I did.

Q. You said:

> "A bill requiring Federal approval for mergers and consolidation of banks was adopted by the last session of the Congress. The Independent Bankers Association was instrumental in strengthening the bill to require consultation with the Justice Department by whatever Federal bank supervisory agency has supervision over bank mergers."

did you not?

A. Yes. Finish my statement.

Q. A little further you said, did you not:

"Our association is cooperating closely with the Department of Justice because of the conviction of your officers and Executive Board that this Federal agency's activities will have a deterring effect on the mergers rush."

You said that!

A. Yes, sir, I said that.

Q. And is your appearance here part of that cooperation that you are giving to the Department of Justice?

A. I am appearing here not as an officer of the Inde- [fol. 1305] pendent Bankers Association.

Mr. Littleton: Answer my question.

(The last question was read by the reporter, as follows:)

"Q. And is your appearance here part of that cooperation that you are giving to the Department of Justice?"

A. Yes, I would thank it fair to say that it is.

Mr. Littleton: That is all. Thank you.

By Mr. Price:

Q. What is the population of Elk Point, where your bank is?

A. It is about 1500, sir.

Q. What is the size of your bank?

A. Total footings are less than $4,000,000. I think $3,700,000, about, at this time.

Q. What is your lending limit?

A. $40,000.

Q. And your concern about banks and this merger movement that you spoke about is only in respect of individual small banks such as yours in towns throughout the country, is it not?

A. Well, I would say that our concern is in the area of mergers as such. I am not fearing this, sir, as far as my [fol. 1306] little county seat town is concerned.

Q. You said you were afraid of unit banks disappearing?

A. Yes, sir.

Q. By "unit bank" do you mean the small independent bank in small towns throughout the country?

A. Yes, I do.

Q. That is your primary concern, isn't it?

A. My primary concern at the moment, of course, is in the area of my own small community. We always think of our own community first, but I am greatly concerned about the entire merger movement, and I have tried to what extent I could to encourage our association to back legislation to prevent this.

Q. Yes, but when you spoke about the direct touch being improved—

A. Yes.

Q. —your concern about the merger movement was that it might affect that direct touch which small banks have with their customers; isn't that so?

A. In the event, yes, that they are absorbed by another bank.

Q. Yes, and that is the kind of absorption, the kind of merger that you are opposed to?

A. Yes, sir.

[fol. 1307] Q. And that is your only concern, isn't it, really?

A. It is the primary concern.

Q. At this same address that Mr. Litteton referred to you also said:

> "Much is said of small business and its problems these days. Independent banking in the United States is small business. Of our 13,000 banks, 11,400 have deposits of less than $10 million . . ."

A. That is right.

Q. And that is the group that you are concerned with?

A. Yes, I am concerned with that group and, of course, we have other banks that have very considerable deposits, but the average is the smaller banks.

Q. Does this express your real concern about this problem? I am reading now from "An Independent Bankers Credo" as it appears in your publication of this year:

> "Depositors and borrowers are sold, as it were, 'down the river' to become statistics in the big city

bank's balance sheet reports. Officers and employees of the merged institutions exist in bewilderment at the submergence of the once-independent bank to which they dedicate their lives and loyalty."

[fol. 1308] A. Yes, sir.

Mr. Price: That is all.

By Mr. Littleton:

Q. Do you know, Mr. Hansen, which is the largest bank in the group of IBA members?

A. I am not sure. I believe that it would be probably Republic National of Dallas. I am not sure.

Q. Republic National of Dallas?

A. I rather think so. I am not sure. There is a Bank of the Commonwealth in Detroit. This is a large bank. There are a great many large banks. I have never compared them.

Q. How large is the Detroit bank?

A. I believe it is a half billion in footings.

Q. Would you be able to say how many of your banks of the independent group are the only banks in the town in which they are located?

A. Quite a large number, sir, but I wouldn't be able to say how many.

Q. More than half?

A. No. This is a guess, sir. I would say perhaps a little less than half. However, I have never made such a research.

Q. That would be slightly less than 3000?

[fol. 1309] A. Yes, if my estimate is correct.

Mr. Reycraft: Mr. Price read from "An Independent Bankers Credo."

Will you mark for identification as Government's Exhibit No. 66 a booklet entitled "The Independent Bankers Association," in which the statement which Mr. Price read is set forth at Pages 58 and 59.

Mr. Price: Which year?

Mr. Reycraft: This is 1961-1962.

The Court: What is that exhibit number?

Mr. Reycraft: It should be 66.

The Court: That is the IBA Credo?
Mr. Reycraft: Yes.

Redirect examination.

By Mr. Reycraft:

Q. Mr. Hansen, you were quoted as having made a speech in which you indicated that you and your association would cooperate with the Department of Justice in, among other matters, this particular litigation; is that correct?

A. Yes.

Q. Why do you have an interest in cooperating with the Department of Justice?

A. For this reason, that the agencies responsible under the Merger Act of 1960 appear to me to be, in general, [fol. 1310] adopting only one course, and that is a "Yes" whenever the question came up. Then early this year the Department of Justice, under the Antitrust Division, elected to take a closer look and virtually effected what appeared to be a freeze on these mergers until they had a chance to scrutinize it further. In that situation, sir, it would be only natural that the officers of the IBA and its membership would be anxious to cooperate with the Department of Justice.

Q. And you have cooperated with the Department of Justice, have you not, sir?

A. I have tried.

Q. And you have cooperated in this particular litigation, have you not?

A. Yes, I have tried to be of help, if possible.

Q. Why did you think it was of any importance to you or to your association, since you are from South Dakota, to cooperate with the Department of Justice in this particular litigation?

A. I am very much concerned about the future of the commercial banking industry, and I hold firmly to the belief that this merger trend is detrimental to the future of this system of commercial banking as we know it, and holding firmly to that belief, I think I would be less than [fol. 1311] honest with myself if I didn't try to make what effort, however small, that I could to support the Department of Justice in opposing what I believe to be bad.

Q. Well, you are way out in South Dakota. Why does a merger in Philadelphia make any difference to you?

A. Well, in South Dakota two of these large banks that absorbed other banks have already got about 40 per cent of the assets of the banks in the State of South Dakota, and this trend is continuing, and I foresee a time when that percentage will be much higher.

Q. And why do you care about that?

A. I believe it is bad for the individual communities. I think my state is dependent perhaps more than any other directly upon agriculture, and from my own certain observation I know that farmers cannot get as satisfactory service out of these chain or group banks as they can out of the locally owned bank.

Q. Well, there aren't any fewer banking offices out there, are there, as a result of these mergers and acquisitions?

A. No.

Q. But you don't think the service is the same?

A. I know it isn't the same, sir.

[fol. 1312] Q. Why not?

A. Because the managing officer of this bank has to gear his service to the farmer according to a pattern that is made for him in the twin cities. He is not the managing officer of that bank except in name. It shows on the statement, and that is about as far as it goes.

Q. I am not sure that you really answered my question as to why you care about this particular merger. These banks don't lend to South Dakota, to your knowledge, do they?

A. To be very truthful, which I hope I am, the Philadelphia merger as such bears no interest to me at all except that it is a part of a pattern which my group in the IBA have tried desperately to stem. That is the only interest that I have in this particular merger.

By Mr. Littleton:

Q. And all these sentiments and arguments and positions and opinions that you stated here, Mr. Hansen, you urged on Congress and the committees of Congress, you and your group, at the time of the passage and before the passage of the amendment to the FDIC Act of 1960; isn't that correct?

A. Yes, that is right.

[fol. 1313] By Mr. Reycraft:

Q. Were the standards incorporated in this amendment to the FDIC to which Mr. Littleton referred those that your association supported?

A. I am sorry; I didn't hear you.

Q. Was the legislation as passed, passed in the manner in which your association recommended it?

A. No, it was not.

Q. Did you feel it to be adequate to meet the problem which you described?

A. No, I did not.

By Mr. Price:

Q. Is the concern that you expressed in response to Mr. Reycraft's questions a few moments ago stated accurately in these paragraphs from the Credo which I shall now read you:

> "We believe in the Independent Bank as keystone of the independent town and city. We view with alarm trends in banking that would replace our American system of Independent Banks, with branches of big city, money market institutions. We are distressed and disturbed at the assumption that bigness, branches, concentration of banking power and elimination of the locally-owned Independent Bank are 'progress.'"

[fol. 1314-1315] Does that express what you described here a few moments ago as your real concern in this matter?

A. Yes, it does, sir.

Mr. Price: Thank you.

Mr. Reycraft: Thank you, sir.

The Court: Do you have any witness that would take less than a half hour?

Mr. Reycraft: No, sir.

The Court: All right. Suppose we recess now for the weekend.

Mr. Price: Does Your Honor care to put on record now the figures of the lending limits of the Philadelphia banks requested some time ago?

The Court: Yes.

Mr. Price: Including the two small banks in Philadelphia, but excluding First Camden, the lending limits, the aggregate lending limits of all the Philadelphia banks, $38,097,831, and the First Camden would add $750,000 to that total.

(Adjourned at 12:35 P.M. until Monday, June 12, 1961, at 10:00 o'clock A.M.)

[fols. 1316-1317] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title Omitted]

SIXTH DAY

Philadelphia, Pa., June 12, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 1318] WILLIAM A. HALPIN, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. O'Donnell:

Q. Mr. Halpin, would you state your occupation.

A. Special agent of the F.B.I.

Q. Have you prepared material from the records of the bank?

A. Yes, I have.

Mr. O'Donnell: May we have marked for identification as Government's Exhibit 67 for identification a seven-page document entitled "Loans of Philadelphia National Bank (PNB) in Which PNB Participates Under Written Agreement—From Loan Records of PNB."

(Document entitled "Loans of Philadelphia National Bank (PNB) in Which PNB Participates Under Written Agreement—From Loan Records of PNB" was marked Exhibit G-67 for identification.)

By Mr. O'Donnell:

Q. Mr. Halpin, was this document prepared from records of the Philadelphia National Bank?

A. Yes, it was.

Q. Which records did you examine?

A. The loan records, participation loan record.

[fol. 1319] Q. Turning to the first page of the document, Mr. Halpin, does it indicate the name of the borrower?

A. Yes, it does.

Q. And the original amount of the loan?

A. Yes.

Q. And the interest rate?

A. Yes.

Q. What else is shown on the page?

A. The participating banks and the amount of their participation and the amount of the total original loan outstanding as of the date of the examination and the amount of the Philadelphia National Bank's participation as of that date.

Q. How many banks are shown on the first entry, Mr. Halpin?

A. In the first loan there are 90 participating banks.

Q. What is the total amount of the original loan?

A. $162,380,000.

Q. When was that loan granted?

A. The agreement was 9/15/60.

Q. The rate of interest?

A. 5½ per cent.

Q. What is the largest amount which any bank loaned under the agreement?

[fol. 1320] A. $15 million.

Q. And the amount which the Philadelphia National Bank loaned?

A. $4 million.

Q. Is the Girard Trust shown in that agreement?

A. Yes.

Q. Will you state the borrower's name.

A. J. I. Case Company and J. I. Case Credit Corporation.

Q. And that loan occupies the first two pages and goes over to Page 3 of your tabulation?

A. Yes.

Q. What was the amount of Girard's participation in that loan, Mr. Halpin?

A. $2 million.

Q. What was the amount of participation of the last bank listed in that loan?

A. $100,000.

Q. Was that the lowest amount?

A. Yes.

Q. And the next borrower was who?

A. The next one listed is the Globe-Union, Inc.

Q. The amount of their original loan?

A. $3 million.

Q. And the interest rate?

[fol. 1321] A. 5⅜ per cent.

Q. How many banks participated in that agreement?

A. Four.

Q. And the amount of Philadelphia National Bank's participation?

A. $300,000.

Q. What as the largest amount loaned by any bank shown?

A. $2,100,000.

Q. And the next agreement, what was the name of the borrower?

A. R. M. Hollingshead Corporation.

Q. And the amount of the loan?

A. $900,000.

Q. And the interest rate?

A. ½ per cent above prime.

Q. How many banks participated?

A. Two.

Q. And the amount of Philadelphia National Bank's participation?

A. $400,000.

Q. And the next agreement?

A. The Kent Corporation.

Q. The amount of its original loan?

A. $1,025,000.03.

[fol. 1322] Q. And their interest rate?

A. 5¼ per cent.

Q. How many banks participated?

A. Five.

Q. And the amount of Philadelphia National Bank's participation?

A. $280,273.50.

Q. Was Girard Trust included in that loan agreement?

A. Yes.

Q. What was the amount of their participation?

A. $280,273.50.

Q. And the name of the borrower in the next agreement?

A. The Chemstrand Corporation.

Q. And the amount of their loan?

A. $25,000,000.

Q. The interest rate?

A. 4½ per cent.

Q. How many banks participated in that agreement?

A. Seven.

Q. And the amount of the Philadelphia National Bank?

A. $4,760,000.

Q. And the next agreement?

A. Northwest Airlines, Inc.

Q. And the amount?

[fol. 1323] $16 million.

Q. The interest rate?

A. 5 per cent.

Q. How many banks participated?

A. Nine.

Q. And the amount of Philadelphia National Bank's participation?

A. $1 million.

Q. The amount of Girard Trust's participation?

A. $750,000.

Q. What was the largest amount loaned by any bank in that agreement?

A. $3 million.

Q. The name of the next borrower?

A. Pan American Airways.

Q. The amount of the original loan?

A. $130 million. Amended—would you like the amendment?

Q. Yes.

A. Amended later with an additional $18 million.

Q. And the interest rate?

A. Prime rate at the date of borrowing with any two of the following New York banks: Guaranty Trust, First National City Bank, Chase Manhattan.

[fol. 1324] Q. And the number of banks participating?

A. 39.

Q. And the amount of the loan of the largest?

A. $15 million.

Q. How many banks loaned $15 million?

A. Three banks.

Q. And the amount of Philadelphia National Bank's participation?

A. $1 million of the original.

Q. Did Girard Trust participate in that?

A. Yes.

Q. What amount?

A. $1,250,000.

Q. The name of the next borrower?

A. Radiatron, Inc.

Q. The amount of their loan?

A. $5 million.

Q. And the interest rate?

A. 1 per cent above prime.

Q. Is that 1 per cent?

A. 1 per cent above prime.

Q. And the amount of Philadelphia National Bank's participation?

[fol. 1325] A. $2 million.

Q. Is that the largest amount loaned by any bank?

A. Yes.

Q. How many banks participated?

A. Four.

Q. And the next borrower?
A. Schenley Industries, Inc.
Q. And the amount of their loan?
A. $75 million.
Q. And their interest rate?
A. Prime rate.
Q. And the number of banks participating?
A. 15.
Q. The amount of Philadelphia National Bank's participation is how much?
A. $1,500,000.
Q. What is the largest amount loaned by any bank in that agreement?
A. $17 million.
Q. What bank was that?
A. Bank of America National Trust and Savings Association.
Q. And the next borrower?
A. Sun Oil Company.
Q. The amount of their loan?
[fol. 1326] A. $40 million.
Q. And the interest rate?
A. $3\frac{1}{4}$ and $3\frac{7}{8}$ per cent.
Q. How many banks participated in that agreement?
A. Five.
Q. The amount loaned by Philadelphia National Bank?
A. $5 million.
Q. The largest amount loaned by any bank in that agreement?
A. $20 million.
Q. The name of the next borrower?
A. United Air Lines, Inc.
Q. And the amount of their loan?
A. $130 million, amended later bringing the total up to $165 million.
Q. And their interest rate?
A. $\frac{1}{2}$ per cent above prime, New York.
Q. How many banks participated in that agreement?
A. 37.
Q. The amount loaned by Philadelphia National Bank?
A. $3,250,000 of the original.

Q. And the largest amount loaned by any bank in that agreement?

A. $35,750,000.

[fol. 1327] Q. And the name of the next borrower?

A. Crane Company.

Q. What was the amount of its loan?

A. $45 million.

Q. The number of banks participating?

A. 17.

Q. And the amount of Philadelphia National Bank's loan?

A. $1,350,000.

Q. And the largest amount loaned by any bank in that agreement?

A. $6,300,000.

Q. And the name of the next borrower?

A. Chatham Reading Chemical Corporation and Houston Chemical Corporation.

Q. What was the amount of their loan?

A. $14 million.

Q. And the interest rate?

A. ½ per cent above prime.

Q. How many banks participated in that agreement?

A. Two.

Q. What was the amount loaned by Philadelphia National Bank?

A. $5 million.

Q. And the name of the next borrower?

[fol. 1328] A. Publicker Industries, Inc.

Q. The amount of their loan?

A. $20 million.

Q. And the interest rate?

A. Prime rate plus one-half.

Q. The number of banks participating in that agreement?

A. 12.

Q. What was the amount loaned by Philadelphia National Bank?

A. $2,800,000.

Q. Did Girard Trust participate in that agreement?

A. Yes.

Q. What was the amount of their loan?

A. $1,600,000.

Q. What is the name of the next borrower?

A. Alan Wood Steel Company.

Q. And the amount of their loan?

A. $5 million.

Q. How many banks participated in that agreement?

A. Four.

Q. What was the amount of Philadelphia National Bank's participation?

A. $2 million.

Q. Did Girard Trust participate?

[fol. 1329] A. Yes.

Q. The amount of their participation?

A. $1,500,000.

Mr. O'Donnell: Cross-examine.

Cross-examination.

By Mr. Littleton:

Q. Mr. Halpin, are you an accountant?

A. Yes, sir.

Q. I notice that this G-67 is in handwriting. Is this your handwriting?

A. I didn't get your question, sir.

Q. Is this your handwriting that G-67 appears in?

A. Yes, sir. Another agent participated with me in preparing this schedule.

Q. What was his name?

A. Agent Ganley, John Ganley.

Q. And you made this examination in the office of the Philadelphia National Bank?

A. Yes, sir.

Q. When was this?

A. When?

Q. Yes.

A. May 10 and 11.

Q. Was anyone from the bank with you at the time you [fol. 1330] made this examination?

A. Yes, sir.

Q. Who was that?

A. Mr. Moore.

Q. Moore?

A. Lester Moore and Mr. Kilroy was present from time to time.

Q. Of course, you don't know anything about the circumstances under which any of these prime loans were made, do you?

A. No, sir.

Q. You don't know whether it was the suggestion of the customer or the suggestion of the Philadelphia National Bank, do you?

A. No, sir.

Q. Nor do you know any of the arrangements that were made other than what you saw in the record?

A. That is all, sir.

Q. Does G-67 set forth all the loans of the Philadelphia National Bank of this particular type that you can find?

A. No, it does not.

Q. What was the basis of your selection of this G-67?

A. We selected 15 of this type of loan as example, and they were taken indiscriminately. We selected 15 at the [fol. 133] request and instruction of the attorneys from the Antitrust Division.

Q. How many were there all together?

A. I don't know.

[fol. 1332] Q. How were these fifteen picked?

A. Agent Ganley, with Mr. Moore and one of the attorneys from the Antitrust Division, went to the drawers and just selected certain loans for this schedule. If they weren't the type of loans that would fit into the schedule, not the type that we were scheduling, then Mr. Moore told Mr. Ganley and he would select another.

Q. Who was the representative of the Attorney General's Department with you?

A. Mr. O'Donnell and Mr. Flocken.

Q. Will you now answer my question as to what the basis of the selection was?

You told us what they did, but you didn't tell us what the basis of what they did was.

A. We didn't have any basis, other than what Mr. O'Donnell and Mr. Flocken instructed us to do, which was to select fifteen.

Q. Well, you said that if you found one that didn't fit into this schedule, then they told you to get something else. Now, that means you had a certain standard or basis or criterion for selection.

What was it?

A. Yes. Some of the participation loans were not based on written agreements between the participating banks and [fol. 1333] the borrower. This schedule was to reflect that type of loan.

Q. Now, wait a minute. This schedule was to reflect the type that didn't have any agreement?

A. No, that did; the loans that were based on a written agreement between the participating banks and the borrower.

Q. Do I understand that you were to select every one that was based on a written agreement between the participating banks and the borrower?

A. No; just fifteen.

Q. All right. Then you must have had some other basis for selection in that group.

Now, what was that basis?

A. An indiscriminate sampling basis, just to take fifteen of that type.

Q. You mean just pull them out of the drawer, without reference to anything else?

A. That's right.

Q. Who did the pulling out of the drawer?

A. Agent Ganley.

Q. And why fifteen?

A. I don't know the basis for that.

Q. How many were there all together?

A. I don't know that.

Q. Did you try to pick the biggest?

[fol. 1334] A. No, sir.

Q. Did you try to pick the smallest?

A. No, sir.

Q. Did you try to pick the ones that indicated the business was going to New York?

A. No. It was an indiscriminate sampling. We didn't pick any particular type.

Q. And you didn't know, of course, in any instance appearing on G-67 what, if any, other loans Philadelphia National Bank may have to the borrowers listed on G-67?

A. Oh, no.

Q. Let me inquire a little more into this meaning of your word "indiscriminate."

Did they open the drawer and just pick out the first fifteen or just put their hands in and pull out any that might be there?

A. They pulled—they didn't take the first fifteen. They went from one drawer and took a couple, and another drawer and took a couple more.

Q. Just a grab bag; just like a grab bag, pulling them out?

A. Pretty much.

Q. Having pulled one out and looked at it, in any case, was it returned without being put on the schedule that was made up?

[fol. 1335] A. Yes.

Q. And what would be the basis of the rejection, if I may call it such?

A. If it was not this type of loan, that is, based on a written agreement between the borrower and the participating banks.

Q. Was that the only reason you put any bank back and didn't put them on your schedule?

A. Oh, yes.

Q. In other words, any one that was extracted in this grab-bag fashion from the file drawers, where there was an agreement between the borrower and the lending banks, you put on your schedule?

A. Yes, sir.

Q. So that you did take the first fifteen loans where there was an agreement, the first fifteen that were drawn?

A. That's right.

Q. You have said you know nothing about the arrangements that were made between the borrower and the banks in these particular cases on G-67; is that correct?

A. We saw the agreements, but other than that we wouldn't know.

Q. You saw the agreements, but you wouldn't know whether there was a case of the Philadelphia National Bank [fol. 1336] giving other banks a participation or Philadelphia National Bank being given a participation by other banks?

A. We made no distinction there.

Q. And you don't know whether it was the customer himself who selected the bank from which he was to borrow?

A. We don't know that.

Mr. Littleton: That's all.

By Mr. Price:

Q. Will you turn to the fourth page of that exhibit, the Pan American Airways loan; and I call your attention to the reference at the top of the page to the rate of interest.

Do you know what that means?

A. Prime rate?

Q. That isn't all it says.

A. Oh, no. The whole thing, do you mean?

Q. Yes. Do you know what that means?

A. It means the rate that would prevail for the loan.

Q. And that is dependent on what two or three other banks may do at some time, isn't it?

A. Yes, sir.

Q. It has nothing to do with what either the Philadelphia National Bank or the Girard Trust might do?

A. No.

Q. What?

[fol. 1337] A. No.

Q. The next page, Radiation, Inc., Schenley Industries, likewise have references to the prime rate.

Do these two mean the same thing?

A. The prime rate would mean the same thing, depending upon where the prime rate was supposed to apply.

Q. Well, then, it might be different, might it not?

A. Yes, sir.

Q. And the second one, Schenley Industries, there is a prime rate apparently fixed by Marine Midland Trust Company; correct?

A. Yes, sir.

Q. Is that right?

A. Yes, sir.

Q. And that might be different from the prime rate for the Radiation, Inc. loan, might it not?

A. Yes, sir.

Q. And the next page, United Air Lines, where the rate of interest is one quarter above the prime New York rate at the date of borrowing?

A. Yes, sir.

Q. The one quarter above the prime rate in New York is a reference to a rate which is fixed in New York and not by any bank in Philadelphia, is it not?

[fol. 1338] A. Yes, sir.

Q. And the last page, Crane Company, the rate is stated as one quarter above prime rate of Mellon National Bank.

In other words, in that case, the Mellon National Bank fixed the rate?

A. Yes, sir.

Q. Without regard to what any other bank might do?

A. Yes, sir.

Mr. Price: That's all, thank you.

Mr. O'Donnell: May we have marked as Government's Exhibit 68 for identification a three-page document entitled "Loans of Philadelphia National Bank (P. N. B.) in which PNB permits other banks to participate—From Loan Records of PNB."

(Three-page document entitled "Loans of Philadelphia National Bank (P. N. B.) in which PNB permits other banks to participate—From Loan Records of PNB," was marked Exhibit G-68 for identification.)

Direct examination (resumed)

By Mr. O'Donnell:

Q. Mr. Halpin, did you prepare this document?

A. No, I did not. It was prepared by—no. It was prepared by Agent Ganley of our office.

Q. At the Philadelphia National Bank?

[fol. 1339] A. Yes.

Q. At the same time that you prepared Government Exhibit 67?

A. Yes.

Q. And this exhibit shows the name of the borrower?

A. The name of the borrower, yes.

Q. The amou. ' of the loan?

A. Yes.

Q. And the rate of interest?
A. Yes.
Q. And the date the loan was granted?
A. No. That date column is the date of the examination.
Q. The date of the examination?

By Mr. Littleton:

Q. Were you present, Mr. Halpin, at the time this was prepared?
A. Yes. I was. Yes, sir.
Q. Would you say it was prepared under your direction?
A. Yes, sir.

By Mr. O'Donnell:

Q. Does it show the names of the participating banks?
A. Yes.
Q. And the amount of participation?
A. Yes.

[fol. 1340] Q. Taking the first loan, what is the name of the borrower?
A. Clark Equipment Credit Corporation.
Q. And the amount of the loan?
A. $1,000,000.
Q. And the interest rate?
A. 4½ per cent.
Q. How many banks participated in that?
A. Two.
Q. And the amount of the Philadelphia National Bank's participation?
A. $800,000.
Q. What was the name of the borrower on the second loan, Mr. Halpin?
A. Carson Sales Finance Company.
Q. And what was the amount of the loan?
A. $750,000.
Q. And the number of banks participating?
A. Fifteen.
Q. What was the amount of Philadelphia National Bank's participation and the date the records were examined?
A. What we have listed here is the participation as of the date the loan was granted.
Q. That is as of the date the loan was granted? What was that amount?

[fol. 1341] A. $122,500.

Q. And the name of the next borrower?

A. City Finance Company, Incorporated.

Q. The amount of its loan?

A. $500,000.

Q. At what rate of interest?

A. 5 per cent.

Q. How many banks participated in that agreement?

A. Twelve.

Q. And what was the amount of the Philadelphia National Bank's participation?

A. $45,000.

Q. The name of the next borrower, Mr. Halpin?

A. M. M. Freeman & Company, Incorporated.

Q. And the amount of its loan?

A. $55,000.

Q. What was the rate of interest?

A. 4½ per cent.

Q. How many banks participated in that agreement?

A. Two.

Q. And the amount of Philadelphia National Bank's participation?

A. $30,000.

Q. What was the name of the next borrower?

[fol. 1342] A. Emanuel E. Katz.

Q. What was the amount of its loan?

A. $694,642.88.

Q. And what was the rate of interest?

A. 4½ per cent.

Q. How many banks participated in that agreement?

A. Twelve.

Q. And the amount of Philadelphia National Bank's loan?

A. $4,642.88.

Q. The name of the next borrower?

A. Laird, Bissell & Meeds.

Q. What was the amount of its loan?

A. $200,000.

Q. At what rate of interest?

A. 4½ per cent.

Q. How many banks participated in that agreement?

A. Twelve.

Q. And the amount of Philadelphia National Bank's participation?

A. $19,000.

Q. I think you may be looking at the amount on the next loan.

A. Excuse me. Yes, I am. $5,000.

Q. Did you say ten banks participated in this loan?

[fol. 1343] A. Excuse me. I was in error.

Yes, ten banks participated in that loan to Lair, Bissell & Meeds.

Q. What was the amount of the next loan, Mr. Halpin?

A. $119,000.

Q. The name of the borrower?

A. Abe & Melvin J. Levine.

Mr. Littleton: If Your Honor please, I am a little disturbed at this exhibit and the last exhibit because this witness is being asked to give the names of the customers of the Philadelphia National Bank and the amount of the loans, which I think is confidential information.

I probably should have raised this objection at the beginning, but it is becoming more and more pronounced.

I wonder if we couldn't have this testimony impounded and if the witness couldn't be asked simply by a number of loans rather than giving names and the amounts of the loans.

The names add nothing to the Government's case, as far as I can see, nor does any of the rest of it.

The Court: What is the importance of the names?

Mr. O'Donnell: Well, we will be agreeable in this exhibit, if the defendants wish to substitute in place of names [fol. 1344] the type of business in which the borrower is engaged and the location.

Mr. Littleton: The location and the type of business doesn't bother us at all, but here you are, having him read from something which is going in as an exhibit.

We can ask the Court to impound the exhibit, but if he keeps giving the names orally here in open court, I think it does everyone a disservice and I am going to ask that you not give the names in open court for the record.

Mr. O'Donnell: That is agreeable.

Mr. Littleton: And I am going to ask that all of this testimony be impounded, if I may.

We raised the question generally with the Government right from the very beginning and have asked them to protect this confidential relationship, and I assumed that they were going to do it.

The Court: I must have something to work on, Mr. Littleton. Up to this point I have heard no objection.

Now that you have objected, we will dispense with names.

Mr. Littleton: Thank you, sir. It is my error that I have let it go this far, if Your Honor please; but if we could stop at this point and proceed by number, I don't care whether you give the type of business or the particular [fol. 1345] number.

Mr. O'Donnell: May I have the last question, Mr. Reporter?

(The reporter repeated the testimony as follows:

"Q. The name of the borrower?
"A. Abe & Melvin J. Levine.")

By Mr. O'Donnell:

How many banks participated in that loan?

A. Two.

Q. And the amount of Philadelphia National Bank's participation?

A. $19,000.

Q. And in the next line, would you state the location of the borrower?

A. Philadelphia.

Q. And the amount of the loan?

A. $125,039.18.

Q. And the number of banks participating in that loan?

A. Four.

Q. The amount of Philadelphia National Bank's participation?

A. $39.18.

Q. For the next loan, would you state the location of the [fol. 1346] borrower?

A. Bryn Mawr, Pennsylvania.

Q. The amount of the loan?

A. $850,000.

Q. What was the rate of interest?

A. 5 per cent.

Q. How many banks participated in that agreement?

A. Eleven.

Q. And the amount of Philadelphia National Bank's participation?

A. $5,000.

Q. And the location of the next borrower?

A. New Bedford, Massachusetts.

Q. What was the amount of that loan?

A. $604,000.

Q. The rate of interest?

A. 4½ per cent.

Q. How many banks participated there?

A. Nine.

Q. And the amount of Philadelphia National Bank's participation?

A. $59,000.

[fol. 1347] Cross-examination. (Resumed)

By Mr. Littleton:

Q. Mr. Halpin, again I suppose you don't know anything about the arrangements that were made by the Philadelphia National Bank with respect to each of the loans shown on G-68, do you?

A. I don't.

Q. Who devised the legend which appears at the head of each sheet of G-68, which reads "Loans of Philadelphia National Bank (P. N. B.) in which PNB permits other banks to participate"?

A. I did.

Q. What was your meaning of the word "permits"? Where did you get that?

A. It was my word, but it was my understanding that Philadelphia National—yes, Philadelphia National——

Q. Will you tell me from whom you got your understanding?

A. Pardon me?

Q. Tell us from whom you got your understanding before you tell us what your understanding was.

A. From talking to Mr. Moore and Mr. Kilroy, I understood that this was the type of loan which Philadelphia National Bank originated, between itself and the borrower, and at the discretion of Philadelphia National Bank it

[fol. 1348] would participate it out to certain other banks.

Q. Did they tell you what other banks (and I don't mean the names of the banks), but the type of the banks to whom they would participate it out?

A. Generally, banks; but other than that, I don't think that we went into it any farther.

Q. Banks with which the Philadelphia National Bank had a relationship?

A. Yes.

Q. Correspondent banks, did they say?

A. They may have used that term.

Q. How did you select this particular group on G-68?

A. In the same manner as we selected the other group. Agent Ganley picked certain ones.

Q. He did the grabbing that time?

A. Pardon me?

Q. Agent Ganley did the selection from the file drawers that time, did he?

A. He did before, too.

Q. And how many loans of this kind are there?

A. I don't know.

Q. How many did you select or did Ganley select?

A. Ten.

Q. And why did he select ten?

[fol. 1349] A. They were our instructions.

Q. From whom?

A. From the Antitrust Division orders, Mr. O'Donnell and Mr. Flocken.

Q. What was to be the basis of the selection?

A. That they would be this type of loan, not based on any written agreement between the banks and the borrower.

Q. Do I understand, then, it would include the type that you put back and didn't consider in compiling G-67?

A. Yes.

Q. That group that were put back are included in the group from which you drew G-68?

A. I don't think we can use the words "put back," but this wasn't the type that we were selecting in that first selection.

Q. Well, those that you rejected in making up your list in G-67, were they in the group from which G-68 were selected?

A. They were all in the same drawers.

Q. They were all in the same drawers?

A. The same drawers, as I understand it.

Q. You said as you understand it. Weren't you there?

A. Well, I was at a table aside, and Agent Ganley was with Mr. Moore and Mr. O'Donnell and Mr. Flocken, selecting the loans to be examined.

Q. As to each one of these on G-68, you say there were no [fol. 1350] agreements?

A. That's right.

Q. No written agreements?

A. No.

Q. Between the borrower and the banks?

A. (No response.)

Q. What were your other instructions as to selection of this particular type of loan?

A. That was all.

Q. Which ones of these did you turn back and not use in your compilation?

A. I don't believe we turned any back in this group.

Q. You mean everything that was pulled out of the drawer you used?

A. Yes. We did this—Agent Ganley did it more from the ledger cards than he did from the files, and it was the files that were pulled for that other schedule, the preceding one.

Q. And you don't know what other loans Philadelphia National Bank might have to any of those borrowers appearing on G-68, do you?

A. No, sir.

Q. Do you know whether or not there is a written agreement between the Philadelphia National Bank and the banks participating in each of these loans?

[fol. 1351] A. We do not—I do not know.

Q. You don't know that at all?

A. No.

Mr. Littleton: That's all.

[fol. 1352] Mr. O'Donnell: May we have marked as Government's Exhibit 69 for identification a five-page document entitled "Commercial Loans in Which Girard Trust Corn Exchange Bank (Girard) Participates With Other Banks on the Basis of Written Agreement Between Borrower and Participating Banks—From Girard's Loan Records."

(Document entitled "Commercial Loans in Which Girard Trust Corn Exchange Bank (Girard) Participates With Other Banks on the Basis of Written Agreement Between Borrower and Participating Banks—From Girard's Loan Records," was marked Exhibit G-69 for identification.)

By Mr. O'Donnell:

Q. Mr. Halpin, did you prepare this table?
A. Agent Walker and I prepared it, yes, sir.
Q. You prepared the first three pages?
A. Yes, sir.
Q. Agent Walker prepared the last two at the same time you were working on your part?
A. Yes, sir.
Q. Did he do it under your supervision?
A. Yes, sir.
Q. Is this table similar to Government's Exhibit 67 in that it was prepared from written agreements?
A. Yes.
[fol. 1353] Q. Did you examine the Girard loan records?
A. Yes.
Q. And extract the information shown here?
A. Yes.
Q. What information is shown for the loans?
A. The identity of the borrower——

Mr. Price: May I ask that the identity be not given, but the location.

A. —the amount of the original loan, the rate of interest, the identity of the participating banks, and the amount of the participation of each, and the current status of Girard's participation, that is, their participation as of the date of the examination of the record.

By Mr. O'Donnell:

Q. Taking the first loan, Mr. Halpin, where is the borrower located?
A. New York City.
Q. And the amount of his loan?
A. $10 million.
Q. And the interest rate?
A. ½ per cent above prime.

Q. How many banks participated in that agreement?
A. Four.
Q. What was the amount of Girard Trust's participation?
[fol. 1354] A. $2 million.
Q. The second last column there has the date 5/17/61. What does that date indicate?
A. That is the date that we examined the records.
Q. At that time what was the current amount of Girard's participation?
A. $1,850,000.
Q. And the location of the next borrower?
A. Detroit, Michigan.
Q. The amount of the loan?
A. $60 million.
Q. How many banks participated in that agreement?
A. 29.
Q. The amount of Girard Trust's participation?
A. $1,500,000.
Q. Did Philadelphia National Bank participate?
A. Yes.
Q. What was the amount of its participation?
A. $1,500,000.
Q. The location of the next borrower?
A. Philadelphia.
Q. The amount of its loan?
A. $2,500,000.
Q. How many banks participated in that?
[fol. 1355] A. Eight.
Q. The amount of Girard Trust's participation?
A. $454,500.
Q. Did Philadelphia National Bank participate?
A. Yes.
Q. What was the amount of its participation?
A. $681,750.
Q. What is the location of the next borrower?
A. Philadelphia.
Q. What is the amount of its loan?
A. $6 million.
Q. The rate of interest?
A. ¼ per cent above prime in Philadelphia.
Q. How many banks participated in that agreement?
A. Five.

Q. The amount of Girard Trust's participation?
A. $1,500,000.
Q. Did Philadelphia National Bank participate in that agreement?
A. Yes.
Q. What was the amount of its participation?
A. $1,500,000.
Q. The location of the next borrower?
A. Philadelphia.
[fol. 1356] Q. What was the amount of its loan?
A. $3,300,000.
Q. The rate of interest?
A. ½ per cent above prime.
Q. How many banks participated in that loan?
A. Two.
Q. And the amount of Girard Trust's participation?
A. $1,650,000.
Q. And the location of the next borrower?
A. Covington, Kentucky.
Q. What was the amount of its loan?
A. $1,100,000.
Q. What interest rate?
A. 1 per cent above prime.
Q. The number of banks participating?
A. Three.
Q. What was the amount of Girard Trust's participation?
A. $440,000.
Q. Did Philadelphia National Bank participate?
A. Yes.
Q. What was the amount of its participation?
A. $440,000.
Q. The location of the next borrower?
A. Philadelphia.
[fol. 1357] Q. The amount of its loan?
A. $750,000.
Q. The rate of interest?
A. 6 per cent.
Q. The number of banks participating was how many?
A. Two.
Q. What was the amount of Girard's participation?
A. $375,000.
Q. The location of the next borrower was what?

A. Jenkintown, Pennsylvania.

Q. What was the amount of its loan?

A. $400,000.

Q. What was the rate of interest?

A. 1½ per cent above prime.

Q. How many banks participated in that loan?

A. Three.

Q. The amount of Girard Trust's participation?

A. $150,000.

Q. What was the location of the next borrower?

A. Lancaster, Pennsylvania.

Q. And the amount of the loan was how much?

A. $500,000.

Q. And the rate of interest was how much?

A. 1 per cent above prime.

[fol. 1358] Q. How many banks participated?

A. Two.

Q. And the amount of Girard Trust's participation?

A. $300,000.

Q. What is the location of the next borrower?

A. New York and Trenton, New Jersey.

Q. Can you tell me the amount of the loan?

A. Originally $10 million, increased by a subsequent agreement to $12 million.

Q. What was the rate of interest?

A. ½ per cent above prime.

Q. The number of banks which participated?

A. Four.

Q. What was the amount of Girard Trust's participation?

A. 25 per cent.

Q. Did Philadelphia National Bank participate in that loan?

A. Yes.

Q. What was the amount of its participation?

A. 25 per cent.

Q. In the extreme left-hand column there is a statement, "Maturity ledger card seen." Can you tell us the meaning of that?

A. There is a card in the records of the Girard Trust [fol. 1359] Corn Exchange Bank relative to these loans, and we checked them to make sure that the current amount

of the loan outstanding in so far as the Girard Trust was concerned was correct.

Q. What is the location of the next borrower?

A. Philadelphia.

Q. And the amount of its loan?

A. $10 million.

Q. And the interest rate?

A. ½ per cent above prime.

Q. How many banks participated in that loan?

A. Four.

Q. And the amount of Girard Trust's participation?

A. $2,500,000.

Q. And the current status of Girard's participation?

A. $2,343,750.

Q. What is the location of the next borrower?

A. Baltimore.

Q. What was the amount of its loan?

A. $4 million.

Q. How many banks participated in that agreement?

A. Six.

Q. What was the amount of Girard Trust's participation?

A. $500,000.

[fol. 1360] Q. The location of the next borrower?

A. Pennsburg, Pennsylvania.

Q. What was the amount of its loan?

A. $20,515,500.

Q. What was the rate of interest?

A. ¾ per cent above prime.

Q. Can you tell me the number of banks participating in that agreement?

A. 18.

Q. What was the amount of Girard Trust's participation?

A. $2,500,000.

Q. And the current status of Girard's participation?

A. $2,275,000.

Q. Will you tell us the location of the next borrower?

A. New York.

Q. The amount of its loan?

A. $1 million.

Q. The number of banks which participated?

A. Two.

Q. What was the amount of Girard's participation?

A. $500,000.

Q. The location of the next borrower?

A. New York.

Q. And the amount of its loan?

A. $700,000, plus an additional amount by an amendment [fol. 1361] of $300,000, making a total of a million.

Q. How many banks participated in that agreement?

A. Two.

Q. The same two banks participated in the amendment?

A. Yes.

Q. What was the amount of Girard's participation?

A. $350,000 in the original and $150,000 of the amended amount.

Q. The location of the last borrower?

A. Philadelphia.

Q. What was the amount of its loan?

A. $2 million.

Q. The number of banks which participated?

A. Four.

Q. The amount of Girard's participation?

A. $500,000.

Q. Did Philadelphia National Bank also participate?

A. Yes.

Q. Will you tell us the amount of its participation?

A. $500,000.

Mr. O'Donnell: No further questions.

Cross-examination.

By Mr. Price:

Q. How were these loans selected?

[fol. 1362] A. In the same manner as we selected those at the Philadelphia National Bank.

Q. Well, so that I won't need to repeat what was asked before, was there any difference in your procedure at the Girard in the selection of these loans than there was at the Philadelphia National Bank, which you have described in answer to Mr. Littleton's question?

A. Well, it differed slightly in that at Girard there were two trays containing the files relative to all the participation loans, commercial participation loans, based on agreements. There were also cards corresponding to those files.

The employees of Girard made these two trays of files available to us, and our instructions were to get 16 of those which were based on written agreements between the borrower and the participating banks.

Now, in these two trays there were also files relating to participating loans in which there was no agreement, written agreement, between the participating banks and the borrower. In other words, it was just the banks between themselves agreeing to the participation. So we had to select from these two trays the type of loan that we were interested in, and we didn't—the first 16 that we came to which answered our purpose, we took.

[fol. 1363] Q. And those 16 were the same type that were chosen in G-67 for the Philadelphia National Bank?

A. Yes, sir.

Q. Those were the agreements?

A. Yes, sir.

Q. Have you any knowledge of how the loans came to be created in the first place?

A. No, sir.

Q. At whose request?

A. No, sir.

Q. What the originating bank was?

A. No, sir.

Q. In respect to those where the loans were made to a borrower in some city other than Philadelphia, do you know whether the borrower had any business activity in Philadelphia or any office in Philadelphia?

A. No.

Q. Looking at the first one, the borrower in New York for $10 million, the rate of interest ½ per cent above prime, do you know what prime rate that refers to?

A. No, I don't.

Q. You wouldn't know whether it was New York or Philadelphia or Detroit or some other place?

A. No.

[fol. 1364] Q. Now, the next one which was Detroit prime at——

A. That's the National Bank.

Q. National Bank at Detroit. So that prime rate and the rate of interest for that loan was fixed by some bank in Detroit?

A. Yes.

Q. Without regard to what the participants of the loan did?

A. Yes, sir.

Q. The second one on the next page refers to the prime rate in Philadelphia. Do you know what banks fixed the prime rate in Philadelphia?

A. No, sir.

Q. And in the next one, a loan also in Philadelphia, it simply mentions prime. You don't know which prime rate that is?

A. No, sir.

Q. The one after that, from Covington, Kentucky, you don't know about that either?

A. No, sir.

Q. On the third page the borrower is described as being in Jenkintown, Pennsylvania, but underneath the material, the information, about the prime rate, and so on, has this language, "This commitment cancelled 4 24 61." Do you [fol. 1365] really think that was a loan at all?

A. Originally, yes, sir.

Q. A loan?

A. Yes, sir.

Q. Why would the reference be to a commitment if it ever reached the status of a loan?

A. Well, I think that that is possible if they have committed themselves to lend the borrower a certain sum.

Q. And then cancelled on April 24?

A. I know the reason.

Q. You know the reason for what?

A. For the cancellation. I remember it from the file.

Q. Was it a loan that was cancelled or a commitment that was cancelled?

A. A commitment to make the loan.

Q. Did the Girard ever make any loan?

A. Yes, sir.

Q. The last two pages are in different handwriting. Did they relate to the same types of agreements as the first two pages?

A. Yes, sir.

Q. I mean the first type of loans?

A. Yes, sir, it is a continuation.

Q. And so far as the references to various prime rates [fol. 1366] on these two pages are concerned, you have no more knowledge about them than you had about the others that I asked you about?

A. No, sir, I do not.

Mr. Price: That is all I have.

By Mr. Littleton:

Q. Do you have any knowledge of any other loans which the Philadelphia National Bank might have to any of the companies listed as borrowers in G-69?

A. I don't know the number of this exhibit.

Q. Well, this is G-69.

A. What was your question again, sir?

Mr. Littleton: Will you read it, Mr. Stenographer.

(The reporter read as follows:)

"Q. Do you have any knowledge of any other loans which the Philadelphia National Bank might have to any of the companies listed as borrowers in G-69?"

A. No, sir.,

Q. The same question as to any other loans that Girard Trust Corn Exchange might have to any of the borrowers listed in G-69.

A. No, sir.

[fol. 1367] Q. You know nothing about them. You don't know of any agreements that either bank might have with any one of the borrowers in G-69?

A. No, sir, I do not.

Q. With respect to these agreements which you referred to under G-69 and also under G-67, do I understand you looked at each of these agreements?

A. Yes, sir.

Q. Were the agreements uniform except for the parties named or was each one different?

A. I think they varied, as I recall. The reason why I don't know too definitely is that we looked at it just for the one purpose of getting the date of the agreement and the extent of the participation of the participating banks.

Q. Well, you must have looked at 31 different agreements,

then, because I think you said there were 15 under G-67 and 16 under G-69.

A. Yes, sir.

Q. Would you say that they varied a great deal among themselves?

A. We didn't read them that closely, because we were not interested in the wording of the agreement as much as we were the extent of the participation of the banks in that loan.

[fol. 1368] Q. Tell us just what you were interested in. What were you told to get out of the agreement?

A. The date of the agreement, the participating banks, and the extent of the participation of each bank.

Q. And you were told to take 15 of the Philadelphia National and 16 of the Girard?

A. Yes, sir.

Q. Was there any reason given why you were to take 15 of one and 16 of the other?

A. Not that I know of.

Q. But so far as you can remember, each agreement was, you might say, a tailor-made agreement for each particular loan; is that correct?

A. It was a printed agreement, yes, sir.

Q. Well, was there a standard form?

A. I can't say.

Q. Well, you read them.

A. I read the names of the participating banks and the extent of their participation.

Q. Well, you are used to looking at forms where information is filled in for one party and then information is filled in for another party, and other use of the form. Now, were these forms that were filled in or was each one an agreement [fol. 1369] separate by itself?

A. Oh, each was a separate printed agreement.

Q. A tailor-made agreement for that particular loan?

A. Oh, yes; yes, sir.

Mr. Littleton: All right, that is all.

Mr. O'Donnell: That is all. No further questions.

The Court: This is a good time to take a break.

(A 10-minute recess was taken at 11:00 o'clock A.M.)

[fol. 1370] Mr. Reycraft: The Government calls Mr. Orville Beadle.

Orville H. Beadle, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. What is your present position, Mr. Beadle?

A. Senior vice-president of the Girard Trust Corn Exchange Bank.

Q. And how long have you held that position?

A. Approximately four years.

Q. What was your position before that time?

A. Vice-president of the Girard Trust Corn Exchange Bank.

Q. How long have you been with the Girard all together?

A. Twenty-eight years.

Q. What have your duties been as executive vice-president?

A. Senior vice-president.

Q. Pardon me.

A. I am in charge of the administration of the Banking Department.

Q. Will you tell us what a senior vice-president is at the Girard Trust?

[fol. 1371] A. Is?

Q. Yes, sir.

A. An officer, senior officer of the bank.

Q. And what is the distinction between the earlier title which you held?

A. I have further duties, expanded duties.

Q. Are the branch managers of the Girard branches responsible to you, sir?

A. No, sir.

Q. Whom do they report to?

A. Stephen Gardner.

Q. And whom does he report to?

A. He reports to me.

Q. So that they are one of your responsibilities?

A. Yes, sir.

Q. Indirectly?

A. Yes, sir.

Q. Do you know, Mr. Beadle, what the lending authority is of the branch managers of the Girard?

A. Yes, sir.

Q. What is it?

A. They vary.

Q. What are those degrees of variation?

A. They vary in commercial loans from a minimum of [fol. 1372] $5,000—a minimum of $5,000 to a maximum of, if I am not mistaken, $100,000.

Mr. Price: A little louder, please, Mr. Beadle. I am slightly deaf and I can't hear you.

By Mr. Price:

Q. What was the maximum?

A. I believe it's $100,000.

By Mr. Reycraft:

Q. And how many of your branch managers have lending authority of $100,000?

A. I am not exactly sure, but I would estimate—I would guess about maybe ten.

Q. Can you name the branches involved in these lending authorities?

A. Ambler, Narberth, Upper Darby, Second Street, I believe Arch Street, Germantown, possibly North Philadephia; and, incidentally, in some of these offices there is more than one officer that has that authority.

Q. Are these all of the branches that occur to you in which there is an officer who has lending authority of this limit?

A. Yes.

Q. Are any of these branches which were acquired by the Girard?

A. Yes.

[fol. 1373] Q. Which ones?

A. Narberth, Upper Darby, Ambler, Germantown, North Philadelphia.

Q. Second Street? Was that acquired?

A. No, that was—well, that was the head office of the

Corn Exchange. I guess it's acquired, yes. When you are talking about the merger of Girard and Corn, yes.

Q. It came into the system through the merger of the Corn Exchange Bank?

A. That's correct, sir.

Q. Mr. Beadle, do you have any information with reference to the relative size of deposits and loans in the branches themselves?

A. Deposits and loans?

Q. Yes, sir.

A. Do you mean collectively or——

Q. Do you know with respect to each branch its deposits and its loans?

A. I know the deposits. I don't know the loans or I am not sure of the loans in each branch.

Q. Do you have any source of information for these loans? Are they kept separately by branch?

A. No, they are not.

Q. Do you——

[fol. 1374] A. Pardon me, except for consumer-credit loans, direct consumer-credit loans are kept by branch.

Other consumer-credit loans and loans of other nature is not kept by branch.

Q. Now, you would not be able to tell, for example, then, if I understand you correctly, the amount of loans which originated in the Arch Street branch?

A. It could be reconstructed, but I wouldn't know without reconstructing it.

Q. Neither you nor any officer in the central office receives a report from the branch as of any date setting forth the loans outstanding?

A. No.

Q. And how they are carried on your books? Are they carried as head-office loans?

A. No. They are carried—they are carried according to the officer that handles it.

I am not too sure of that now. I am not certain about the records, the loan records.

I think I'd have to consult with somebody that keeps them. I am not sure just how the records are kept, but my understanding—my belief is that they are assigned to

officers that handle them, and those officers are at various offices, and you may say it's a Narberth loan because the [fol. 1375] officer it is assigned to is in Narberth, but I think it's by officer.

Q. You would know, for example, if a loan was assigned to Mr. Reller, for example, where that loan originated, would you not?

A. Yes, yes.

Q. Where would that have originated?

A. Where would it have originated?

Q. Yes, sir.

A. Well, it probably would have originated in Ambler. In most cases it would have originated in the Ambler office.

Q. Yes; and with reference to each of your loans, you would know the loan officer responsible, would you, sir?

A. Yes.

Q. So that it would then be possible, would it not, to determine the branch from which loans originate?

A. No, no. You can't say that because it may have originated in a branch and been handled by an officer who may not be in that branch.

Q. Would you explain that, sir?

A. It may have originated because of a particular location, office location, but it may be handled now by an officer who doesn't happen to be in that location.

He may be in some other office; so that to say that the [fol. 1376] loan originated in the office where the officer is would not be entirely correct; and that's why it isn't exactly —you couldn't exactly do what you say.

Q. So that in measuring the performance of your branches, if I understand you correctly, you have no way of determining the amount of loans generated in any particular branch?

A. That's correct; except for personal consumer-credit loans.

Q. All right, sir.

Now, you have given us the names of seven of your branches in which you indicated a lending officer had authority to lend up to $100,000?

A. Yes.

Q. Do I correctly understand you that there are no others?

A. I don't recall any of them.

Q. You don't recall?

A. I'd have to go over my records to make absolutely sure; but I believe—I think that's right.

Q. Just so the record is clear, you and I have not discussed your testimony before, have we?

A. What was that?

Q. You and I have not discussed your testimony prior to this time?

A. No. We have not.

Q. The purpose of my question was, sir, that you said ten, [fol. 1377] but you are able to recall these seven names?

A. I'd have to check the records to be absolutely right, so I would just be guessing.

Q. Mr. Beadle, did you make a study in 1957 with reference to your responsibilities in connection with your branch system and mergers involving Girard?

A. Yes.

Mr. Reycraft: Will you mark as Government's Exhibit No. 70 a 14-page memorandum, with attachments, dated February 7, 1957, headed "Memorandum," O. H. Beadle to Mr. J. M. Johnston, Senior Vice-President.

(20-page document, dated February 7, 1957, headed "Memorandum," from O. H. Beadle to Mr. J. M. Johnston, Senior Vice-President, was marked Exhibit G-70 for identification.)

By Mr. Reycraft:

Q. Mr. Beadle, how long prior to the preparation of this memorandum were you asked to prepare it?

A. How long prior to the preparation?

Q. Yes.

A. Oh, I don't—about two or three months, I suppose.

Q. Did you spend that much time preparing it?

A. Off and on, yes.

Q. Do you know the purpose for which this report was [fol. 1378] requested?

A. Yes.

Q. What was it?

A. I think the management of the bank—the management of the bank at that time wanted to have an over-all picture of the four-county area in which the bank could at that time and still establish branches for the purpose of seeing what potential there was and what opportunities there were for branches and mergers as far as location was concerned, and to have some idea and some plan—so that some idea and some plan could be formulated and some information obtained for the purpose of knowing just what we wanted to do and where we wanted to go, and what raw material there was available and so forth—an over-all look and planning—basis for planning, a planning idea.

Q. Mr. Beadle, what factors did you take into consideration in preparing the memorandum?

Did you study the economic growth, the projected economic growth of Philadelphia?

A. Well, let's say this—I didn't make a specific study of it, but this has been part of my job. It was something I should know and I kept abreast of figures that indicated growth, I kept abreast of population trends and things of that kind; so that the information that I used primarily [fol. 1379] was that which I knew or thought I knew.

Q. And it was part of your duties to keep up with information of this type, was it, sir?

A. Yes, yes.

Q. What were the projections which you made for growth in the Philadelphia area?

A. Projections?

Q. Yes, sir.

A. As far as the population—if my memory serves me correctly, there was little growth populationwise——

Q. Pardon me, sir, do you have a copy of the memorandum?

A. No, I don't.

Q. Let me hand you one.

A. Thank you.

The population growth in Philadelphia County was estimated to be slightly—there was very little population growth estimated to be in Philadelphia County.

Delaware, Montgomery, and Bucks County, there was indications of substantial growth.

Q. What were the geographic limits of the study which you made at the time, Mr. Beadle?

A. Philadelphia County, portions of Bucks County, portions of Montgomery County, and practically all of Delaware County.

Q. Why did you limit your study to this area?

[fol. 1380] A. Because they are the only areas under state law in which we were permitted to establish a branch.

Q. And it was the purpose of your study, was it not, to determine where you might establish branches and make acquisitions?

A. That's right.

Q. Now, what did your study show with reference to the relative growth rate of Philadelphia County and Delaware, Montgomery, and Bucks Counties?

A. As far as Philadelphia County was concerned, there were indications of very little growth potential, that is, as far as population and industry is concerned.

In Montgomery, Delaware, and Bucks Counties, there were indications of substantial growth and potential, both populationwise, commercially, and industrially.

Q. Now, what industrial statistics did you consider relevant in making your recommendations with reference to new branches and mergers?

A. For the purpose of the report, I used the figures published by the Pennsylvania Department of Labor & Industry, as far as industrial statistics were concerned.

I also had information that I had gotten from the Chambers of Commerce and various other agencies of that kind; but for specific purposes I would make an on-the-job analy-

[fol. 1381] sis, but for the purpose of this report I used general figures obtained from various publications and agencies and so forth.

Q. The figures you used you considered sufficiently reliable for the purposes for which you were using them?

A. Yes.

Q. What figures did you rely on with reference to the number of plants in each of the four counties?

A. The Pennsylvania Department of Labor & Industry's, figures published by the Pennsylvania Department of Labor & Industry.

Q. And those figures indicated a total of 6,169 plants in the area?

A. Yes.

Q. And 477,592 employees?

A. Yes.

Q. And over $7,800,000,000 of production value; is that correct?

A. Yes.

Q. And with reference to retail data, what did you rely upon?

A. The same publication of the Pennsylvania Department of Labor & Industry.

Q. And that data indicated 35,439 stores?

A. Yes.

[fol. 1382] Q. With 159,548 employees?

A. Yes.

Q. And over $3½ billion of sales?

A. Yes, sir.

Q. And with reference to wholesale trade, did you rely on the same source?

A. The same source.

Q. Indicating 5,947 establishments?

A. Yes.

Q. With over 73,000 employees?

A. Yes.

Q. And over $6,600,000,000 of sales?

A. Yes.

Q. So that this was the economic framework within which you made your recommendation for future branches and future acquisitions; is that correct?

A. Yes.

Q. Now, what factors did you include in your study in selecting a branch area?

A. The major ones were population, focal point, and competition.

Q. Will you explain the importance of the population factor?

A. Population is in the sense of people, in the sense of commerce, in the sense of industry, as the source of de-[fol. 1383] posits in the banking business. Therefore, it required a certain amount of population in order to have sufficient business to operate at a profit.

Q. Where did you look for your population figures which you considered relevant to any particular branch location?

A. The United States census figures.

Q. And within what geographic area relating to the branch site did you refer to your population?

A. A radius of about, in most cases—it depends entirely on the kind of area it is. For example, in a residential area, it requires more population than it would in an industrial area or a residential and commercial area; but generally you would use for neighborhood offices, or one in which most of your business would come from a residential type of business, usually you pick about a radius of a mile in your area for a residential office.

For an industrial or commercial office, you would have to assess and value the kind of business there was in order to determine what area you would pick; and that would depend on the area itself.

Q. And it would be this geographic area from which you would expect the branch to draw most of its business?

A. Yes.

Q. Now with reference to the focal-point factor which you [fol. 1384] referred to, what is the importance of the existence of a focal point?

A. The importance there is this—that you have to have a bank in an area which is convenient. People require—many people require convenience in banking. Therefore, you try to select an area which is most convenient so that you will get your most business; and that's the purpose of the focal point.

Usually a focal point is the area where most of the people come for shopping or for some particular reason—a transportation point, a shopping center, a business section—and that's the place where the bank ought to be if it is to be the most convenient office.

Q. Did you consider other focal points, such as the department stores?

A. Yes.

Q. And the confluence of traffic arteries?

A. Yes.

Q. Or a concentration of service centers?

A. Yes.

Q. What did you conclude with reference to the drawing power of a bank itself, without reference to the focal point?

A. That banks generally, themselves, have no drawing power as such. It usually requires them in a convenient [fol. 1385] place in order for people to come and bank, that is, in sufficient amounts to capitalize on your greatest potential.

Q. So that you felt that you had to locate a branch near one of the focal points of the type which you described in order to generate sufficient business to justify a branch?

A. Yes.

Q. Now, with reference to the competition factor, you refer at page 3 of the memorandum to establishing a branch for defensive purposes.

A. Yes.

Q. Will you explain what you mean by that phrase?

A. Yes. My purpose in saying that—that word "defensive" is my own word, but the meaning of it or what I had in mind was this—that we may have an office, an existing office, in which we have business a mile or two miles away or something of the kind, and some other bank or some other—there may be a shopping center in there or something of the kind, or maybe there isn't any shopping center at all, but some other bank decides to go in there or savings and loan or mutual-savings bank or some competitive institution would go in this area and take some of our deposits away; so that that is a reason for putting a branch in. You want to put a branch in to protect your deposits, to protect your business.

[fol. 1386] That's what defensive is.

Q. To protect business which you already have?

A. That we already have.

Q. In a particular area?

A. That's right.

Q. In other words, one of your other branches or your head office is already drawing business from this area and you want to serve it more conveniently in order to protect it?

A. Yes.

Q. Is that the general idea?

A. Yes.

Q. Now, what was your conclusion with reference to the attitude of the banking authorities concerning the amount of competition which would be tolerated for branch offices?

A. I am not certain I would call it a conclusion, but I do think that at one time—at one time other banks and the banking authorities, in effect, protected branches and other banks from undue competition by reason of the fact that banks have to make a profit or have to be profitable in order to protect the depositors; and in order to protect the depositors, therefore, the banking authorities at one time and still do, I am certain, want to be sure that there isn't any overbanking, that there aren't too many banks, so that all banks would be harmed in a particular area.

[fol. 1387] So that my thought was, and I don't think it's ever—it was ever expressed—but my feeling was that the banking authorities, before they would allow you to establish a branch, wanted to make certain first if there was a need for it; and secondly, that no other bank or even the bank that wanted to go would be harmed because it would be unprofitable.

[fol. 1388] Q. Did you find a lessening in this attitude as far as regulatory authorities?

A. My feeling has been that there has been, yes. For example, you can now cross county lines. At one time there were very few branches permitted to cross county lines from Philadelphia. You can now do that, so that there has been some slackening of that influence.

Q. In your judgment, is it a wise policy for your bank to locate a branch in an area where there are already several banks?

A. No.

I shouldn't answer categorically. In most cases I would say no. In other words, if the area is being properly served by the banks that are there, if there is adequate banking, then it isn't profitable for us to open an office in that area. If, however, the area is not adequately served, if there is not sufficient banks or if they are not properly servicing the area or supplying the needs to it, then I think you could go into the area. It depends on what the situation is.

Q. So that one of the principal factors you would consider before your making your recommendation or reach-

ing a conclusion as to a branch would be the existence of commercial banking facilities in the area?

[fol. 1389] A. Yes.

Q. Mr. Beadle, you considered in your study, did you not, the potential for new locations in Philadelphia County separately?

A. Yes.

Q. And you considered the Northeast Philadelphia area separately, did you not?

A. Yes.

Q. What were your conclusions with reference to the near Northeast area?

Mr. Price: If Your Honor please, these are his conclusions or speculations or ideas that he had several years ago. I object to this.

Mr. Reycraft: Well, Your Honor, this is a study of the market area of the Girard Bank with reference to the establishment of new branches, with reference to the existing competition, and with reference to the motivations and reasons for acquisitions which were in fact made and others which were studied but not made and may yet be made, for all we know.

Mr. Price: There is no suggestion in reference to this merger. He is talking about a general situation which existed four years ago.

Mr. Reycraft: We are talking about this market area, [fol. 1390] Your Honor, which is, I think, one of the obvious issues in the case.

The Court: I will overrule your objection.

Mr. Reycraft: Would you read the question.

(The last question was read by the reporter, as follows:)

"Q. What were your conclusions with reference to the near Northeast area?"

A. Most of the near Northeast area was adequately banked at that time. There were several potential locations in areas which were not developed at that time, which was, as a matter of fact, too undeveloped to consider it for a branch, but, in general, the near Northeast area was adequately served, except for these minimum number of locations, possible locations.

Q. You have had occasion, sir, have you not, to continue to be familiar with the banking facilities around the four-county area?

A. Yes. Not as much as before, but generally, yes.

Q. In your opinion, has there been any change in the situation which you found in 1957 with respect to the adequacy of banking facilities in the near Northeast area?

A. Well, there has been some change in that some of the areas which at that time looked to have some potential [fol. 1391] have now developed that potential to a certain degree, and there are certain possibilities in that area. For example, Roosevelt Boulevard and Adams Avenue is an example of the possible location for a branch site in the near Northeast section which, at the time I mentioned here, it has developed since then and might be a good location.

Q. So that your forecast at that time proved to be somewhat reliable?

A. Well, it looks that way.

Q. In considering location of branches in the near Northeast area, did you consider the existence of bank competition in the area?

A. Oh, yes.

Q. And who were the competitors that you found to be located there?

A. Well——

Mr. Price: Which area was this?

Mr. Reycraft: Near Northeast.

The Witness: Near Northeast.

Mr. Price: That is a large area. Any particular spot?

By Mr. Reycraft:

Q. Let us start with Kensington-Richmond area.

[fol. 1392] A. Well, in the Kensington-Richmond area there was the—at Kensington Avenue and Allegheny Avenue, specifically, is the Philadelphia National Bank and the Pennsylvania Company and the Industrial Trust Company.

Q. Did you find that these three competitors provided adequate banking facilities?

A. Yes.

Q. What did you find with reference to the industrial section around Erie Avenue?

A. That was being served by the Tradesmens Bank on Erie Avenue, the Philadelphia National Bank, and our own offices in Bridesburg, Frankford, Tacony, and so forth. There is also the Rzepski bank up there, which I didn't mention.

Q. What bank is that?

A. The Rzepski at that time. It is not in existence now, but at that time it was the Rzepski Bank. In other words, this report does not have all of the banks up there, but the principal banks.

Q. Would this report your major competition?

A. Yes.

Q. Now, with reference to the North Central and Northwestern portions of near Northeast Philadelphia, what did you find concerning existing competitive commercial banks? [fol. 1393] A. That is the north central and northwestern portions of Northeast Philadelphia?

Q. Of near Northeast.

A. They were adequately served by banks.

Q. Did you find that there were other competitive banks located in the area?

A. Yes, there were, along with mutual savings societies, savings and loan associations, and so forth.

Q. Will you name the four competitive commercial banks you referred to in your memorandum.

A. I believe that would be Fidelity-Philadelphia Trust Company, the Philadelphia National Bank, the Pennsylvania Company, and Provident Tradesmens.

Q. And you found that that area was adequately served?

A. Yes.

Q. Now, with reference to the northwest and west portions of the near Northeast, what were your findings?

A. There was some banking potential in that area. Some parts of it had physical characteristics which made it undesirable for branch location, because it set it off in such a way that you couldn't capitalize on some of the potential that was there. However, there were highway facilities planned which would alleviate that to some extent, and that was one part of that near Northeast which had some [fol. 1394] potential at that time. There were two small

banks in there. I think there were two. The Cheltenham National Bank was in that area. I forget the other bank that was in that area, but it did have some potential because of the fact that it did cover such a wide territory, such a wide area, and the fact that there may be some street improvements and highway improvements that would enable you to capitalize on the potential that was there.

Q. Why did you find physical characteristics to be a problem?

A. Because it had to do with convenience. For example, Roosevelt Boulevard at Adams Avenue comes into a two-lane highway from a very wide three-lane highway, or six-lane highway, I suppose. It is a traffic hazard. There are some railroad tracks alongside of Sears and Roebuck, and foot people don't cross that barrier, so that if you take a population count in that area it would show sufficient population, but you wouldn't be able to capitalize on it because the population goes in different directions and their is really no focal point.

Q. In other words, people won't cross that busy highway or the railroad tracks?

A. Well, in this case that is right.

[fol. 1395] Q. That was your conclusion?

A. Yes.

Q. Now, with respect to the far Northeast of Northeast Philadelphia, what were your conclusions with reference to the potential for new offices?

A. I found that there was a great deal of potential in the far Northeast.

Q. What did you find with reference to existing competitive commercial banks in the area?

A. A lot of this area was totally undeveloped. There was very little competition. There were very, very few banks in the area.

Q. There were very few competitive banks in the area?

A. Considering the size of the area as compared to others of equal size.

Q. So you thought that this area might have some potential for a branch?

A. Yes, because of its undeveloped condition and the fact that it certainly would develop.

Q. Has the area developed since that time as you expected?

A. A great deal of it has. Some is still undeveloped and will continue to be.

Q. And have you located an office in that area?

[fol. 1396] A. Yes, we have.

Q. What would be the address of that office?

A. Roosevelt Boulevard and Comly Street.

Q. When was that office located in the area?

A. Just about two months ago.

Q. Have any of your competitors located offices in this general area in the meantime?

A. In this very general area, the far Northeast, yes.

Q. You have broken it out in your memorandum as the far Northeast?

A. Yes.

Q. I am referring to the geographic designation that you utilized.

A. Yes.

Q. Which of your competitors have located offices in this area?

A. Second National Bank, the Western Saving Fund Society, the Frankford Trust Company. The Liberty Real Estate, I believe, either has an application in or has a branch. Fidelity-Philadelphia Trust Company. There may be others, but I don't recall.

Q. Were all these located since you made your study?

A. Yes.

Q. With reference to West Philadelphia, what were your conclusions with reference to the existence of possible [fol. 1397] branch sites?

A. The West Philadelphia area was pretty generally developed, well developed as far as population and banking potential was concerned. In most of its good areas it was adequately banked, although there were some areas in which there were possible branch sites or locations.

Q. Which of your competitors had offices located in this area?

A. Philadelphia National Bank, First Pennsylvania Company, Broad Street Trust Company, Tradesmens, Central Penn.

Q. Have you since located a branch in this area?

A. Yes.

Q. Whereabouts, please?

A. On 63rd Street just south of Girard Avenue.

Q. And did you conclude, with reference to this area, that it was adequately banked as a whole at that time?

A. Yes.

Q. Now, with reference to Southwest Philadelphia, what were your conclusions with respect to the adequacy of banking facilities?

A. That this was a well developed area, adequately banked, except for certain small numbers of possible locations.

[fol. 1398] Q. Did you find that the banking facilities were in general adequate?

A. Yes.

Q. Did you conclude that additional banking facilities were or were not necessary?

A. As a whole, they were adequate banking facilities, and additional facilities were not necessary except in certain areas.

Q. Did you find, with reference to the location at 54th and Chester Avenue, any effect on its market potential by reason of existing competition?

A. There were no banking facilities in that area. However, there were banking facilities on the branches of the area. Therefore, the area was limited because of the facilities on its branches.

Q. About how far away were those facilities?

A. I suppose it is about a mile in either direction, half a mile to a mile east and west of that particular area.

Q. And did you find that the existence of this competition circumscribed the area which could be served by a location at 54th and Chester Avenue?

A. Yes.

Q. What were your conclusions with reference to the [fol. 1399] area surrounding 68th and Elmwood Avenue?

A. 68th and Elmwood Avenue had some banking potential.

Q. What was your conclusion with reference to the necessary pre condition for the opening for a branch in that area?

A. That it would have to be a low-cost office.

Q. Did you also conclude that some development should take place in the area?

A. Some developing should take place?

Q. Development.

A. Yes.

Q. Why was this of importance in your determination whether or not to locate a branch in the area?

A. Why was it important?

Q. Yes.

A. Primarily because there was a limited amount of banking potential there, and there was vacant ground, and there was undeveloped ground in that particular area which seemed ripe for development, and therefore if it did develop, it would have made a better location for an office.

Q. Would it be fair to say that when the business developed in the area, then it would be appropriate perhaps to locate a branch?

[fol. 1400] A. Well, certainly, the more business in the area, the better it would be, though it was fairly well developed as far as a branch site at that time.

Q. Now, with reference to the West Philadelphia area as a whole, what was your conclusion at that time?

A. That it was very well developed, that in most of its important locations or most of its important areas, most of its focal points were adequately banked except for those which were noted in here (indicating).

Q. So that as a whole it had little potential for new bank offices?

A. That's right.

Q. Now, with reference to Germantown, Roxborough, and Chestnut Hill what were your conclusions with reference to the adequacy of the banking facilities?

A. That that as a general area was again well developed, adequately banked, though there were certain areas which seemed to have banking potential, certain portions of the area which seemed to have banking potential.

Q. Were competitors of your banks located in this area?

A. Yes.

Q. Who were they?

A. First Pennsylvania Company, Tradesmens Bank, [fol. 1401] Broad Street Trust Company, and offices of those banks, of those same banks.

Q. What was your conclusion with reference to the possibility of an office in the Mt. Airy section?

A. It had been suggested to us a number of times as having banking potential, but our indications were that it was limited in banking potential.

Q. Have events since that time satisfied you that your conclusion was correct?

A. Well, there hasn't been any change in the area, although some people think it is a good location for a bank. I don't. There hasn't been any change.

Q. Now, with reference to the Chestnut Hill area, what did you find concerning the adequacy of the banking facilities there?

A. I felt there was adequate facilities, though again there is some question—we have had that recommended on many occasions. My personal opinion is that that is adequately served.

Q. You refer in your study to two commercial banks located in this area. What are they?

A. First Pennsylvania Company and the Broad Street Trust Company.

Q. What was your conclusion with reference to the [fol. 1402] future potential of the Chestnut Hill area for an office?

A. That it lacks potential in the future or would continue to lack potential.

Q. Because it was becoming decentralized?

A. It would become less of a focal point. The area itself would not become less important, but since it was adequately served by banking facilities, and the fact that the outskirts of Chestnut Hill were being built up and developed, that banks would be located in those sections, those developed sections, therefore taking away from the importance of Chestnut Hill as a banking site.

Q. What was your conclusion with reference to the adequacy of banking facilities in the Roxborough-Manyunk area?

A. That it had little banking potential.

Q. And you found the First Pennsylvania Company there, did you not?

A. Because of the facilities, yes.

Q. With reference to North Central Philadelphia, what were your conclusions concerning the adequacy of banking facilities?

A. Certain portions of it had no banking potential. Other portions had reasonable banking potential, though in a [fol. 1403] great portion of the area it was adequately banked.

Q. What banks had offices located in this area?

A. Fidelity-Philadelphia Trust Company, First Pennsylvania Company, and that's all of the commercial banks.

Q. Did you conclude that there was some possibility in this area for an office?

A. Yes.

Q. What type of office?

A. A neighborhood office, a low-cost office.

Q. What were your conclusions with reference to the adequacy of banking facilities in South Philadelphia?

A. That generally it afforded little opportunity for branch sites, except in certain specific areas.

Q. Have you opened any offices in that area in the meantime?

A. Yes.

Q. Whereabouts?

A. 24th and Passyunk Avenue.

Q. Is this what you described as a low-cost office?

A. No, this is a neighborhood office, not a low-cost office.

Q. Could you distinguish, for me between the two?

A. I use the term "low cost" in the sense that you want [fol. 1404] to keep your costs down because of either one of two things, because there isn't the potential there, though you may want to, for defensive reasons, have an office, or for providing additional service to some office you already have, or in an area where the potential hasn't yet developed and you want to put an office to grow with the community, and therefore you want to put a smaller low-cost office. A low-cost office, for example, wouldn't have a vault or safe deposit boxes, which are heavy expense. So Washington Lane and Stenton Avenue is not a low-cost office.

Q. Would you put it in the intermediate range?

A. Yes.

Q. In South Philadelphia you found only one opportunity for a branch location; is that correct?

A. Yes.

Q. And where was that?

A. South Philadelphia? 24th and Passyunk Avenue.

Q. What was your conclusion with reference to the Philadelphia County as a whole?

A. That a great deal of the general area was already well developed, adequately banked, except for locations that could be spotted throughout, and in the far Northeast, which had a good deal of potential.

[fol. 1405] Q. But for the most part the possibilities which existed were for low-cost, low-profit offices; is that correct?

A. Except in the far Northeast.

Q. With reference to Bucks County, what were your conclusions concerning its potential as a whole?

A. Bucks County had developed for banking purposes in its eastern section, though it hadn't developed as strongly in its central or western portions. Banking facilities had kept pace with the development in the eastern section, and therefore it was still in the development stage as far as I was concerned, as it related to branch locations.

Q. Did you find that large parts of Bucks County were at a considerable distance from the economic influences which affected growth?

A. Yes. The northwestern and certain parts of the central portion of Bucks County, in my opinion at that time, had not developed to the extent that most of the Delaware Valley had.

Q. What conclusion did this lead you to with reference to the necessity for new banking offices there?

A. In those areas there was no necessity.

Q. Now, with reference to Lower Bucks County, what was [fol. 1406] your conclusion concerning the adequacy of banking facilities?

A. That they were adequate at the time and banking facilities had kept pace at that time with development that had occurred.

Q. This was a rapidly growing area, was it not?

A. Yes, indeed.

Q. Nevertheless, banking facilities had kept pace with the growth?

A. Yes.

Q. Concerning Central Bucks County, what did you conclude concerning the type of focal points available for development in the area?

A. There had been development in the central portion, though it had been scattered around and had not been concentrated at that time, and there were few focal points available for branch locations.

Q. As to the existing focal points, what was your conclusion concerning the adequacy of the banking facilities?

A. That they were adequately banked.

Q. And what effect did the development in the area have on the potential for new offices?

A. At that time very little because of the scattered development.

[fol. 1407] Q. Were there any other reasons related to the actions taken by existing banks in the area?

A. What focal points there were had been banked, adequately banked, and there wasn't any necessity for additional banking facilities in those locations.

Q. And as the area grew, did you find that the existing banks were taking care of the community requirements?

A. Yes, at that time.

Q. What was your conclusion concerning the potential in Upper Bucks County for bank offices?

A. Very little, because it was largely rural and undeveloped for banking potential.

Q. Expressing it differently, were there any focal points?

A. No, very few.

Q. Concerning Montgomery County, what was your conclusion concerning the availability of focal points?

A. At that time Montgomery County was growing very rapidly, though there were still substantial sections of the area which were ripe for development. However, focal points that existed were adequately banked at the time.

Q. Despite the fact that there was considerable growth in the area, existing banking facilities were keeping up with the community's needs; is that correct?

[fol. 1408] A. Yes, although, as I pointed out, there was room for substantial development, which was continuing.

Q. And you concluded, did you not, that the new growth was largely adding to the potential of existing facilities

rather than providing new opportunities for branch offices?

A. In certain areas, yes.

Q. What did you conclude with reference to the percentage of increase in bank locations in that area through new branches of local banks?

A. Banking locations at that time had increased 43 per cent through branches of local banks.

Q. What did you conclude with reference to the adequacy of banking facilities at the principal focal points on the main line?

A. That there were adequate facilities.

Q. You referred to the fact that center city banks have filed applications for branches in Haverford and Wayne. What banks were they, sir?

A. I think the Pennsylvania Company in both cases.

Q. In both cases?

A. I think it was, yes. I don't recall, really. I know the Pennsylvania Company in Wayne, but I don't recall the other.

Q. What was your conclusion concerning the adequacy of [fol. 1409] banking facilities in Ambler, Conshohocken, Lansdale, and Norristown?

A. That they were adequate.

Q. And were branches of Philadelphia banks located in those areas?

A. In Norristown and Conshohocken. Not in Ambler, but in Norristown and Conshohocken, there were local banks.

Q. Which Philadelphia banks?

A. Philadelphia National.

Q. In both places?

A. In Conshohocken and in Norristown.

Q. So what was your over-all conclusion concerning the potential for new bank offices in Montgomery County?

A. That its principal existing focal points at that time were adequately banked, although there were areas of Montgomery County which had substantial potential.

Q. Concerning Delaware County, what were your conclusions concerning the potential for new bank offices in that area?

A. That there was little opportunity for additional branches except in certain locations.

Q. What did you conclude with reference to the growth of the area and the growth of the banking offices?

A. That banking facilities had kept pace with the growth [fol. 1410] in the area.

Q. And banking offices had increased as of the time of your report by 63 per cent of 1950?

A. That is correct.

Q. And including unopened offices, increased 81 per cent?

A. That's right.

Q. Were these all branches of Delaware County banks?

A. No, they were not.

Q. Were there any Philadelphia banks included?

A. Yes.

Q. Which ones?

A. I am not certain 1957, though I am certain there were Philadelphia banks. I am not certain which ones they were.

Q. Who is out there now?

A. Fidelity, Philadelphia National, Fidelity-Philadelphia, Broad Street Trust Company, Tradesmens. I think that is all.

By Mr. Littleton:

Q. When you say Tradesmens, you mean Provident Tradesmens?

A. Provident Tradesmens.

[fol. 1411] By Mr. Reycraft:

Q. And your over-all conclusion concerning the potential for new offices in the entire four-county area was what, sir?

A. Where growth had been concentrated to the extent that it created first-class opportunity for branch locations, it would be accompanied by an equal growth in banking facilities.

Where growth in certain areas had developed around existing facilities and provided additional potential for these facilities, rather than creating new opportunities for new branches.

There were some areas in which limited growth had been scattered over wide sections, which diffused the banking potential, and although there were no prime locations available at that time, there were certain opportunities that did exist in that four-county area.

Q. And what were those opportunities?

A. They were locations in comparatively undeveloped areas, or locations in which there appeared to be little growth possibilities, but did contain some limited banking potential.

Q. With reference to the first type of opportunity that you described, did you characterize those as risk areas?

[fol. 1412] A. Yes.

Q. What did you mean by risk areas?

A. Again that is my term. What I meant by that was that it is an area in which there was banking potential, but to put an office in there you ran the risk of guessing wrong and not having the potential created, or even if the potential did become existent you might have picked the wrong location in that spot, so that in either case you were running a risk of putting an office in there before the potential actually existed.

Q. So as far as that category of opportunity is concerned, at the time of your report, the areas were adequately banked; is that correct?

A. Yes.

Q. What was the third category of opportunities which you described?

A. Areas in which there are already adequate banking facilities, such as Ardmore and Chestnut Hill. They were areas in which you might put a defensive office.

Q. Again by this do you mean that you already had business coming out of this area?

A. In some cases, yes.

Q. You didn't have an office there, but you did have bank-

[fol. 1413] ing business that originated in this area?

A. That is right.

Q. And where was this business served from?

A. I don't know, really.

Mr. Price: What was that answer?

The Witness: I don't know where it was served from.

By Mr. Reycraft:

Q. Have you observed occasions when business in the outlying areas would be served by the head office?

A. Yes.

Q. Would this happen frequently?

A. We have a lot of accounts of people whose addresses are outside of the city that come into work, and so forth, that will bank at our head office.

Q. There are many people within the area and many businesses who choose to do business——

A. Businesses?

Q. Yes, sir.

A. Yes, I would say so.

Q. And they choose to do business at the head office?

A. I will amend that. No, there aren't—that choose to do business at the head office. There are a number, but I don't know that they are——

[fol. 1414] There are some, yes, but I don't think there is a substantial amount.

Q. What do you mean by substantial?

A. Well, there is some people that for some reason or other want to do business at the main office. Most people, however, are more interested in convenience, and they aren't doing business at the head office, so we do have a number of people. I don't know how many.

Q. But you don't think there are many percentagewise?

A. Not businesses. Individuals, yes; because a lot of people will come in the center part of the city to work and bank at the head office.

Q. But you find that businesses do not do this?

A. Some businesses do, but generally I would say that they will deal where the officer is.

Q. Which would be at the branch?

A. Yes.

Q. Do I understand you correctly to say that the number of businesses located out in the distant area, say a few miles from the main office, the number of these which do business at the head office is not substantial?

A. I don't know, really. I will say this, that I do know, yes. Let me say this, that business deals with the officer who handles and knows their affairs. Most of our lending [fol. 1415] officers are at our main office. Therefore, a great amount of business is done at our main office. I don't really know how many there are compared to the total number of loans that we have or amount of business we have.

Q. I understood you to say earlier that the number of

businesses who conduct their banking affairs at the main office was not substantial. Was I wrong?

A. I don't know whether you are wrong or not. I don't know. What I mean is that out of our total number of loans, that is, businesses, or business that deals with us, I don't know how many do business at the main office compared to all of our other offices. I think a lot of it has to do with what we are calling business. For example, I would say that every businessman in Mayfair that does business with our bank does business at our Mayfair office and does not come down to the main office. On the other hand, if it is a large borrower who is handled by one of our loaning officers, he may come down and do business at the main office because the loaning officer is there to handle it, but proportionately I don't know how much is done at the main office and how much is done at the branches.

Q. So if I understood you to say earlier that the amount [fol. 1416] of banking business done at the main office by businesses located throughout the four counties was not substantial, that would not be correct; is that right?

A. I don't know whether it is correct or not. I don't know.

Q. I thought I was accurately stating what you said.

A. I know, but I amended that. I don't really know, honest.

Q. What is your conclusion now, sir? I would like to have the record straight, however you want to do it.

A. My conclusion is that I don't know what percentage of business is done by business at our main office compared to our branches. My guess would be that most businesses do business at our branches.

Q. You don't have any way of finding out?

The Court: He said he could reconstruct it, didn't he?

Mr. Reycraft: That is what I understood, Your Honor.

The Witness: That's the only way it could be, I guess.

The Court: How important is it that this be brought out? [fol. 1417] Mr. Reycraft: Well, Your Honor, I think it is not vital that it be brought out precisely correct, but I think a general idea where the commercial business is done is important.

The Court: We will recess at this time till 2:00 o'clock.

(Recess taken at 12:30 P.M. until 2:00 o'clock P.M.)

[fol. 1418] [File endorsement omitted]

AFTERNOON SESSION

Present: Counsel as before noted.

ORVILLE H. BEADLE, resumed.

Mr. Reycraft: Will you mark as Government's Exhibit No. 71 a seven-page document headed "Girard Trust Corn Exchange Bank Report By Offices, Gross Deposits, Gross Operating Income, and Total Operating Expenses."

(Seven-page document entitled "Girard Trust Corn Exchange Bank Report By Offices, Gross Deposits, Gross Operating Income, and Total Operating Expenses," was marked Exhibit G-71 for identification.)

Direct examination. (resumed)

By Mr. Reycraft:

Q. Mr. Beadle, I hand you Government's Exhibit No. 71——

Mr. Littleton: Will you wait a minute?

Mr. Reycraft: Oh, surely.

Mr. Littleton: Do you have any more copies?

By Mr. Reycraft:

Q. Mr. Beadle, I have handed you Government's Exhibit No. 71, a report by offices of the Girard Trust Corn Exchange Bank.

[fol. 1419] Are you familiar with this report?

A. Yes, sir.

Q. What does it show?

A. It shows the average gross deposits, the earnings on deposited funds, other operating income, and total income on the income side.

And on expenses, direct salaries, employee benefits, interest paid on deposits, other operating expenses, and total expenses.

Q. Now, referring, sir, to the second column, earnings on deposited funds, can you tell us what the source of these earnings is?

A. From the deposits?

Q. Yes. Where do the earnings come from?

A. (No response.)

Q. What do you do with the deposits which generates earnings?

A. We earned—well, it goes into loans.

Q. You make loans with them?

A. Yes.

Q. You make loans with them?

A. Yes.

Q. What else do you do with them?

A. Make investments with them.

Q. Do the branches make investments?

[fol. 1420] A. No.

Q. Well, I suggest, sir, isn't it a fact that this column indicates earnings on loans which originate from the branches?

A. No. I don't believe so, sir.

Q. But it includes earnings on loans which originate at the branches?

A. Yes, yes.

Q. So that you would know with respect to each branch what its total earnings are?

A. Oh, yes.

Q. And I assume that someone in the bank, at least, would know what goes into those earnings; that is, what part of the earnings comes from loans?

A. Yes, I would presume so.

Q. Would it logically follow that somewhere there must be a breakdown of loans which originate in the branch in order to break out the earnings attributable to the branch?

A. I don't think so.

Q. Well, I must say I don't understand that. Can you explain to me how you can derive earnings on deposited funds, which includes loans, and attribute them to the branch, without knowing what loans are attributed to the branch?

Mr. Price: May I interrupt a second?

Mr. Reycraft: Yes.

[fol. 1421] Mr. Price: I don't know whether Mr. Beadle had anything to do with preparing this schedule.

Mr. Reycraft: Well, he indicated his familiarity with it

and I am trying to find out from him, as senior vice-president of the bank, where this information may be located.

Mr. Price: Sure.

Mr. Reycraft: Now, if you can tell me, if you happen to have it, I really don't know the answer to it.

Mr. Price: I don't know, either, but may I ask him, did you have anything to do with preparing these sheets?

The Witness: No, I did not.

Mr. Price: Sir, I just saw them for the first time five minutes ago and I didn't know whether you knew about them.

The Witness: I have seen this report, but I had nothing to do with the preparation of it.

Mr. Price: I see.

Then ask him whatever you want.

Mr. Reycraft: I believe your associates will confirm that this document was furnished to us by the Bank.

Mr. Price: That's all right; in answer to one of the questions. That is true.

[fol. 1422] Mr. Reycraft: That is right.

Mr. Price: But I personally hadn't seen it and therefore don't know how it was compiled. That's why I was asking Mr. Beadle if he knew.

Mr. Reycraft: Yes.

By Mr. Reycraft:

Q. Well, Mr. Beadle, what I am trying to find out is, you are familiar in general with the way your branches operate. You are familiar with the fact, I suppose, that you must have some sort of a basis to evaluate the operations of the branch?

A. Yes.

Q. Is that correct?

A. Yes.

Q. And in connection with that you would want to know what its deposits are, what its earnings are?

A. Yes.

Q. What its operating income is and total income is?

A. Yes.

Q. And all of this information is set forth in Government's Exhibit No. 71?

A. Yes.

Q. Is that correct?

A. Yes.

Q. Now, on the basis of your familiarity with this bank's [fol. 1423] operations, isn't it a fair assumption for me to make that someone in the bank had to know the amount of earnings derived from loans attributable to each branch in order to come up with a figure of earnings on deposited funds?

The Court: Just looking at this, Mr. Reycraft, isn't there a pretty consistent figure there, between the deposits and the earnings, a factor of somewhere between thirty and forty, that would work out pretty much?

I don't say it would come out exactly right, but you take an average per thousand of somewhere between thirty-five and forty; wouldn't that be pretty consistently so?

Mr. Reycraft: Yes, sir; on the earnings, that would appear to be consistent.

The Court: As between earnings and deposits.

This looks like an allocation to me, a statistician's allocation, based on a deposit formula.

Mr. Reycraft: If this is true——

The Court: It might well be or it might not be.

Mr. Reycraft: This is what I would like to find out.

The Court: Yes.

[fol. 1424] By Mr. Reycraft:

Q. Do you have any knowledge——

A. To the best of my knowledge, I believe that what this is is a formula or a cost analysis or a cost formula and an earnings formula which is set up by our Comptroller's Department, and these earnings are based on whatever figures are used in that Comptroller's Department in order to allocate them to each office.

Q. So then, do I understand that what you do is distribute the earnings of the bank over all of the branches?

The Court: There must be somebody in the bank who would have a more intimate knowledge of that.

By Mr. Reycraft:

Q. Who would know that?

A. Our comptroller.

Q. Is that Mr. Hoffa?

A. Mr. Hoffa.

Q. All right. Perhaps that's the best we can find out.

Mr. Beadle, in your survey, Government's Exhibit No. 70, you concluded your study of the banking potential resulting from the possible establishment of new branches in the four-county area and concluded that there was little opportunity for profitable operation in that area; is that correct?

[fol. 1425] The Court: Read that back.

Mr. Reycraft: For new branches?

The Court: Read that back.

(The reporter repeated the pending question as follows:

"Q. Mr. Beadle, in your survey, Government's Exhibit No. 70, you concluded your study of the banking potential resulting from the possible establishment of new branches in the four-county area and concluded that there was little opportunity for profitable operation in that area; is that correct, for new branches?")

The Witness: Let me say this—when you are speaking about the general area, you are talking about a very very large area. If we speak in general, that's true; but by the same token there's still potential for branch locations in that area.

By Mr. Reycraft:

Q. At the time you made the report you thought it was quite limited; is that correct?

A. When you relate that to the entire area.

On the other hand, even in that case there are quite a number of locations for branches in the area.

Q. There are quite a number of locations for what you [fol. 1426] described as low-cost branches?

A. Yes.

Q. Now, what did you conclude with reference to the cost of establishing new branches on the basis of your survey?

A. I have concluded that in most cases you would have to tailor your cost to fit the type of office that you might want to install in any one of these locations, or at least some of these locations.

Q. And did you conclude that the type of facilities that

you would be able to offer in these areas would be, I believe the phrase was used, would have been "services and personnel which have been foreign to this bank"?

Did you use this phrase?

A. Yes.

Q. What did you mean by that?

The Court: What page is that?

Mr. Reycraft: That is at the top of page 10, Your Honor.

The Witness: What I meant by that was this—that all of the offices of our bank provided full service to the extent that we had vaults, safe-deposit boxes, and so forth.

In some of these offices, particularly in those offices that I have termed as risk offices, until the direction of that [fol. 1427] potential could be determined, then I felt that we should put a branch in in which those costs were tailored, and by tailoring primarily I meant you wouldn't have a vault, you wouldn't have safe-deposit boxes until such time as you determined where you actually wanted to arrive at a final location for this so-called risk office, branch office.

By Mr. Reycraft:

Q. And you concluded, did you not, that protective devices, equipment, and furnishings all would be provided with this cost factor paramount?

A. That's right. In other words, instead of putting marble in, maybe you'd put some other kind of material or something of that sort.

Q. And did you conclude that the quality and quantity of personnel might be affected?

A. Yes. In other words, the quality of personnel had to do with in a very small office you don't need a topnotch officer to handle it in the sense of high-priced officer to handle it because that kind of experience may not be necessary.

Q. What did you conclude was the principal motive for establishing branches?

A. Profit.

[fol. 1428] Q. Did you conclude that there was much opportunity for profit in the branches you described?

A. In most of the offices which I have called low-cost

offices, you would have to tailor your costs in order to arrive at a profit.

Some of the potential offices, the profit motive or the profitability was there in the potential.

Q. What then did you conclude was the most likely step to increase the bank's profits?

A. Is to establish or participate in the growth of the area, the contiguous counties to Philadelphia.

Q. And what did you conclude was the only way to do this?

A. I concluded that one way to do it would be to establish new branches, but if you wanted to substantially do it and participate quickly in an entire area, the best way to do it was by merger.

Q. This is cheaper and more profitable than establishing new branches; is that correct?

A. I would say yes; that's correct.

Q. Now——

A. I am not so sure about the cheaper part.

Q. That is perhaps under ordinary circumstances.

Now with reference to the merger possibilities, did you survey the area generally to determine what possibilities [fol. 1429] might be available?

A. Yes.

Q. And you surveyed Philadelphia County, did you?

A. Yes.

Q. What banks did you consider as a possible candidate for merger in Philadelphia County?

A. The two principal ones were the Pennsylvania Company and the Philadelphia National Bank.

Q. That's the First Pennsylvania Company?

A. The First Pennsylvania, I am sorry.

Q. Yes; and what did you consider would be the advantage of a merger with the First Pennsylvania Company?

A. The advantages of a merger with the First Pennsylvania Company would be by reason of the fact that it had extensive branch coverage, which means convenience to the banking potential; and secondly, the advantage of size.

[fol. 1430] Q. Now, you concluded, did you not, that a merger with the First Pennsylvania would give the resulting bank about 25 per cent of the existing commercial banking facilities?

A. That is correct, in Philadelphia.

Q. What was your conclusion with respect to the duplication of facilities if these two banks merged?

A. There would be extensive duplication with the First Pennsylvania Company.

Q. What form of duplication?

A. There would be branches in the same localities. For example, our main office and the Pennsylvania Company have two offices downtown just across the street. In North Philadelphia there is duplication, and so forth.

Q. What other duplication would there have been?

A. Well, on Germantown Avenue they have an office and we have an office. In Germantown they have an office and we have an office. I don't recall others, but I am sure there are others.

Q. Did you conclude that there would be the same duplication of existing commercial banking facilities in any merger with center city banks?

A. No.

Q. You concluded, however, did you not, that this would [fol. 1431] be the case in almost any merger with center city banks?

A. There would always be duplication with the main office of the center city bank.

Q. What was your conclusion with reference to your study of the proposed merger with the Philadelphia National Bank at this time concerning the duplication of center city facilities?

A. Except for its main office, there would be very little duplication. As a matter of fact, it would be complementary. There is very little duplication of the Philadelphia National Bank's offices and the offices of the Girard except in the downtown office, but other offices are not duplicated; they are complementary.

Q. Where are the head offices of the two banks with reference to each other?

A. Across the street.

Q. Did you also study the possible merger with the Central Penn Bank?

A. Yes.

Q. And what was your conclusion on that one?

A. The conclusion on Central Penn, they would not have

the same advantage as mergers with the other two, but they had several good branch locations that would be comple-
[fol. 1432] mentary and complementing our own offices.

Q. Did you also study merger with Fidelity-Philadelphia?

A. Yes.

Q. And what was your conclusion on that one?

A. That they had several good locations in and out of the city, but they weren't as desirable locations from our standpoint, and a merger, therefore, was not as desirable.

Q. What other banks in Philadelphia County did you consider merging with?

A. Liberty Real Estate Bank and Trust, the Frankford Trust, and the Industrial Trust Company.

Q. What was your conclusion on these?

A. That they would not be as desirable as the first two. One of the reasons for this is that this report was made primarily from the standpoint of location, that I was looking primarily at locations, and not other reasons for mergers, which, of course, would be inherent in any bank.

Q. Did you also study possible bank acquisitions which could be made in Delaware County?

A. Yes.

Q. What was your conclusion with reference to the county as a whole?

A. As far as Delaware County is concerned, my conclusion was that there were two banks which were particu-
[fol. 1433] larly desirable from the standpoint of their locations, as far as our merger was concerned.

Q. Were there only two independent banks in the county at the time?

A. I am not sure, but I think there were.

Q. I believe you said two, sir.

A. If it says two in here—I forget whether it was or was not.

Q. Subsequently did the Girard acquire one of these banks?

A. Yes.

Q. Which one?

A. Upper Darby National Bank.

Q. How many offices did Upper Darby National Bank have?

A. My recollection is that they had 12 at the time.

Q. I believe the report indicates 18.

A. I think 18 is both the Upper Darby and the Delaware County National Bank.

Q. And did you also study Bucks County to determine whether there were any possibilities of acquiring banks in that area?

A. Yes, I did.

Q. What was your conclusion?

A. That there were several banks, one or two banks, in [fol. 1434] Bucks County that had locations which might be desirable from our standpoint.

Q. Did you make any acquisitions in Bucks County?

A. No, we did not.

Q. Did you discuss merger with any of the banks in that area?

A. Yes, we did.

Q. With which ones?

A. I think one with one of the Bristol banks. I think also with the bank in Langhorne.

Q. Why didn't these acquisitions take place?

A. Well, the Bristol banks were merged with some other Philadelphia bank, other Philadelphia banks, and the Langhorne Bank merged with another Philadelphia bank.

Q. Which banks were they?

A. Langhorne merged with the Central Penn. One of the Bristol banks merged with Philadelphia National. The other Bristol bank merged with the Fidelity-Philadelphia Trust Company.

Q. Were there any banks left in Bucks County after that?

A. Oh, yes.

Q. Now, with reference to Montgomery County, did you study that area to determine whether there were any possible bank acquisitions to be made?

[fol. 1435] A. Yes, I did.

Q. And what was your conclusion in that area?

A. That there were a number of banks with locations that would be desirable as far as we were concerned.

Q. And did you thereafter acquire some of these banks?

A. Yes, we did.

Q. Which ones?

A. The National Bank of Narberth and the Ambler National Bank.

Q. Did you discuss merger possibilities with other banks in this area?

A. I did not.

Q. To your knowledge, did anyone in your bank?

A. Yes, yes.

Q. Which ones?

A. The Montgomery-Norristown, Bryn Mawr Trust Company, the Jenkintown Bank and Trust Company, Bank of Old York Road.

Q. And who held those discussions, do you know?

A. I am not sure there were discussions. I think they were more indication of preliminary——

Q. Indication of interest, would you call it?

A. That is about right, yes.

[fol. 1436] Q. Do you know the identity of the person who evidenced your bank's interest?

A. Yes, I think Mr. Geoffrey Smith.

Q. In each case, so far as you know?

A. I don't believe so, no. I am not sure of that. I am not certain whether Mr. Smith talked to each one of them or not. I do know that he talked with one. I think one of our loaning officers has a friend that talked with another one, and it was that kind of thing.

Q. Do you know why these acquisitions were not made?

A. I know what they said. They said they didn't want to at the time, so I suppose that was the reason.

Q. The banks weren't interested in being merged?

A. At that time, yes.

Q. Was it a question of price?

A. I don't know, because some of them actually are merging now, but not at that time they weren't, so I don't know what their reason was then.

Q. To your knowledge, were any reports made of these discussions or indications of interest? Have you seen any such reports?

A. I am sorry?

Q. Have you seen any written reports describing these [fol. 1437] indications of interest, as we call them, or negotiations, or discussions, or whatever they were?

A. I don't think in connection with any of these banks, no.

Q. Your information on these came orally?

A. As far as I remember, yes.

Q. Now, you concluded, did you not, with a program of merger which you suggested to your bank for consideration?

A. I have a list. I wouldn't call it a program.

Q. How many banks are on the list?

A. Ten.

Q. You have another list headed "Groups." What do you mean by that designation?

A. Well, that primarily was an area. For example, take the last group there. You might call it the York Road area—which is a very general area—in which these offices have the best locations in that area.

Q. Were these groups you were proposing for consideration as to acquisition?

A. I would say yes, except that you will notice in here I make note of the fact that we probably will never be able to do it, but since this was a very general report, which, incidentally, was part of a series of reports which were written at that time, I included everything that was there, [fol. 1438] whether it was feasible or not. It was the entire picture, that's what it was.

Q. I didn't understand what you meant by a series of reports. Do you mean other than what is contained in this particular document which you have before you?

A. Well, at or around this time our management of the bank decided that they would like to have a picture, a five or ten-year picture, of all segments of the bank. Now, it happened at that time that I was in charge of the branches, and I wrote a report on branches. There were reports written from the same point of operations. There was a report, I think, from the standpoint of loans, and this was a plan, or it was a collection of specialized information gotten up for our senior management in order to give them a picture upon which they could make some plan. This happened to be one of the reports.

Q. With reference to the list of ten banks, individual banks, which you have included on Page 10, did Girard acquire any of these banks?

A. Yes. The Upper Darby National Bank, the National Bank of Narberth, the Ambler National Bank.

Q. Do you know whether any of the other banks on that list were acquired by other Philadelphia banks?

A. Peoples National Bank was acquired by Central Penn. [fol. 1439] The Huntingdon Valley Trust Company was

acquired by the First Pennsylvania Company. The Jenkintown Bank and Trust Company is merging, hasn't yet merged, with the Industrial Trust Company.

Q. Has Delaware County National Bank been acquired?

A. No, it has not.

Q. Is that the only remaining bank in Delaware County?

A. It is the only unit bank in Delaware County.

By the Court:

Q. How old a bank is that?

A. Delaware County National Bank? Oh, it is at least 50 years old, I guess.

Q. Has there been a bank started in Delaware County in the last 20 years?

A. What was that, sir?

Q. Has there been a bank started in Delaware County in the last ten or twenty years?

A. No, sir. There has in Montgomery County, but not in Delaware County.

By Mr. Reycraft:

Q. How many in Montgomery?

A. One.

Q. Do you know how many new banks have been started in [fol. 1440] the entire four-county area in the past 20 years?

A. In the past 20 years?

Q. Yes.

A. I can't answer in the last 20 years, but up until recently I think there has only been one.

Q. There is only one that you can think of?

A. That is right.

Q. Did you also give consideration to the price which would have to be paid in order to make the acquisition being discussed?

A. Yes, sir.

Q. It is an important factor, is it not?

A. I think you flatter me. This was only a means of getting something down. Yes, sir.

Q. Did you conclude that a premium would have to be paid in many of these cases?

A. Yes, sir.

Q. In which type of acquisition did you conclude a premium would have to be paid?

A. Those banks of, let's say, an equal size in the center city, the possibility was that you would not pay a premium. Other banks, small banks, suburban banks, unit banks, you would probably have to pay a premium.

Q. Why would you have to pay a premium for the smaller banks?

[fol. 1441] A. Because they wanted to make some money out of it.

Q. Would it be fair to say that your bank might not be the only opportunity they would have to merge?

A. Oh, yes.

Q. That would be fair to say.

A. Oh, yes.

Q. So that the stockholders were interested in getting the best advantage out of it they could?

A. Yes, indeed.

Q. Were the premiums in some cases substantial?

A. Yes.

Q. Do you have any knowledge as to the percentage over book value that would be involved in acquiring some of the banks you discussed?

A. Yes, they would vary from—they would run up to 12 per cent, 13 per cent, though there were just a few, I think of that category.

Q. Is this over book value?

A. That's right. Now, wait a minute. That's on deposits; that's on deposits.

Q. So you would consider or study paying a premium in the area of 12 per cent more than the existing deposits of the bank?

[fol. 1442] A. There would be a few in that category.

Q. And with reference to the book value of the bank, do you have any knowledge as to the percentage of the premium which you would consider over book?

A. I don't recall; I don't recall.

Q. This would be substantially more than the premium on deposits, would it not?

A. Oh, yes.

Q. It figures out that way?

A. Yes.

Q. Have you heard anywhere that the premium would be in the neighborhood of a hundred per cent over book?

A. I don't recall, but it might be. I really don't recall.

Q. Now, can you tell me why there was a premium necessary to be paid to these banks?

A. You wouldn't be able to buy them if you didn't.

Q. It was a question of the market for the stock, I suppose?

A. That's right. That's one of the reasons.

Q. Was there competition among the Philadelphia banks to acquire some of these outlying banks?

A. Yes.

Q. Would you say this was true with reference to most [fol. 1443] of the ones you listed?

A. I would think so, yes.

Q. Do you know of any of the banks that you have listed as to which there was not competition among the Philadelphia banks for acquisition?

A. The list of these?

Q. The list that you have included on Page 12 of your memorandum.

A. Well, I think some of these banks were not for sale, and therefore there wasn't any competition.

Q. But as to most of them?

A. I would say yes.

Q. You would say there was competition?

A. Yes.

Q. Now, you also concluded that with reference to the mergers you considered, with the downtown banks, no premium would be involved; is that correct?

A. In most cases, yes. Not in all cases, however.

Q. Why is that, sir?

A. Primarily because the amount of money involved, as far as the premium is concerned; because of the size of the bank, would just be out of the question. You couldn't pay it, because the bank would be too big, and, secondly, because in banks of that size they are both contributing an equal [fol. 1444] amount of good, and it was more of a merger for the benefit of the community, and so forth, that counted. All mergers, of course, are for that.

Q. Pardon me?

A. I would say that all mergers had to do with the benefit of the community. It is not just limited to the large banks, but I think primarily because the banks were so big that you

can't pay a premium of that kind, and, secondly, because when two large banks merge, they are contributing an equal amount of good, so that there isn't any necessity, there isn't any premium paid. You couldn't afford to pay a premium for a big bank.

Q. To your knowledge, Mr. Beadle, were negotiations conducted or indications of interest exchanged among any of the other Philadelphia center banks?

A. Information exchanged?

Q. Yes.

A. Not to the best of my knowledge.

Q. To your knowledge, was there any discussion with the First Pennsylvania Company concerning the possibility of merger, as you indicated on Page 13?

A. Pennsylvania Company, no. Philadelphia National, we had some discussions.

Q. To your knowledge, was there any indication of inter-
[fol. 1445] est on the part of your bank and the First Pennsylvania?

A. No.

Q. To your knowledge, was there any such indication of interest with respect to any other center city banks?

A. Yes, indeed.

Q. Which one?

A. Philadelphia National.

Q. Any other?

A. Central Penn.

Q. When did this happen?

A. Well, with Philadelphia National Bank I would think about four or five years ago and with Central Penn about three or four years ago, five years, something of that kind.

Q. Any others?

A. Not to the best of my knowledge.

[fol. 1446] Q. Now with reference to the indication of interest or discussions with the Philadelphia National Bank four or five years ago, do you have any knowledge as to why the discussions did not result in an agreement to merge?

A. I think I did—I really don't.

The Court: Just a minute before you answer that.

Where are we headed? Where are we leading?

Mr. Reycraft: Your Honor, I think—

The Court: You are asking for some thinking four or five years ago that I just can't possibly tie into the present picture. Nothing happened.

Mr. Reycraft: Your Honor, at least with reference to the discussions with Philadelphia National Bank, I think it is pertinent to this case to determine the origin of the negotiations which led up to the present agreement, and I think it is also relevant to the question of tendency to monopoly resulting from a proposed acquisition what other mergers have been discussed over a period of years.

Mr. Littleton: If Your Honor please, this is all set forth in the application of the two banks to the Comptroller of the Currency. I don't see why this witness should be interrogated about it.

The Court: I still don't see the relevancy, but go on. Let's [fol. 1447] get down to this case.

I don't think that it has any part in it. If you feel that it does, I will permit you to go on, but I don't want too much time spent on matters which I don't consider part of the case; but you make your record your way.

By Mr. Reycraft:

Q. Now with reference to your discussions or your communications of interest in exchange with the Central-Penn Bank, do you have any knowledge as to why this acquisition was not made?

A. As far as I know, they just didn't want to merge.

Q. Mr. Beadle, referring to Exhibit B to your memorandum, will you explain what you were trying to accomplish with this exhibit?

A. It was simply some means of bringing to management's attention what a similar application of cost to every bank. That was the purpose of it, and I had no way of knowing at the time, I didn't make any close examination of these banks from the standpoint of book value and earnings and so forth, and I simply took a method by which a cost factor could be applied to every bank so that somebody could get some idea of what it amounted to.

Q. Now, Mr. Beadle, with reference to the basis for this [fol. 1448] memorandum, that is the economic study concerning the establishments in the four-county area, you are

familiar with the banking needs of businesses in this area, are you not?

A. Yes.

Q. Is it your opinion that all of the plants, stores, and establishments in this area require commercial banking facilities?

A. Oh, yes, yes.

Q. You wouldn't have any doubt about that, would you?

A. No.

Q. Now, Mr. Beadle, on the basis of your study of the establishment of new bank offices in the four-county area, is it your observation that Philadelphia banks compete for desirable branch sites?

A. Compete?

Q. Yes, sir.

A. Well, if you mean—I will answer it this way:

Every bank in Philadelphia, I am sure, analyzes their market. I think they analyze their market; so to the extent that they do that, if that's competition, they compete.

They can't compete because there's only in most cases one bank that can get authority or get approval for a branch, and that's up to the State. That isn't up to the bank. A bank just can't go into a neighborhood and put a branch. [fol. 1449] They have got to get approval, so we don't compete because only one can get it.

Q. Well, do you say——

A. When it comes to examination and study of it, yes, they are all looking for sites.

Q. They are all looking for good new sites?

A. Oh, yes.

Q. Has it come to your attention from time to time that other banks are interested in sites you are interested in?

A. Yes.

Q. And you would try to make your application earlier, perhaps, or make a better showing for your bank, would you not?

A. No.

Q. You wouldn't?

A. We haven't so far.

Q. Do you mean that if you found out another bank was interested in a site that you would not then apply?

A. I wouldn't care about another bank. I would care only about what I thought was a good site.

If another bank happened to think so, I probably would have the application in or else I wouldn't think it was a good —if I thought it was a good site, I ought to have an application in or at least try to convince somebody we ought to have [fol. 1450] an application in.

But because somebody comes and says, "Well, I am going to put a branch there," it doesn't mean that I am going to put one there, or we even want to.

Q. Now, is it your observation that banks in the area try to maintain their competitive position by properly establishing branches?

A. I think in many cases that is true, though some banks have—I guess most every bank has branches now.

Q. Is it important, in your opinion, to a downtown Philadelphia bank to have adequate branch coverage throughout the area?

A. Yes.

Q. And it is equally important to all of them, would you say?

A. I think so.

Q. Do you think, in order to maintain their competitive position, that they must keep a strategic branch system?

A. That's our position—my position.

Q. And you don't have any doubt about that, do you?

A. Well, some people don't establish branches, so I don't know what their position is.

Q. But as far as your bank is concerned——

A. That's right.

[fol. 1451] Mr. Reycraft: Your Honor, I have a series of documents to mark. I wonder if it would be more convenient for the Court if we did it during a short recess.

The Court: Yes. I think that's probably so.

Do you want them 72-A to Q, or something like that?

Mr. Reycraft: Sir?

The Court: 72-A to Q?

Mr. Reycraft: Yes, sir. That's approximately correct.

The Court: All right.

Are you going to go into the examination of those now?

Mr. Reycraft: Yes, sir.

The Court: All right. Let's take a fifteen-minute recess. It may take a little time to have them marked.

(A recess was had, during which the following exhibits were marked for identification:)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended, Dated September 9, 1957, for Branch at Butler Avenue and Spring Garden Street, Ambler, Pennsylvania," was marked Exhibit G-72 for identification.)

[fol. 1452] (Ten-page document of information furnished by Girard Trust Corn Exchange Bank in connection with branch at Butler Avenue and Spring Garden Street, Ambler, Pennsylvania, Dated September 9, 1957, was marked Exhibit G-72-A for identification.)

(Three-page document entifled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended, Dated September 9, 1957, for Branch at Bethlehem Pike and Wissahickon Avenue, Flourtown, Pennsylvania," was marked Exhibit G-72-B for identification.)

(Ten-page document of information dated September 9, 1957, from Girard Trust Corn Exchange Bank, covering branch at Bethlehem Pike and Wissahickon Avenue, Flourtown, Pennsylvania, was marked Exhibit G-72-C for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended, Dated September 16, 1957, Covering Branch at Fort Washington Industrial Park," was marked Exhibit G-72-D for identification.)

(Ten-page document of information furnished by Girard [fol. 1453] Trust Corn Exchange Bank, dated September 16, 1957, concerning branch at Fort Washington Industrial Park, was marked Exhibit G-72-E for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the

Commonwealth of Pennsylvania, as Amended, Dated July 22, 1959, Covering Branch at Northeast Corner of Comly Road and Roosevelt Boulevard, Philadelphia," was marked Exhibit G-73 for identification.)

(Nine-page document of information dated July 22, 1959, covering branch of Girard Trust Corn Exchange Bank at Northeast corner of Comly Road and Roosevelt Boulevard, Philadelphia, was marked Exhibit G-73-A for identification.)

(Ten-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended, Dated February 29, 1956, Covering Branch at 2944-50 North 22nd Street, Philadelphia," was marked Exhibit G-74 for identification.)

(Ten-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended, Dated March 5, 1956, Covering Branch at 427-31 North 63rd Street, Philadelphia," was marked Exhibit G-75 for identification.)

[fol. 1454] (Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, covering branch at 6908-10 Market Street, Upper Darby, Pennsylvania, was marked Exhibit G-76 for identification.)

(Nine-page document of information dated March 3, 1958, from Girard Trust Corn Exchange Bank, covering branch at 6908-10 Market Street, Upper Darby, Pennsylvania, was marked Exhibit G-76-A for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, covering branch at 4221 Ferne Boulevard, Drexel Hill, Pennsylvania, was marked Exhibit G-76-B for identification.)

(Eight-page document of information dated March 3, 1958, from Girard Trust Corn Exchange Bank, covering branch at 6908-10 Market Street, Upper Darby, Pennsylvania, was marked Exhibit G-76-C for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, covering branch at 1625 East Darby Road, [fol. 1455] Havertown, Pennsylvania, was marked Exhibit G-76-D for identification.)

(Eight-page document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, concerning branch office at 1625 East Darby Road, Havertown, Pennsylvania, was marked Exhibit G-76-E for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, covering branch at PTC Terminal Building, Upper Darby, Pennsylvania, was marked Exhibit G-76-F for identification.)

(Eight-page document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank concerning branch at PTC Terminal Building, Upper Darby, Pennsylvania, was marked Exhibit G-76-G for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, covering branch at Glendale Road and Ludlow Street, Upper Darby, Pennsylvania, was marked Exhibit G-76-H for identification.)

(Eight-page document of information, dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, [fol. 1456] covering branch at Glendale Road and Ludlow Street, Upper Darby, Pennsylvania, was marked Exhibit G-76-I for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, concerning branch at Manoa Shopping Center, Havertown, Pennsylvania, was marked Exhibit G-76-J for identification.)

(Eight-page document of information, dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, covering branch at Manoa Shopping Center, Havertown, Pennsylvania, was marked Exhibit G-76-K for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," undated, covering branch at 1021 Pontiac Road, Drexel Hill, Pennsylvania, was marked Exhibit G-76-L for identification.)

(Eight-page document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank concerning branch at 1021 Pontiac Road, Drexel Hill, Pennsylvania, was marked Exhibit G-76-M for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of [fol. 1457] the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, covering branch at 3533 West Chester Pike, Newtown Square, Pennsylvania, was marked Exhibit G-76-N for identification.)

(Eight-page document of information, dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, covering branch at 3533 West Chester Pike, Newtown Square, Pennsylvania, was marked Exhibit G-76-O for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, covering branch at Yeadon, Pennsylvania, was marked Exhibit G-76-P for identification.)

(Eight-page document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank covering branch at Yeadon, Pennsylvania, was marked Exhibit G-76-Q for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, covering branch at Lawrence Park Shopping

Center, Broomall, Pennsylvania, was marked Exhibit G-76-R for identification.)

(Eight-page document of information dated March 3, [fol. 1458] 1958, furnished by Girard Trust Corn Exchange Bank, covering branch at Lawrence Park Shopping Center, Broomall, Pennsylvania, was marked Exhibit G-76-S for identification.)

(Three-page document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, covering branch at West Chester Pike and Summit Avenue, Broomall, Pennsylvania, was marked Exhibit G-76-T for identification.)

(Eight-page document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, concerning branch at West Chester Pike and Summit Avenue, Broomall, Pennsylvania, was marked Exhibit G-76-U for identification.)

(Document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, covering branch at Penn Fruit Building, Upper Darby Township, Pennsylvania, was marked Exhibit G-76-V for identification.)

(Eight-page document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, concerning branch at Penn Fruit Building, Upper Darby Township, Pennsylvania, was marked Exhibit G-76-W for identification.)

[fol. 1459] By Mr. Reycraft:

Q. Mr. Beadle, will you refer to Government's Exhibit 72 and tell me what that is?

A. It says an application to establish a branch under the provisions of the Banking Code by Girard Trust Corn Exchange Bank at Broad and Chestnut Streets.

Q. And what is the origin of this office, sir?

A. (No response.)

Q. Is this office involved in the acquisition of the Ambler National Bank?

A. This application covers the main office of the Ambler National Bank, which had proposed to merge with the Girard Trust Company, yes.

Q. All right, sir.

Now referring to Government's Exhibit 72-A, which is the next one in line, what is that?

A. This is the information to be furnished to the Banking Department by the Girard Trust for the establishment of branch of the Ambler National Bank at Butler Avenue and Spring Garden Street, Ambler, Pennsylvania.

Q. Can you tell me, Mr. Beadle, by referring to this exhibit, what the geographic area served by this branch is?

A. Yes, you can.

Q. What is it, sir?

[fol. 1460] A. The Borough of Ambler.

Q. Is this in accordance with your knowledge of the area served by this branch?

A. Well, it covers the Borough of Ambler.

Mr. Price: I couldn't hear a word of what you said.

The Witness: What was that?

Mr. Price: I couldn't hear a word of what you said. What was that?

The Witness: I didn't say much, sir.

Mr. Price: But you were mumbling something and I couldn't hear any of it.

The Witness: It's the Borough of Ambler. It covers the Borough of Ambler and that is my understanding of what the branch covers.

By Mr. Reycraft:

Q. An area which this branch serves?

A. Yes.

Q. All right, sir.

Now, what type of business is located in that area, what type of banking business?

A. Deposits, loans, safe-deposit facilities, and general banking business.

Q. Is there a commercial business located in this area?

[fol. 1461] A. It does a residential-banking business, that is, a personal-banking business; it serves commercial customers and serves industrial customers.

Q. Are some of the industrial customers the American Chemical Paint, C. H. Wheeler, and Keasbey-Mattison?

A. Yes.

Q. What other Philadelphia bank has offices located in the area?

A. The Provident Tradesmen's is in Ambler.

Q. And you are in competition with Provident Tradesmen's in that area; is that correct?

A. Yes.

Q. Does that office compete with any other office of any Philadelphia bank?

A. Not in that immediate area.

Q. Where else does it compete?

A. There are no branches—other than the Provident Tradesmen's, there are no offices of Philadelphia banks in that vicinity.

Mr. Littleton: I assume when you say that you mean Philadelphia commercial banks?

The Witness: Philadelphia commercial banks.

By Mr. Reycraft:

Q. So, to your knowledge there is only one bank with [fol. 1462] which that branch office competes?

A. That is correct.

Q. Is that correct?

Now will you refer to Government's Exhibit 72-B, an application for authority to operate a branch bank at Bethlehem Pike and Wissahickon Avenue in Flourtown?

A. Yes, yes.

Q. Can you tell me what geographic area is served by that office?

A. An area generally known as Flourtown—Flourtown.

Q. Are there branches of any other Philadelphia bank in that area?

Mr. Littleton: Commercial banks, do you mean, Mr. Reycraft?

Mr. Reycraft: Yes, sir.

The Witness: No.

By Mr. Reycraft:

Q. Now will you refer to Government's Exhibit 72-C, which sets forth in more detail the information submitted

to the Commonwealth of Pennsylvania in connection with this application?

The Court: If you go back to 72-A and look at the second map there, that shows the area served.

Mr. Reycraft: Yes, sir. There is a map attached also [fol. 1463] to 72-C.

The Witness: May I interject this?

Mr. Reycraft: Certainly.

The Witness: I didn't prepare this information and I am not as familiar with it as the person who did prepare it.

By Mr. Reycraft:

Q. You are familiar, however, with the location of the branches of your bank and the areas they serve?

A. Certainly.

Q. I am not asking you whether you prepared the application or not, but I am asking you whether you are familiar with the areas served, and you may refresh your recollection or your knowledge by referring to the application.

[fol. 1464] The Court: You don't need to do that for the information of the Court. I know exactly where Flourtown is and all about it.

Mr. Reycraft: My question to Mr. Beadle, sir, is what the extent of the service area of the particular branch is. I want to know whether it is limited to Flourtown or how far beyond it extends.

The Court: It is on the outskirts of Chestnut Hill, and there are a lot of banks in Chestnut Hill.

By Mr. Reycraft:

Q. Is that according to your knowledge, Mr. Beadle?

A. That is correct.

I would like to have this explained to me, if you will. I don't know what this means. I don't know what this DA means in this circle, and so forth.

Q. Well, there is a legend on the map which shows what banks are indicated by the letters.

A. O.K.

Q. Can you tell me, Mr. Beadle, what the area is which is served by this branch?

A. Flourtown?

Q. Does the service area extend beyond Flourtown?

A. Yes, I think it covers Flourtown possibly to Erden-
[fol. 1465] heim, which is going towards Chestnut Hill, and it probably covers Erdenheim and Flourtown.

Q. And that would be the extent of its coverage?

A. Yes.

Mr. Price: May I ask what you mean by service area? Is this a technical term or is this a general term?

Mr. Reycraft: It is a term which is intended to elicit information concerning the market area which this bank serves.

Mr. Price: I would like to have it defined more accurately than that, if I may.

By Mr. Reycraft:

Q. Well, you used the term. Can you tell me, Mr. Beadle, what the area is from which this branch draws its banking business?

Mr. Price: All of it, some of it, most of it? Which?

By Mr. Reycraft:

Q. Can you answer my question, Mr. Beadle?

A. I think I did answer it by saying I think it is Flourtown and Erdenheim. Now, I am not certain of the area. I am not sure where Erdenheim begins and ends, but I would say it is probably an area of maybe a mile to a mile
[fol. 1466] and a half in circumference, something of that kind.

By the Court:

Q. Do you go as far as Fort Washington?

A. No, I don't think so, sir.

Q. Do you come back into Springfield and into the City Line?

A. Yes, I think we do come into Springfield.

By Mr. Reycraft:

Q. And that would be the limits of the area, so far as you know?

A. Yes.

Q. What type of banking business originates in this area, sir?

A. Primarily from persons, individuals, and from commercial establishments.

Q. Is there industrial banking business in this area?

A. Very little. There is some.

Q. But there is commercial and individual business?

A. Commercial, yes, commercial and individual.

Q. Will you refer to Government's Exhibit 72-D and E, which relate to the branch at Fort Washington Industrial Park.

A. Yes.

Q. Can you tell me by reference to these exhibits the area [fol. 1467] from which this bank draws its banking business?

A. This particular office draws most of its business from an industrial park in which it is located and draws some business from an area surrounding Fort Washington of a mile to a mile and a half surrounding the area.

Q. And would that be roughly the limits of the area from which this branch draws its banking business?

A. Yes.

Q. What type of banking business originates in this area?

A. Primarily industrial and individual, that is, individual persons.

Q. Are there any nationally known concerns in this area?

A. Yes, there are.

Q. What are they?

A. Well, there is Columbia Steel Equipment, which is Standard Pressed Steel, Chemical Concentrates, Hewitt-Robins, Minneapolis-Honeywell, Montgomery Publishing, National Aeronauts Corporation, and there are some additional since then.

Q. All of these businesses are served by the branch we are discussing?

A. Yes.

[fol. 1468] Q. And that is the Fort Washington Industrial Park branch?

A. Yes.

Q. Now, this application indicates, does it not, the deposits and loans originating in this branch?

A. This application?

Q. Yes, sir, Page 4.

A. That is an estimate of deposits and loans.

Q. It is an estimate?

A. Yes.

Q. I understand you don't have the precise figures. I don't mean to question you on that. What is the estimate as shown in the application?

A. The estimate of new business, is that what you want?

Q. Yes.

A. The estimate of new business?

Q. Existing and new business.

A. $1 million demand deposits of existing business. That is business that was done by the bank prior to the office being established. $1 million of demand deposits, $200,000 of time deposits, $200,000 of loans.

Estimate of new business that the branch would attract, $2,500,000 of demand deposits, $1,500,000 of time deposits, $1,250,000 of loans.

[fol. 1469] Q. And this means business originating in the area you have described; is that correct?

A. Yes.

Q. With reference to Government's Exhibit No. 73 and 73-A, concerning Broad and Chestnut Streets, can you tell me the area from which this office draws its banking business?

A. 73-A?

Q. 73 and 73-A. That is Broad and Chestnut Streets.

A. I am sorry. That is Comly and Roosevelt Boulevard.

Q. You are correct. I am looking at the wrong line. Comly and Roosevelt. Can you tell me the area from which the branch at Comly and Roosevelt Boulevard draws its banking business?

A. This is a new office that has just been opened, and the estimate, I would say, is a million to a million and a half or a million and a quarter surrounding the particular location.

Q. And what type of banking business originates in the area you described?

A. Primarily industrial. Some individual business. Very little commercial at the moment.

Q. Do you know the names of any businesses located in the area you have described from which you expected, at

[fol. 1470] the time of application, to obtain banking business?

A. There is International Paper, Interstate Iron, Kelly Springfield Tire, Klightning Manufacturing, National Biscuit Company, National Electrical Products, Yale and Towne, Progress Manufacturing Company, D. P. Brown, Byberry State Hospital.

Q. The estimate submitted with this application indicated, did it not, $3 million of demand deposits and $500,000 of commercial loans expected? That is at Page 4.

A. That is the estimate of new business, yes, sir.

Q. So that deposits in that area were estimated to exceed loans very substantially; is that correct?

A. Yes.

Q. And by reference to Page 5 can you tell me the loan authority of the branch manager?

A. $5,000 commercial, $10,000 collateral.

Q. And if someone in that area wanted to make a loan in excess of that amount, where would he go?

A. He could go to the branch manager.

Q. Pardon me?

A. He could go to the branch manager.

Q. What would the branch manager then do?

A. He would get someone who had the loan authority required, or join with another branch manager if the [fol. 1471] authority of the two of them together would equal the loan.

Q. By reference to Government's Exhibit No. 74, and the branch involved here is 2944-50 North 22nd Street, can you tell me the geographic area from which it was expected to obtain banking business at this branch?

A. That would be an area of about a half to three-quarters of a mile, half to three-quarter-mile radius of the location.

Q. Why would that be smaller than some of the others you described?

A. Because it wouldn't exactly be that, but, theoretically —not theoretically—east there are other branches, other offices.

Q. Other banks?

A. Other banks of this office. South there is not, though the neighborhood isn't particularly good, and you don't get much business from there, and west you go out to the river,

and north you have a block beyond Hunting Park Avenue, so it is the type of area.

Q. So that in the area where you would meet other banks, in other words, your service area would be limited by competition from those banks?

A. Well, that's always the case, but it isn't necessarily [fol. 1472] the case here. Only in one direction.

Q. But in the direction in which there are other banks?

A. Yes.

Q. In your opinion, your market area would be limited by those other banks?

A. Yes.

By the Court:

Q. There were no other banks in that area, were there? Wasn't Broad and Erie the nearest banking center?

A. The nearest one is at 12th and Lehigh, Pennsylvania Company.

Q. 12th and Lehigh?

A. Yes.

Q. And this is what?

A. 22nd and Indiana. That is the nearest one.

Q. That is well over a mile, isn't it?

A. Yes, I guess it is.

Q. About a mile and a half.

A. It is, but that is the nearest one.

By Mr. Reycraft:

Q. Were you splitting the difference between the two banks?

A. Approximately, yes, because they would go as much our way as we would go their way.

[fol. 1473] Q. So you reach the limit on either end by the service area of the other?

A. That's right.

The Court: That is his opinion of it.

The Witness: That's right.

By Mr. Reycraft:

Q. Now, what type of banking business is available in this area?

A. This is individual business, commercial business and industrial.

Q. And the demand deposits as indicated at Page 4 of the application, the estimated new business is $4 million and loans $500,000; is that correct?

A. Yes.

Q. So that it would be a substantial excess of demand deposits over loans?

A. Yes.

Q. With reference to the preceding paragraph, No. 2, it indicates $8 million of demand deposits and a million and a half of loans; is that correct?

A. Yes.

Q. And this is business which was being done at that time by your bank in the area?

A. Yes.

[fol. 1474] Q. And was this prior to the establishment of a branch?

A. You mean the $8 million?

Q. Yes.

A. Yes.

Q. So this is banking business which your bank was getting out of the area prior to having a branch there; is that correct?

A. That's correct.

Q. And you thought that you could do additional business, as indicated in Paragraph 3, by having a branch conveniently located?

A. Yes indeed, from a convenient standpoint.

Q. And among the companies which you hoped to serve in that area were the Budd Company, Tasty Kake Company, and Link-Belt Company?

A. Yes.

Q. What is the loan limit of the manager at the 2944-50 office of North 22nd Street?

A. I don't recall. Actually, we have changed managers. What page was that?

Q. At Page 5 there is some information on the loan limits. I am not sure whether it is changed or not.

A. Well, that is incorrect. Actually that figure should be [fol. 1475] $5000. It says $500. It should be $5000 and $10,000. However, we had changed managers there, and the

man that is there now is a loan man, and I am not certain what his authority is.

Q. You think his limit may be higher?

A. I think it may be higher; I am not sure.

Q. Now, with reference to Government's Exhibit No. 75, relating to the establishment of a branch at 427-31 North 63rd Street, can you tell me the geographic area from which that branch expected to obtain banking business?

A. Well, this, I would say, is an unusual office in that we have an office not far from it on one side, so that actually we get business more from three sides instead of four sides, as it were, and I would say that the area here is probably a half-mile east, a half-mile west, and less than that south, because that's where our branch is.

Q. Now, the 1955 population estimate is given on Page 2 within a one-mile radius area as 87,000. Is that substantially identical with the area you described?

A. That's a very heavily populated section, very high population density there.

Q. And this office serves all that area?

A. Yes, I would say so.

[fol. 1476] Q. And what type of banking business originates in the area you described?

A. Individual business, commercial business, very little industrial business.

Q. On Page 4 of the application it indicates that the existing business in the area is $2,400,000 demand deposits, $3,200,000 time deposits, and $500,000 of loans.

A. Yes.

Q. The excess of deposits, Mr. Beadle, would they be transferred into the main office?

A. Well, there isn't any such thing as transfer. We have X dollars of deposits to use.

Q. It is all in one central account; is that correct?

A. Oh, yes.

Q. And what you do with reference to the branches to allocate to them as a bookkeeping matter the deposits originating in the branch; is that right?

A. What happens is that the deposits originate in this office and are earmarked on the bookkeeping record, but then in order to determine deposits for the branch, you go over and pick out those deposits which have originated there

or which are serviced there, I should say, rather than originate.

Q. They are physically delivered where? To the main [fol. 1477] office?

A. By bookkeeping entry, yes.

Q. What happens to the money which goes into the branch? Is it physically delivered to a central location?

Mr. Price: Are you talking about cash now?

The Witness: Oh, the cash? No, that is maintained in the office unless it gets over a certain amount, and then the excess either goes to the main office or the Federal Reserve System if it is excess.

By Mr. Reycraft:

Q. Periodically, then, as you get over a certain amount in the branch, it will be a transfer to the main office or to the Federal Reserve System?

A. Federal Reserve Bank.

By the Court:

Q. And you transfer it back when you get an undersupply, when you cash too many checks?

A. That's right, sir.

By Mr. Reycraft:

Q. Now, the application indicates also that the new branch was expected to draw $3 million of additional demand deposits, $1 million of additional time deposits, and $300,000 of loans. This would be in addition to the existing business which the bank had in that area; is that correct?

[fol. 1478] A. Yes.

Q. So that at the time the application was made, there was business which the bank had in the area which it was serving from some other office; is that right?

A. Yes. Actually, the reason for this office was just that. We had an office at 60th and Ludlow, which is a fairly large office as far as activity and deposits are concerned. It is in a completely built-up area, and we didn't have sufficient space to provide the service to the customer. It was crowded. It was very difficult to get additional facilities in order to enlarge them, so we put this branch here. We determined that

we had a substantial amount of our business north of Market Street—this 60th and Ludlow happens to be just south of Market Street—and we determined that in order to provide service, and since there was this business in this area, that we would build a bank there in order to take the load away from the existing one, so that's how this office got there.

Q. So you put the branch where the business was?

A. Yes.

Q. The loan limit here is also $5000 commercial and $10,000 collateral.

A. Yes, with this difference, that the manager of this [fol. 1479] office has that authority. This office is somewhat of a satellite office to the 60th Street branch. It is very close to it, and the officer in charge of that branch also has authority which combines with this office. He has higher authority. His loan limits are, going from memory now, but I would say they are $25,000 to $50,000, something of that kind.

Q. Is that $25,000 on unsecured and $150,000 secured?

A. Yes. I don't know whether it is 150 or 200. I forget what the actual figures are now.

[fol. 1480] Q. Now, Mr. Beadle, referring to Government's Exhibit No. 76, which is an application to establish a branch in Upper Darby Township, and the reason for filing the application is given as the application covers the main office of the Upper Darby National Bank, which has proposed to merge with the Girard Trust Corn Exchange Bank, subject to the approval of the federal and state authorities and the stockholders of both banks.

Now, Government's Exhibit No. 76-A describes the branch to be operated at 6908-10 Market Street in Upper Darby.

Can you tell me, sir, by reference to 76-A and your other knowledge, what the geographic area is from which this office draws its banking business?

A. This office covers a fairly wide territory, one reason being that we have—I may be getting ahead of myself. We have a drive-in office here and we have the PTC Terminal office. That is a transportation point, which is just across the street, and the drive-in is just in back of this office.

Both of these two latter offices were established as an adjunct to this main office of the Upper Darby National Bank.

Because of that drive-in and because of the office in the terminal we get business from a wide territory of Upper [fol. 1481] Darby primarily, or rather of Delaware County, because it is such a transportation point, both because of the subway and the drive-in, and we cover a wide territory. That's as far as Delaware County is concerned.

Q. Pardon me?

A. As far as Delaware County is concerned, it's a wide territory.

By the Court:

Q. How about the "Red Arrow" out of Norristown? Does that bring you business, too?

A. Yes, sir. It certainly does, sir.

That's all in the PTC Terminal Building at 69th Street, in which we have banking facilities.

By Mr. Reycraft:

Q. And a good deal of the business is generated in this area?

A. That's right: Delaware County.

Q. What type of business is available in that area?

A. Primarily industrial—primarily individuals and commercial. Some industrial, but the preponderance is individual and commercial, of course.

Q. Now, do you know what the lending limits are of the branch manager at this office?

The Court: Do you mean as of today?

[fol. 1482] Mr. Reycraft: Yes, sir.

The Witness: I really don't know, but I think it's $100,000 unsecured, and $200,000 secured.

It's very hard to recollect all of these individual limits.

By Mr. Reycraft:

Q. This would be one of your higher branches' loan limits?

A. One of the larger, and there's more than one office that has that.

Q. All right.

Now referring to Government's Exhibit No. 76-B, this is

another office of the Upper Darby National Bank, located at 4221 Ferne Boulevard, Drexel Hill.

Now, can you tell me the geographic area from which this office draws its banking business?

A. I would say that this is about a mile radius, three quarter of a mile radius, something of that kind in Drexel Hill, in that general area.

Q. What type of banking business originates in that area?

A. Primarily individual and commercial.

Q. Do you know what the loan limits of the branch manager are at this office at the present time?

A. No, sir, I don't, but it wouldn't be one of the larger limits.

[fol. 1483] Q. It would be in the lower range of the lending limits?

A. Yes, sir.

Q. Now referring to Government's Exhibit No. 76-D and 76-E, which relate to the branch at 1625 East Darby Road, Havertown, Haverford Township, Delaware County, Pennsylvania, this office was also acquired with the Upper Darby National Bank, was it not?

A. Yes.

Q. Can you tell me the geographic area from which this branch draws its banking business?

A. Three quarters to a mile radius.

Q. And the type of banking business available?

A. Individual and commercial.

Q. Pardon me?

A. Individual and commercial.

Q. Do you know the lending limits of the officer at this branch?

A. Not exactly, but it would be in the lower limits.

By Mr. Price:

Q. What was that? What did you say?

A. I said I don't know, but it would be in the lower-limit category.

By Mr. Reycraft:

Q. I believe at page 4 of the application it indicates that [fol. 1484] as of the time the application was made it would

be $10,000 secured, and $750 unsecured? That may have changed, I assume.

A. Oh, yes, it has.

Q. Referring to Government's Exhibit No. 76-F, an application for branch at PTC Terminal Building, Market at 69th Street, Upper Darby Township, Delaware County, Pennsylvania, this branch was also acquired with the Upper Darby National Bank, was it not?

A. Yes. It was.

Q. Can you tell me the geographic area from which this bank draws its banking business?

A. This is the office in the PTC Terminal Building which I mentioned before.

Q. You have previously referred to it?

A. Yes.

Q. This is one of your smaller offices, is it not, sir?

A. Yes, it is.

Q. And at the time of the application loans were not approved at that office; is that correct?

A. That's correct.

Q. Has that changed?

A. No.

Q. It still exists?

[fol. 1485] A. That is still the situation. That's a portion of the main office, really.

Q. It is really a satellite of the main office?

A. An additional service, yes.

Q. Now with reference to Government's Exhibit No. 76-H, referring to the branch at Glendale Road and Ludlow Streets, Upper Darby Township, Delaware County, Pennsylvania, what is the geographic area from which this bank draws its banking business?

A. What is the number of that exhibit?

Q. 76-H, Glendale Road and Ludlow Streets.

A. That is the drive-in office that I mentioned in connection with the main office of the Upper Darby.

Incidentally, when I have used the term "main office," I have used it inadvertently.

I meant it was the former main office of the Upper Darby National Bank.

Q. I think we understand that.

What type of banking business originates in the area served by this office?

A. The same as that which exists at the main office, and that would be individual, commercial—no industrial, I would say.

Q. Would the loan limit here be toward the lower range?

[fol. 1486] A. Yes, it would.

Q. Now with reference to Government's Exhibit No. 76-J concerning a branch at Manoa Shopping Center, West Chester Pike and Eagle Road, Havertown, can you tell me the geographic area from which this branch draws its banking business?

A. That would be three quarters of a mile radius.

Q. Pardon me?

A. Three quarters of a mile to a mile radius.

Q. And what type of banking business originates in this area?

A. Individual and commercial.

Q. Do you know the loan limit at this office at the present time?

A. No, but I would say it would be in the lower category.

Q. The application indicates up to $10,000 secured and $750 unsecured. I assume this has been changed since that time.

A. That has been changed, yes.

Q. Now with reference to Government's Exhibit No. 76-L concerning an application for a branch at 1021 Pontiac Road, Drexel Hill, Upper Darby Township, can you tell me the geographic area from which this bank draws its banking business?

A. The same as the others, three quarters of a mile to a mile radius.

[fol. 1487] Q. Can you tell me the type of banking business which originates in this area?

A. Individual and commercial.

Q. Are you familiar with the lending limit of the branch manager at that office?

A. No, but this again would be in the lower category.

Q. At the time of the application it would be $5,000 on secured, and $750 on unsecured, so it would be towards the lower range; is that right?

A. That's right.

Q. Now with reference to the Government's Exhibit No. 76-N concerning an application involving the Newtown Square office of the Upper Darby National Bank, can you tell me the geographic area from which the banking business done by this branch originates?

A. I would say about the same as the others, from three quarters of a mile to a mile radius.

Q. And the type of banking business in this area?

A. Individual and commercial.

Q. Would the lending limit here be toward the lower range?

A. Yes.

Q. Did you tell us, sir, earlier what the lower range is in general terms?

A. Yes, it's $5,000 unsecured and—$5,000 unsecured, and [fol. 1488] I think it's $10,000 secured, I believe.

I read it off but now I forget.

Q. I think that's what you said.

Does this apply to all types of loans that that branch does?

A. Not mortgage loans and not consumer-credit loans; but all commercial loans.

Q. Now with reference to Government's Exhibit No. 76-O concerning the branch at 3533 West Chester Pike, Newtown Square, Newtown Township, Delaware County, can you tell me the geographic area from which this branch office draws its banking business?

The Court: Is this a different one than the one we had before or is it the same one?

Mr. Reycraft: This is the same, Your Honor. I misspoke. 76-N and 76-O both relate to the same branch application.

By Mr. Reycraft:

Q. Now referring to Government's Exhibit No. 76-P, concerning the branch at 712½ Church Lane, Yeadon Borough, Delaware County, Pennsylvania,——

The Court: And Q?

Mr. Reycraft: Sir?

The Court: Q covers that, too.

[fol. 1489] Mr. Reycraft: P and Q; right.

By Mr. Reycraft:

Q. What is the geographic area from which this bank office draws its banking business?

A. This primarily covers the Borough of Yeadon; generally, I would say, covers the same three quarters to a mile radius, something like that. Primarily, the Borough of Yeadon.

Q. And the same type of commercial and industrial business originates in the area?

A. Yes.

Q. And would this be also the type of branch that would have the $5,000 to $10,000 loan limit?

A. Yes.

Q. Referring to Government's Exhibit No. 76-R and S, which relate to a branch at Lawrence Park Shopping Center, at Lawrence and Sproul Roads in Broomall, Marple Township, what is the geographic area from which this office draws its banking business?

A. About a mile radius of the location.

Q. And what type of banking business?

A. Individual and commercial.

Q. Do you know the loan limit at this office?

A. It would be in the lower range.

Q. The $5,000 to $10,000?

[fol. 1490] A. Yes.

Q. Now with reference to Government's Exhibits Nos. 76-T and 76-U, relating to a branch at West Chester Pike and Summit Avenue in Broomall, Marple Township, in Delaware County, can you tell me the geographic area from which this bank office draws its banking business?

A. About the same, about a mile radius; three quarters of a mile or a mile radius.

Q. And the type of banking business?

A. Individual and commercial.

Q. Would the loan limits here be toward the lower range?

A. Yes.

Q. $5,000 to $10,000?

A. Yes.

Q. And with reference to 76-V and W concerning a branch at Penn Fruit Building, Baltimore Pike and Oak Lane, Upper Darby Township, can you tell me the geographic area from which this bank draws its business?

A. About three quarters of a mile to a mile radius.

Q. And would that be the same type of commercial and industrial and personal business?

A. Yes. There might be a little industrial here, but very little.

Q. Primarily commercial and residential?

[fols. 1491-1498] A. And residential; that's right.

Q. And the loan limit would be toward the lower range?

A. Yes, it would.

The Court: That is the day's work, gentlemen.

(Adjourned at 4:00 o'clock P. M. until 10:00 o'clock A. M. on Tuesday, June 13, 1961.)

[fols. 1499-1500] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

SEVENTH DAY

Philadelphia, Pa., June 13, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 1501] ORVIL H. BEADLE, resumed.

Direct Examination (cont'd.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 77 a three-page document dated September 9, 1957, which is an application to establish a branch at Haverford and Essex Avenues, Narberth, Pennsylvania.

(Three-page document dated September 9, 1957, application to establish a branch at Haverford and Essex Avenues, Narberth, Pennsylvania, was marked Exhibit G-77 for identification.)

And as Government's Exhibit No. 77-A a document dated September 9, 1957, application to merge the National Bank of Narberth and location of branch at Haverford and Essex Avenues, Narberth, Pennsylvania.

(Document dated September 9, 1957, application to merge the National Bank of Narberth and location of branch at Haverford and Essex Avenues, Narberth, Pennsylvania, was marked Exhibit G-77-A for identification.)

Q. Mr. Beadle, referring to Government's Exhibit No. 77-A, can you tell us the general geographic area from which this office was expected to draw its banking business?

[fol. 1502] A. It covers the Borough of Narberth, part of what is known as Penn Valley, and possibly covers a radius in three directions of possibly a mile and a half to two miles.

Q. On Page 2 of 77-A, near the bottom, the document indicates that the shopping center attracts customers from many surrounding communities. Is it your opinion that this would apply also to the branch?

A. Yes.

Q. What type of banking business originates in the area which you described?

A. Primarily individual accounts and commercial business. Some, very little, well, hardly any, industrial.

Q. To your knowledge, at the time this banking office was taken over by your bank, did your bank have existing business in the area? I might say on Page 6 of the application, toward the end of the paragraph, the application suggests that this is the case.

A. Yes.

Q. Is it your opinion that there was existing business which your bank had in the area?

A. Yes.

Mr. Reycraft: Will you mark as Government's Exhibit No. 77-B and 77-C these two documents. 77-B is a three-

[fol. 1503] page document referring to a branch at No. Bala Avenue, Bala-Cynwyd, Pennsylvania, and 77-C is an application relating to the merger or consolidation of the National Bank of Narberth, the office at No. 1 Bala Avenue, Bala-Cynwyd, Pennsylvania.

(Three-page document dated September 9, 1957, referring to a branch at No. 1 Bala Avenue, Bala-Cynwyd, Pennsylvania, was marked Exhibit G-77-B for identification.)

(Document dated September 9, 1957, application relating to the merger or consolidation of the National Bank of Narberth, Pennsylvania, office at No. 1 Bala Avenue, Bala-Cynwyd, Pennsylvania, was marked Exhibit G-77-C for identification.)

Q. Mr. Beadle, referring to Government's Exhibit No. 77-C, can you tell me the geographic area from which this bank office draws its banking business?

A. This draws from an area known as Bala-Cynwyd. It also draws from parts of Philadelphia situated on City Line. I would say it probably covers an area on three sides of a mile radius and on the other side a half-mile to three-quarter radius.

Q. What type of banking business originates in that area? [fol. 1504] A. Individual, commercial, large commercial, possibly some industrial, in a small way.

Q. Do you have any knowledge as to whether your bank had existing business in the area at the time this office was taken over?

A. Yes, we had. We did.

Q. You did have?

A. Yes.

Q. Of all types of commercial, individual, and industrial?

A. I don't know that, no, I don't know that.

Mr. Reycraft: Will you mark as Government's Exhibit No. 77-D a three-page document dated September 9, 1957, relating to an application to establish a branch at 18 East Wynnewood Road, Wynnewood, Pennsylvania.

(Three-page document dated September 9, 1957, application to establish branch at 18 East Wynnewood Road, Wynnewood, Pennsylvania, was marked Exhibit G-77-D for identification.)

And as Government Exhibit No. 77-E an application relating to the merger or consolidation of National Bank of Narberth and permission to operate the branch at 18 East Wynnewood Road, Wynnewood, Pennsylvania.

(Document dated September 9, 1957, application relating [fol. 1505] to the merger or consolidation of National Bank of Narberth and permission to operate branch at 18 East Wynnewood Road, Wynnewood, Pennsylvania, was marked Exhibit G-77-E for identification.)

Q. Mr. Beadle, referring to Government's Exhibit No. 77-E, can you tell me the general geographic area from which this bank office draws its banking business?

A. Portions of Marion, Ardmore, a section known as Penn Wynn, probably again a radius of three-quarters of a mile to a mile on three sides, with maybe half to three-quarters on the other.

Q. And what type of banking business originates in that area?

A. Individual and commercial.

Q. In this case did you also have banking business originating in that area at the time you took over this office?

A. Yes, we did.

Mr. Reycraft: Will you mark for identification as Government Exhibit No. 78 a document dated April 12, 1957, application for permission to establish a branch, to the Commonwealth of Pennsylvania, at Washington Lane and Stenton Avenue, 7167 Stenton Avenue.

(Document dated April 12, 1957, application for permis- [fol. 1506] sion to establish a branch at Washington Lane and Stenton Avenue, was marked Exhibit G-78 for identification.)

And will you mark as Government's Exhibit No. 78-A a two-page memorandum dated February 1, 1957, from Robert C. Allen to O. H. Beadle.

(Two-page memorandum dated February 1, 1957, from Robert C. Allen to O. H. Beadle, was marked Exhibit G-78-A for identification.)

Will you mark as Government's Exhibit No. 78-B a one-page memorandum dated March 29, 1957, from O. H. Beadle to Mr. Basil L. Harlow.

(One-page memorandum dated March 29, 1957, from O. H. Beadle to Mr. Basil L. Harlow, was marked Exhibit G-78-B for identification.)

And as Government's Exhibit No. 78-C a one-page document dated April 3, 1957, from O. H. Beadle to Mr. Geoffrey S. Smith.

(One-page document dated April 3, 1957, from O. H. Beadle to Mr. Geoffrey S. Smith, was marked Exhibit G-78-C for identification.).

Q. Mr. Beadle, referring to Government's Exhibit No. 78, can you tell me the geographic area from which this bank office draws its banking business?

[fol. 1507] A. Within a half-mile radius of Washington Lane and Stenton Avenue.

Q. Is there some reason why this radius is somewhat smaller than the others?

A. Primarily it is because it is in the City of Philadelphia, where there is a heavier concentration of population, and in this particular office there are other banking facilities about three-quarters of a mile to a mile away in some directions.

Q. What type of banking business originates in this area?

A. Primarily individual customers and commercial business.

Q. Mr. Beadle, will you refer to Page 4 of the application, and can you tell me the relation between the deposits which originated in this area and the loans?

A. Is that the estimate of new deposits and loans or the amount of business that we had at the time?

Q. Well, would you tell me first the existing business which your bank had at the time you applied for this new office and then the amount of business which you anticipated getting from the area.

A. The amount of business that was done at the office at the time of the application was approximately 2½ million [fol. 1508] dollars of demand deposits, a million dollars of time deposits, and $250,000 of loans. The estimate of new business, the office would attract, was $2,750,000 of demand deposits, $1,750,000 of time deposits, and $500,000 of loans.

Q. Is it unusual for there to be this large a disparity between the deposits and loans in an office of this type?

A. It isn't unusual in a branch of this type, no.

Q. Can you tell me why that is?

A. Because it is primarily residential and commercial, and the loans that would be generated here would be primarily small loans to small business, to consumer credit and, therefore, while there may be a lot of them in number, they don't amount up to much in volume.

Q. None of them are very large individual?

A. No, they are small loans.

Q. In general, would the branch manager be able to handle this type of loan which originates in the area within his loan limit?

A. Yes, sir.

Q. Has it been your general observation that something close to this ratio of deposits to loans is typical of branches in your system?

[fol. 1509] A. No. It is typical of this kind of branch, but it is——

Q. Can you describe this branch in general terms, put it in a general category?

A. Yes. This I would call a neighborhood office. By a neighborhood office I mean one which is situate in an area which is primarily residential. It is situate in a shopping center, or something of the kind, from which it draws individual business, commercial business, throughout the area it serves, so it is primarily a small business and residential neighborhood area.

Q. So that this ratio would be typical, then, of what you call a neighborhood branch?

A. In general.

Q. With reference to the excess in deposits over loans, what happens to that?

A. It is used by the bank.

Q. By the branch?

A. By the bank as a whole.

Q. It would be transferred to the main office, would it?

A. What actually happens in a branch of this kind, people come in and make deposits of checks and cash. The cash is kept in the office unless there is an excess, in which case it would be shipped to the Federal Reserve Bank, if there was [fol. 1510] an excess, or to some other office if they happened to have a shortage. The checks would go to our bookkeeping department, which is centralized. It would be posted to the records. Those deposits, as all other business of the

bank, are consolidated into a statement, so that each day we have so much deposits for the entire bank, and that is invested in loans and securities, and so forth. There is no physical transfer. I don't understand what you mean by transfer. There is no physical transfer.

Q. The checks are taken to the main office?

A. To a central office, that's right, central bookkeeping.

Q. And they are cleared centrally?

A. That's right, through the bank and through the clearing house.

Q. For example, if a check is drawn on a bank in New York, it would go through your main office, and what would happen to it then?

A. It would go to the Federal Reserve Bank for clearance, or we may have a correspondent bank in New York, and we may send it direct to the bank in New York for collection. [fol. 1511] Q. So, referring to page 7 of the application, one of the purposes of establishing this branch was not only to retain existing business, but to attract new business; is that correct?

A. That's right.

Q. Government's Exhibit No. 78-A is a memorandum from Mr. Robert C. Allen to you.

Can you tell me what the occasion was for this memorandum?

A. I will have to read this. I am not familiar with it.

This is a letter addressed to me by Robert C. Allen, who at that time, I think, was an assistant treasurer of our bank, who recommended to me that we lease the site at this location to establish a branch office.

Q. And this memorandum indicates, does it not, that the banking business in this area was being done out of your Germantown and West Oak Lane offices?

Mr. Price: I object to asking this witness to interpret a memorandum written by somebody else. He can tell what he knows and what he did, but I think if they want an explanation of what that was for or what it meant, Mr. Allen should be called.

By Mr. Reycraft:

Q. What is your understanding, Mr. Beadle, of what Mr. [fol. 1512] Allen told you?

Mr. Price: Subject to.
The Court: Overruled.
The Witness: Shall I read this memorandum?

By Mr. Reycraft:

Q. No, sir. Your understanding with reference to the office of your bank which was serving the business being done in this area.

A. (No response.)

Q. Now, at the bottom of the first page the memorandum indicates that your Germantown and West Oak Lane offices were serving the district; is that correct?

A. Oh, yes.

Q. And how far away were they from this area?

A. The Germantown office would be possibly 2 miles—I am guessing, about 2 or 3 miles. I can't recall actually. I think the West Oak Lane office would be about a mile.

By the Court:

Q. Where is the West Oak Lane office?

A. At 72nd and Ogontz Avenue.

Q. 72nd and Ogontz? Fully a mile.

By Mr. Reycraft:

Q. Now, Mr. Beadle, what was your understanding of the [fol. 1513] reasons which Mr. Allen gave you for establishing an office here, as appears on the second page of this memorandum?

A. One, that we could attract new deposits, ——

Q. Was another to protect existing business from competition?

A. Yes.

Q. Now, you considered, did you not, that a competitor might move into this site?

A. Yes—into this site?

Q. Yes.

A. Into this location, not necessarily this site. As a matter of fact, there are some there now.

Q. And you considered also that if a competitor moved in there it might affect your West Oak Lane and Germantown offices; is that correct?

A. Yes.

Q. Would this be the type of office which you have earlier described as a defensive office?

A. This would be a combination of the two. We think it could also be a profitable office from the standpoint of acquiring new business because it was a growing neighborhood, a potential area.

Q. Now, in your memorandum of March 29, 1957, apparently relying on Mr. Allen's memorandum, you recommended that an application be made for this branch, did [fol. 1514] you not?

A. Yes.

Q. And you made a similar recommendation to Mr. Smith on April 3rd?

A. Yes.

Mr. Reycraft: Will you mark as Government's Exhibit No. 79 a document dated February 28, 1956, relating to the establishment of a branch at Suburban Station Building, 17th Street and Pennsylvania Boulevard, Philadelphia.

(Eight-page document entitled "Application to Establish a Branch under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated February 28, 1956, covering branch at Suburban Station Building, Philadelphia, was marked Exhibit G-79 for identification.)

By Mr. Reycraft:

Q. Mr. Beadle, referring to Government's Exhibit No. 79, what is the approximate geographic area served?

A. I don't have it.

Q. Oh, you don't have it?

What is the approximate geographic area served by this banking office?

A. Primarily from the area immediately surrounding the location, which is made up of large office buildings and busi- [fol. 1515] ness houses and so forth.

Q. What is the type of banking business which originates in this area?

A. Individual, commercial, and industrial.

Q. Now, did your bank have existing banking business in the area before this branch was established?

A. Yes.

Q. Was one of the purposes of establishing the branch to more conveniently serve this business?

A. That was one of the purposes, though, of course, the other purpose primarily was that this was an area in which there was great development taking place and is continuing to take place; and our primary purpose, of course, was to capitalize on that development.

Q. To obtain new business in the area?

A. Yes.

Q. Now, what were the estimates with reference to the business which your bank did at that time in the area?

A. We had demand deposits, our estimate of business at that time was $12,500,000 of demand deposits, $500,000 of time deposits, and $3,500,000 of loans.

Q. And your estimate of future business?

A. $6,000,000 of time deposits, $1,000,000—pardon me. $6,000,000 of demand deposits, $1,000,000 of time deposits, [fol. 1516] $2,000,000 of loans.

Q. Now, this ratio of deposits to loans is roughly identical with the earlier estimates which were shown; is that correct?

A. I—yes, I guess they are, yes.

Q. Would this also be a neighborhood office?

A. No, this is not a neighborhood office.

Q. How would you categorize the type of office?

A. This would be a central-city office. This would be a full-size central-city office.

Q. And is this ratio of deposits to loans representative of other offices of this type?

A. May I make this statement about loans in connection with offices?

Mr. Price: I can't hear you, Mr. Beadle.

The Witness: What was that, sir?

Mr. Price: I can't hear you.

The Witness: I will make this statement about the loans in connection with offices of this size.

When these figures were made up or would be made up, for example, on the existing business, they would be the loans that may have been on the books at that particular time. It may not, however, represent all of the loans that had come because there may have been some that were off at the moment.

[fol. 1517] In other words, we didn't analyze everything we had, so that there may have been more loans in this office than would actually be indicated.

By Mr. Reycraft:

Q. Now, I am not sure that you answered my question.

I asked you whether this would be fairly representative of other offices in the same category.

A. Oh, I am sorry. No, I don't think so. I don't think there is.

No, I would say not.

Q. What do you think would be a more representative ratio?

A. I think it depends on the type of office it is. In other words, an office such as possibly—well, a different kind of office than this is would have a different category of loans or a different proportion of loans to deposits.

Q. Well, I would——

A. For example, an office, say our Arch Street office is in an area in which there is a very high concentration of small businesses, larger than that which is in a neighborhood office; but still smaller than that which is the Pennsylvania Railroad or something of the kind; and there is a higher percentage of loans compared to deposits in offices of that kind than there would be in an office of this kind.

[fol. 1518] Q. Approximately what would that percentage be?

A. I don't know what the percentage would be.

Q. You don't know the percentage in Arch Street?

A. No, no. We do not break down loans by offices.

Q. Do you know who made the estimates which appear in this application and in the other applications of loans?

A. No, I don't. I may have made them myself, but if I did, I don't recall.

Q. But it would be an estimate?

A. Yes.

Q. Can you tell me, you have had occasion, I take it, to make estimates from time to time on branch applications?

A. Oh, yes, yes.

Q. What would you base your estimates on?

A. Primarily on the type of office it was compared to a similar type office of our own.

Q. You would have a general idea as to the type of business originating in the area, would you?

A. Yes.

Q. And where would you get this from? From observing reports from the branch or reports of the officers?

A. Is this the new office or the old office?

Q. Well, first, observing, getting an idea of the existing business in the area; where would you get this from?

[fol. 1519] A. Going around the area, see what was there, and estimating what the business would be.

Q. You would know who your customers were and you would know the approximate amount of business which they did with the bank?

A. Yes.

Q. And this is a personal estimate which you, on occasion, made and which others made on a similar basis?

A. Yes.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 80 an application dated April 11, 1956, relating to the establishment of a branch at 23rd, Passyunk, and Rittner Streets.

(Ten-page document dated April 11, 1956, entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," covering branch at 23rd, Passyunk, and Rittner Streets, Philadelphia, was marked Exhibit G-80 for identification.)

By Mr. Reycraft:

Q. Mr. Beadle, referring to Government's Exhibit No. 80, can you tell me the approximate geographic area from which the banking business of this office originates?

A. About roughly a half-mile radius of Rittner and [fol. 1520] Passyunk Avenue.

Q. Now, what type of banking business originates in this area?

A. Primarily individual and commercial; some little industrial.

Q. Now, the commercial would include, among others, Sears, Roebuck, Robert Hall, and Penn Fruit, would it not?

A. Yes.

Q. And I believe the application also indicates that it would include many smaller retail stores?

A. Yes.

Q. Now, can you tell me the approximate amount of business being done in the area by your bank prior to the establishment of this office?

A. $300,000 in demand deposits, $100,000 in time deposits, $150,000 in loans.

Q. And what was the estimate of new business which you thought this branch would attract?

A. $3,500,000 in demand deposits, $1,500,000 in time deposits, $500,000 in loans.

Q. Now, would this office fall into one of the categories which you have heretofore described, such as neighborhood?

A. Yes, this would be primarily a neighborhood office. [fol. 1521] It was, however, put at this site by reason of the fact that it was being developed as one of the largest shopping centers within the City of Philadelphia. It has developed to that extent.

There were a number of large installations there, so that also would have been a reason for establishing the office in this area.

Q. Now, the ratio of loans to deposits which appears in this application appears to fall within the same range as those ratios earlier; is that correct?

A. Yes.

Q. Now, page 4 lists, does it not, some of the commercial accounts which you expected to serve in this area?

A. Page 4?

Q. Yes.

A. Down at the bottom?

Q. Well, the next page which is also marked page 4.

A. Oh, I see. Yes.

Q. Would it be a fair assumption that you thought that those commercial establishments required banking services in the area?

A. Yes.

Q. And that is one of the reasons you wanted to put a branch there?

[fol. 1522] A. Yes.

Q. Now, do you know if the loan limit of the branch man-

ager there continues to be $5,000 commercial and $10,000 for collateral, secured?

A. Yes. It's $5,000.

Q. You think it is still the same?

A. It's $5,000 unsecured and $10,000 secured.

I might also add in connection with these that I didn't yesterday, that in these offices we also have assistant managers, who also have a loan authority, so that the combined loan authority of these men constitutes that loan which can be made in an office, so that the $5,000 refers only to one person. There may be more than one involved when it comes to making loans in an office.

Q. How many are there usually in a branch that have loan authority?

A. In a neighborhood office there are usually two, except in the Upper Darby offices. In most of those, there is only one.

In the City of Philadelphia offices, and particularly those —well, let me say this—in the City of Philadelphia offices, the main offices of the Upper Darby, Ambler, Narberth, and other larger offices, there may be as high as six or seven men that have loan authority. It varies from three up to seven or [fol. 1523] eight, depending upon the size office.

Q. Now, the Ambler and Upper Darby offices are somewhat different from your normal, from your other offices, are they not?

A. They are different only to the extent—they are not different, for example, from our Germantown office, our Second Street office, our North Philadelphia office.

They are different from our small neighborhood offices, but there are other offices similar to that in the sense which I am speaking of.

Q. Yes, but they are operated, are they not, as divisions of your bank?

A. Yes.

Q. What is the significance of a division of the bank?

A. Primarily location. I wouldn't say primarily location, but I mean it follows that it would be locationwise.

Secondly, there is a support given to the offices involved in the sense of loans, in the sense of supervision and things of that kind. It is an organizational concept.

Q. How many divisions does your bank have with reference to branches?

A. They have Upper Darby—well, we have Delaware [fol. 1524] County,—as regards to branches?

Q. Yes.

A. We have Upper Darby, Montgomery County, and Philadelphia. We have one, two, three, four.

Q. Four divisions?

Now, the Upper Darby Division is essentially the Upper Darby Bank which was acquired by your bank, is it not?

A. That is right.

Q. Is one of the purposes of maintaining the division to maintain the identity of that bank with the community?

A. That would be one of the purposes.

Q. And do you maintain any identity of the Board of Directors which existed in that bank prior to the acquisition?

A. The Board of Directors acts in the capacity as an advisory board.

Q. Would this be the same board who acted as a Board of Directors prior to the merger?

A. Generally, except some of them—there have been some new members appointed. Some of them have died and so forth.

Q. And what is the purpose of retaining the advisory board?

A. To retain their experience, their knowledge of the [fol. 1525] neighborhood, their knowledge of the area; to retain their experience in matters pertaining to that area; to retain their interest in the bank (they are important people) and there are a number of reasons.

Q. Now, do you also have an Ambler Division serving now?

A. Yes, we do.

Q. And this also is a bank which you acquired?

A. That's right.

Q. And the Ambler Division is substantially identical to the former Ambler bank; is that right?

A. Yes.

Q. Do you also have an advisory board for that bank?

A. Yes, we do.

Q. Do you have any other advisory boards?

A. We have an advisory board in the Narberth Division.

Q. This is also an acquired bank, is it not?

A. That's right.

We have an advisory board in the North Philadelphia Division.

Q. Was that also an acquisition?

A. That's correct.

Q. Are there any divisions which you operate which did not result from mergers?

A. The Philadelphia Division.

[fol. 1526] Q. This is your central-office division?

A. Those offices covering Philadelphia, largely Philadelphia—not all of them.

Q. But the other three divisions are, in effect, the same bank system which was acquired by the merger?

A. Yes.

Q. Has the Philadelphia Division any relation to the Corn Exchange merger?

A. Most of the offices, except those that were established as new offices, and except those Philadelphia offices which were acquired by merger, were offices of the Corn Exchange Bank, except, of course, those that were Girard.

Q. And in each case did you keep an advisory board for substantially the same purpose which you described earlier?

A. In each case?

Q. In each case where you have a division.

A. No. We have no advisory board for the Philadelphia Division.

Q. But for the other three you do?

A. Yes.

Mr. Reycraft: Will you mark as Government's Exhibit No. 81 a three-page document consisting of a covering memorandum dated July 1, 1955, and an underlying memorandum dated July 1, 1955. The top memorandum is from [fol. 1527] O. H. Beadle to Geoffrey S. Smith, Jr., and a second memorandum from Mr. O. H. Beadle to Mr. Geoffrey S. Smith, also.

(Two-page document consisting of two memoranda dated July 1, 1955, from O. H. Beadle to Mr. Geoffrey S. Smith, Jr., was marked Exhibit G-81 for identification.)

By Mr. Reycraft:

Q. Mr. Beadle, what was the occasion of your preparing the two memoranda which are marked as Government's Exhibit No. 81?

A. (No response.)

Q. I believe these relate——

A. To the South Philadelphia office.

Q. To the South Philadelphia office, which you have already discussed; is that correct?

A. Yes.

Mr. Reycraft: Will you mark as Government's Exhibit 82 for identification a three-page memorandum dated September 9, 1955?

(Three-page memorandum dated September 9, 1955, from O. H. Beadle to Mr. Geoffrey S. Smith, Jr. was marked Exhibit G-82 for identification.)

By Mr. Reycraft:

Q. Mr. Beadle, have you, since we have discussed this matter yesterday, obtained any further information concerning the availability of information on loans by the branches?

[fol. 1528] A. No. I have not.

Q. You have not?

Have you obtained any further information with reference to the loan limit of the managers of the branches?

A. Yes. I have.

Q. What is that information?

A. The loan limits for individual men in our branch system vary from $2500 unsecured and $5,000 secured to $100,000 unsecured and $200,000 secured.

Q. Are you reading from a list of your loan limits?

A. Yes.

Q. Is that a copy we might have marked for identification? Is that an extra copy?

A. I do not have an extra copy. I guess there are extra copies.

Q. May I examine it?

Mr. Reycraft: We will mark this for identification and we can give you a copy back if you need it.

The Witness: You had better get——

Mr. Reycraft: Will you mark as Government's Exhibit No. 83 an eleven-page document headed on the first page "Class I Commercial and Collateral, $2500-$5,000."

(Eleven-page document entitled, "Class I Commercial [fol. 1529] and Collateral, $2500-$5,000," was marked Exhibit G-83 for identification.)

By Mr. Reycraft:

Q. Now, there are ink changes on this. I take it that the purpose of this is to bring it up to date? Is that so, Mr. Beadle?

A. I presume so. I did not prepare it.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 84 for identification a two-page document dated June 12, 1961, concerning consumer credit department loan authority.

(Two-page document headed "Girard Trust Corn Exchange Bank," dated June 12, 1961, entitled "Consumer Credit Department Loan Authority," was marked Exhibit G-84 for identification.)

[fol. 1530] Q. Mr. Beadle, do you have any knowledge as to why the bank did not keep records of loans of branch offices?

A. I think it is very difficult to do. It is not necessary to do it.

Q. Is it in part because most of the important loan activity is handled in the main office?

A. No.

Q. You wouldn't think that is true?

A. Well, let me say this: Most of our loans are small numerically. Most of our loans are small loans which are handled in branch offices. Large loans are handled mostly in our main office, by men in our main office.

Q. I realize it is difficult to generalize, but can you tell me what you mean by large and what you mean by small?

A. May I make another comment here? That isn't entirely correct either. It happens that our senior loan officers are at our main office, and they are the ones that handle our large loans. On the other hand, we have one of our divisions,

our Northwest Loan Division, located in our Germantown office, which don't handle very large loans there, so it is more a question of where the people are, rather than saying it is done at the main office or this or the other place.

A large loan, in the way that I used it, in the term that I [fol. 1531] used it, where I said the majority of our loans are small loans, that would be a great preponderence of our loans are under $25,000. Now, I don't mean that I call over $25,000 necessarily a large loan, but that was the way in which I used it, that we have a great number of loans under $25,000.

Q. And these would for the most part be in your branch offices?

A. That is correct.

Q. You say most of your senior loan officers are in the head office. Approximately how many senior loan officers are there?

A. If I had that schedule of loans, I could tell you.

(Mr. Reycraft handed a document to the witness.)

A. (Continuing) Those with commercial authority, excluding collateral loan officers, and so forth, I would say there is approximately 18—over $50,000, pardon me.

Q. Approximately 18 are at the main office?

A. No. I didn't say that. There would be 12 in the main office.

Q. Twelve in the main office out of a total of 18?

A. Approximately.

[fol. 1532] Q. And if a branch manager receives an application for a loan in excess of his lending authority and the combined lending authority of his assistant, does he then refer the matter to the head office for approval?

A. No, he refers it to his division head, depending upon where that division head may be, or someone. He doesn't have to refer it to a division head. He can refer it to any officer who either has that authority or who, combined with him, has that authority, and that may be anyone.

Mr. Reycraft: That is all.

The Court: Let me get another point of reference here, Mr. Reycraft. I happen to know something about Philadelphia and the area surrounding it. A person lives within 300 yards of Stenton Avenue and Washington Lane. He has

a nice home. He also owns a nice business located in a heavy industrial area. He may do business with the Girard. He may borrow a half-million dollars from them. Does that mean that that originates in that area?

You said, where does your business originate? Here is a customer that lives within 300 yards of that bank maybe borrowing a half million dollars. Are you talking about that business originating there or at the site of the place of [fol. 1533] business? There are different points of reference, and I want to make sure that I understand what you are talking about.

Mr. Reycraft: My understanding, sir—and I would like to confirm it with the witness—my understanding of business originating in the area would be that if the business is physically located in the area, that that would be the point of origin of the business. I realize there would be situations where personal relationship might be more important.

By Mr. Reycraft:

Q. May I ask you, sir, to confirm whether this is correct or whether you have a different understanding?

A. Let me say this: It isn't that simple to answer. I can't answer yes or no. It is very complicated. The allocation of deposits in a particular location is extremely complicated, and certainly a person that lives in an area that carries a savings account in the vicinity of a branch, certainly business is originating out of that locality. On the other hand, if he does have a business in the area and happens not to want to come downtown, which many customers do not want to do, and happens to do it because he knows the manager of West Oak Lane, well, it might be allocated to that office, even [fol. 1534] if the thing isn't physically located there.

Again it may be another way. It may be located in the area, and he wants to do business with a man in some other office, so that office may have it allocated. It is not cut and dried; it isn't black and white.

Q. Well, if I understand you correctly, there would be all kinds of reasons why people would do business at various branches throughout the city or the main office?

A. Yes. Our very largest customers, many of them, may do business in three offices. They may do business at the main office because of some reason and yet they may do busi-

ness in our branches also. They may have payroll accounts.

Q. So that for customers of this type the availability of service in various areas is important, would you say?

A. Convenience is an extremely important thing, and it is one of the reasons you establish a branch.

Q. And yet if there are personal relationships or other factors of the type you described, business could be done at any one of a variety of offices where the geographical factor might be less important?

A. We have many customers that do business in ten offices because they may have branches in different places. [fol. 1535] They may have collections, and yet they may have a very large account and do business in ten neighborhood offices.

Q. So that you can't really compartmentalize the branch areas, say, within a half mile or three-quarters or one mile? This is a generalization, is it not?

A. Well, it is a generalization to this extent, that if you have been in the business long enough, and you know what an area is, you can generalize—you hope you generalize; sometimes you make mistakes—of what business you expect to get out of an area, but that doesn't mean you can be specific about all the business either in or out of the area. It is a generalization, but it is a pretty good experienced guess, or you try to make it so.

Q. You would be still trying to get business maybe three or four miles away from that branch as well?

A. You try to get business anywhere.

Q. Anywhere in town; is that right?

A. Or out of town.

Cross-examination.

By Mr. Price:

Q. Did I understand you, Mr. Beadle, to say that there were only 18 lending offices in the central main office of the bank?

[fol. 1536] A. No, sir.

Q. What was the 18?

A. I said that had authority over $50,000. I just counted that roughly, and it may not be exact.

The Court: It is 11:00 o'clock. We will take our mid-morning break.

(A 10-minute recess was taken at 11:00 o'clock A.M.)

By Mr. Price:

Q. Mr. Beadle, we were talking about the lending limits of lending authority. The lending limits that were mentioned in the applications represented the lending limits of whom, lending authority of whom?

A. In the application, sir?

Q. Yes.

A. They represented the lending authority of the managers and/or officers that were in the office at that particular time.

Q. Then as the offices got in operation, what was the arrangement for taking care of loans which might be in excess of the authority of those managers?

A. Those men could refer to any other officer of the bank who had sufficient authority to make the loan requested, or any officer whose loan authority together with that person [fol. 1537] would be sufficient authority to make the loan. From a practical standpoint, the loan territories are divided into five groups, and these men in the branches would practically refer to somebody in that group with whom they were either working or something of that kind.

Q. So they didn't have to come down to the main office at Broad and Chestnut?

A. No, sir.

Q. And were each of these local branches staffed and equipped with people competent to grant loans of any size that originated in those areas?

A. Yes, sir.

Q. So that the lending limits or lending authority of the branch manager didn't represent the limit of the capacity of those branches to handle loans?

A. No. May I make one change in what I just said, Mr. Price?

Q. Yes.

A. The authority of the managers was never intended to cover all loans that may have originated in a particular office, because there may be a loan which comes up of a

couple of million dollars, conceivably, but from a practical standpoint the authority was given to the manager, depend-
[fol. 1538] ing upon what we consider to be the needs of the community, so that he would have the authority to cover the great majority of loans that would arise in his territory.

Q. That authority was intended to cover the run-of-the-mill business that would be generated from day to day?

A. Yes, sir.

Q. When something exceeded that, there were not only people downtown at Broad and Chestnut, but there were other officers out in these areas who were able to handle the excess requirements, were there not?

A. Yes, sir.

Q. So that each of these banks was fully competent and fully able and equipped to handle any business that might originate there, in the sense of somebody walking in and asking for service; is that correct?

A. Yes, sir.

Q. Now, with regard to the lending limits—and I am speaking now of lending authority rather than limits—the lending authority of officers in charge of branches which were acquired, were they normally increased as a result of the acquisition or merger?

A. Yes, sir.

[fol. 1539] Q. So that the capacity to handle business was enlarged in each case as a result of the merger?

A. Yes.

Q. Where the branches were acquired through a merger?

A. Yes, sir.

Q. Is that correct?

A. Yes, sir.

Q. Now, Mr. Beadle, will you go back to your memorandum of February 7, 1957, which was marked G-70, the one which you were interrogated about initially.

How did you come to make that memorandum in the first place?

A. The senior management of the bank determined in 1956, I believe it was, that they wanted to have some projection in the future of just what was happening and where the bank was going, which included, of course, an over-all picture of the branch situation, the economic situation in the four-county area, among other things. In addition to that,

they wanted the same type of information concerning the operating function of the bank, the loan function, the function of the trust department, the function of the investment department, and they asked the officers who were responsible [fol. 1540] for those functions to make a projection or a picture so that they could use it from the standpoint of planning. This was the part that I played in that over-all program.

Q. So that this back in 1956 was merely an effort of the management to look forward into the future and see what should be done, if anything, to improve or maintain their situation of these various activities of the bank?

A. Yes, sir.

Q. And you happened to be assigned the job of investigating the general situation so far as possible branches or possible mergers?

A. Yes.

Q. Was this for the purpose of picking out any particular bank or any particular branch for a merger or for establishment or a general survey of the situation?

A. It was a general survey.

Q. And in the course of that you made specific suggestions to illustrate your point, as I noticed in the memorandum and will come to them in a moment.

A. Yes.

Q. That is what those were for?

A. Yes.

Q. You mentioned on Page 3, in relating to competition, [fol. 1541] that it wasn't profitable to establish a branch in areas which were adequately served, and in the course of that you made some reference to the controlling authorities being unwilling to allow a branch to be established in a place where undue competition would result. Now, what does all that mean?

A. Well, at that time the banking authorities, No. 1, had never permitted—I better amend that—I believe at that time—I am not just certain of the exact date, that is all—I believe that around that time, and certainly prior to that time and maybe after that time, depending upon the date, the banking authorities had never in this part of the State of Pennsylvania allowed a branch office to be established across a county line.

Secondly, in making an application for a branch, it has been my experience that they wanted to find out the need for an office and whether or not the office would be profitable. Therefore, we were not able, no bank was able to just pick out a spot and say, "We are going to put a branch there," because the banking authorities made certain that if some bank had a location which was adequately serving the area, where they were providing proper service, that that office was protected to the extent that they didn't permit a lot of [fol. 1542] other banks to go in there which would, in effect, over-bank the area and at the same time result in a possible loss to the banks that went in there and certainly a possible loss to the banks that were already there.

Q. So that the banking authorities wouldn't allow unlimited competition between banks?

A. That is correct.

Q. And wouldn't allow the establishment of a branch which might lose money or cause existing branches to lose money?

A. That's my belief, yes, sir.

Q. So that the kind of competition which existed between these branches in the areas where banks existed in a home office or had other branches nearby, branches of other banks nearby, were all situations in which the banking authorities considered they all could make money?

A. Yes.

Q. And this unlimited competition that exists between manufacturing companies or selling companies, where one can go broke and nobody is concerned, doesn't exist in the banking business, does it?

A. No, sir. There are two things involved. One is that the office has to be profitable, or a bank has to be profitable, [fol. 1543] or else its depositors are not properly protected, and certainly its shareholders are not properly protected if the bank is not profitable.

[fol. 1544] Q. Well, now, in selecting any branch or any merger which you recommended or suggested as being desirable, what was the primary consideration?

A. The primary consideration was to make certain that it was going to be a profitable office.

Q. And then, in order to determine whether or not the branch or the merged bank would be profitable, what was

the first consideration that you gave to the factors which led you to that conclusion? Which were the paramount ones?

A. The adequacy of the potential, number one, population in general.

Q. Now, what has population got to do with it? How does population become a factor in establishing a branch bank?

A. Because it is from the population that you get your business. In other words, it is my belief that convenience plays a great part in the profitability of an office. An office has to be in such a location that a sufficient number of population, which would mean either individuals, commercial establishments, or industry—which would mean that your population would be in sufficient quantities and be convenient to a population of sufficient quantities so that you would attract business in sufficient amounts that would make it profitable.

In other words, in my experience, there would have to be [fol. 1545] a sufficient number of people—commerce, commercial establishments, or industrial establishments—and your branch would have to be located in relation to that population so that it would be convenient for them to do business with you, in order to make a profit.

Q. What is the first business that you have to get in a bank to make it profitable at all?

A. You have to get deposits.

Q. And is that the primary purpose that you have in establishing the branch banks in a particular place?

A. That's the primary purpose.

Q. To get deposits?

A. To get the deposits.

Q. Without deposits, you can't do business?

A. No, sir. You can't make loans.

Q. Now, is that why you were speaking about the focal point and the radius around a branch as being important?

A. Yes, sir.

Q. And what has been your experience as to the distance that people will come to a branch not in the central city, but in the outlying areas of the city, away from the central portion of it?

What is the normal radius that you consider effective? [fol. 1546] A. About a mile radius is the most effective radius that we have found that you have been able to get,

and that may be enlarged to a mile and a half to two miles, if you get out into the suburbs or further out, something of that kind.

But in the city, approximately three quarters of a mile to a mile; and outside of it, possibly a mile to two miles.

Q. And that is the area within which the great majority of people who come to your bank either live or have their business activity?

A. That is correct, sir.

I might also add that there have been a number of surveys made. I know I have read—this is not only my opinion, but there's been a number of surveys made about the convenience factor as it relates to banking, and there's any number of surveys that indicate that convenience is one of the most important factors.

Q. And how is convenience best served?

A. Convenience is best served by being on the spot and providing banking facilities to the area that needs them, that has the potential.

Q. Now, you mentioned, in connection with some of the branches about which you were asked by Mr. Reycraft, about the areas around them that you expected the bank to serve. [fol. 1547] Those areas were the approximations which you are now describing, were they not, in general?

A. Yes.

Q. Obviously, sometimes you will get business from a smaller area or sometimes from a larger area; but the areas that you gave were the average, were they?

A. Yes, sir.

Q. Indicated by these various surveys and your experience?

A. Yes, sir.

I wouldn't want you to think that you could just take a circle and put it around there; but that's a generality.

Q. Now, you mentioned something in connection with that not being precisely a circle. You mentioned something about physical characteristics of the area having an important factor.

A. Yes, sir.

Q. And you find that is an indication of this convenience element?

A. Yes, sir.

Q. And that if it is inconvenient to cross a railroad embankment or a main highway people won't come to a branch; is that it?

A. Yes, indeed, sir.

[fol. 1548] Q. That is your experience?

A. Yes, sir.

Q. Now, in these areas of Philadelphia that you described as being well served with banks, does that mean that there was one bank or more in the area which you were describing?

A. It could be either, sir. It could be one or it could have been more than one, depending upon the area.

Q. Your description of an area being adequately served didn't necessarily mean it had more than one bank?

A. No, sir.

Q. But if it was a large area and had a large population, obviously, you would need more than one?

A. Yes, sir.

Q. Now, these areas of Philadelphia that were mentioned included West Philadelphia. I think you said West Philadelphia was adequately banked?

A. Yes, sir.

Q. Did that include the extreme Southwest Philadelphia, the Eastwick Section?

A. No, sir. The comments that were——

Let me say this. This report gave a broad picture of a very large territory, which included the Counties of Philadelphia, Montgomery, Delaware, and Bucks.

That's a very large territory, as far as size is concerned, [fol. 1549] as far as population is concerned, and as far as focal points are concerned.

Q. Do you know how many hundreds of square miles that embraces?

A. Well, I did at one time, but I don't know, sir.

Q. Well, there are more than a hundred square miles just in Philadelphia alone, aren't there?

A. Yes, sir; but it's a very broad territory, and I was painting this with a rather broad brush, so that, therefore, when you talk about West Philadelphia or Delaware County, or Bucks, and you say it is adequately banked, you are saying in broad general terms.

When you are talking about West Philadelphia, for example, you have the Eastwick Section, which at that time

was completely and still is almost completely undeveloped, but which at that time we also knew was the subject of considerable study. It still is. As a matter of fact, the plans have come to the point almost of fruition.

That large Eastwick Section was at that time a prime—had considerable potential, so that West Philadelphia as a whole was adequately banked in its very wide sense, but it has the Eastwick Section, which is coming into its own, I hope, and I think right now.

Q. So that there were individual places, either spots or [fol. 1550] areas, throughout the entire City of Philadelphia which still might properly receive additional banking service in the shape of a branch bank?

A. Yes, sir.

Q. Even though the whole area might, in general terms, be described as adequately banked?

A. Yes, sir.

Q. Do you recall how many branches were actually opened after the date of your memorandum, which is February of 1957?

A. My recollection is that there were four, I believe.

Q. Can you name them?

A. Washington Lane and Stenton Avenue, 22nd and Somerset, Comly and Roosevelt Boulevard, and I believe South Philadelphia.

Q. You believe what?

A. South Philadelphia.

Q. Is that the one at Passyunk Avenue?

A. Passyunk Avenue, yes.

Q. That application was dated 1956.

A. Well, then it wasn't.

Let me see. There was Stenton Avenue, 22nd Street, Comly Street, ——

Q. 63rd and Ludlow?

A. 63rd and Ludlow, yes, sir.

[fol. 1551] Q. Now, you mentioned 63rd and Ludlow yesterday and described it——

A. I thought there were four, but I just couldn't get that.

Q. You described why that was done.

The Court: Why 63rd and Ludlow? It's on North 63rd Street, isn't it?

The Witness: It's 63rd and Girard, sir.

By Mr. Price:

Q. 63rd and Girard?

Well, that's the one, whether it is at 63rd and Girard or 60th and Ludlow.

It was 63rd near Girard?

A. Yes, sir, just below Girard.

Q. And that was to take up some slack that existed because your existing facilities were inadequate to meet the demands?

A. That's right, sir.

Q. Did you mention something about the estimate you made of the volume of deposits necessary to maintain a new branch? Is that the way you determine whether a branch may profitably be opened or not?

A. Yes, sir.

Q. And in all of the cases in which you suggested new branches, were the estimated deposits adequate to take care of the expense of running the branch?

[fol. 1552] A. Roosevelt Boulevard and Comly Street has only been opened two months, I believe it is; and, of course, we are not in a position to know whether that makes money or not, but I am pretty sure it doesn't at this stage of the game.

I think there is possibly one other office that is not profitable.

All other offices of the bank—and I am speaking of new offices now—are profitable, which means that our estimates of deposits and expenses so far have been right, though in a number of cases they haven't been right as yet.

Q. Well, that indicates that whether or not you open a branch is purely a matter of business judgment as to whether it is going to be as you anticipate or not?

A. That's right.

Q. And you have been right in all except possibly two cases?

A. We might be wrong in a couple of cases.

Q. In describing a new branch, you said something about opening one for defensive purposes.

A. Yes, sir.

Q. That was a term that you said was one of your own?

A. Yes, sir.

Q. Has the Girard ever opened such a branch?

A. No, sir.

[fol. 1553] Q. That was merely a description of what might be done if someone wanted to do it, but you weren't recommending it, were you?

A. No, sir.

There is always the defensive factor involved in opening an office if you have business there and you think it's a good location; but we have never opened an office for purely defensive reasons.

Q. You also used the term "risk office" or "risk branch."

A. Yes, sir.

Q. What was meant? What did you mean by that?

A. Well, that brings in the question of judgment again. Where you have an area which is not yet developed, but which you think may have some potential, and, therefore, if you establish an office in there you run the risk of not having guessed right in the first place; and secondly, even if the potential does take place, you may have picked the wrong spot, so that it is a risk to put an office in there before the potential has actually been developed.

Q. But it is for the purpose of anticipating a need which you expect to arise shortly?

A. It is one in which there is a potential and you expect to capitalize on it as it arrives, as it grows.

Q. Is the Fort Washington branch an illustration of that?

[fol. 1554] A. Fort Washington is an excellent illustration of that.

Q. How does that operate? How does that work? How does that work out?

A. It's working out very well. That's in a profitable position at the moment.

We lost money for, I believe, the first year; but we are now making a profit at that office.

Q. And that office serves industries in the industrial center, the Industrial Park?

A. Yes, sir, the Fort Washington Industrial Park; yes, sir.

Q. And that branch was put in just before those buildings went up, was it not?

A. That's right, sir.

What happened there, we felt that this was going to be a development which would contain banking potential as it progressed.

We put an office in there before there was really any potential, even if we capitalized on it all, before it was ready, in a sense, before we could capitalize on it, before anything was there is what it amounts to.

As that industrial section has developed, so has our business developed, and we have grown with it and have been able to take care of the needs of that section as it has developed.

[fol. 1555] Q. Was there any better way to grow with the area than doing just what you did?

A. No, sir, not that I know of.

Q. Now, in general, I think you answered a question of Mr. Reycraft to the effect that because of the generally well-defined situation in Philadelphia, merger was the only way in which a bank could effectively meet the needs of its own customers, its existing depositors who had moved out into the country or into a different area, and grow with the communities that were then expanding; is that right?

A. I didn't get the first part of that, Mr. Price.

Mr. Price: Would you read it to him?

(The pending question was repeated by the reporter.)

The Witness: Yes.

By Mr. Price:

Q. You had considered various possibilties of merger and several banks were named in questions asked you by Mr. Reycraft.

With reference to the Philadelphia National Bank, you said that that complemented Girard more than any of the others in the location of its branches and the nature of its business.

Was that correct?

[fol. 1556] Q. Now, how did that work, briefly?

A. Well, how it worked was this—that they, Philadelphia National Bank, or the Girard Trust Corn Exchange Bank, has a number of offices throughout the City of Philadelphia in various areas. The one place it didn't have, one place in

particular, one important place in particular it did not have an office, was in the general Kensington area The Philadelphia National Bank, however, did have offices in the general Kensington area, so that it complemented those of the Girard rather than overlapped them.

By the same token, the Philadelphia National Bank did not have extensive Philadelphia coverage and, therefore, did not overlap in Philadelphia.

The Philadelphia National Bank, on the other hand, had offices in such areas outside of the city as Conshohocken and Norristown, two examples, in which the Girard did not have an office.

The whole pattern of their branches and the Girard's branches fit in so that there wasn't any overlapping of these branches, and actually filled out a pattern which neither of them in themselves had.

Q. Was there any area in which a branch of the Girard and a branch of the Philadelphia National Bank did overlap?

A. There is overlapping in the center-city offices. There [fol. 1557] is an overlapping in the 69th Street area of one office, a comparatively small office.

They are the only overlapping offices.

Q. And all of the others were far enough apart so that they didn't interfere with each other's sphere of activities?

A. Yes, sir. My recollection is, without looking at the map, that there is no overlapping of offices of the Philadelphia National and Girard, except in that one case in 69th Street, excluding center city.

Q. Let me ask a few questions about these various applications, and I think that will bring out better than anyone else what I want to cover.

Referring to Government's Exhibit 80, which related to 23rd and Passyunk, have you got that in front of you?

A. No; sir.

Yes, sir. I have it now.

Q. Turn to page 4, where the estimate of the amount of business now being done in the area by the applicant, and that is the Girard, including time and demand deposits and loans was stated to be $300,000 on demand——

A. Yes.

Q. —$100,000 on time, and $150,000 on loans. You were asked about that by Mr. Reycraft.

[fol. 1558] Does that mean that people who lived in that area were doing that amount of business with the central office already, or how was it that you estimated the amount of business that was being done in the area by the bank?

A. Well, that estimate we took from our records. It didn't necessarily mean it was being done in our center-city office, but somewhere.

But on our records we picked out those addresses which were in the vicinity or in the general area; and that's how these records were obtained. They weren't necessarily in the main office.

Q. So that when you estimate the amount of business that the bank is doing in an area before you establish a branch there, it means that you have customers, depositors, or perhaps borrowers as well, who live within the radius you describe as being the effective area of the operations of a branch?

A. Yes.

Q. Then your estimates of new business were estimates of the amount of business you could generate in addition to the business that was already there, by virtue of having a branch close at hand?

A. Yes.

Q. And is that typical of the similar information in these [fol. 1559] other applications?

A. Yes, it is, sir.

Q. Now with regard to applications in general, you were asked about a number of applications for branches of the Upper Darby National Bank, the Narberth Bank, and the Ambler Bank, and so on.

Those were branches of those banks with which Girard was merging and which those banks already had; is that not the case?

A. Yes.

Q. And you are required by the regulations of the department to make an application for all the branches that these merging banks had, just as if there was a new branch being opened by Girard?

A. Yes.

Q. So that they didn't represent new acquisitions, but

were merely a part of the main bank with which Girard was merging?

A. Yes.

Q. Like the Upper Darby Bank and the Narberth Bank and the Ambler Bank?

A. Yes.

Q. Then it is only the branches that you described, such as Stenton Avenue, that were new branches created by the Girard initially?

[fol. 1560] A. Yes.

Q. The Suburban Station Building branch has, in addition to the regular services, a drive-in service as well, does it not?

A. Yes.

Q. And is that an important factor in the ability of that bank to serve the customers of the Girard?

A. We believe it is, yes, sir.

Q. Would you look at Exhibits 78, 78-A, and 78-C? That related to the branch at Washington Lane and Stenton Avenue and I think you spoke about existing service by Girard in that general area, did you not?

A. I have only Exhibit 78. What were the others?

Q. 78-A and C were two letters or two memoranda, one from Mr. Allen to you and the other from you to Mr. Smith, relating to that branch.

A. Yes.

Q. In the memorandum from Mr. Allen to you dated February 1st, which is marked 78-A, he said:

> "Competition arises chiefly from our own West Oak Lane branch which is three-quarters of a mile to the northeast and from Fidelity and P. S. F. S. which are located a little further north. The Germantown Saving Fund Office at Chelten and Wyncote is only five-eighths [fol. 1561] of a mile to the southeast, but it is out of the marketing area of the population we would expect to draw from."

Now, your Oak Lane branch was at 72nd and Ogontz, wasn't it?

A. Yes.

Q. And according to page 2 of your application, Exhibit No. 78, that was 4/5 of a mile or 8/10 of a mile from this new branch?

A. Yes.

Q. Did you consider that there would be much competition between this new branch and your 72nd and Ogontz branch?

A. Did we consider there would be much competition?

Q. Yes.

A. (No response.)

Q. That is almost a mile away. I am speaking now of Mr. Allen's comment to you about competition arising chiefly from our West Oak Lane branch, and I am asking you whether you would expect any competition from a branch that was nearly a mile away.

A. I think there would probably have been some competition.

Q. Overlapping at the edges?

A. Yes.

Q. But does your one-mile-radius formula apply in this area?

[fol. 1562] A. Yes, yes.

Q. Your estimate of new business that you would generate at this area was really new business, it was not business that you would take away from your existing operation; isn't that right?

A. That's correct. That's correct.

Q. And did this prove to be a profitable branch?

A. Yes, it has, sir.

Q. In your memo to Mr. Smith, 78-C, you said you had about $2½ million of deposits originating within the area and that you would expect to generate $3,000,000 in new deposits within five years.

A. Yes.

Q. That is because of the location of this new branch as distinguished from the Ogontz Avenue branch?

A. Yes.

Q. Will you look at 77-A, page 6, at the end of the typewritten paragraph near the top of the page, there is stated:

> "The merged bank will provide many additional banking services to this rapidly growing community. At the same time it will provide banking services for present customers of the bank moving to this area and to customers who now reside there."

[fol. 1563] Will you comment on that proposal and this general problem, with particular reference to customers of the bank moving into the area, as well as those already residing there?

A. This office at Haverford and Essex Avenues is in the suburban part of Philadelphia which, of course, has had substantial residential growth in the last number of years, and it's also had some commercial growth with the establishment of the shopping center at Wynnewood Avenue, and so forth.

As in the case of many Philadelphia residents, and as is the case of some of our commercial establishments, such as Wanamaker's, they have moved out of Philadelphia, or at least the individuals, some of them, have moved out, and commercial establishments, commercial companies, have established offices, stores in the shopping centers; and a lot of our former customers were out there where we had no branch location.

We were asked many times by customers of the bank why we couldn't locate a branch in the neighborhood, a branch on the Main Line, and so forth and so on.

It was very difficult to do because many of the spots have already been taken up, and here was an opportunity through this merger, with this office, to supply needs, the banking [fol. 1564] needs, of customers of ours who had moved into this area.

At the same time there were many—because of the development in the area, there was a great increase in population, and in this particular spot, prior to this particular location, there had been no branch until this office was put there, so that there was a great opportunity for increasing business through the increased population, both commercial and individual, that is in this area.

So, that's what the purpose of that paragraph was intended to be.

[fol. 1565] Q. And was that situation common to many of these branches that you either opened or acquired by merger?

A. Yes, sir.

Q. Was that one of the important factors which entered

into your considering it desirable to either acquire or open a branch?

A. Yes, sir. Surveys that were made indicated that the Philadelphia area as a whole was growing very slightly. The outlying areas were having a population growth, explosion, as the term is used at times. Their commercial establishments were increasing. Also their industrial establishments. Our customers were moving out. Other people were moving in. If we wanted to stay with our own customers and capitalize on the additional potential that was coming into the area, then the best thing we could do was to move out with them.

Q. Did you have a number of requests from your regular depositors?

A. Yes, we did, sir.

Q. Of that nature?

A. Yes, we did.

Q. And did you have any such requests from business customers as well?

[fol. 1566] A. Yes, we did, sir.

Q. Can you give me an example or two?

A. In these outlying areas?

Q. Of a business customer asking you to establish a branch or move into a particular area.

A. Narco, for example, National Aeronatic. I forget what Narco stands for, but Narco is an example that they were very much interested in the office at Fort Washington. There were no facilities there. They had discussed it with the Ambler National Bank.

Penn Fruit is an excellent example.

Q. Where was that?

A. Welsh Road and Roosevelt Boulevard.

One of the most glaring examples, I would say, would be National Biscuit Company. National Biscuit Company we have been soliciting the account for a long, long time, and they said to us, "When you put a branch up here, you will get some business from us."

So we put a branch up there. That wasn't the only reason, but I think that is a good example of the kind of thing we had happen.

Q. You mentioned a Comly Road branch, and I call your attention to Exhibit 73-A. Will you turn to that, please. You

spoke of competition up in that area. Do you recall what [fol. 1567] that is now?

A. Oh, I spoke of competition in this area since we have located the branch.

Q. That was the Fidelity?

A. That's the Fidelity south of this office and the Second National Bank west of the office, the Western Savings Fund west of the office; and the development which is taking place between this particular location and Frankford Avenue, which is to the east, which is being developed with row homes, with a number of commercial installations, in which there are applications right now, I believe, for at least commercial banks. That is about. I can't say exactly where these commercial banks are going, because they are simply applications, but it is in the general vicinity of this office.

Q. Is that a rapidly growing section?

A. It is a rapidly growing section. It still has considerable growth potential. There are a number of businesses already established there?

A. Yes, indeed, sir.

Q. This isn't what you would describe as a risk operation, is it?

A. Well, it is and it isn't. It is a risk operation to this extent: While there isn't substantial industry business [fol. 1568] there now, there is a great deal of open space and there is a great deal of growth potential still there. Now, it may be that when this growth continues, that it may develop into a spot which would make a better location than where we are, but only to that extent it is a risk for us.

Q. But so far as the area is concerned——

A. As far as the area is concerned, it has good banking potential.

Q. And large areas for dwelling houses and individual depositors?

A. Yes, sir.

Q. You referred to the Ambler National Bank and the branch there at Butler Avenue and Spring Garden Street, Exhibit 72-A.

A. Yes, sir.

Q. On Page 3 is listed the Ambler Savings and Loan Association and the Ellis Finance Company as other finan-

cial institutions in the area. Do they provide competition to your branch in that area?

A. They certainly do.

Q. It isn't only commercial banks in these areas where branches are established that provide you with competition [fol. 1569] particularly for individual deposits?

A. That's right, sir.

Q. On Page 12 of your memorandum, which is G-70, you referred as prospects for merger to both the National Bank of Narberth and the Ambler National Bank. Those were the two banks with which mergers ultimately were accomplished, were they not?

A. Yes.

Q. And to which these applications refer?

A. Yes.

Mr. Price: That is all. Thank you, Mr. Beadle.

By Mr. Littleton:

Q. Mr. Beadle, will you address yourself for a moment to the application for your branch at 6908 Market Street, Upper Darby. I believe it is 76-A.

A. Yes, sir.

Q. Turning to Page 3 of that, will you tell me from that or from your knowledge generally what other commercial banks are operating in that area besides your bank and the Philadelphia National Bank.

A. Right now there is the First Pennsylvania Company, the Liberty Real Estate Bank, Philadelphia National Bank.

Did you say commercial banks?

[fol. 1570] Q. Yes.

A. Those three.

Q. And how far is the First Pennsylvania Bank branch from your branch at 6908 Market Street?

A. The First Pennsylvania Company is around the corner. I don't know how far it is, but about a block away, maybe two blocks away.

Q. And the Liberty Real Estate?

A. The Liberty Real Estate is about one block away.

Q. The Liberty Real Estate has come there since you put your branch there, hasn't it?

A. Yes, sir.

Q. And in addition to that, if you will look at Page 3, the Western Saving Fund Society is in the same block there?

A. Yes, sir.

Q. Do you consider the Western Saving Fund to be in competition with you in certain areas?

A. I certainly do.

Q. And what other financial institutions are in the area?

A. There is the Associated Discount Corporation, the Beneficial Discount, the Citizens Finance Company, the Family Consumer Discount Company, the Household Finance Corporation, the Interstate Consumer Discount Com-
[fol. 1571] pany, the Lyons Finance Service, Inc., Seaboard Finance Company, Terminal Finance Company, and the Greater Delaware Valley Federal Savings and Loan Association.

Q. They are all in that immediate area?

A. In the general area.

Q. Do you consider them to be in competition with your branch at 6908?

A. Yes.

Q. Your answer is yes?

A. Yes.

Mr. Littleton: That is all. Thank you.

Mr. Reycraft: No questions.

HARRY J. HARDING, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. Mr. Harding, where is your residence at the present time?

A. My residence happens to be at Walnut Creek, California.

Q. Have you ever lived in Pennsylvania, sir?

A. As a boy in Pike County.

Q. What is your occupation in California?

A. I am president of the First National Bank of Pleas-
[fol. 1572] anton, California.

Q. How long have you held that position?

A. About 26 years or 27.

Q. Were you in the banking business prior to that time?

A. Yes, sir.

Q. Whereabouts, Mr. Harding?

A. I started my banking career in New York City with the New York County National Bank, which was a neighborhood bank, about $15,000,000, in charge of the Credit Department, and by invitation later went, after about four or five years, to the Liberty National Bank of New York City as assistant credit manager, which was a relatively large bank at that time engaging in all types of commercial loans, buying commercial paper extensively for itself, for its correspondent banks, participating with other banks in loans throughout the country originating such participations; and in 1922 I, by invitation, went to the Oakland Bank of Oakland, California, where I was vice president in charge of commercial loans. At that time it was about a $45 million bank.

When that bank was sold to the Giannini Holding Company, I transferred to the American Trust Company of San Francisco as vice president and loan officer in their Oakland [fol. 1573] Office.

Q. How long were you a vice president of the American Trust Company?

A. A couple of years. I left I think it was the beginning of 1934 to devote my time to some civic activities which had some political undertones, and I wished to be free; and then in 1934 I became president of the First National Bank of Pleasanton at the request of the banking authorities, because that bank was having some problems, difficulties, by reason of the depression.

Q. How did that come about, sir, that you were requested to go to that bank, again?

A. Well, there were two banks in the same building in Pleasanton, one a national bank and one a state bank. The state bank was closed, and the proposal was made for the First National Bank to take over the assets of the closed state bank, and I went there at the request of the superintendent of banks, Ed Rainey, to handle that transaction for him. The National Bank authorities would not allow the deal to go through, I found, unless new management was supplied to the First National Bank, and they persuaded me to stay on at least temporarily until that was corrected. I

found the problems were considerable, and I stayed on and eventually bought control of the First National Bank.

[fol. 1574] Q. Mr. Harding, if I calculate correctly, this means you have been in commercial banking for about 47 years; is that correct?

A. About that.

Q. And during all of this time you have been experienced in handling commercial and industrial loans, have you not?

A. That is correct, practically entirely in lending.

Q. You have had an opportunity to observe banking practices in various parts of the country. Is it your opinion that they vary to any considerable degree?

A. Not to any considerable extent.

Q. What do you think the common factors are which make them the same?

A. Well, the common factors are that a commercial bank accumulates deposits of its customers and invests those funds in relatively short-time loans, self-liquidating loans, that are based upon the character, the ability of the borrower, and his financial responsibility, and also to make investments in bonds that have a ready market and are of a high type.

Q. And is one of the principal factors the necessity to maintain liquidity?

A. Correct.

[fol. 1575] Q. Mr. Harding, are you a member of any bankers associations?

A. I am a member of the American Bankers Association and have served that organization as a member of the Executive Committee and of the Committee on Federal Legislation for a period of three years. I am a member of the California Bankers Association and have served that organization as a member of the Board of Directors for a term of three years. I am a member of the Independent Bankers Association of the 12th Federal Reserve District and have served that organization as president for a period of about seven years. Prior thereto I was a member of the Executive Council, and at the present time I carry the title as honorary president of that organization and am also a member of the Executive Council.

Q. Can you tell me the geographic area covered by the

Independent Bankers Association of the 12th Federal Reserve?

A. The 12th Federal Reserve District covers the states of Arizona, Nevada, Utah, Idaho, Washington, Oregon, California, Alaska, and Hawaii.

Q. We have prior testimony, Mr. Harding, which referred to the Independent Bankers Association. Is your association different or the same?

[fol. 1576] A. There are two Independent Bankers Associations, but as far as Federal legislation is concerned, we work virtually as one. The eastern association covers the 11 Federal Reserve Districts. We cover just the western states. A part of that separation is historical, because we had a particular problem at the time our organization was formed that was not generally recognized east of the Rocky Mountains except in the Northwest.

Q. Why was your association formed, Mr. Harding?

A. Our organization was formed to try and prevent, as far as we possibly could, the monopoly of banking that was rapidly taking place in our continental states.

Q. How many members did you have at the time your organization was formed?

A. Well, in the early days we had an excess of 500 member banks.

Q. And what has been your experience with reference to the number of banks since that time?

A. There has been a steady decline in the membership. June 30 last year I believe our membership was down to 273. When our dues are collected next year we will probably find a decline in that, because a number of our banks are in the process of being taken over by larger banks.

[fol. 1577] Q. What is your opinion as to the reason for the decline in your membership over-all? Is it the one you just expressed?

A. The reason, of course, is a determined effort on the part of a number of the large banks in our area to seek representation in practically every section of the state in which they operate, and therefore they have constantly sought to buy and merge banks.

Q. You referred to a specific problem in relation to the formation of your association, a specific problem concerning monopoly. Is it one particular bank that you had in mind?

A. At that time we were very much concerned about the activities of a bank holding company which, contrary to the laws of the——

Mr. Littleton: If Your Honor please, I object to this line of testimony. We are not here concerned with anything having to do with a bank holding company, and we are certainly not concerned about California. I object to it as being irrelevant.

The Court: I think that is true.

Mr. Reycraft: Your Honor, I propose to offer the testimony to show the effects, in a substantial area of the country, of the extreme tendency to monopoly resulting from [fols. 1578-1579] acquisitions and mergers.

The Court: Before the Holding Company Act?

Mr. Reycraft: These are before the Holding Company Act, Your Honor. They are acquisitions and mergers nevertheless. He has an opinion with reference to the effect of this banking concentration on the community, and in that testimony I intended to ask him about it.

The Court: I am not too sure whether I am going to permit it or not. I want to do some thinking about it. I will see you at 2:00 o'clock.

(Recess taken at 12:20 P.M. until 2:00 o'clock P.M.)

[fol. 1580] [File endorsement omitted]

AFTERNOON SESSION

Present: Counsel as before noted

PLAINTIFF'S EVIDENCE (Resumed)

HARRY J. HARDING, resumed.

Direct examination. (Resumed)

The Court: The question asked is susceptible of a yes or no answer, instead of the beginning of expressions of opinion not warranted by the question.

The question was:

"Q. You referred to a specific problem in relation to the formation of your association, a specific problem

concerning monopoly. Is it one particular bank that you had in mind?"

You may answer that question.

The Witness: Yes.

By Mr. Reycraft:

Q. Mr. Hardin, what was the problem which resulted from that bank's activities?

A. The——

Mr. Littleton: Objected to unless we know what bank it is. [fol. 1581] The Court: This is a rather nebulous field anyway, Mr. Littleton. I have to allow considerable leeway. I am going to permit it.

Read the question.

(The pending question was repeated by the reporter.)

The Witness: The problem of the continuation of independent competitive banking in the State of California and in other states in the Twelfth Federal Reserve District.

By Mr. Reycraft:

Q. Why did you think that was a problem?

A. Because that institution was buying banks and merging them right and left and other institutions were forced into the same position, and there was virtually a race to obtain every and all banks that were available.

Q. Now, at the time your association was formed, could you tell me in a general way approximately what percentage of the banking business in California this institution held?

The Court: Read those last two words.

I missed them; you dropped your voice again, Mr. Reycraft.

I think they were "that that institution held"?

Mr. Reycraft: Exactly right.

The Court: What do you mean by "institution held"? [fol. 1582] I don't follow you.

Mr. Reycraft: What I mean, sir, is the percentage of banking business done by that bank in California.

The Witness: Probably at that time it was not over 25 per cent.

By Mr. Reyeraft:

Q. Since that time what has been the trend?

A. It rapidly increased in those early years of the thirties until it approached close to 50 per cent.

Q. Now, in your opinion did this trend have any effect on other banks in the area?

A. In various ways. Other banks started to expand in like manner.

Q. In what manner?

A. Either by acquiring existing, locally-owned and -operated banks, or by competing for the establishment of branch locations, de novo branches.

Q. Were there a large number of indepedent institutions in the California area at that time?

A. There were probably two and a half times as many as today.

Mr. Littleton: What time are we talking about in years?

Mr. Reyeraft: At the time of the formation of the [fol. 1583] association.

By Mr. Reyeraft:

Q. Will you state that date again?

A. The early thirties.

Q. And you say there were approximately two and a half times as many as there are today?

A. That is right.

Q. Do you have any knowledge as to the number of those institutions which disappeared by reason of merger or acquisition?

A. Well, I would say well over 150.

Q. Now, Mr. Harding, do you have an opinion with reference to the effect of this merger activity on the remaining independent banks which are now in existence in the area?

A. That's a broad question. It's had effect in various ways.

The institutions that have functioned have grown with the growth of the state.

It's hard for me to express too definite an opinion on that.

Q. All right, sir.

Do you have an opinion as to the quality of service offered by a branch as compared with the quality of service offered by a unit bank in an area?

[fol. 1584] Mr. Littleton: What branch and what bank?

By Mr. Reycraft:

Q. Will you address yourself, Mr. Harding, to the branch nearest your bank, the one which you are most familiar with?

A. Yes, sir. The branch bank located in Pleasanton, in the years I have been there, has had a number of branch managers who came from other locations, who, of course, were inspired with the ambition to develop in their own organization and move on to larger branches, if possible, and I think they endeavored to conduct their branch in as profitable a manner as possible.

I have no way of knowing the relative growth of the two institutions, except perhaps to compare them in the number of employees, but I do know that we have acquired quite a bit of business that formerly was transacted with the other institution.

Part of that was due to loan policies, part of it was due to the desire on the part of the local manager not to incur any criticism from head office, to play safe, in other words; pressure of many duties and responsibilities, which didn't permit perhaps the thorough study of local situations that we feel that we were able to give; and no great interest on the part of our competitor in the welfare of our community, because the managers never knew how long they were going [fol. 1585] to be there until they moved to another location.

Mr. Littleton: If Your Honor please, my objection continues to this whole line, and in addition I would like to move that all of this last testimony about what was going on in the minds of the managers of this branch be stricken out.

How does this witness know what his motivation was?

The Court: I will let it stay for what it is worth.

Mr. Littleton: All right.

By Mr. Reycraft:

Q. Mr. Harding, do you have an opinion with reference, as you observed it, to the incentive of the manager of that branch to make loans in the community in which the branch is located?

The Court: If he knows.

The Witness: Only in a general way, except a direct statement of some years ago by the local manager, when loans were hard to get and we were seeking loans, industries were low; and I did happen to comment to the manager about how he was succeeding in developing loan business and he said he didn't care or worry because the head office gave [fol. 1586] him a very liberal earnings credit for the excess deposits that he carried with the head office; and, therefore, on that basis, the branch was a very profitable operation to the chain.

Mr. Littleton: I move it be stricken because it is hearsay.

The Court: I will let it stay for the same reason.

By Mr. Reycraft:

Q. Mr. Harding, from your observation, do you have an opinion as to whether branch banking tends to remove deposits from the community in which the branch is located?

Mr. Littleton: The answer to that is yes or no, Mr. Harding.

The Witness: Yes.

By Mr. Reycraft:

Q. What is it, Mr. Harding?

Mr. Littleton: Objected to.

The Court: No. Let's get a point of reference here.

Mr. Reycraft: Yes.

By Mr. Reycraft:

Q. Will you state whether you are familiar with the relative business operations of a branch banking system and a [fol. 1587] unit banking system?

The Court: Are we talking about removing them from the city, the county, or what are we talking about? The state? The nation?

What are we talking about when you are talking about community?

Mr. Reycraft: All right, sir.

By Mr. Reycraft:

Q. Mr. Harding, will you describe the community to which you previously referred and with which you are intimately familiar, that is, the community in which you have a unit bank operating and in which there is a branch bank operating which you are familiar with?

A. Outside one case, we had an account of a chain-store organization, which was a substantial account. We lost that account to the branch because the branch entered into an arrangement whereby this chain-store organization deposited with the branch for immediate credit of the company at the head office of the bank.

By the Court:

Q. Cash deposits?

A. Checking deposits.

Q. Checking deposits?

[fol. 1588] By Mr. Littleton:

Q. You mean they gave immediate credit for uncollected checks?

A. Correct.

By Mr. Reycraft:

Q. Do you have an opinion, Mr. Harding, as to whether, on the basis of your observation and experience, a branch bank or a unit bank has the greater incentive and does, in practice, make more loans within its own community, that is, the area which you have referred to?

Mr. Littleton: The answer to that is yes or no.

The Witness: Would you mind repeating that?

Mr. Reycraft: Would you read the question, please?

(The pending question was repeated by the reporter.)

The Witness: Yes.

By Mr. Reycraft:

Q. What is your opinion, sir?

Mr. Littleton: Objected to.

The Court: Overruled.

The Witness: My opinion is based on my own observation locally, plus contacts with quite a number of branch [fol. 1589] managers, who, you might say, are personal friends, as well as other independent bankers throughout the state; and I will say, generally speaking, the locally owned and directed institution is much more aggressive in taking care of loan needs than is the branch operation.

By Mr. Reycraft:

Q. Mr. Harding, have you had an opportunity to discuss with members of your association some of the more important problems which they consider face them at the moment?

A. Certainly. Many, many times.

Q. And what are some of those problems?

A. One of the problems I mentioned is the ability or the solicitation by the large chain banks for accounts such as oil companies and chain-store companies, where they are given immediate credit at the head office for deposits made in branches.

Another problem is the situation that has developed by reason of one bank having a great many number of branches, the desire on the part of other chain organizations to come into that area and to obtain branch locations, either immediately adjacent to an existing independent bank or in an outlying area, with the result that there has been a serious number of branch applications filed.

After all, there is just so much banking business and [fol. 1590] spreading it around among five offices creates no more business than was previously handled by two or three.

The desire to get these locations has prompted offers being made to practically all independent bankers, directly through the Boards of Directors or publicly through the newspapers, where offers to buy the bank at substantial premiums have been made in order to get a location or a substantial deposit line.

Those are the things that worry and threaten the continued existence of competitive banking.

[fol. 1591] Q. What in your opinion is the future of competitive banking in your area?

Mr. Littleton: Objected to as being irrelevant to this issue.
The Court: I will permit it.

A. Not too bright.
Q. Why do you say that?
The Court: What do you mean by competitive banking?

By Mr. Reycraft:

Q. Do you understand what I mean by the term competitive banking, Mr. Harding?

A. By competitive banking I mean where an institution in a community is able to serve on a basis in competition with another institution, without having to face a large number of such competing offices in areas immediately adjacent. I mean, for instance, in our particular town we have ourselves a one-branch bank, but surrounding us within a reasonable distance we have other neighboring towns five or seven miles away where we may have one, two, three branches of either the same bank or other banks, so that a borrower who seeks to obtain a loan has relatively few places to go. For instance, if he is turned down by the branch of the Bank of America in our town, he can't go to the branch of the Bank of America five miles away. He has only ours [fol. 1592] to go to. So when I talk about competitive banking, I mean the factors that are practically eliminated. In other words, if these were all independent banks competing one against the other, instead of five branches which do not compete against each other, there is a diminution of competition.

Q. In your opinion, has the trend you have described seriously reduced the alternatives available to borrowers?

A. No question about it.

Mr. Reycraft: I haven't any further questions.

Cross-examination.

By Mr. Littleton:

Q. Mr. Harding, after you had been invited by the banking authorities in 1934 to come in and take over the First National Bank of Pleasanton, how long was it before you bought control?

A. That went over a period of time, I would say. The directors urged me to stay. I was rather reluctant to do so.

Q. Will you answer my question.

A. I am trying to. There was no individual had complete control of the stock, and the thing I was concerned about was acquiring enough so that the bank name wouldn't [fol. 1593] change next Tuesday morning, which meant at least one-third.

Q. How much do you own or control?

A. In the family about 50 per cent.

Q. About 50 per cent?

A. Yes, sir.

Q. That is you alone own or control that much?

A. My son, my wife, and daughter-in-law.

Q. You have unlimited branch banking in California, do you not?

A. By that you mean statewide?

Q. Yes, statewide.

A. Yes, sir.

Q. How many banks are there in California?

A. 117.

Q. And how many branches?

A. About 1500. Those branches are owned by six chains, and they control better than 82 per cent of the total deposits of the state.

Q. How many population banking units in California?

A. That I could not answer.

Q. Would you say about 9000 or don't you know?

A. I would say that would be very, very high.

Q. When did this branch that you are complaining about [fol. 1594] come into Pleasanton?

A. 1928.

Q. In the last ten years, Mr. Harding, your total assets have increased by how much?

A. That I couldn't answer, but I would say ten years ago they probably were about 2 million 8 and now they are about 4 million 6.

Q. About a 75-per cent increase?

A. And the population in that period has more than doubled.

Q. How about deposits in ten years?

A. I was thinking of total footings, but the deposits would be a little less than that on both occasions. I don't remember too well ten years ago.

Q. They have increased about 75 per cent?

A. About that, I would say.

Q. And your loans have increased by how much?

A. I would say probably better than a hundred per cent.

Q. Well, they were 879,000 at the end of 1951 and they are about what? 2 million?

A. They are 2 million now.

Q. That is about a 120 per cent increase.

A. All right. I don't remember the exact amount.

Q. Didn't you tell us a minute ago that you took a lot of [fol. 1595] customers away from this branch?

A. That we took a lot of customers? When you talk about a lot of customers——

Q. Did you testify to that in direct?

A. I said we had taken some customers away who had not been able to get adequate loans.

Q. How about your lending limit? Has that increased in ten years?

A. Certainly. We plowed back earnings, and I would say that in ten years it has probably increased maybe six or eight thousand dollars. Our present loan limit is $20,400.

Q. And you are competing vigorously with this other branch bank?

A. I think so.

Q. Your average rate that you charge on loans, is it lower than what this branch charges?

A. We have not too definite information on that, but I believe that to be the case. In certain areas where we are able to ascertain the figures through people who come to us, who have been to the other bank, I would say that our rates are slightly lower.

Q. How about your average salaries? Have you had to increase your average salaries because of this other bank [fol. 1596] being there?

A. I don't know what they pay and I don't care. No, they haven't forced us to increase salaries.

Q. You don't know what the relative salaries are at all?

A. No, sir.

Q. You have been very active, have you not, in this Independent Bankers Association?

A. I think so.

Q. You are presently honorary president?

A. Yes, sir.

Q. And you have appeared in Congress and before Congressional committees?

A. Many times.

Q. Advancing the ideas and principles of that association?

A. Anti-monopoly principles.

Q. Anti-monopoly, anti-holding company?

A. Yes, sir, a holding company being one means by which monopoly is developed.

Q. And am I not correct that three or four years ago you developed a plan or theory which you broached at a convention of your Independent Bankers Association?

A. That is correct. That was my own idea. It was a general idea.

Q. Let me ask you if these aren't the principal features of that plan: That no merger be approved in cities of 10,000 [fol. 1597] or less population when the result will be two or less banks located in the city in which the merging bank is located.

Is that correct?

A. Correct.

Q. That no merger be approved in cities of 10,000 to 25,000 population when the result will be three or less banks located in the city in which the merging bank is located.

Is that correct?

A. That is right.

Q. That no merger be approved in cities of 25,000 to 100,000 population when the result will be four or less banks located in the city in which the merging bank is located?

A. That is right.

Q. That no merger approved in cities of over 100,000 population when the result will be five or less banks located in the city in which the merging banks are located:

Is that one of your principles?

A. That is correct.

Q. And you still adhere to that principle?

A. That was——

[fol. 1598] Q. Do you still adhere to that principle?

A. Bear in mind, I didn't recommend that that be adopted. If you read that speech very carefully, you will see that I said that I was suggesting that as a basis of discussion. I had no consultation with anyone or no scientific basis on which to suggest that except my desire to stimulate thinking on this merger and monopoly problem, and I was primarily thinking of banks in cities where no branches were permitted, as is the case in a number of states.

Q. Is it incorrect that at the Independent Bankers Association meeting of 1957 in Miami Beach you proposed these legal standards for mergers?

A. Will you read my remarks where I proposed those legal standards.

Q. No, I haven't got your remarks. I am asking you if you proposed those legal standards.

A. I suggested those as a basis for discussion.

Q. But they were your suggestions?

A. Correct.

Q. Now, did you also say at that time, "Nor shall any merger be approved under this act when the result will be that the merging bank will hold more than 30 per cent of the total banking deposits in the area in which the merging [fol. 1599] bank has offices"?

A. That is right, but I did not say that mergers be permitted until we reach that so-called minimum of 30 per cent.

Q. Where did you get this figure of 30 per cent as the ideal?

A. From my head.

Q. And if it had been 28 per cent, I suppose you would agree with that?

A. I was not setting a hard and firm standard. I was making a speech trying to stimulate the thinking of bankers and banking authorities.

Q. And, of course, the ideal percentage in your thinking would vary with the situation in each city, wouldn't it?

A. I think you have to have some elasticity in any proposal of that kind.

Q. And if it were 32 or 33 per cent in some cities, that would be all right, in your estimation?

A. Well, I can see in a small town that would have, say three banks, perhaps you might justify 33 per cent.

Q. In other words, this wasn't a hard and fast 30 per cent? It could vary either way, as you say, some elasticity, dependent on the particular situation in the particular community; is that correct?

[fol. 1600] A. That is correct. As far as my idea was concerned, that is all it was.

Q. In order to determine what the ideal would be, you would have to look at banking and the banking situation in each community, would you not, in order to determine what the ideal percentage would be in that community?

A. Yes, sir. Other factors would enter into it besides the mere percentage of deposits.

Q. Your ideas on merger and what you call monopoly you have advanced to Congress and to Congressional committees, haven't you?

A. Yes, sir.

Q. And did you or your association present its views at the time Congress passed the amendment to the FDIC Act in 1960?

A. Yes, sir.

Mr. Littleton: Thank you very much, Mr. Harding. That is all.

By Mr. Price:

Q. Mr. Harding, you described the growth of your bank in the last ten years in the face of the competition offered by the Bank of America branch in your town. Is that the one that you are competing with?

A. Yes, sir.

[fol. 1601] Q. What is the bank in the adjoining town or towns that you referred to?

A. The adjoining town is the City of Livermore, which has had a tremendous growth in population. From about 4000 25 years ago it has grown—and most of that growth in the last six or seven years—to about 20,000.

Q. What is the bank in that town?

A. There are three branch banks.

Q. Branches of what?

A. The Anglo-California National Bank, Bank of America, and the Wells Fargo American Trust.

Q. So that someone in that town has three choices of banking facilities?

A. They have four choices, because we are close enough. They can come to us.

Q. So that there are four choices, then, in both of those towns?

A. I would think so.

Q. And there is active competition among all of those banks including yours?

A. I would say yes.

Q. Do you remember in your testimony before the Senate Committee saying that you thrived on that competition with the Bank of America?

[fol. 1602] A. We thrived?

Q. Let me read what you are reported to have said, and then you can tell me if this is correct.

A. Sure.

Q. This is at the hearings before the Subcommittee of the Committee on Banking and Currency, or the hearings on Bill No. 1062, February, 1960.

> "Mr. Harding: Mr. Chairman and members of the Committee: My name is Harry J. Harding. I am president of the First National Bank of Pleasanton, Pleasanton, California, a $4 million bank. There was a branch of the Bank of America in our town, and in a town five miles away there were two branch banks, with a third one to open. I mention this to show that our bank has plenty of competition and we thrive on it."

Do you remember saying that?

A. Yes, sir.

Q. And that was correct, wasn't it?

A. We thrive on it because of the loan policies of the branches, our ability to take the time to analyze a situation and to make loans that they are not inclined to do.

Q. They don't interfere with your ability to make such [fol. 1603] loans as you desire, do they?

A. Interfere?

Q. Yes. You say you make loans in spite of their policy; is that so?

A. I wouldn't say they interfere with our ability, no.

Q. And this difference of approach is a personal one, is it not, which could be changed in these branch banks of the larger institutions, such as the Bank of America, by having

more intelligent representatives present in your community; isn't that so?

A. Partly, and partly policy of the institution.

Q. Well, the policy is one that you disagree with because you think it doesn't work; is that right?

A. Can I cite an experience?

Q. Certainly.

A. Some years ago the Bank of America wouldn't lend a farmer on farm equipment under any circumstances. We would. That was their policy, and no branch manager could make a loan on farm equipment, and lots of their customers financed their equipment with us. So it isn't only a matter of the local individual; it is a matter of the head office policies.

When credit became scarce for home construction about a year and a half or two years ago, we got applications by [fol. 1604] telephone from builders as much as 60 to 80 miles away, because when one office changes its policy in a chain bank, 707 offices change their policy, and when the head office says cut down on real estate loans, they all cut down; and the building industry in California was virtually at a standstill because there was only wee little independent banks that had money to loan.

Q. And that is possible in California because there is statewide branch banking under the California law; is that so?

A. That is correct.

Q. So that this condition you are describing is one that is authorized by the local California law?

A. That is right.

Q. You disagree with that policy, do you not?

A. The policy of statewide banking?

Q. Yes.

A. I don't think it pays to disagree. It has been there on the books so long, there is no quality. I wouldn't recommend it to any other state.

Q. Then so far as these illustrations you have given us are concerned, they could be cured by a wiser policy adopted by the larger banks, could they not?

A. I would imagine so. I would imagine if a branch [fol. 1605] manager had complete latitude and complete support from the head office, other than perhaps possible

criticism, I think you would find things would be different. [fol. 1606] Q. So that if the situations you are describing were entirely within the discretion of the branch manager, he could act as independently as you do, couldn't he?

A. In many respects, yes.

Q. And if he were as well informed about the needs of the community and had as good business judgment as you, he could do as well, couldn't he?

A. He probably could.

Q. So that your preference for the local bank as against the branch of a large bank turns entirely on the question of the actual management of the branch, does it not?

A. Not entirely.

Q. What is there beyond the way the local manager operates the bank that makes the difference?

A. Would you mind reading the preceding question?

(The question was repeated by the reporter as follows:

"Q. So that your preference for the local bank as against the branch of a large bank turns entirely on the question of the actual management of the branch, does it not?")

The Witness: And I said not entirely.

My preference for the local bank is that I believe or I am [fol. 1607] opposed to monopoly, and there is monopoly in many ways—in size, in policies—I mean by that destructive competition which is possible with a large institution, as well as monopoly of location.

If, for instance, we have in our situation a number of branch banks surrounding us, all these banks located at locations where it was assumed they would build up deposits, that institution has a monopoly on locations, say five, six, eight times as great as our own would be.

You heard testimony that a survey showed that about 50 per cent of the people opened accounts not because of the bank name, but because of location; and any institution, any branch institution that has five locations to our one has five times as many chances to attract business as we have, so we have a situation of monopoly as well as policy in loans.

By Mr. Price:

Q. Well, there is no monopoly in your town, is there?

A. Do you mean complete monopoly?

Q. Yes.

A. But the fact does remain that the people have five times as many places to go as our location.

Q. Yes, but you say there is no monopoly in Pleasanton, is there?

A. In what?

[fol. 1608] Q. No monopoly in——

A. I didn't hear that, sir.

Q. There is no monopoly in Pleasanton, your town?

A. Pleasanton?

Q. Yes.

A. Complete monopoly, no.

Q. And in the adjoining town there is no monopoly there, either, is there?

A. No.

Q. And in your town, Pleasanton, there are two banks and in the adjoining town there are three?

A. That's correct; so we are competing with four banks.

Q. Yes.

A. In four locations.

Q. How many one-bank towns are there in this country, do you know?

A. In this country?

Q. Yes.

A. I wouldn't be able to answer that any more than I can answer the one-bank branch in California.

Q. Do you know approximately?

A. No, sir.

Q. Do you know approximately how many two-bank towns there are?

[fol. 1609] A. No, sir.

Q. Five banks was the largest number that you suggested for cities in excess of 100,000 population, wasn't it, in your suggestion to Mr. Littleton?

A. As an absolute minimum.

Q. Oh, no. Your suggestion.

A. That's right.

Q. And that was the only number you suggested for towns or cities of 100,000 and over?

A. That's right.

Q. Yes, and was that because you considered that with at least five banks, or six, because I think that was the minimum—it had to be more than five—with at least six banks, you couldn't have a monopoly such as you have been describing, could you?

A. Unless one of those banks had fifty branches and the others had none. Then I would say that one bank had a monopoly.

Q. But assuming that they didn't have a disproportionate number of branches, then there wouldn't be any monopoly with six banks in the city, would there?

A. I would say not.

Q. This situation to which you object in California is one that is voluntary so far as the owners of the small [fol. 1610] banks, as well as the owners of the large banks are concerned, is it not?

A. Not entirely.

Q. If the owner of a bank, such as you, controlling 50 per cent or more of the stock, desires to sell it——

A. I could do so.

Q. —you could do so and that is your choice, isn't it?

A. That is right.

Q. Sure.

A. But if the offer comes from an institution that had a permit to establish a branch across the street, that might be a consideration that would enter into the transaction.

Q. In other words, the threat of that competition might be sufficient to bring you to the conclusion you might better sell?

A. It could.

Q. And such competition would be authorized under the California law, would it not?

A. Yes, sir; or the National Bank Act, either one.

Q. In your activities in connection with legislation, did you ever take part in those which were designed to impose taxes on mutuals and savings and loan associations?

A. Would you mind repeating that again?

The Court: Read it.

[fol. 1611] (The pending question was repeated by the reporter.)

The Witness: Only as a member of the American Bankers' Association and the Independent Bankers' Association.

By Mr. Price:

Q. Well, you were representing the Independent Bankers' Association in that activity, were you not?

A. No, sir.

Q. You were representing yourself?

A. No, sir.

Q. What part did you play in it?

A. I don't know what part you had reference to.

Q. Any activity encourage the imposition of taxes on mutuals and savings and loans.

A. I haven't, to the best of my knowledge, taken any active part in that program.

Q. Oh, you have not?

Has your association?

A. A very inactive one, because we have left the leadership in that movement to eastern—the ABA and the Independent of Sauk Centre.

Q. Then the Independent Bankers' Association, not the one that you belong to, but the one that covers the other [fol. 1612] eleven districts, has been active in that?

A. Very much.

Q. And why did you not interest yourself in that subject?

A. Wait a minute. You said "interest yourself"; the other was active part.

Q. Yes.

A. Well, we were interested, very much interested. We are in favor of tax equality, but we took no active part because in the formation of this committee by the American Bankers' Association, the eastern association was included. We were not invited, and as far as we are concerned, that's sufficient.

Q. But you were interested in the success of that program?

A. That's right, sir.

Q. That is because you are in competition, I presume, with savings and loan associations and mutuals—or not mutuals, because you haven't got any, but savings and loans?

A. Yes, sir.

Q. Are there any mutual associations in California?

A. Yes, sir. There are a number and there are a great many stock savings and loan associations.

Q. I see.

And you are in competition with both of those groups? [fol. 1613] A. We have one at Livermore.

Q. I say you are in competition with both of those groups?

A. Yes, sir; correct.

Mr. Price: That's all, thank you, Mr. Harding.

By the Court:

Q. What is the population of Pleasanton?

A. A little more than 4,000, sir.

The Court: Thank you.

Mr. Reycraft: Thank you, Mr. Harding.

Mr. Reycraft: Mr. Worstall.

E. Lawrence Worstall, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. Mr. Worstall, where do you live?

A. I live in Lansdowne, Pennsylvania.

Q. And what is your occupation?

A. I am Senior Vice-President of the Philadelphia National Bank.

Q. What are your duties there, sir?

A. My duties are administration of retail and commercial [fol. 1614] banking.

Q. How long have you acted in that capacity?

A. The last four years.

Q. What were your duties prior to that time?

A. Branch administrator.

Q. And how long have you been with the bank all together?

A. 29 years.

Q. Do you have any present duties in connection with the branch activities of your bank?

A. Only that the man in charge of branches reports to me.

Q. So that it is indirectly one of your responsibilities?

A. Yes.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 85 a document headed "Information for Examiner in Connection with Proposed Branch of the Philadelphia National Bank in Ardmore, Pennsylvania."

The Court: How many pages is that?

Mr. Reycraft: I will count them. Your Honor.

The Court: Numerous pages?

Mr. Reycraft: Numerous pages, I am afraid, sir.

The Court: All right.

(32-page document entitled "Information for Examiner in Connection with Proposed Branch of the Philadelphia [fol. 1615] National Bank in Ardmore, Pennsylvania," was marked Exhibit G-85 for identification.)

By Mr. Reycraft:

Q. Mr. Worstall, do you have any familiarity with the branch at Ardmore, Pennsylvania?

A. Yes. I am generally familiar with it.

Q. And are you familiar with the circumstances surrounding the application for the branch?

A. I was interested in it at the time we made the application, yes.

Mr. Littleton: Keep your voice up.

By Mr. Reycraft:

Q. Can you tell me, describe for me, Mr. Worstall, in a general way the area in which the Ardmore branch is located?

A. Yes. It's a residential area and an area of stores.

Q. Approximately what population is served by that branch?

A. What page is that?

Q. I don't know. I thought you might know.

Mr. Littleton: Page 1.

Mr. Reycraft: On the first page, paragraph 3.

The Witness: 12,000.

By Mr. Reycraft:

Q. Is this the area which, to your knowledge, the branch [fol. 1616] serves?

A. Yes. I would think so.

Q. And essentially what is the radius or the circumference of the area which is so served by the branch?

A. Our service area? Well, I would say it would go north about three miles to the Schuylkill River, and then it would go south possibly a mile and a half beyond our office, and on either side, east and west, maybe east a half a mile to three quarters of a mile, and west possibly two miles.

Q. Do you know what the total deposits maintained in that office are at the present time?

A. At the present time? I'd prefer that you get that from the comptroller. I can give you a guess at about $3½ million.

Q. Do you know what the loans are at that office?

A. I'd prefer that would come from the comptroller. I don't know exactly. I imagine it's around $1,800,000.

Q. All right, sir.

Mr. Worstall, is it correct that within three to five miles of this branch there is a branch of the Girard Trust Corn Exchange Bank?

A. Within three to five miles; that is right.

Q. And it is practically 4.1 miles; isn't that correct, referring to this third page of the application?

A. I don't follow you there—yes. I see it, No. 17; [fol. 1617] correct.

Q. And there is another branch of your bank also about 4½ miles away; isn't that true?

A. That's right.

Q. How far is the Conshohocken branch of your bank from the Girard branch which is numbered 17 in this application?

A. (No response.)

Q. Well, that's probably an impossible calculation.

A. I don't know.

The Court: North and southeast and add 4 miles in each direction, and then you have it.

The Witness: Thank you, sir.

By Mr. Reycraft:

Q. What type of business originates in the Ardmore branch, Mr. Worstall?

A. The type of business that originates there would be checking accounts and savings accounts. There would be time-credit loans in the way of personal loans and other types of loans.

Q. What is the focal point in the Ardmore area?

A. We think Suburban Square is, where our branch is.

Q. When did you move out there?

A. October 2, 1957.

Q. What was in that area before you moved out there?

[fol. 1618] The building was built for us. There was a square there, a shopping center, which I think was one of the early shopping centers in this area. It possibly has been there 25 to 30 years.

Q. Did your bank have existing business in that area when you moved out there?

A. Yes. We did.

Q. Do you know what kind of business you had out there then?

A. Well, I can tell you this—at the time we opened the branch we sent letters to all of our depositors and asked them if they would like to use the branch, and we had over 2,000 replies.

Q. So that you assume that you had about that much business, at least, in the area?

A. Individual accounts would be along that area, yes.

Q. Now referring to page 16 of the application, there is a list of stores in Suburban Square.

Are these stores representative of the type of banking business which your bank does through this office?

A. Yes.

I wish I could say they are all depositors of ours; but they are not.

Q. You are doing your best, however, I take it?

[fol. 1619] A. Indeed, we are.

Q. Now, the application refers at page 21 to the type of customers that you have in the area who will be served by the branch.

Will you tell us whether you are familiar with any of those customers?

A. You are speaking of the Commonwealth Title Company, yes; Horn & Hardart, yes; Ford Motor Company, yes; Pep Boys, yes; Public Finance Service, yes; Philadelphia Electric, yes; Charles S. Rockey, yes; Strawbridge & Clothier, yes; Wanamaker's, yes.

Q. Now, Mr. Worstall, referring to page 22 of the application, what was the estimate which was made with reference to the possibility of deposits and loans that might originate from this branch?

A. Our estimate at that time called for deposits of $2,000,000 after one year, and loans of $1,000,000; and after three years of operation $4,000,000 to $6,000,000 in deposits, and $3½ million to $4½ million of loans.

Q. And what has actually happened out there; do you know?

A. Well, I have given you the figures as roughly as I can. I think I should explain, however, that we did not transfer any accounts from the main office to that office. This is all brand-new business out there.

[fol. 1620] Q. So that any existing business which is located in that area which is being serviced by your downtown office continues to be serviced by your downtown office?

A. Continues to be, although a lot of the people go into the Ardmore branch for service.

Q. But you maintain the account at your downtown office; is that right?

A. That's right; where it was originally housed.

Q. Now let me ask you, Mr. Worstall, whether you have any way of knowing the loans which originate in the branch office.

A. Yes. I get reports from the comptroller, our comptroller.

Q. Do his reports show you the loans with respect to each branch?

A. Oh, yes.

Q. And how often do you get these reports?

A. Quarterly.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 86 a letter dated July 15, 1955, from Mr. Frederick A. Potts to the Hon. L. A. Jennings, Deputy Comptroller of the Currency; and as Government's Exhibit No. 87, a letter, undated, from Robert L. Myers, Jr. to Mr. Geoffrey S. Smith.

[fol. 1621] (Letter dated July 5, 1955, from Frederick A. Potts to Hon. L. A. Jennings was marked Exhibit No. G-86 for identification.)

(Undated letter from Robert L. Myers to Geoffrey S. Smith was marked Exhibit No. G-87 for identification.)

Mr. Reycraft: I wonder if you can tell me, Mr. Littleton, Government's Exhibit No. 87 is a copy of a letter from Mr. Myers to Mr. Smith, which I believe we got from the Philadelphia National Bank; is this not so?

Mr. Littleton: I don't think so.

Mr. Reycraft: All right; it came from the Girard?

Will you mark for identification as Government's Exhibit No. 88 an application entitled "Information for Examiner in Connection with Proposed Branch of the Philadelphia National Bank at 69th Street, Delaware County, Pennsylvania."

(30-page document entitled "Information for Examiner in Connection with Proposed Branch of the Philadelphia National Bank at 69th Street, Delaware County, Pennsylvania," was marked Exhibit No. G-88 for identification.)

Mr. Littleton: Excuse me. Have we left Ardmore?

[fol. 1622] Mr. Reycraft: Yes. Do you wish to examine on it?

Mr. Littleton: I was just wondering, if Your Honor please, whether it would make for a clearer record if I were allowed to ask questions as to each one of these when Mr. Reycraft finishes. I can wait until it is all done and then go over it.

Mr. Reycraft: Either way is agreeable with me, Your Honor.

The Court: It might make for better continuity if we

cleared it up so we won't have to go back piecemeal, if the Government has no objection.

Mr. Reyeraft: I don't object, Your Honor.

The Court: All right.

Suppose you proceed, then, Mr. Littleton.

Cross-examination.

By Mr. Littleton:

Q. Mr. Worstall, at the time that you made this application and opened the branch, what other commercial bank or banks were in the area; and tell us where, if you can.

A. The First Pennsylvania Company was in the area, across the railroad track from where we wanted to locate, I would say about 200 yards away.

Q. On Lancaster Pike?

[fol. 1623] A. On Lancaster Pike.

Q. It has been there for——

A. I would say it's been there since about 1930.

Q. And are there any mutual savings funds in the area?

A. Yes. The Philadelphia Saving Fund Society has a branch that has operated within one square of our office.

Q. And it has recently built another building right next to the station?

A. Indeed, it has.

Q. Any savings and loans, so far as you know?

A. Yes, yes. There is a Lower Merion Federal Savings & Loan Association on Lancaster Pike, which is a matter of 300 yards from our office, I would guess.

Q. Now, this was a new branch established by you and was not the result of a merger with any local bank; isn't that correct?

A. Right, right.

Q. Did you, nevertheless, create or have created an advisory board for this bank, for this branch?

A. Yes. We did.

Q. Tell us about that.

A. We felt it was important for us to become known in the area, in the community. We wanted to take on a community life.

[fol. 1624] We selected six of the outstanding (we think the outstanding) men of the Ardmore area to come into

our advisory committee. They have been very active. They meet monthly and are very helpful.

Q. Can you tell us the names and occupations of some of them?

A. (No response.)

Q. George Craig is one of them, is he not?

A. Yes. George Craig is president of Suburban Square.

Walter Irwin is the head man of the Philadelphia Electric Company.

Q. In the Ardmore office?

A. That's right.

J. Walton St. Clair is president of the Hajoca Corporation in Suburban Square.

Q. Well, that's enough.

Let me ask you——

All right. Go ahead. Give us the rest of them.

A. I have the year-end statement here. May I refer to it?

Q. Certainly.

A. Just to refresh my memory.

Raymond P. Scott, who is an outstanding automobile dealer in Ardmore.

Frank H. Wilson, a renowned builder.

[fol. 1625] James B. Merrick is a druggist.

Q. In Ardmore?

A. In Ardmore.

Q. And you said George Craig; who was the first one you named, was head of——

A. Suburban Square.

Q. What is Suburban Square?

A. Suburban Squpare is a shopping center where we are located, and it was one of the original shopping centers in this area.

Q. And it is the area in which, or the square or center in which a number of these shops who are your customers are located, is it not?

A. Correct, correct. Maybe—my guess would be maybe 40 stores; I don't know.

Q. Including Strawbridge & Clothier?

A. Yes.

Q. Who is the head of this branch at the present time?

A. J. Carleton Holtby, a man who lives in the area and

came to us shortly after graduating from the University of Pennsylvania and went through our training course, was trained in branch operations and branch procedure and in loans; and he has been head of the office since it was opened.

Q. What is his loaning authority?

A. $25,000.

[fol. 1626] Q. Unsecured?

A. Unsecured.

Q. How about secured?

A. We don't put any limit on the secured amount. If we put a limit on it, it means that they can't go over that. If there is no amount mentioned, secured, they can make any reasonable amount they want upon adequate collateral.

Q. And any loans that are greater than $25,000, how does Mr. Holtby handle those?

A. Well, he will usually call me.

[fol. 1627] Q. His lending authority is pretty much a general authority so far as the type of loans is concerned?

A. Yes, he can make any type of loan on that $25,000.

Q. Loan on statement, open credit?

A. That would be an unsecured credit, which he is authorized to make.

Q. Personal loans?

A. Personal loans he could make.

Q. Automobile financing?

A. Yes, any type.

Q. What is the method followed if there is a loan application for greater than $25,000, and I am thinking more particularly about the time element involved.

A. Well, he will handle the entire details. He will call upon the customer. He will review his place of business, review his financial statements, make his recommendation, and the time is never more than one to three days.

Q. And clearance with you or some other officer of the main office, how is that effected?

A. Either by telephone or he will come in if it is very important and very large.

Mr. Littleton: That is all. Thank you.

The Court: It is mid afternoon. We will——

[fol. 1628] (A 10-minute recess was taken at 3:00 o'clock P.M.)

Mr. Littleton: May I ask just one or two more questions about Ardmore.

By Mr. Littleton:

Q. Mr. Worstall, Mr. Reycraft asked you about deposits and loans, so far as you were able to give them, at the Ardmore branch at the present ime, and you guessed 3½ million of deposits and you guessed $1,800,000 of loans. Now I direct your attention to the Exhibit G-57, which is the application of the two banks for merger, Page 64. Will you tell us from that what the estimated IPC deposits and loans for the Ardmore branch service area were at the time of the application. You will find it is No. 256 on that list.

A. The IPC deposits in the application were $3,100,000. The loans were $2,087,000.

Q. Thank you. Now will you tell us whether there is any limit on the aggregate of loans which can be made from the Ardmore office or by the Ardmore office.

A. No, sir.

Q. Will you look at the exhibit which is the application for the Ardmore branch.

The Court: G-85.

[fol. 1629] Q. G-85, Page 21, and look at Paragraph 13, which is an answer to the question, "To what extent will the proposed branch enable the bank to serve more efficiently and thereby protect existing business?"

Do you see that?

A. Yes.

Q. You say in there, "We do know that we have a number of customers with headquarters in Philadelphia or other cities who have established branches in Ardmore and vicinity. Some of the more important of these are:"

Commonwealth Title. It says the average deposit balance is $234,500. What was their loans on August 18, 1955?

A. Nothing.

Q. Horn and Hardart. The average deposit balance, $79,800. What was their loans?

A. Zero.

Q. Ford Motor Company had deposits of $1,333,900. What is their loans?

A. Zero.

Q. Will you read us the rest of those?

A. The Pep Boys, average deposits, $312,500, loans $300,-
[fol. 1630] 000.

Public Finance Service, deposits $173,400, loans $750,-
000.

Philadelphia Electric, deposits $18,801,000, no loans.

Charles S. Rockey, deposits $6,400, no loans.

Strawbridge and Clothier, deposits $2,446,000, loans $2,-
664,000.

Wanamakers, deposits $761,000, no loans.

Total deposits $24,150,000. Loans, $3,714,000.

Q. The excess credit or the excess deposit balance over loans is available for use in making loans to other businesses and industries around Philadelphia?

A. They would not be restricted to only these.

Q. I say, the excess deposits will be available to the bank to lend to other businesses and industries and individuals around Philadelphia?

A. In any part of our system.

Q. In any part of your system. Thank you very much.

Direct examination.

By Mr. Reycraft:

Q. I understand correctly, do I not, Mr. Worstall, that the excess from this branch might be loaned anywhere in
[fol. 1631] the city or anywhere in the four-county area; is that right?

A. It can be loaned anywhere. It is a pot.

Q. So it could be loaned anywhere either in Philadelphia, in the four-county area, or outside the state somewhere?

A. It works in every branch and in the main office in the same way.

Q. The excess deposits go into the central account and can be used and loaned anywhere; is that correct?

A. It is a central pot that can be loaned any place, yes.

Q. Mr. Worstall, referring to Government's Exhibit No. 88, are you familiar with the 69th Street branch of your bank?

A. Yes.

Q. Will you tell me the general geographic area which is included in the bank service area?

A. Yes. The Upper Darby office is located at about 69th Street, which has for a number of years been a very fine shopping center. 69th Street is a terminus of the PTC that runs into Philadelphia, the subway and the elevated. It is also the terminus of many bus lines coming into the terminal bringing passengers that then transfer to the PTC subway and elevated. Our area here would extend very [fol. 1632] little toward Philadelphia but extend more out along the Weschester Pike and maybe a little bit west toward the Fernwood area in there, so my guess would be it would run possibly five miles in one direction, maybe a half mile in the other, and a half mile on the other side, sort of a triangle.

Q. Can you describe the type of banking business which originates in that area?

A. Yes. A lot of it would come, the business end would come from stores in the area. There wouldn't be too much commercial business. There would be a lot of individual business. Some commercial, but mostly individual and shopping area business, I would think.

Q. How close is the nearest branch of the Girard to that office?

A. Next door.

Q. And where is the next nearest branch of the Girard?

A. Where are we? What page?

Q. Page 2 has some information about that.

A. The next closest branch of Girard would be Drexel Hill, which would be 2.9 miles away.

Q. And is there another branch of the Girard nearby?

A. Manoa, 3.8 miles away.

Q. Can you tell me who was at this location first, your- [fol. 1633] selves or Girard?

A. The Upper Darby National Bank was here first, and Girard merged with the Upper Darby or vice versa.

Q. Prior to your moving into the area?

A. Then we opened our office, yes.

By the Court:

Q. How about the branch at 63rd below Girard. Wouldn't that be nearer in miles than Drexel Hill?

A. Yes, sir, it would, in miles. That isn't our trading area down in that area, though.

By Mr. Reycraft:

Q. How far away would that be?

A. A mile and a half. No more than that, I wouldn't think.

The Court: A mile and a half to two miles. You can't cut Cobbs Creek, so you have to come down Market and up 63rd.

By Mr. Reycraft:

Q. Mr. Worstall, can you tell me the approximate amount of business that your bank had in the area when you went out there?

A. Will you help me out on the page number on that.

Q. I am not sure it is here.

A. I am not either.

[fol. 1634] Q. Yes, on Page 12e.

A. The application says that 2300 accounts, with deposits of $4,400,000, originate in the general area serviced by the proposed branch.

Q. And the loans on Page 14 in the amount of $2,700,000?

A. Yes, sir.

Q. Mr. Worstall, would you read the paragraph on Page 12e following the one from which you just quoted.

A. "In view of the business which the Bank now enjoys in the area of the proposed branch, it is the position of this Bank that it is necessary for it to establish the proposed branch in order to compete fairly. This is particularly true in view of the proposed merger between Upper Darby National Bank and Girard Trust Corn Exchange Bank. Following this merger, the 69th Street Shopping Center will be serviced solely by our two principal Philadelphia competitors (i.e., The First Pennsylvania Banking and Trust Company in addition to the Girard Trust Corn Exchange Bank)."

Q. And are those two banks your principal competitors?

A. In that area, yes.

Q. In any area?

A. Do I have to go beyond the application?

Q. If you know the answer, sir, I think you should an-
[fol. 1635] swer the question.

A. I would think we compete fairly with those two banks and others in Philadelphia. I would think they would be main competitors with us.

Q. And are they the two principal Philadelphia competitors? That is what the application says.

A. The application has to be right.

Q. And you agree with it?

A. Yes.

Q. On Page 12c at the bottow, reference is made to the lack of benefits in the 69th Street shopping area resulting from the entrance of the national bank.

A. I am sorry. 12c?

Q. 12c at the bottom of the page.

A. "Absence of Benefits from National Banking Institution"?

Q. Yes, sir. Can you tell me from your knowledge what the relative benefits are from a national bank and a state bank?

A. Actually, we do a comparable general commercial business. The national banks have trust powers as trust companies do have. I do not think there is any big advantage from the local viewpoint, from a lending viewpoint now. There were advantages on one side or the other, but they have been pretty well equalized. Of course, [fol. 1636] we think that the name "national" has a great advantage.

Q. You think it has good advertising value?

A. We think so.

Q. Can you think of any other advantages?

A. I think I have covered it.

Q. Now, at the top of Page 13 the question appears in the application, "What competitive effect is the proposed branch expected to create?"

Would you read that paragraph for us.

A. "What competitive effect is the proposed branch expected to create?

The proposed branch would offer strong competition to the two banks in the immediate service area. This competition would be against branches of large Philadelphia commercial State banks (First Pennsylvania Company and

Girard Trust Corn Exchange (a) with total assets of $1,099,209,672 and $645,890,936 respectively.) This competitive situation would be to the benefit of the public served. We believe that the area has sufficient population and retail sales to warrant the establishment of additional banking facilities."

Q. Mr. Worstall, if this merger should become effective, [fol. 1637] was it your bank's intention, to your knowledge, to close one of these two offices?

A. Yes. We had felt that our office is a very small one. It is only 17 feet wide by about 60 feet deep. It only has about four tellers cages and we would feel that we would do well if we would close that office.

Q. You didn't think it was a very good office anyway?

A. Well, if we had to write this over again today (indicating), in looking ahead, without having had our experience, maybe we would write the same thing, but our experience hasn't justified it.

Q. Do you think that might have been the result of competition out there?

A. No, I don't think the area justified the expense that we put into it. I think the area didn't go forward the way we had anticipated. There were great big plants at that time for the terminal building to be torn down and for a big shopping center to be placed across the street from us. They were going to spend tens of millions of dolllars on it, and that plan fell through. I think possibly we might have located elsewhere had we thought that that plan was not going to materialize.

Q. You made some fairly optimistic projections as to branch loans and deposits, did you not, on Page 15?

[fol. 1638] A. I am afraid so.

Q. What were they, Mr. Worstall?

A. Projected branch loans and deposits, after one year of operations, deposits of $5,500,000 and loans of from $3 million to $3,500,000, and after three years of operation, deposits $8,500,000 to $9,500,000 and loans from $5 million to $6 million.

Q. It hasn't worked out quite that way, I take it?

A. No, sir, it has not.

Q. Is this the office at 6912 Market Street in Upper Darby?

A. That sounds like the right address to me.

Q. The IPC deposits as indicated in the application are $780,000 and the area loans, $311,000. Does that sound right?

A. I assume that was right at the time of filing the application, yes.

Mr. Littleton: That is No. 251 on the list.

The Witness: 251, deposits IPC, that is, individual, partnership and corporation deposits, $780,000, loans of $311,000.

By Mr. Reycraft:

[fol. 1639] Q. And that is the same office that we have been discussing?

A. That is the same office.

Q. Now, Mr. Worstall, referring to Page 16 of the same application, concerning the 69th Street branch, can you tell me what importance you attributed at the time to convenience of service.

A. First of all, we thought the location was good. We still think it is good. We thought a lot of our customers maybe would be using our service in that area, and a number of them are. I guess that's about all I can say.

Q. You did think, however, did you not, that it was quite important to have a convenient location to protect and retain existing business?

A. That's right.

Q. And this was a particularly important factor at the time in your decision to locate the branch at 69th Street?

A. That is correct.

Q. Would you read the last paragraph on that page.

A. "The second factor which the Bank must consider in viewing its relative position in the 69th Street area, is the recently announced proposed merger of the Upper [fol. 1640] Darby National Bank into the Girard Trust Corn Exchange Bank. This merger will undoubtedly reduce our competitive ability in the area in that it will add a second bank in the area capable of offering its depositors the convenience of both downtown offices and local offices."

Q. Was it your experience following that merger that it reduced your competitive ability in the area?

A. Was it our experience that following their merger it reduced our competitive position?

Q. Yes.

A. I think their merger took place before we were there.

Q. Well, I suggest that the paragraph that you read indicates that someone thought that the recently announced proposed merger of the Upper Darby National Bank and the Girard will undoubtedly reduce your competitive ability. What I am asking is whether this forecast proved to be accurate.

A. I am sorry, I still don't follow, because our application was filed before the merger took place, but our bank did not open until after the merger took place, so I don't know anything comparable there.

Mr. Reycraft: All right.

[fol. 1641] Q. The Liberty-Real Estate has come out there since, has it not?

A. Yes. They opened an office on 69th Street about a hundred yards from our office.

I would say they opened there maybe six months after we opened.

Q. And one of the savings funds is out there, is it not?

A. The Western Savings Fund Society is almost next door to us.

Q. And there are a number of finance company and small-loan companies in the area, and Mr. Beadle, I think, gave us the list of them this morning?

A. Yes. He did.

Q. Your anticipations were not realized out here, were they?

A. I am sorry to say they were not.

Q. Do I understand that part of the reason was that some of the Upper Darby business didn't shift to this office, as you thought it might—some of the business?

A. No. I think the big reason, Mr. Littleton, was the fact that the area didn't develop the way we had anticipated it would. We thought it would grow fast with this new shopping center coming in there and be a great advantage to us; and it didn't come along.

[fol. 1642] Q. Would you say the area is over-banked at the present time, in your opinion?

A. There are four banks there now, commercial banks there now, and there is one saving fund.

I think I'd rather answer your question and say that if one did not remain there it wouldn't affect the area to any extent.

Q. That is, the service to the area?

A. That's right.

Mr. Littleton: That's all.

Mr. Price: No questions.

Mr. Reycraft: Will you mark for identification as Government's Exhibit 89 an 8-page document with attachments, headed "Information for Examiner in Connection with Proposed Branch of the Philadelphia National Bank Roosevelt Boulevard Office."

(10-page document entitled "Information for Examiner in Connection with Proposed Branch of the Philadelphia National Bank Roosevelt Boulevard Office," was marked Exhibit G-89 for identification.)

Direct examination. (Resumed)

By Mr. Reycraft:

Q. Mr. Worstall, is the Roosevelt Boulevard office open yet?

A. No, sir. We think it will open at the end of this month.

[fol. 1643] Q. When was this application made?

A. There is no date on it?

Q. Does January 19, 1959, sound familiar?

Mr. Reycraft: Let me mark this as Government's Exhibit No. 90.

The Court: January 19, 1959.

The Witness: That sounds about right, yes.

Mr. Reycraft: This is Treasury Department Form 1928, a one-page document entitled "Application of the Philadelphia National Bank for Permission to Establish a Branch."

(Treasury Department Form 1928, "Application of the Philadelphia National Bank for Permission to Establish a Branch," was marked Exhibit G-90 for identification).

By Mr. Reycraft:

Q. Do you know why, Mr. Worstall, such a long-time interval between the application date and the opening of the branch?

A. Because it took a long time between the application and the opening?

Q. Do you know the reason for that?

A. Yes, I do.

Q. What is it?

A. I am sorry to say we had builder difficulty.

Q. Can you tell me what the area is which this office is [fol. 1644] expected to serve?

A. Yes. It's residential, fast-growing residential area.

Q. Can you describe it in geographic terms?

A. Roosevelt Boulevard is a very wide thoroughfare used heavily for traffic, automobile traffic. Pennypack circle is a traffic circle and our branch would be located right at that circle, attached to a Food Fair store.

Q. Would you indicate the approximate mileage or circumference or radius served by the branch?

A. I would guess maybe a mile radius would do it.

Q. Now, Mr. Worstall, at page 2, under paragraph (7), you are asked to list the names and addresses of competitor banks and their branches.

Does the Girard Bank appear on that list?

A. I see them down at No. 7, 1.6 miles from our proposed branch.

Q. Do you see them again down a little further?

A. Yes, No. 1, 2.1 miles.

Q. Do you see them again?

A. No. 12, 2.9 miles.

Q. Can you tell me, sir, the general type of banking business which you expect to get in that area?

A. Yes. We would expect to get individual-account business, personal-loan business, safe-deposit boxes. [fol. 1645] I think that would cover it largely. It will be individual business, we think.

We don't think there will be much industrial or commercial, although there is industry and commercial on out the Boulevard that we may be able to serve some of our customers from this office.

Q. You refer at page 4 in the application to the fact that many important companies have moved to this area in the last few years and you refer to the capital expenditures made by National Biscuit Company, Yale & Towne, The Budd Company, and Crown Cork & Seal.

A. Yes.

Q. You would hope to get some of their business?

A. We would certainly try for it. We would hope this location would help us.

Q. Can you tell me, sir, referring to page 6, what the existing banking business is that you have in the area and what you expect to get one year and three years after it begins?

A. Business originating in the general service area of the proposed branch, we have 1157 individuals with deposits of $5,486,000; and 45 individual loans in the amount of $918,000.

Projected branch loans and deposits, after one year of operation, deposits $6,500,000; loans $1,500,000.

[fol. 1646] After three years of operation, deposits of $8,000,000 and loans of $3,000,000.

Q. Now, do you know, sir, generally, where the existing business in the area is being served from now within your bank system?

A. I would guess, yes, that it would be our northeast offices, possibly Erie Avenue, Allegheny.

Q. How far away is that?

A. Is it shown in the application here? I haven't seen it here.

Q. I don't believe it is.

A. Two or three miles.

It must be farther than that because it doesn't show here on the names of the banks listed, so it must be over three miles.

Q. And isn't it true that one of the reasons for establishing this branch is to service that business more efficiently?

A. Yes.

Q. And conveniently for the customers?

A. Yes.

By the Court:

Q. Is that at Allegheny and Kensington?
A. Yes.
Q. Doesn't that show on page 2?

[fol. 1647] By Mr. Reycraft:

Q. Exhibit B, which is the last page, indicates——

The Court: Just a moment, just a moment.
The Witness: I am trying to find this now. Just a minute. Let's see.
The Court: At the top of page 2.
The Witness: Allegheny and Kensington, 5½ miles, it shows; Erie and Castor, 4½ miles.
So, our nearest branch would be 4½ miles.

By Mr. Reycraft:

Q. And the business in that area was being served either from that branch or by the head office, would you say?
A. Yes. I would think largely by those branches.
Q. All right.
Exhibit B is a list of the commercial accounts which you are going to try to get in that area; is that right?
A. That's right.
Q. There are about 40 on that list, aren't there?
A. I will count them.
Q. No. You don't need to count them——
A. All right.
Q. —if you will agree with me that it is about 40.
A. I will agree with you.
Q. Just one more question.
[fol. 1648] And about 15 of those at that time maintained an account with the Philadelphia National Bank?
A. Correct.

Mr. Reycraft: All right.

Cross-examination. (Resumed)

By Mr. Littleton:

Q. Mr. Worstall, will you address yourself to page 2 of G-90?

A. Of G-89?

Q. G-89, excuse me; and in particular with respect to the list which you have placed under the question (7) or the heading (7). Now, that heading or question is as follows:

> "A list of the names and addresses of competitor banks and their branches within a five mile radius (two or three mile radius in large cities) showing deposit and loan totals for each and the distance and direction of each from the location of the proposed branch. Any geographical barriers should be noted."

Is that your language or is that the language of the Comptroller's application form?

A. That is the application as we received it, his wording.

Q. It is the question on the application form, is it?

A. Correct.

[fol. 1649] Q. Supplied by the Comptroller of the Currency?

A. Correct.

Q. And you were responding to that question when you made this list of 21 financial institutions; is that correct?

A. We were complying with the request, yes.

Q. And referring to No. 7 there, to which Mr. Reycraft directed your attention, Girard Corn, 4010 Cottman Avenue, and then some figures, 1.6 miles southeast; by including that there, did you or did you not intend to indicate that you thought that branch would be in competition with your branch?

A. Our service area is a one-mile radius.

Q. And you didn't, by including this in the list, indicate or intend to indicate that it would be in competition with your proposed branch?

A. We were merely complying with the request.

Q. And that, of course, is true with regard to Item 9, Girard Corn, and Item 13, Girard Corn, which are at greater distances?

A. Correct.

Q. That is true?

A. Correct.

Q. Have you selected the person who is to be manager yet for this particular branch?

[fol. 1650] A. (No response.)

Q. If you don't know, say so.

A. Yes, yes.

Q. Who is it?

A. I had to think a minute—Jack Adams. He has been a man in our northeast offices. He has been with the bank for, oh, I can remember when he started in the Credit Department maybe seventeen—eighteen years ago, and he has been in our northeast offices for possibly five or six years.

Q. And this is in the northeast area of the city, is it?

A. That's right.

Q. And that is one of the reasons for selecting him?

A. (No response.)

Q. Incidentally, is that a general policy with you, with your branches?

A. We try our best to put a local man in a local job.

Q. Do you know what lending authority he is going to have?

A. I don't know yet. It hasn't been established.

Mr. Littleton: That's all I have. Thank you.

Mr. Reycraft: Mr. Price?

Mr. Price: No questions.

Direct examination. (Resumed)

By Mr. Reycraft:

Q. Mr. Worstall, you are satisfied that the answer as set [fols. 1651-1654] forth in this application to Question 7 is accurate, aren't you?

A. I would hope it was accurately prepared.

Q. Pardon me?

A. I would hope it was accurately prepared.

The Court: Are you starting on Park Ridge now?

Mr. Reycraft: Yes, sir.

The Court: It is five minutes to 4. We couldn't possibly finish it in five minutes, so let's hold that until tomorrow.

(Adjourned at 3:55 o'clock P. M. until 10:00 o'clock A. M. on Wednesday, June 14, 1961.)

[fols. 1655-1656] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

EIGHTH DAY

Philadelphia, Pa., June 14, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 1657] E. LAWRENCE WORSTALL, resumed.

Direct examination (cont'd.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 91 a 13-page document with attachments, headed "Information For Examiner in Connection with Proposed Branch of the Philadelphia National Bank in Park Ridge Shopping Center."

(13-page document headed "Information for Examiner in Connection With Proposed Branch of the Philadelphia National Bank in Park Ridge Shopping Center" was marked Exhibit G-91 for identification.)

By Mr. Reycraft:

Q. Mr. Worstall, referring to Government's Exhibit No. 91, can you tell me the geographic area from which this branch was expected to draw its banking business?

A. Yes. The branch is located about four miles due west of our Norristown branch on Ridge Pike. The area is largely a shopping area and residential, although about a mile and a half due south of our office at Park Ridge there is developing a Valley Forge Industrial Park, and we do hope to get some business from that industrial park. I would say that the area would be a radius of maybe two

to three miles, maybe a little bit more, irregular here and [fol. 1658] there. It would extend part way into Norristown and extend pretty well into Collegeville, which is about four miles west.

Q. Would you expect to get commercial business from that area?

A. We would hope the industrial park would give us some commercial business, yes.

Q. And at Page 7 of the application a list is set forth, is it not, of some of the companies whose industrial and commercial business you would expect to get from this branch?

A. That is right.

Q. And that includes the Superior Tube Company and the B. F. Goodrich Company and others, does it not?

A. Correct.

Q. Did it appear, Mr. Worstall, at the time of the application that the shopping center area was an important factor for a bank business?

A. The shopping center is an important factor in drawing power, yes. There is a large A&P there, a Grant Store, and a number of smaller stores.

Q. And is it your judgment that this would attract a lot of banking business in the area?

[fol. 1659] A. We believe it will attract a lot of individual banking business, yes.

Q. What was your judgment with respect to the public need for the services in the area at the time the application was made?

A. We felt there was need for banking service there. It is four miles from Collegeville. There is a branch of the Peoples Bank possibly a mile and a half, two miles east, but the area itself has not been banked.

Q. Was it your opinion at the time that it was underbanked?

A. I think we felt there was need for a bank there and it would be worthwhile for us to put one there.

Q. I believe there is a reference to the population figure of 13,000 per office and the suggestion that this is underbanked, in your judgment. Would that be accurate?

A. I think the best way to answer that, Mr. Reycraft, is to say that we think the area is a great, fast growing

area that will move ahead very rapidly and that the bank office can be fully justified.

Q. What importance was attributed at this time to the desirability of having a branch convenient to the com-
[fol. 1660] panies you hoped to serve? I believe that there is some information on Page 10 of this application.

A. Where is that on Page 10, so I don't read the whole thing.

Q. Sure. In the second full paragraph it would indicate that the industrial locations will now have local banking services for company and employees at a very short driving distance. The companies that bank with us in Norristown will now have a branch locally to transact more complete banking services.

A. Thank you.

Q. And this was an important factor in the application?

A. Yes, we feel it is important. As a matter of fact, every branch we have we think is very important for our Philadelphia customers who may be doing business in the area of our branches.

Q. What was your judgment at the time with respect to the competitive effect of the proposed bank? Paragraph 11 discusses that.

A. Well, Paragraph 11 does say that it will tend to increase competition, and that is a normal thing. It will increase competition, but we believe that the office can be properly supported in that area.

[fol. 1661] Q. You thought it was necessary, did you not, to have a branch here in order to improve your competitive position in Montgomery County?

A. That is always helpful to us, yes.

Q. And it is always helpful, in order to improve your competitive position, to have a branch conveniently located, is it not?

A. It is vital.

Q. And you concluded also that the competitive situation would be to the benefit of the public?

A. The public is paramount in our minds before we think of any location.

Q. And you think that competition is an important means of bringing these benefits to the public, do you not?

A. I think our services would be about the same in any location regardless of competition.

Q. You don't think, then, that competition is important?

A. In this particular branch you are speaking of now?

Q. Yes, sir.

A. I don't think competition in the area governed our pricing, and so forth, and our advertising in the area, no.

[fol. 1662] Q. Well, you did indicate in this application that the competitive situation in this—I take it to mean the increase in competition resulting from your branch——

A. Yes.

Q. —would be to the benefit of the public served.

A. Well, I guess that is axiomatic.

Q. And you would agree with that, would you not?

A. I think so.

Q. What form does this competition take?

A. In this branch?

Q. Yes.

A. Do you have that paragraph there?

Q. No, I don't have the paragraph. I wonder if you can tell us.

A. Yes. We know that there is a branch of the Peoples Bank about a mile and a half to the east of us. We know that there is an office of the Provident Tradesmens Bank in Sellersville four miles west of us. Norristown itself would be four miles east, and we think maybe that would be too far removed.

Q. Now, how do you compete for banking business? You indicated that you would be in competition with some of these banks.

[fol. 1663] Mr. Littleton: You mean how does he compete at this branch?

Mr. Reycraft: Yes.

A. We offer a full, rounded service, everything we can offer in the way of individual accounts, savings accounts, Christmas Club. We offer personal loans. We offer commercial loans. We can do anything at that branch that we can do at the main office.

Q. Are service charges one way in which you would compete?

A. I can't answer what our service charges are at that office, I am sorry.

Q. Would they be different from the downtown office?

A. I would rather that would come out under your service charge, whatever you are going to do in that, because I really don't know. I don't think there is much change, if any. I am not sure.

Q. You don't have the information?

A. No, I do not have the information on service charges.

Q. Does competition at this branch take the form of interest rate variation, for example?

A. On loans?

[fol. 1664] Q. Yes.

A. I wouldn't have any idea what the other banks charge.

Q. Do you have any knowledge as to whether the branch manager would be expected to have that information?

A. I would assume that he would not have that information.

Q. He would not?

A. He would not have that information.

Q. What is his authority with reference to the variation in the interest rates that he might charge on loans?

A. Well, he can set his own interest rate on loans.

Q. What is the range of authority that he has in setting interest rates on loans?

A. He has his own authority. He can do whatever he wants. Legally he cannot go over 6 per cent on individual loans, except for time credit.

Q. How far below that can he go?

A. Well, the prime rate today is 4½ per cent. We would assume that he would not make anything lower than 4½ per cent.

Q. Mr. Worstall, can you tell me what business your bank had in the area at the time this application was [fol. 1665] made? On Page 11 I believe there is some information on that.

A. Thank you. Yes.

"Business originating in general service area of proposed branch," 799 depositors, $1,703,000; 59 loans, $549,000.

Q. And this would be business which prior to the ap-

plication was being served by another office of your bank?

A. No doubt.

Q. And what were the estimates of the business which would be developed in this area after one year and after three years?

A. After one year, deposits between $2 million and $2,200,000 and loans between $600,000 and $800,000, and after three years deposits $2,700,000 to $3 million dollars and loans $1 million to 1 million 3.

Q. So that with respect to both existing business and projected business, you felt that deposits would substantially exceed the loans that were made in the area; is that correct?

A. Well, these figures show what it is. I don't know whether you call that substantial or not.

Q. Is that more than double in each case? The deposits [fol. 1666] would be more than twice the loans?

A. I don't think that would be a terrible disparity.

Q. I am not saying it is terrible. I am just trying to develop the fact.

A. What do you mean by substantial, then?

Q. I would say twice as much would be substantial.

A. Well, if that's what you mean, it is twice as much.

Mr. Reycraft: All right.

Will you mark as Government's Exhibit No. 92 a one-page document, Treasury Form 1928, which is the formal application for permission to establish the branch at Park Ridge.

(One-page document, Treasury Form 1928, formal application for permission to establish branch at Park Ridge, was marked Exhibit G-92 for identification.)

And will you mark for identification as Government's Exhibit No. 93 a ten-page document, with one attachment, headed "Information For Examiner in Connection With Proposed Branch of the Philadelphia National Bank in Ridley Township, Delaware County, Pennsylvania.

(Ten-page document with one attachment, headed "In-[fol. 1667] formation for Examiner in Connection With Proposed Branch of the Philadelphia National Bank in

Ridley Township, Delaware County, Pennsylvania" was marked Exhibit G-93 for identification.)

The Court: If you are going into that, Mr. Reycraft, can we clean the first one up now?

Cross-examination.

By Mr. Littleton:

Q. Mr. Worstall, when did this branch open? I am now talking about the so-called Park Ridge.

A. In June of last year.

Q. In June of 1960?

A. Yes.

Q. Will you address yourself to G-91, which is the information for the examiner which you submitted, and, in particular, to your answer to his Inquiry No. 13, "To what extent will the proposed branch enable the bank to serve more efficiently and thereby protect existing business?"

Will you tell us what the Philadelphia National Bank represented to the Comptroller with respect to this.

A. Would you give me that page?

[fol. 1668] Q. Page 12.

A. "13. To what extent will the proposed branch enable the bank to serve more efficiently and thereby protect existing business?"

Q. Yes.

A. The answer:

> "The proposed branch will enable us to serve more efficiently the accounts and loans of the bank which originate in the service area, for it is a widely recognized and accepted trend that bank customers are demanding conveniently located facilities. Our present customers must travel considerable distances over congested roads to bank in our Norristown office. These customers will tolerate inconvenience"——

Q. Is "inconvenience" the word?

A. "Inconvenience."

Q. Go ahead.

A. ". . . traffic congestion only so long before they will seek another bank not so difficult to reach. The increasing congestion in Norristown coupled with rapidly growing population and commercial activity in its suburbs, makes [fol. 1669] it particularly important for us to extend our coverage into areas removed from this congestion if we are to properly serve existing customers. Without convenient locations it becomes increasingly difficult to protect and retain existing business."

Q. And you subscribe to those reasons?

A. Yes.

Q. I suppose, because of the fact that you have only been open since the middle of last year, you are not able to say what the results of this branch are at the moment?

A. I think our Comptroller could give you some figures on that.

Q. But not you yourself?

A. I do not have them available, no.

Mr. Littleton: That is all. Thank you.

[fol. 1670] Mr. Reycraft: Will you mark as Government's Exhibit No. 94 a one-page document, Treasury Form 1928, "Application for Permission to Establish a Branch" in Ridley Township.

(Document entitled "Application of the Philadelphia National Bank for Permission to Establish a Branch" in Ridley Township, was marked Exhibit G-94 for identification.)

Direct examination. (Resumed)

By Mr. Reycraft:

Q. Mr. Worstall, when was the application made to establish a branch in Ridley Township?

A. January 19, 1959.

Q. Has that branch opened yet?

A. Yes, sir.

Q. How long has it been operating?

A. December 16th of 1960.

Q. Now, can you tell me the geographic area from which that bank office draws its banking business?

A. Yes.

Mr. Littleton: When you are saying this, you mean the primary area from which it draws its business, as I understand it?

[fol. 1671] The Witness: I think that's what you mean, is it not?

Mr. Reycraft: That is what I intended to convey, yes.

The Witness: Yes.

MacDade Boulevard is a very highly-developed shopping area. The A & P, the American Store, the Food Fair, the Penn Fruit are along that area.

The residential area is growing at a very rapid rate. I think it's as rapid, if not more rapid than, any other area in Delaware County.

Our service area would run in an irregular fashion, possibly two to three miles in radius. It would go south to the Delaware River and north to the Baltimore Pike, east on MacDade Boulevard about two miles, and west possibly two miles.

By Mr. Reycraft:

Q. Now, the area you have described is the area from which you would draw your business principally; is that correct?

A. We think so.

Q. Now, you would draw business from perhaps beyond that area in some cases, would you not?

A. We would hope to be able to, but I wouldn't want to be sure of that.

[fol. 1672] Q. Mr. Worstall, what type of banking business originates in the area that you have described?

A. We think it will be largely shopping, store centers, and residential.

We are also on a very fine highway connecting from the Industrial Highway on through to Swarthmore and so forth, and a lot of individuals that work along the Industrial Highway at Westinghouse, Scott Paper, use Kedron Avenue as a way to go home and a way to go to work; and we would hope that a good many of them would be served by our office, also.

Q. Now, can you tell me why at this time you thought there was a public need for that banking office?

A. We think there has been a public need for that office in that area for some little time.

Q. For what reasons?

A. Growing area, very rapid growth.

Q. The people in the area needed convenient banking services; is that it?

A. We were the only bank in Ridley Township at the time that we applied.

Q. And is this an area which you considered underbanked before you went in there?

A. It was definitely underbanked.

Q. Do you know what the population figures were for [fol. 1673] the office?

A. The population figures for Ridley Township, which is the township in which we are located—in 1950 the census was 17,212 people; and it was estimated in 1957 to be 31,490, and I think that is a substantial increase.

Q. Now, at page 8, Mr. Worstall, the application refers to the competitive effects of the proposed branch.

Would you read that paragraph for us, please.

A. What competitive effect is the proposed branch expected to create?

The answer:

> "The proposed branch would offer strong competition to the banks in the service area. This competition, for the most part, would be against branches of Philadelphia commercial state banks—Broad Street Trust Company, Fidelity-Philadelphia Trust Company, Provident Tradesmens Bank & Trust Company. There is only one branch of a national bank, the Delaware County National Bank in the area, and it is located at the egress southern boundary."

The Court: Extreme.

Mr. Reveraft: That is "extreme."

[fol. 1674] The Witness: I am sorry; it is blurred; it is "extreme."

By Mr. Reveraft:

Q. Would you continue with that?

A. "This competitive situation would be to the benefit of the public served. We believe that the area has suf-

ficient population and retail sales to warrant the establishment of additional banking facilities."

Q. Now, the three banks referred to in the earlier paragraph, are they each state banks?

A. The Broad Street Trust Company, Fidelity-Philadelphia Trust Company, Tradesmens Bank & Trust Company—state banks, yes.

Q. And the Delaware County National is, of course, a national bank?

A. Yes.

Q. What is the relevance of the fact that there is only one branch of a national bank in the area?

A. I don't think there is any relevance to that at all.

Q. What benefit did you think would result to the public from the increased competition in the area which is referred to in the next paragraph?

A. Are you meaning number 12?

Q. I am referring to the second paragraph in paragraph 11.

A. This competitive situation.

[fol. 1675] Q. Yes.

A. Would be to the benefit of the public served?

Well, fair competition is always good.

Q. Any particular reason for that?

A. I think not.

Q. Do you think perhaps your bank and the other banks would be more alert to provide services if they had competition?

A. I think it's a normal growth to improve competition and improve services all the time.

Q. And you think it is normal that when you have competition you will be alert to improve services?

A. I think in an area of this kind, it might be.

Q. Is there any area where it wouldn't be?

A. Well, I don't know that I am in a position to exactly answer that.

By the Court:

Q. How about 69th Street?

A. We covered 69th Street yesterday and we pointed out that our office has not been resulting satisfactorily to us since it was established.

There is adequate banking there, even though we would not be there.

By Mr. Reycraft:

Q. Mr. Worstall, referring to page 8 of the information [fol. 1676] for the Examiner which I have called an application from time to time, but which I guess strictly speaking is not, would you tell us what the existing business was in the area at the time the application in this information was furnished?

A. The business originating in the general service area of proposed branch?

Q. Yes.

A. At the present time, 945 depositors for deposit amount of $1,794,000; loans, 139 loans for an amount of $627,000.

Q. And your projected business?

A. The projected branch loans and deposits after one year, deposits, $2½ million to $3 million; loans, $1½ million to $2 million; and after three years, $4 million deposits to $4½ million; and loans, $2½ million to $3 million.

Q. And in each case the ratio of deposits to loans runs a little less than 2 to 1; isn't that correct?

A. After the three-year period, it's more than that—I am sorry, loans are—will you restate your question? I am afraid I misunderstood it.

Q. Yes. The ratio of deposits to loans runs a little less than 2 to 1?

A. That is right. We usually word it the other way and I was confused; I am sorry.

Q. All right.

[fol. 1677] Now, was one of the reasons that this branch was opened in this particular area to protect the existing business?

A. We always think it helps to protect existing business, yes.

Q. And this means, does it not, protected from competition?

A. It means that we are better able to serve our customer and we would hope we would hold him.

Q. You are better able to compete by having a branch in the area?

A. We are better able to serve.

Q. And to compete?

A. I don't know what our competition would be. If our competition is there, yes.

Q. You don't deny that you are competing for this business, do you?

A. We are always after business.

Q. And you are competing for it, aren't you?

A. We are not cutting rates.

Q. Well, how do you compete for it?

A. We offer good service.

Q. In other words, the competition takes the form of offering services rather than any sort of price or rate competition?

[fol. 1678] A. Well, we think convenience is number one.

Q. You think that is most important?

A. Service might be number two; of course, safety would come above everything.

Q. Safety of the deposits?

A. That's right.

Q. And where would you rate the competition with reference to your interest rates and service charges?

A. Again, I say I don't think we know what the service charges or what the interest rates are of our competing banks. I don't believe we do in that particular area, if that's what you mean.

Q. You don't have any knowledge, at least, of the service charges or the interest rates?

A. No, sir.

Q. One of the modes of competition is convenience, isn't it, convenience of service?

A. Very much so.

Mr. Reycraft: Will you mark as Government's Exhibit 95 a four-page document with the heading "Retail Division Proposed Ridley Regional Office."

(Four-page document entitled "Retail Division Proposed Ridley Regional Office" was marked Exhibit G-95 for identification.)

[fol. 1679] By Mr. Reycraft:

Q. Mr. Worstall, can you tell me what Government's Exhibit 95 is?

A. No response.)

Q. What I mean to suggest is, is it an internal memorandum in your bank?

A. Yes, it looks to me as though it was prepared by C. Donald Riddle on November 21, 1958, and it looks to me like an outline of his thinking in regard to the desirability of establishing a branch at MacDade Boulevard and Kedron Avenue.

Q. Is this the same branch we were just discussing?

A. Yes.

Q. Do you have any knowledge as to whether this is a recommendation which he made internally in the bank?

It appears to me to be and I just want to see if you can confirm that.

A. I would think so. There is a recommendation on the fourth page, that I have not read, although the first sentence is that it is recommended that a branch be located in this vicinity.

Q. All right. Would you read the last paragraph on the fourth page?

A. The last paragraph on the fourth page?

Q. Yes, sir.

[fol. 1680] A. "This branch recommendation would give us better coverage in Delaware County with 69th Street would have"——

May I read that again? I am afraid I lost these words.

"This branch recommendation would give us better coverage in Delaware County and with 69th Street we would have good representation throughout the lower eastern section of the County. This much needed coverage would enable us to compete more effectively with Delaware County National Bank, Fidelity-Philadelphia Trust Company, and Girard Trust Corn Exchange Bank."

Q. Now, in what manner would it permit you to compete more effectively with the Girard Trust Corn Exchange Bank?

A. I wouldn't have the faintest idea. They are four to five miles away from that location.

Mr. Reycraft: I don't know whether Your Honor's copy of the next document is as illegible as mine, but this is a

letter from Hollis S. Haggard, Chief National Bank Examiner, dated April 30, 1959, which we ask be marked as Government's Exhibit No. 96.

(Letter dated April 30, 1959, from Hollis S. Haggard, Chief National Bank Examiner, to Mr. Frederic A. Potts [fol. 1681] was marked Exhibit G-96 for identification.)

Mr. Reycraft: And I will read the last paragraph——

> The Court: "It has been concluded that the banking needs of the area are being adequately served and do not warrant the establishment of an additional branch unit. This application has therefore been disapproved."

Mr. Reycraft: Thank you, sir.

By Mr. Reycraft:

Q. I take it, Mr. Worstall, this is the same office we have been discussing?

A. Yes, sir.

Q. And that decision was later changed?

A. Indeed it was.

Mr. Reycraft: Will you mark as Government's Exhibit No. 97 a one-page document dated April 27, 1959, from Mr. George H. Renninger to Ellis B. Ridgway, Jr.

(Memorandum, The Philadelphia National Bank, dated April 27, 1959, from George H. Renninger to Ellis B. Ridgway, Jr. was marked Exhibit G-97 for identification.)

By Mr. Reycraft:

Q. G-97, sir, indicates, does it not, that one of the reasons for establishing this branch was to retain the business of [fol. 1682] your customers at the Scott Paper Company?

A. It mentions that in here, yes.

Mr. Reycraft: Will you mark as Government's Exhibit No. 98 a one-page document dated May 18, 1959, from George H. Renninger to Mr. E. Lawrence Worstall.

(Memorandum dated May 18, 1959, from George H. Ren-

ninger to E. Lawrence Worstall was marked Exhibit G-98 for identification.)

By Mr. Reycraft:

Q. Mr. Worstall, referring to Government's Exhibit No. 98, can you tell me whether there was any opposition by other banks in the area to the opening of the branch at MacDade Boulevard?

A. I am sorry, if there was any what?

Q. Opposition.

A. Opposition?

Q. You might examine the document, sir.

A. Well, I suppose I should read that part of it.

Q. Yes.

A. It says here it was his opinion that the most opposition had been raised by Delaware County National Bank. I have no knowledge of that whatsoever.

Q. You have no knowledge at all of that?

A. None whatever. I had no idea whether they objected [fol. 1683] or whether they didn't. We wouldn't know.

Q. Pardon me. You did receive a copy of this memorandum, didn't you?

A. I may have. I no doubt did. It was addressed to me.

Q. But you don't remember anything about it?

A. Well, I think the memorandum is sufficiently unimportant to ignore it completely. I don't think he had any reason to write such a memorandum. I don't think it was appropriate at that time.

Q. Well, however, that may be.——

A. It is unimportant.

Q. —you have no knowledge of any opposition——

A. No.

Q. —by Broad Street Trust?

A. Well, now, wait a minute.

Mr. Littleton: He didn't say that.

The Witness: No, you didn't say that, I don't think.

Mr. Reycraft: Just a minute.

The Witness: Back up.

Mr. Reycraft: Let me ask you a question.

The Witness: Right.

By Mr. Reycraft:

Q. Do have have any knowledge that at the time or at [fol. 1684] around the time this application was made there was opposition by the Broad Street Trust Company to the application?

A. I don't think I did at that time. Of course, I knew it later.

Q. When did you learn about it?

A. Well, when a suit was filed to stop us from opening the office after the approval had been given to us.

Now, I don't recall having had any conversations——

Q. What was the basis of the suit which was filed?

A. I don't believe I can recall, except that I believe he felt that the area was banked satisfactorily, and he didn't see the need of an additional office there. That's Broad Street Trust Company, I am speaking of.

Q. All right.

What was the outcome of that suit?

A. The suit was withdrawn voluntarily by the Broad Street Trust Company.

Q. Do you know why?

A. I think possibly it was realized that we had received approval on it and possibly there was a need, after all, at that particular location for that office.

Q. Do you have any knowledge as to whether any opposition was raised by the Delaware County National Bank? [fol. 1685] A. I have no knowledge whatsoever.

Q. Either before or after the application?

A. Either before or after. Nothing came direct to me on that.

Mr. Reycraft: Will you mark as Government's Exhibit 99 a two-page document dated June 3, 1959, a letter from E. Lawrence Worstall to Mr. Hollis S. Haggard, Chief National Bank Examiner.

(Two-page letter dated June 3, 1959, from E. Lawrence Worstall to Hollis S. Haggard was marked Exhibit G-99 for identification.)

By Mr. Reycraft:

Q. Mr. Worstall, this is a letter which you wrote after the earlier application was denied, is it not?

A. June 3rd was after the date you gave, I assume, yes.

Q. Was the branch approved shortly after this?

A. I don't recall the date. Maybe it is in some of our other papers. The date of approval, I don't recall.

Mr. Reycraft: Do you wish to examine on these documents?

Mr. Littleton: Are you finished with MacDade Boulevard?

Mr. Reycraft: Yes.

[fol. 1686] Cross-examination. (Resumed)

By Mr. Littleton:

Q. Mr. Worstall, will you address yourself to page 5 of the information for Examiner in connection with the proposed branch in Ridley Township?

A. What exhibit is that, please, Mr. Littleton?

Q. 93.

A. 93, and what page?

Q. 5.

A. 5, yes.

Q. At the time this application for this branch was originally submitted, what were the number of banking offices or, rather, what was the amount of population per banking office in this area?

A. In 1957 the population was 81,690 and per office 13,615.

After the PNB branch, there would be seven offices in the area, having a per-office population of 11,670.

Q. Have you any idea what the national average is of population per bank?

A. No, I don't. I think we usually figure seven to eight thousand, something like that.

Q. Seven to eight thousand?

[fol. 1687] A. Seven or eight thousand.

Q. As a matter of fact, since 1957, has this population grown?

A. The area has grown quite rapidly; I would assume in total it is higher.

Q. Residentially?

A. Residentially.

Q. Industrial?

A. Well, the population increase has come largely, I think, from the residential end. I don't know if there has been too much industrial development. There may have been.

Q. As a matter of fact, Mr. Worstall, since your application was approved Fidelity-Philadelphia Trust Company has got an approval from the State Banking Secretary to open another branch in the area, has it not?

A. Their application was filed after our original application was filed and there's was approved and they established their branch, yes.

[fol. 1688] Q. And the first Pennsylvania Company has gotten approval to open another branch in the area, have they not, since your application?

A. Since our application was filed, they filed, and they have approval for an office to be established within three-quarters of a mile of us on McDade Boulevard.

Mr. Littleton: That is all. Thank you very much.

Direct Examination.

By Mr. Reycraft:

Q. Would you say these two offices represent efforts by the banks referred to to compete with you?

Mr. Littleton: If you know.

A. I wouldn't have any idea.

Q. You wouldn't have any idea how they compete?

A. I would assume they want to protect their own business in that area, particularly knowing that we were going in there.

Q. Is it your observation, on the basis of your knowledge of the banking business in this area, that banks do compete by establishing branch offices?

A. Banks offer services that do compete with each other. I think their objective is to offer the best service they can [fol. 1689] to attract the public.

Q. And do you think they compete with each other?

A. I guess under those circumstances they would have to.

Q. And do you think that one of these forms of competition is to establish branches convenient to the customers.

A. Well, I would maybe put it in a little different way: From our viewpoint we feel we must establish branches to move with our people into the suburban areas to retain our business and hope to attract more.

Q. And if you don't move with them, do you think they may go to a more convenient office?

A. If we don't move with them, we might lose.

Q. And you might lose them to another commercial bank?

A. I don't know where they would go, but they would no doubt leave us.

Q. Where would they go for banking services?

A. Commercial bank.

By Mr. Littleton:

Q. Where would they go for their savings deposits, Mr. Worstall?

A. The question was where would they go for their [fol. 1690] savings deposits?

Q. Yes.

A. Mutual savings associations, savings and loan associations, mutual savings banks.

Mr. Littleton: That is all.

By Mr. Reycraft:

Q. Mr. Worstall, is there any area of whatever size in the Philadelphia area, in the four-county area, in which you have branches, in which you do not have banking business?

(No answer.)

The Court: Read the question.

(The last question was read.)

Mr. Reycraft: I will do that again.

The Witness: I throw up my hands and say I don't know.

Mr. Littleton: Wait a minute. He is going to ask another question.

By Mr. Reycraft:

Q. Mr. Worstall, is it a fact that your bank draws banking business throughout the four-county area where you have branches?

A. It is a fact that our bank draws business throughout [fol. 1691] the four-county area where we have branches?

Q. Yes.

A. Why, certainly. That is why we put branches in the area, to draw business.

Q. Is there any area in the four-county area where you do not have substantial business?

A. I wouldn't have the faintest idea.

Q. Really?

A. No, I don't know that we have made a survey on that. I haven't seen it. There are plenty of areas where we don't have branches in the four-county area.

Q. And is it your assumption that you don't have any banking business there?

A. No, that wouldn't be my assumption at all, no. I say I don't have definite direct knowledge. There may be a particular area of Keswick or Glenside that we might not have any business. I don't know.

Q. How often do you make surveys for the purpose of deciding where to locate a branch?

A. Our branch administration group is constantly looking for desirable locations—constantly.

Q. How many times a year would they examine a particular site or proposed site?

A. I don't think there would be that regularity to it. [fol. 1692] When they feel they come up with something, like we did here on McDade Boulevard, they would report it to us and we would review it and decide what we want to do, but we don't say to them, "You must come up with two applications a year or four applications a year." We do not do that.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 100 a one-page document dated May 27, 1959, a letter from William B. Carr, secretary-treasurer of the Philadelphia Clearing House Association, to members of the Clearing House Committee and members of the Bank Operations Committee.

(One-page document dated May 27, 1959, letter from William B. Carry, secretary-treasurer of the Philadelphia Clearing House Association, to members of the Clearing House Committee and members of the Bank Operations Committee, was marked G-100 for identification.)

By Mr. Reycraft:

Q. Can you tell us what the Philadelphia Clearing House Association is?

A. I am not a member of the Philadelphia Clearing House in the way of attending any of their meetings. I don't think I have ever attended one of their meetings.

[fol. 1693] Mr. Littleton: The question is, what is it?

The Witness: There a number of banks that are members of the Philadelphia Clearing House Association and have been for many, many years. How many, I can't tell you even. I don't know.

By Mr. Reycraft:

Q. Do you know what the Clearing House Association is?

A. Well, originally they were established to help clear checks between banks in Philadelphia, and it operated that way for many, many years, and I believe that that operation has been absorbed by others. I am not really sure. I think maybe our operations fellows would have to handle that for you because it is removed from my area.

Q. The Philadelphia National Bank is a member of the clearing house Association, is it not?

A. Yes, yes.

Q. You say you have never attended any meetings?

A. I may have attended one in substitution at one time, but I think only one, and that may be a couple of years or so ago.

Q. Are you a member of any of the committees of the Clearing House Association?

A. No, sir.

[fol. 1694] Q. Who from your bank attends the meetings?

A. Our president. In his absence, the executive vice president.

Q. Do you have any knowledge of the resolution of the

Clearing House Committee on March 6, 1959, concerning the submission of information to members of the Clearing House concerning branch applications?

A. No, sir, I do not. I have seen these things as they have come through, but I never saw the resolution.

Q. Do you get copies of these communications regularly?

A. I think they are passed around. They don't come direct to me. I may see them all; I may not.

Q. Do you know the purpose for which these copies are sent to you?

A. I am sorry. I don't know what the origin of the resolution was.

Q. Has it been your experience that you would get a copy of informational memoranda with respect to each new branch application in the area?

A. I see a good many of them. I don't know that I would see each one.

Q. But you do see a good many?

A. I see them as they come through, some of them.

[fol. 1695] Q. And these applications include those by banks other than the Philadelphia National Bank?

A. Yes.

Q. Do you have any knowledge of any application which have been made since March of 1959 as to which you have not received this type of informational memorandum?

A. I wouldn't have the faintest idea how many I received, from whom, whether it would be all or not.

Cross-examination.

By Mr. Littleton:

Q. Mr. Worstall, isn't it a fact that when an application is made to the Secretary of Banking of the Commonwealth of Pennsylvania for the establishment of a branch or for a cross-county merger, that the Secretary of Banking sends notice of such application to every other bank, state or national, within the area?

A. He very often will send a representative in to talk to us.

Q. Does he send notice to each bank within the area of the application?

A. I am not sure. I don't believe I could answer that in the affirmative. I am not sure.

[fol. 1696] Q. I will ask you a similar question with respect to the Comptroller of the Currency. Do you know that or would there be somebody else who would know that?

A. Usually in that case we do get a letter from a representative of the Examiner's Division in Philadelphia representing the Comptroller's Department, yes, we do.

Q. That is, if an application is made to the Comptroller for the establishment of a branch or for a cross-county merger?

A. I would have to qualify that and say I think he would send us a notice when it would be in an area where we have a branch.

Q. And you don't know about the State Secretary of Banking?

A. I am sorry. They every often send a man in to talk to us, but the report, I don't know.

By Mr. Reycraft:

Q. You don't have any knowledge either, do you, Mr. Worstall, as to whether the State Secretary of Banking or the Comptroller's office sends notices of the type Mr. Littleton described to the Clearing House Association?

[fol. 1697] A. No, I wouldn't know that.

Mr. Reycraft: That is all.

Mr. Littleton: I have no further questions.

The Court: We will take our break at this point.

(A 10-minute recess was taken at 11:00 o'clock A.M.)

Ellis B. Ridgway, Jr., affirmed.

Direct examination.

By Mr. Reycraft:

Q. Mr. Ridgway, are you an employee of the Philadelphia National Bank?

A. I am.

Q. What is your position, sir?

A. Vice president.

Q. And will you tell me what your duties are.

A. I am in charge of the retail division, which has the responsibility for branch operations performance, not the operating factor, but branch performance, installment credit, retail service.

Q. Whom do you report to in the bank, Mr. Ridgway?

A. Mr. Worstall.

[fol. 1698] Q. Who reports to you?

A. The area vice presidents, who may have responsibility for more than one office, the managers of unit offices, and the members of my immediate staff and branch administration and development, which are two men.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 101 a one-page memorandum dated January 3, 1961, to which is attached a four-page document headed "Exhibit G, Service Charges."

(One-page document dated January 3, 1961, with attached four-page document headed "Exhibit G, Service Charges," was marked Exhibit G-101 for identification.)

Q. Mr. Ridgway, did you have occasion during January of this year to review with certain of the branch managers, personnel of the Philadelphia National Bank, the service charges which were proposed to be put into effect by the merged bank?

A. I did.

Q. Will you refer to Government's Exhibit 101, Mr. Ridgway, and tell me whether you have had an opportunity to examine the attachment to Government Exhibit 101, which is Exhibit G on the application.

[fol. 1699] A. I have.

Q. Referring to the first page of Exhibit G, can you tell me what a maintenance charge is.

A. I would like to disqualify myself as an expert on the preparation, cost accounting, development of service charges.

Q. You do have knowledge, however—

A. Of the specific charges, that is right.

Q. Can you tell me what a maintenance charge is?

A. This is a charge which is made monthly, if it is a

monthly maintenance charge, to cover certain expenses incurred by the bank on a regular basis. I cannot tell you all the charges that are included in this particular one nor the expenses that go with it.

Q. Can you tell me what was proposed to be done with the maintenance charge of the Philadelphia National Bank after the merger?

A. It is my recollection that the Philadelphia National Bank accounts at the time of the merger, if it had occurred, would stay the same.

Q. Can you tell me what the maintenance charge would be for new accounts of the merged banks? You may refer to Exhibit G, Mr. Ridgway.

A. If I had the full application, perhaps I could. I [fol. 1700] have a recollection that something was said about the two banks.

(Mr. Reycraft handed to the witness Exhibit G-57, the application to merge.)

The Witness: May I ask for another Government exhibit? There is one somewhere where I have seen this comment. You have called into exhibit some statement as to what the procedure would be after the merger. May I have that, as your witness?

Mr. Reycraft: The only ones we recall, Mr. Ridgway, are the application, a copy of the service charge part of the application, which we identified as an exhibit, and Government's Exhibit 101, which contains a copy of what appears in the application.

The Witness: I will have to answer your question, in the absence of that, I don't know as of now.

The Court: Wasn't there an exhibit setting forth the differential in service charges, Mr. Reycraft? It seems to me we discussed these before and that there was an exhibit that had something to do with that.

Mr. Reycraft: Well, Dr. Gaffey prepared an exhibit in- [fol. 1701] dicating certain charges which went up and went down.

The Court: Yes. Well, that is the one that I am talking about.

By Mr. Reycraft:

Q. I hand you Government's Exhibit No. 45-A. Is that the one you are referring to?

A. That is not it, but it is my recollection that the Philadelphia National customers would have a choice, as would the other banks' customers, after the merger, and that was your question.

Q. My question now is, can you tell me by referring to Government's Exhibit No. 101 the figures which appear on the line after "Maintenance." Does that indicate that Philadelphia National Bank's charge for maintenance will be increased from 25 cents per month to 50 cents per month?

A. This statement says that.

Q. What does it indicate with reference to the change in the Philadelphia National Bank's charges on returns?

A. They are increased $1.

Q. And with reference to stopped payments?

A. That is increased $2.50.

Q. And with reference to certified checks?

[fol. 1702] A. Increased 50 cents.

Q. And with reference to official checks?

A. Increased 40 cents.

Q. And with reference to deposit items returned?

A. 15 cents.

Q. And with reference to additional statements?

A. 75 cents.

Q. These are all increases you are indicating?

A. Yes.

Q. Can you tell me, Mr. Ridgway, with reference to the balances from zero to $299, what the existing service charge is of the Philadelphia National Bank?

A. I would like that described by somebody who can do it with greater accuracy for the Court's benefit than I can do it.

Mr. Littleton: I didn't hear you.

The Witness: I would like someone to describe that with greater accuracy than I can for the Court's benefit. I can give you a layman's——

By Mr. Reycraft:

Q. If you know, Mr. Ridgway, your description will be satisfactory.

Mr. Littleton: Do you know?

[fol. 1703] The Witness: I do not know.

By Mr. Reycraft:

Q. You don't know what the Philadelphia National Bank's service charges are for balances from zero to $299?

A. I cannot explain how it would apply to an account or all accounts.

The Court: He didn't ask you that. He asked you what the charge is. Is it shown there? If it is, give it to us.

The Witness: Would you point out the item you would like me to report to you.

By Mr. Reycraft:

Q. Can you tell me, Mr. Ridgway, whether the sentence which appears under "Balances zero to $299" after "Remarks" and then the additional information refers to the Philadelphia National Bank's service charges for accounts with balances from zero to $299.

A. It does not.

Q. Do you know whether there is a service charge which the Philadelphia National Bank now charges for balances from zero to $299?

A. Our service charge is not limited to specific amounts, [fol. 1704] as I understand it, to specific breakdowns, as are listed here.

Q. Is there a service charge for an account in this range at the present time?

A. That is right.

Q. Do you know how much it is?

A. I know the earnings credit which is permitted on the balance on the new item charge. I don't know how it would apply to this particular segment, since there is no way of comparison.

Q. What is the item charge?

A. The item charge is six cents for each check drawn and three cents for each check deposited in an account of approximately this size, I would guess.

Q. Do you know whether any change is contemplated if the merger is approved?

A. Yes.

Q. What is the change?

A. The change is suggested in this schedule which you have before you, which suggests that we insfall for the merged bank a metered service which is described as on balances of zero to $299 there will be a charge of $1 and that that will permit five items free, and each additional [fol. 1705] item would be charged at the rate of five cents per item.

Q. Is this an increase over Philadelphia National Bank's existing service charge?

A. This is difficult, sir, and I tried to disqualify myself. Depending on the balance, for which there would be credit granted, and the amount of activity, it is difficult to say specifically what would be the difference, and I would guess that this would represent—well, I don't know.

Mr. Littleton: Do you know?

The Witness: I don't know.

Mr. Littleton: If Your Honor please, may I just interject at this point to say, when Mr. Reycraft told us he wanted to talk about service charges, I told him that the man who knew most about that was the vice president in charge of operations, senior vice president in charge of operations, Mr. Cooper. I have told him that on three or four occasions, but he for some reason or other seems to want Mr. Ridgway. Mr. Cooper is right in the court room, and I just suggest—

Mr. Reycraft: The documents indicate, Your Honor, that Mr. Ridgway has had an opportunity to survey service [fol. 1706] charges in connection with this proposed merger, and I think that—will, in fact, there are specific questions that I think only he can answer.

Mr. Littleton: I call your attention, if Your Honor please, to G-101, with the attached four sheets, which is presently before the witness, and Mr. Ridgway's name does not appear anywhere on such documents.

[fol. 1707] By Mr. Reycraft:

Q. Mr. Ridgway, do your branch managers ever have occasion to ask you about service charges?

A. They do.

Q. You are their boss, aren't you?

A. That's right.

Q. And if they want to find out about service charges, would they talk to you?

A. That's right.

May I volunteer this much—the construction, as I indicated before—the construction, the costs in the allocation, is an area in which I do not have anything directly under my responsibility. I am concerned with other aspects of service charges rather than construction and costing of them.

Q. Yes.

Well, now, I understand from your testimony that with respect to the balancing of charges for checks and for deposited items and the credits which are given for earnings, in varying accounts it may come out plus or minus; isn't that correct?

A. That's right.

Q. So that what you are indicating is that you do not [fol. 1708] know with respect to any particular account whether there would be an increase or not?

A. That's right.

Q. All right, sir.

Isn't it a fact that the $1 charge which is indicated on the first page of Exhibit G is a new charge?

A. That is a new charge for Philadelphia National Bank customers.

Q. Thank you.

Now turning to the next page of Exhibit G, which is the attachment to Government's Exhibit 101, will you tell me whether there is going to be a change in the charge by the Philadelphia National Bank for checks deposited?

A. That in the middle of the page you are referring to?

Q. The second line, checks deposited, personal, over $500.

A. There will be an increase.

Q. In what amount?

A. From 3 cents to 5 cents.

Q. That is for the the first how many items?

A. The first two thousand items.

Q. And over that amount?

A. Over that amount there will be an increase of 3½ cents.

Q. Per item?

[fol. 1709] A. Per item. The latter applies to balances over $2500.

Q. I beg your pardon?

A. I beg your pardon?

Mr. Reycraft: Would you read his answer?

(The reporter read the testimony as follows: "The latter applies to balances over $2500.")

By Mr. Reycraft:

Q. Now with reference to the charge for deposit tickets, what does the exhibit indicate?

A. That the deposit-ticket charge will remain the same.

Q. And that Girard would increase its charge to the Philadelphia National's charge?

A. 5 cents.

Q. Now with reference to earnings credits, will you explain what an earnings credit is?

A. An earnings credit is the amount credited to the customer against which is charged the operating costs, based on average balance and the rate.

Q. Is an earnings credit similar to interest?

A. No, it is not similar to interest.

Q. It is a payment, however, which the customer——

A. It is not a payment.

Q. Is it a credit?

A. It is an offset to expense.

[fol. 1710] Q. It only offsets his service charges?

A. That's right.

Q. And if the credit exceeds the service charges, there is no payment to the customer; is that correct?

A. That's right.

Q. All right.

Now, the exhibit indicates, does it not, that the earnings credit in effect at the Philadelphia National Bank would be the same after the merger?

A. That's correct.

Q. And it indicates, does it not, that the Girard will increase its earnings credits?

A. That's correct.

Q. Now with reference to deposit tickets for accounts for companies over $500, what does the exhibit indicate with reference to the Philadelphia National Bank?

A. Will you ask your question again?

Mr. Reycraft: Will you read the question?

(The reporter read the pending question.)

The Witness: That the deposit-ticket charge of 10 cents will be continued.

By Mr. Reycraft:

Q. And what does it indicate with reference to the Girard's charge for deposit tickets?

[fol. 1711] A. That it will be increased 5 cents.

Q. To the Philadelphia National Bank's charge?

A. (No response.)

Q. Now turning to the next page of Exhibit G which is attached to Government's Exhibit 101, what is indicated with reference to the change in the charge for nonsufficient funds with respect to Philadelphia National Bank?

A. It will be increased one dollar.

Q. And uncollected funds?

A. Increased one dollar.

Q. And postdated?

A. Increased one dollar.

Q. Overdrafts?

A. Increased two dollars.

Q. Deposited checks returned?

A. Increased 15 cents.

Q. Certified checks?

A. Increased 50 cents.

Q. Official checks?

A. Increased 40 cents.

Q. Register checks?

A. Remains the same.

Q. Stop payments?

A. Increased $1.50.

[fol. 1712] Q. And regular collections?

A. Remains the same.

Q. What is collection L of C?

A. Letters of credit.

Q. And what is the change there?
A. There is no change.
Q. And with reference to the Girard?
A. There is an increase of $1.50.
Q. Is the next abbreviation "Security Drafts"?
A. I can't answer that.
Q. You don't know?
A. I can't answer it positively.
Q. Well, do you have an opinion?
A. (No response.)
Q. Do you think you know?
A. I do not know.
Q. Well, the indication as it appears on the exhibit is "Collections—See. Dfts."
What does the exhibit indicate with respect to that item?

Mr. Littleton: Secured drafts, Mr. Reycraft.
Mr. Reycraft: Thank you, Mr. Littleton.
The Witness: The Philadelphia National charges remain the same.

[fol. 1713] By Mr. Reycraft:

Q. And Girard?
A. Increased 25 cents.
Q. And what is the charge which the Philadelphia National now makes for bulk currency deposited?
A. There is no charge.
Q. And for the Girard?
A. There is no charge.
Q. And what is to be the charge after the proposed merger?
A. $5 per hour or 5 cents per minute, 50 cents minimum.
Q. What change is indicated with reference to rolled coin?
A. With respect to——
Q. Philadelphia National.
A. Rolled coin, from 1½ per roll to 2 cents per roll.
Q. Did Philadelphia National have a minimum on this before?
A. I can't answer. It is not reported here. A minimum of 20 cents.
Q. There would be a minimum of 20 cents after the merger?

A. That's right.

Q. Now with reference to pay rolls, what is indicated with respect to Philadelphia National?

A. 15 cents per 100 units.

Q. And what is the change proposed?

A. $3 per hour or 5 cents per minute, with a 50-cent minimum.

[fol. 1714] Q. Do you know whether that is an increase?

A. I do not know whether this represents an increase.

Q. What is indicated with reference to the charge for wire transfers now in effect at Philadelphia National Bank?

A. Present charge, 25 cents.

Q. And after the merger?

A. $1.25 analysis plus direct change for out-of-pocket expense.

Q. What is indicated with reference to checks cashed?

A. Philadelphia National Bank has no set policy.

Q. And after the merger?

A. 20 cents plus item charge.

Q. What is indicated with reference to coupons per envelope?

A. The Philadelphia National charge remains the same.

Q. What happens to the Girdard's charge?

A. Increased 10 cents.

Q. What is indicated with reference to the charge for maintenance charge for correspondent banks?

A. Philadelphia National charge remains the same.

Q. And the Girard's charge?

A. Increased $1.

Q. And with reference to checks drawn?

A. The Philadelphia National charge remains the same.

Q. And the Girard's charge?

[fol. 1715] A. Increased from 5 cents and 4 cents to 6 cents.

Q. And for large volume, it remains the same, does it not?

A. It remains the same.

Q. What is indicated with reference to the checks-deposited charge for correspondent banks?

A. Philadelphia National charge remains the same.

Q. And the Girdard's charge?

A. Remains the same—no, excuse me. On volume less

than $5,000, its increased from 1½ cents to 3 cents; over 5,000, increased from 1 cent to 1½ cents.

Over $2,000, the Philadelphia National charge remains the same.

Q. Now, with reference to cash letters, what is indicated?

A. The Philadelphia National charges remain the same.

Q. And the Girard's charges?

A. Are increased from either 5—from 5 to 3 cents to 10 cents.

Q. And with reference to coupons per envelope?

A. The Philadelphia National charge remains the same.

Q. And Girard?

A. Increased 5 cents.

Mr. Reycraft: Do you wish to examine on this exhibit?

[fol. 1716] Cross-examination.

By Mr. Littleton:

Q. Mr. Ridgway, you have been testifying from or reading from 101, which was given to you by Mr. Reycraft; and more particularly you have been reading from four pages headed Exhibit G, which are obviously copies of pages 104 to 107 of the application of the two banks for permission to merge, which the Antitrust Division has introduced here as G-57. I said they are copies, except for the opening paragraph on the first page.

You have been just reading these figures off to Mr. Reycraft, have you not?

A. That's correct.

Q. Now, will you look at that first page of Exhibit G as handed to you by Mr. Reycraft in G-101 and tell me what it says is being proposed for the resulting bank for returns NSF, which is not sufficient funds, or uncollected funds?

I notice there was a charge for the charter bank of $2, of the merging bank of $2, and then what does it say on the exhibit Mr. Reycraft has handed you as proposed for the resulting bank?

A. On the copy he handed to me, the charge for the proposed bank is $3.

Q. And that 3 appears there in lead pencil or ink?

[fol. 1717] A. That's correct.

Q. Is that you marking?

A. That is not my marking.

Q. Will you refer to the Antitrust Division's Exhibit G-57 and tell me what that figure is in that, which is the application that has been made by these two banks. You will find it on page 104.

A. The charge on that document is $2.

Q. Not 3, as it is in this change that has been made in the exhibit Mr. Reycraft has handed you?

A. That is correct.

Q. Will you look at the next charge, stop payments, and tell me what is proposed for the resulting bank on the figures of G-101 that Mr. Reycraft handed you?

A. The charge for the proposed bank is $3.

Q. And again is that 3 put in in handwriting rather than typed?

A. That is overwritten.

Q. It is a 3 written over a 2?

A. Yes.

Q. And what is it on G-57, the application which the banks made?

A. $2.

Q. Can you understand why the change has been made?

[fol. 1718] A. I do not know.

Q. You didn't make it?

A. I did not.

Q. You don't know anything about it?

A. (No response.)

Mr. Littleton: That's all.

Mr. Reycraft: Will you produce the original of G-101, Mr. Littleton? This is a copy which was furnished to us by your bank.

Mr. Littleton: It is whatever you have.

Mr. Reycraft: We would like to have the original document.

Direct examination. (Resumed)

By Mr. Reycraft:

Q. Mr. Ridgway, did you have occasion to review the service charges as proposed in the application for approval with your branch banks?

A. I did.

Q. Did you circulate to them a copy of the proposed service charges?

A. I did.

Q. In what form did you circulate this information to the branch managers?

[fol. 1719] A. In the form of the proposal to merge, which is Government's Exhibit——

Q. 101 or 57?

A. No, this.

Q. 57?

A. 57.

Q. So that you circulated the entire Exhibit 57?

A. It is my recollection that nearly all of them got the entire——

Q. And it is your belief that the information which they relied upon was the information contained in the application in making their comments?

A. Yes.

Q. Now, Government's Exhibit No. 101, which contains an excerpt from the application, is a recommendation from the Service Charge Committee to the Chairman of the Operations Task Force Committee recommending that the service charges which appear on the attachment be adopted, is it not?

A. That is correct.

Q. And that recommendation was made prior to the time you reported to Mr. Cooper on the results of your survey of the branches; isn't that correct?

A. That is correct.

A Q. Now, Mr. Ridgway; will you tell me which of the [fol. 1720] banks you consulted with concerning the proposed service charges?

A. I can not do that from memory.

Q. All right.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 102 a two-page memorandum dated January 18, 1961, from Ellis B. Ridgway, Jr., Vice-President, to G. Edward Cooper, Senior Vice-President.

(Two-page memorandum dated January 18, 1961, from Ellis B. Ridgway, Jr. to G. Edward Cooper, was marked Exhibit G-102 for identification.)

By Mr. Reycraft:

Q. Now, referring to Government's Exhibit No. 102, can you tell me now the names of the managers with whom you reviewed these service charges?

A. W. Bruce Fye, Bucks County; George M. Renninger, Chester Area; Frank Dyer, Northeast; Frederick Erb, Citizens office in Pottstown; Alan Resendorf, Hatboro office; Harold Koch of the Lansdale office; C. R. Gillam, Jr., the Montgomery office in Norristown.

Q. And why did you select these branch managers?

A. These managers represent a good cross section of the several areas which are served by the bank. They represent a substantial number of customers and they include all offices where service charges differ from the [fol. 1721] central city Philadelphia service-charge schedule.

Q. Do you know the reason for the differentiation between the service-charge schedules in some of these offices and those in the central city office?

A. Would you be specific as to which office?

Q. All right. Bucks County.

A. This is the last office with whom our bank has merged. We contemplate centralizing bookkeeping, where there will be a similarity in costs and operations; and for that reason we have not changed the service-charge schedule with respect to the regular checking accounts since the merger.

Now, what is the name of the bank which was acquired, through which your bank obtained this office?

A. Delaware Valley Trust Company.

Q. Were its service charges lower than your bank's at the time of acquisition?

A. Sir, I am not trying to avoid your questions. There are areas in the service-charge schedule where the Philadelphia National charges differed and the effect on certain customers would be higher or lower, so that I can not give you a categorical answer that they were either higher or lower.

They were different and as indicated here some of the charges are lower than the center Philadelphia National charges.

[fol. 1722] Q. Is it a fact that with respect to the Bucks

County office the service charges of the acquired bank were maintained in effect?

A. Beg pardon?

Mr. Reycraft: Would you read that, please?

(The pending question was repeated by the reporter.)

The Witness: Generally, that's so; correct.

Mr. Reycraft:

Q. Now with reference to the Chester area office, do you know the reason for the difference in the service charges, if there was one?

A. This also is a centralized—decentralized office, which does its own bookkeeping and certainly the reason I have given you for the service charges remaining substantially the same—I can not give you exactly—substantially the same applied to the planned move to centralization, and undoubtedly competition has something to do with it.

Q. Now, was the Chester office also involved in an acquisition?

A. It was.

Q. Which bank was that?

A. Chester-Cambridge.

[fol. 1723] Q. Now with reference to the Northeast office, can you tell me the reason for the difference in the service charges at that office?

A. The service charges at the Northeast offices are the same as the Philadelphia National service charge schedule.

Q. And with reference to the Citizens office?

A. This office has been centralized and its charges are substantially the same as the central office, but they are not exactly the same.

Q. When was the Citizens office centralized?

A. Within the past—within the past year. The exact date, I don't recall.

Q. Was that office also brought into the Philadelphia National Bank group through an acquisition?

A. It was.

Q. And which bank was that?

A. The Citizens Bank of Pottsdown.

Q. Was the same service-charge schedule kept in effect until recently?

A. The changes that have occurred have been within the past year.

Q. And up until that time the service charges were the same as at the time of acquisition?

A. Substantially the same.

[fol. 1724] Q. Now, with reference to the Hatboro office, can you tell me the reasons for the different service charges?

A. I have nothing as to the reasons for service charges in addition to what I have already given. They would be substantially the same as Chester.

Q. With reference to Hatboro, was that involved in an acquisition?

A. That office was acquired through merger.

Q. Which bank was merged?

A. Hatboro National Bank.

Q. And when was it acquired?

A. May I refer to the exhibit?

Q. Certainly, you may refer to the application.

Mr. Littleton: Page 20, Mr. Ridgway.

The Witness: December 9, 1955.

By Mr. Reycraft:

Q. Has the same service-charge schedule been kept in effect since that date?

A. No.

Q. Has it been increased?

A. On balance, the charges have been increased, although there were adjustments rather than across the board.

Q. With reference to the Lansdale office, was that office involved in an acquisition?

[fol. 1725] A. It was.

Q. And what bank?

A. The First National Bank of Lansdale.

Q. And its service charges were different than the Philadelphia National central charges?

A. That is correct.

Q. Were they lower or higher?

A. On balance, at the time of the merger, I think they were lower.

Q. When you say "on balance," do you mean some were higher and some were lower?

A. I have indicated, I think, sir, that service charges cover a variety of items and our earnings credit may be higher or lower or the item charge may be higher; and it is the combination of these things that makes it difficult to speak in general about a number of items that make up the package; and that's my difficulty.

Q. On the basis of your familiarity with the branch's operations, it is a fact, is it not, that the net effect is higher?

Mr. Littleton: If you know.

The Witness: I can not speak from direct knowledge. I have indicated——

[fol. 1726] By Mr. Reycraft:

Q. You are in charge of these branches, are you not, sir?

A. That's right.

Q. Do you know if the net effect is higher or lower?

A. I was not in charge of the branches at the time of merger, if you will recall,——

Q. Do you know the answer to my question?

Mr. Littleton: I am going to object to the question, if Your Honor please, unless Mr. Reycraft specifies what type of customer and what service.

The Court: Read the question.

(The pending question was repeated by the reporter as follows:

"Q. Do you know if the net effect is higher or lower?")

The Court: If he can answer it, I will let him answer it. Overruled.

(No response.)

The Court: If you don't know, say so.

The Witness: I have said I don't know.

The Court: All right. That's the answer.

By Mr. Reycraft:

Q. Do you know whether there was an increase in the [fol. 1727] service charges on checking accounts in the Lansdale office?

A. Would you repeat the question?

(The pending question was repeated by the reporter.)

The Witness: I do not know.

By Mr. Reycraft:

Q. Do you know what the effect will be of the application of Philadelphia National central charges to the Lansdale office?

A. The item charges—the per-item charge will be increased. The earnings credit will be also increased.

Changes in others, I can not answer specifically what the net effect will be.

Q. Do you have copies of the existing service charges of these offices?

A. Not in my possession.

Q. No. Do you have them in your office?

A. I do. I think they are——

Q. Will you bring them with you after lunch?

A. I will.

Q. With reference to the Montgomery office, can you tell me whether this office was involved in an acquisition?

A. It was.

Q. What bank?

[fol. 1728] A. Montgomery County National Bank.

Q. Are the service charges in effect at this office higher or lower than the Philadelphia National Bank's central-service charges?

Mr. Littleton: The same objection I made before, unless Mr. Reycraft is specific.

By Mr. Reycraft:

Q. Do you know the answer?

A. I must give the same answer. The per-item charges are different, the earnings credit is different.

Unless we had the balances per account, I don't know how I could answer the specific statement.

Q. Now, Mr. Ridgway, when you conducted your survey of the managers of the areas as you indicate in your

memorandum, you received copies of reports and recommendations from each of them, did you not?

A. I did.

Q. Now will you read the paragraph on the first page of Government's Exhibit 102 which describes their reaction?

A. "The reactions vary among the group depending largely on present and prospective competitive conditions. There is little concern with respect to center city based competitors, because they may be expected to have similar [fol. 1729] operating costs and a similar inclination to set charges approximating ours. The independent banks, which generally have lower charges (because of lower operating costs, lack of knowledge of costs, or of a desire to grow at the expense of current earnings) are a source of concern to those Managers who presently compete with them. Note that three Managers strongly recommend that the proposed charges not be installed in their areas (Pottstown—both Regular and Special; Chester—Regular; Norristown—Special)."

Q. Will you read the last paragraph of your memorandum on page 2?

A. "General comments: Our service charges on Regular and Special accounts should be increased"——

Mr. Littleton: Checking accounts.

The Witness: ". . . Regular and Special Checking accounts should be increased and should be uniform among offices. It is unfortunate that increases occur at the time of the merger as this could create an unfavorable reaction to the merger itself. Increasing our charges will result in a loss of customers and deposits and have a depressing effect on future customer and deposit development efforts—[fol. 1730] how much—will depend somewhat on the amount by which our prices exceed those of our competitors."

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 103 a three-page document which is a memorandum from W. Bruce Fye to Ellis B. Ridgway, Jr., Vice-President, dated December 5, 1960.

(Three-page memorandum dated December 5, 1960, from W. Bruce Fye to Ellis B. Ridgway, Jr., Vice-President, was marked Exhibit G-103 for identification.)

[for. 1731] Q. Mr. Ridgway, what branch office is Mr. Fye manager of?

A. He is area vice president in charge of the Bucks County offices.

Q. And what were his conclusions with reference to the proposed service charges on special and regular checking accounts?

(No answer.)

Q. Referring to the first page of his memorandum, did he indicate to you that he thought it would be desirable for some of your competitors to raise their service charges to your level?

A. That seems perfectly reasonably from an operating man's standpoint.

Mr. Littleton: Can I hear that question again, please?

(The last question and answer were read.)

Mr. Littleton: Where does it say that?

By Mr. Reycraft:

Q. Will you read the first sentence in the second paragraph on the first page, Mr. Ridgway.

A. "I would feel that the increase in maintenance charge would be acceptable if we felt that Fidelity and [fol. 1732] First Pennsylvania Company would be increasing their maintenance charge to a similar amount."

Q. Now, is Fidelity a competitor of your bank?

A. It is.

Q. Is First Pennsylvania?

A. It is.

Q. Does the memorandum also indicate that there was an increase in your maintenance charge in early 1960?

A. This refers to special checking.

Mr. Reycraft: Can you answer my question?

The Court: Read the question.

(The reporter read as follows:)

"Q. Does the memorandum also indicate that there was an increase in your maintenance charge in early 1960?"

A. Yes. This refers to special checking, not regular checking, and represented a change in procedure rather than necessarily an increase in amount.

Q. You lost a number of accounts at that time, didn't you?

A. That is correct.

Q. And does the memorandum indicate that for those customers who drew only one or two checks a month the [fol. 1733] maintenance charge would considerably increase the cost of the service to him?

A. That is correct, and those that wrote more than very few checks, the 10-cent lower per check charge was attractive.

Q. You haven't made any study of that, have you?

A. No study of it.

Q. Do you know, with reference to the regular checking accounts with balance from zero to $299 what were Mr. Fye's conclusions as communicated to you with reference to the competitive advantage or disadvantage?

A. His conclusions are that with each bank having a maintenance charge of a dollar, and the competing bank giving a certain number of free checks for the dollar, he would be at a competitive disadvantage with respect to this particular service charge, particular section of the service charge schedule.

Q. And it adds also, does it not, that this applies unless Fidelity contemplated making some adjustment in their charge?

A. Yes, that is right; that is correct.

Q. Now, referring to the second page of Mr. Fye's [fol. 1734] memorandum to you, in the paragraph headed "Personal—Over $500 Analysis," what was Mr. Fye's conclusion with reference to the comparison between First Pennsylvania and Fidelity charges?

A. "There has never been an item charge for deposit tickets in the area and the imposition of this charge would, I am sure, cause considerable controversy with our customers, with First Pennsylvania Co. and Fidelity charging only 5 cents for the deposit ticket. This could well be troublesome."

Q. What were his conclusions with reference to company accounts over $500 analysis, with respect to the proposed charge for deposit tickets?

A. "The proposed charge for deposit tickets would be of some consequence with this type of account but, in my opinion, not nearly as difficult to explain as in the case of the Personal accounts referred to above."

Q. Would you read the sentence which begins at the bottom of Page 2, beginning, "I would seriously question."

A. May I have that reference, please?

Q. Yes, the sentence which begins at the bottom of Page 2 and continues over on Page 3.

A. "I would seriously question the wisdom of disturb-[fol. 1735] ing the service charge situation until we were convinced that Fidelity and First Pennsylvania Co. were going to make some upward revision in their charges."

Q. And would you continue reading that to the end of the page.

A. "If it is felt that this is the case, I would feel that on balance the proposed charges are realistic and should be adopted. It would be my further conviction that we would lose a certain number of accounts but that the dollar balances involved would be insignificant. The value of serving this type of customer is questionable but, nevertheless, they do represent customers, and in some sense of the word The Philadelphia National Bank is their bank."

Mr. Reycraft: There is also attached to Government's Exhibit No. 102 a one-page memorandum from George M. Renninger, vice president, Chester area offices, to Ellis B. Ridgway, Jr., vice president, main office, and the date is illegible.

May we also have the original of this document?

Will you mark this document as Government's Exhibit No. 104.

[fol. 1736] (One-page memorandum from George M. Renninger, vice president, Chester area offices, to Ellis B. Ridgway, Jr., vice president, main office, date illegible, was marked Exhibit G-104 for identification.)

Q. Mr. Ridgway, Government's Exhibit No. 104 is a memorandum which was sent to you by Mr. George M. Renninger, is it not?

A. That is correct.

Q. Do you recall seeing this memorandum?

A. I do.

Q. And is it one of the memoranda that you forwarded to Mr. Cooper with your memorandum of January 18, 1961?

A. It is.

Q. Can you tell me what the source of the service charges is which is indicated at the top of Government's Exhibit 104.

A. The service charge schedule presently in effect in the Chester area offices.

Q. And this is the same schedule, is it not, which has been continued since the time this bank was acquired?

A. With one exception, that is correct.

Q. And does the memorandum to you indicate why this schedule of service charges was maintained in effect?

[fol. 1737] Mr. Renninger states his opinion. Would you like me to read it?

Q. What did he tell you?

A. "This has been done to meet competition from the local bank which has service charges in some instances even lower than ours. In a discussion of this problem with G. M. Stull of our Advisory Committee, he emphasized that any change upward in our charges would result in a flow of accounts to Delaware County National Bank. He firmly believes that J. N. Pew would welcome the opportunity to secure the additional accounts and that the DCNB people are not presently concerned with earnings from Service charges except as they might apply to such charges as NSF —Uncollected Funds, Post dated checks and the like."

Would you like me to continue?

Q. Yes, will you indicate what happened when the Fidelity applied its Philadelphia charges in this area.

A. "The Fidelity lost a great many accounts in number and volume when it applied Philadelphia area charges to its local Chester area accounts—it would appear that our experience would be the same. I would not recommend a change now in light of our need for regular checking accounts."

[fol. 1738] Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 105 a one-page memorandum dated December 23, 1960, from Frank Dyer, to Ellis Ridgway.

(One-page memorandum dated December 23, 1960, from Frank Dyer to Ellis Ridgway, was marked Exhibit No. G-105 for identification.)

By Mr. Reycraft:

Q. Mr. Ridgway, referring to Government's Exhibit No. 105, does this exhibit indicate that there has been a recent increase in service charges?

A. It does not.

Q. At the end of the second paragraph the sentence appears:

"This is gratifying in view of the recent increase which PNB put through."

I take it this refers to charges on special checking accounts. Do you understand what Mr. Dyer was referring to in the memorandum to you?

A. Yes, that was a change in registered check charges, which are a for sale item, and I did not consider that part of the general service charge schedule, in my recollection, and that charge went into effect sometime ago. The exact date I do not remember.

[fol. 1739] Q. What was Mr. Dyer's comment to you on the increase in the stop payment charge?

A. "It does seem that we are going pretty far in raising the stop payment charge from $.50 to $2.00, recognizing that this is the kind of thing that cannot always be controlled by the customer. This would represent a 400% increase over our present level and I see that the Service Charge Committee had recommended a price tag of $1."

Q. Now, Mr. Ridgway, with reference to the next paragraph, where Mr. Dyer referred to the technique planned for handling regular check balances under $500, do you know the source of his information that this system will be used by all of the city banks except the First Pennsylvania?

A. This is a fact which existed, so far as our information, that the metered service was then and continues to be used by all the Philadelphia banks. This would not represent a change.

Q. Will you read the last sentence of that paragraph and tell me what you understood him to mean by that sentence.

A. "It is probably good politics to keep the maintenance charge where it is, at least for the time being."

[fol. 1740] Q. And what did you understand him to mean by that?

A. He participated in the Philadelphia National Bank's analysis and investigation of its costs and service charges. He was familiar with the cost developed in that, and he had undoubtedly a feeling that these costs were less than he thought appropriate and wondered whether or not—I think a normal one—how long can we continue a particular set of prices against the cost of doing business.

Q. Did he also indicate that he considered the charge for cashing checks a double charge?

A. This is an error of interpretation, and the comments in pencil on the side, which I am sure are illegible——

Q. They are, indeed.

A. This referred to an analysis charge to certain large industrial accounts for the service offered. It was not a charge made against the individual people who might come in and cash checks, that kind of thing.

Q. So that his conclusion as expressed in this paragraph is inaccurate?

A. I think that is correct.

Mr. Reycraft: Will you mark as Government's Exhibit [fol. 1741] No. 106 a one-page memorandum dated January 5, 1961, from Willard M. Bickel to Ellis Ridgway.

(One-page memorandum dated January 5, 1961, from Willard M. Bickel to Ellis Ridgway, was marked Exhibit G-106 for identification.)

By Mr. Reycraft:

Q. Mr. Ridgway, this is a very brief document. Would you read it.

A. "I am returning the application for approval to merge. Mr. Erb and I have reviewed the application, especially the part pertaining to the proposed service charges on Regular and Special Checking Accounts. We

both feel that it would be rather difficult to adopt all of these charges in this area in as much as we have recently increased our charges and are now on a competitive basis with the Pottstown Banks. However, we have competition with the surrounding banks in the area where little or no service charges are used. We have lost several accounts to them. We feel that we cannot make these adjustments at this time. We are always willing to cooperate wherever we possibly can but feel that some of these changes would be rather difficult to explain to our customers at this time.

[fol. 1742] "Thank you for giving us the opportunity to review the enclosed application."

Q. Mr. Ridgway, what did you understand Mr. Bickel to mean by his statement that you are now on a competitive basis with the Pottstown banks?

A. The service charge schedule on a per item charge basis is not identical with any bank. The maintenance charge is different than the main office one. The earnings credit is somewhat different, although they have a charge which, on accounts in the area, they believe is reasonably competitive—it might be over or below—and therefore they feel that they are in about the right position to serve the public and to live with the service charge schedule they have.

Q. Did you understand it to mean that they were approximately the same as the Pottstown banks?

A. On balance, I think that is correct,

Q. And this is what he meant by being on a competitive basis?

A. That is right.

Mr. Reycraft: Will you mark as Government's Exhibit No. 107 a one-page memorandum dated January 12, 1961, from Mr. Alan Resendorph, Assistant Vice President, Hatboro office, to Mr. Ellis Ridgway, Jr., vice president.

[fol. 1743] (One-page memorandum dated January 12, 1961, from Mr. Alan Resendorph, assistant vice president, Hatboro office, to Mr. Ellis Ridgway, Jr., vice president, was marked Exhibit No. G-107 for identification.)

By Mr. Reycraft:

Q. Mr. Ridgway, referring to Government's Exhibit No. 107, what does the exhibit indicate with reference to the service charge in effect at the Huntingdon Valley office?

A. "The nearby Huntingdon Valley Office has been using the First Pennsylvania main office charge. The manager informs me that they had reaction and loss of accounts when first put into effect. That has since disappeared and the charge is working out satisfactorily in the community. Their charge is very much like our proposal."

Q. Whose office is the Huntingdon Valley office?

A. First Pennsylvania Company for Banking and Trusts.

Q. And does this indicate to you that there was an increase in the service charges of that office?

A. That indicates that there was.

Q. And what did the report of Mr. Resendorph to you indicate with reference to the comparison of your bank service charges with the Bank of Old York Road and [fol. 1744] Doylestown National?

A. "Sample account comparisons with Bank of Old York Road and Doylestown National indicate that our charges will be relatively hight. Neither bank is at this time considering any changes in their program. Consequently, we will have some attrition when the change occurs because their charges will be lower than ours."

Q. Does the memorandum also indicate there was an increase in your charges in March of 1958?

A. It does.

Q. And does it indicate that a loss in accounts of about $200,000 might be anticipated?

A. It does.

Q. And what is the conclusion of this memorandum as indicated in the last paragraph?

A. "However, I must point out our charges will automatically work to our disadvantage in getting new business. The present lower charges of our two competitors has already been a problem in that regard. With our charges going up and theirs remaining the same this will continue to be a problem in our business development program."

The Court: I think it is close enough to 12:30 to recess.

[fol. 1745] (Recess taken at 12:28 P.M. until 2:00 o'clock P.M.)

[fol. 1746] [File endorsement omitted]

AFTERNOON SESSION

Present: Counsel as before noted.

PLAINTIFF'S EVIDENCE (Resumed)

ELLIS B. RIDGWAY, JR., resumed.

By Mr. Reycraft:

Q. Mr. Ridgway, have you been able to obtain copies of the service charges at the branches which I requested of you?

A. The material is being prepared and I don't know whether it has arrived yet or not, sir.

Mr. Reycraft: All right. Will you mark as Government Exhibit 108 a document which has just been handed to me, headed "P. N. B. Special Checking Account Charges and Procedures."

(Document entitled "P. N. B. Special Checking Account Charges and Procedures," was marked G-108 for identification.)

Mr. Reycraft: And as Government's Exhibit 109, a document which consists of two pages joined together by [fol. 1747] Scotch tape, with various columns, one of which is rates, another policies and procedures, and columns for rates at Chester, Pottstown, Hatboro, Lansdale, Norristown, and Bristol.

(Document of tabulations of service charges was marked Exhibit G-109 for identification.)

Mr. Reycraft: I would like to study these documents before examining you on them, Mr. Ridgway.

Will you mark as Government's Exhibit No. 110 a one-page memorandum from Mr. Harold K. Koch to Ellis B. Ridgway, Jr., dated January 13, 1961.

(Memorandum dated January 13, 1961, from Harold K. Koch to Ellis B. Ridgway, Jr. was marked Exhibit G-110 for identification.)

The Court: Were those other two documents marked 108 and 109?

Mr. Reycraft: Yes, sir; we will have copies.

The Court: They were the schedules of charges?

Mr. Reycraft: Yes, sir.

The Court: All right.

By Mr. Reycraft:

Q. Mr. Ridgway, referring to Government's Exhibit No. 110, which contains Mr. Harold Koch's recommendations to you, would you read the last two paragraphs of this document?

[fol. 1748] A. "The timing of effecting increased service charges could be very important. If an increased set of charges should become operative immediately after the merger, it might be that the average person would blame it on the merger rather than understand it as a natural increase due to increased costs.

"Concerning our recent telephone conversation—it would seem proper to be mindful of our area competition when considering an increased service charge schedule. A satisfactory solution regarding the matter discussed would assist us very greatly. Even so, the influence exerted by our competition in the peripheral area (such as Chalfont, Harleysville and Souderton) could affect a number of our customers."

Q. Mr. Ridgway, what competition is referred to in this memorandum, as you understood it?

A. As I understood it, Mr. Koch was a strong proponent of our present service-charge arrangement, that is, the full analysis of accounts rather than a metered basis; and he felt in his mind, contrary to many, as is described in his first paragraph, that the metered charge would be difficult.

It is my recollection—this goes back, you see, some time —that he would like to see our present arrangements [fol. 1749] continued.

Now, whether that would happen or not, I was not able to say, but he spoke again to his very strong conviction as to method, as I recall it. I don't remember all that occurred in that conversation.

Q. Now, in referring to area competition, was he referring to other banks in the area?

A. I think so. That's my recollection, that he was referring to bank competition.

Q. Which banks did you understand to be the area competition?

A. I will have to think a minute.

In addition to those mentioned would be Peoples National Bank of Norristown, which has a number of offices throughout Montgomery County, Montgomery County Bank & Trust, and there is a bank in Hatfield, it is my recollection.

Q. The reference to "the influence exerted by our competition," does this mean influence of service rates on, for example, taking customers away from you?

A. Would you repeat that question, please?

Mr. Reycraft: Yes. Would you read it, please?

(The pending question was repeated by the reporter.)

The witness: I think that's in connection with deposit [fol. 1750] customers, and competition covers the whole broad area of commercial banking in the broad sense.

By Mr. Reycraft:

Q. Did you understand this to mean that the proposed increase in service charges might result in the competition taking away some of your customers?

A. I think that's entirely possible.

Q. And this was your understanding?

A. Yes.

Mr. Reycraft: Will you mark as Government's Exhibit No. 111 a two-page document from Carl Holtby to Ellis B. Ridgway, Jr., subject: Merger Application and Service Charges."

(Two-page memorandum dated January 27, 1961, from Carl Holtby to Ellis B. Ridgway, Jr., was marked Exhibit G-111 for identification.)

By Mr. Reycraft:

Q. Mr. Ridgway, referring to Government's Exhibit No. 111, the document refers to shoppers. Can you tell me what you understood that term to mean?

A. Those people customers who inquire about our services and the price or cost of our service to the customer.

Q. These are people who look for the lowest-available service charge?

[fol. 1751] A. Some of them would be.

Q. And that is your understanding of what the term meant?

A. Some of them would be that.

Q. And that is your understanding of what the term meant?

A. Yes.

Q. What does the memorandum indicate with reference to the relationship between your new service charges and those of your local competitors?

A. Do you have reference to a particular part? I haven't read it.

Q. Well, the last sentence in the second paragraph.

A. Mr. Holtby, as a manager, takes the opposite view from Mr. Koch that I just reported. After having spoken to the shoppers, there were times when he would lose potential accounts because of the size and complexity of our service-charge program.

> "Although these situations have been very infrequent of late, nevertheless, I think the new plan will be more easily explained to the layman and although it is not as inexpensive as our local competitor's, it seems close enough to be competitive."

Q. What does the memorandum indicate with reference to the charges for miscellaneous services, such as certification, stop payments, and so forth?

[fol. 1752] A. "I am a little bit concerned with the substantial increase in charges for certain of the miscellaneous

services such as certifications, stop payments, etc. I wonder if we are actually obliged to mention these costs when the services are requested? The only other item in the regular checking program that gives me some concern, and it always has, is the cost of our deposit tickets (10 cts). In looking over all the other banks listed, I could not find one whose item charge was as high. Frankly, I think this is oftentimes the most difficult cost to substantiate to a prospective customer. Also, I am curious to know if company accounts under $500 would be analyzed on our present plan or in the same fashion as the proposed individual account analysis. I know it is difficult for the center city banker to realize it but we do have such company accounts although, fortunately, they are not numerous."

Q. This refers to commercial accounts under $500; is that correct?

A. That's right.

Q. Now will you continue and tell us what the memorandum indicates with reference to the comparison with the Girard Bank?

[fol. 1753] A. "I am pleased that we will retain our program for special checking accounts, but suspect that due to our proximity to several offices of the Girard Bank, some questions may arise as to the monthly maintenance fee discrepancy (25 cts.—50 cts.). Might I assume that we would just go ahead and transfer such accounts to this office . . ."

And then my copy becomes illegible.

Q. So does mine.

Mr. Littleton: The word "just" is here.

The Witness: I am sorry; many other words are illegible as well.

By Mr. Littleton:

Q. Do you mean that you don't have the next page?

A. It's illegible.

Mr. Reycraft: I can complete the sentence—". . . just as if they were coming from another bank if the question arises?"

The Court: ". . . the question is raised?" it says on my copy.

Mr. Littleton: Raised.

The Witness: This copy is sufficiently legible, I believe.

Mr. Reycraft: If the question is raised?

[fol. 1754] Mr. Littleton: That is what it is.

The Witness: Coming from another bank if the question is raised.

Mr. Reycraft: May I examine that?

By Mr. Reycraft:

Q. I think it might be best if you read it into the record, since the other copies are illegible.

A. Reading:

"We have on a number of occasions heard comments concerning Girard's special checking 'cardboard check' and I am glad that we will not have to use it for our accounts. I don't believe it has been well accepted in this area. I assume also that we will be given the necessary supplies for the Girard special checking accounts so that their customers in this area can be accommodated. It would be my hope, too, that eventually this difference would be resolved so that a uniform package would be offered in the area. I know from experience that even out here we did have some problems after the Gimbel Bank merger in supplying folks with the proper deposit tickets and checkbook styles."

[fol. 1755] Mr. Reycraft: Will you mark as Government's Exhibit No. 112 a one-page document dated February 1, 1961, from J. M. Minster to Mr. Ellis B. Ridgway.

(One-page document dated February 1, 1961, from J. M. Minster to Mr. Ellis B. Ridgway, was marked Exhibit G-112 for identification.)

Q. Mr. Ridgway, with reference to Government's Exhibit No. 112, will you just read the last paragraph.

A. "If the increases proposed became effective in my area as of now or after merger, I cannot see anything but an improvement. I personally have never felt that our approach to 'eliminating' constant offenders was equal to that of our competitors who simply will not tolerate any deviation from sound banking procedures."

Q. This has reference to the increase in charges for uncollected, post dated, and so forth?

A. This has to do with are often referred to as the penalty charges, which, of course, are not substantial in number within our own bank's operation.

Mr. Reycraft: Will you mark as Government's Exhibit No. 113 a two-page document dated January 16, 1961, from Cliff Gillam in Montgomery to Ellis Ridgway.

(Two-page document dated January 16, 1961, from Cliff [fol. 1756] Gillam in Montgomery to Ellis Ridgway, was marked Exhibit G-113 for identification.)

Q. Returning for the moment to Government's Exhibit No. 112, Mr. Ridgway, by eliminating constant offenders what did you understand Mr. Minster to mean?

A. Those who continually overdraw their account or otherwise do things with their checking account that we would prefer that they not do, and they offend normal banking practice and should be penalized.

Q. Referring to Government's Exhibit No. 113, this appears to be a report from Mr. Gillam to you in which he tells you about conversations he has had with other banks concerning service charges. Would you read the first two paragraphs of that memorandum.

A. "We have reviewed the proposed service charge schedule for the merged bank and have also sounded out the other banks in a very p--liminary way on the likelihood of an adjusting service charge schedules upwards.

"I believe the Montgomery County Bank and Trust Co. would look with favor upon a revision of Regular Checking Account charges and the officer in charge of their operations at the present time is thinking of a $1.00 maintenance charge, a charge of 5 cents per item drawn and deposited and an earnings credit of 15 cents per hundred of collected [fol. 1757] balance per month. This is his thinking and has not progressed much further than that, I don't think. He feels that the Special Checking charge of 10 cents per check when posted and a 25 cents maintenance charge are about right, however, and it is doubtful whether they would want to make any changes in this schedule. Their charges on Regular Checking Accouns are now somewhat higher than ours in as much as they apply a 10 cent per month earnings

credit less reserve and float and als. they use the lower balance rather than the average balance for small personal checking accounts."

And then there is a reference here:

"Our earnings credit is 10 cents per hundred per month on the gross average balance."

"Their item charge is 4 cents for items drawn and deposited at present (same as ours.)"

Q. What does the memorandum indicate with reference to Mr. Gillam's conversation with the personnel at the Peoples Bank?

A. "The attitude of the Peoples Bank is somewhat hard to determine but I gather that they will not be thinking in terms of revision in charges until at least the latter part of this year, however, they are now charging five cents an item deposited or drawn compared to 4 cents for ourselves [fol. 1758] and Montgomery County Bank and Trust Co. so that their charges are already somewhat above ours. On their Special Checking Accounts, they sell checks for 10 cents each with a 25 cent maintenance charge."

Q. And in Mr. Gillam's recommendations what does he indicate with reference to his competitive disadvantage of increasing maintenance charge?

A. "Special Checking—We would like to keep our present Special Checking Account service charge schedule of 25 cents per month maintenance charge plus 10 cents charge per check. We feel we would be under a real competitive disadvantage if we raised our maintenance charge to 50 cents. We would be satisfied to sell checks for 8 cents and 10 cents as Girard does so long as we could keep a 25 cents maintenance charge. If it is necessary to go to a 50 cent maintenance charge, we would then prefer to sell checks at 8 cents and 10 cents each rather than to post a 10 cent charge against the account. The reason for this is that the 'thrifty fifty' package would give us an offset to our higher maintenance charge until such time as the local competitors come into line. We do not believe that it would be wise for the merged bank to have two separate schedules for Special Checking Accounts."

Q. Mr. Ridgway, do you know the identity of any other [fol. 1759] banks with whom Mr. Gillam discussed these service charges?

A. I do not.

Q. Are these the only two banks in his immediate area?

A. No.

Q. What other banks are in that area?

A. Bridgeport National Bank is just across the river. That would be the only commercial bank in his general trade area, except First Pennsylvania Company, which has applied for an office. To the best of my recollection, that would be commercial banks involved.

Q. Do you know the identity of the officer in charge referred to at the Montgomery County Bank and Trust Company?

A. I can't recall.

Q. Did you make any report to any of your immediate superiors on any of these recommendations other than that which is contained in your covering memorandum to which we have previously referred?

Mr. Littleton: G-102, you mean?

Mr. Reycraft: Yes, G-102.

A. I don't remember any other report.

Q. Were you surprised that Mr. Gillam would discuss service charges with his competitors in the area?

[fol. 1760] A. No.

Q. Is this the usual practice?

A. I think the manner and the extent to which he discussed it, I think this is pretty good competitive banking if he tries to find out, not only what is going on, which is general information through published schedules, but try to find out what is going to happen. I don't think there is any indication here that he has been able to control it in the past or is apt to be able to control it in the future. I would not criticize him for not having made this kind of inquiry.

Q. You don't think it is unusual for him to sound out the other banks on the likelihood of adjusting service charge schedules upward?

Mr. Littleton: What do you mean, unusual for him?

Mr. Reycraft: Do you understand what I mean?

The Witness: Would you define it, please. Would you define what you mean by unusual?

By Mr. Reycraft:

Q. Did it ever happen before, to your knowledge?

A. I can't cite an instance, but I think his approach— [fol. 1761] it could have happened. I know of no specific instance.

Mr. Reycraft: Will you mark as Government's Exhibit No. 114 a three-page document. The first page is entitled "Survey of Service Charges and Interest Rates on Assigned Accounts Receivable," and at the bottom appears the date April, 1956. At the bottom of the second page appears a name which looks to me like Heebner and the initials VR, and on the third page at the bottom a name which appears also to be Mr. Heebner's name.

(Three-page document, first page entitled "Survey of Service Charges and Interest Rates on Assigned Accounts Receivable," was marked Exhibit G-114 for identification.)

By Mr. Reycraft:

Q. Mr. Ridgway, have you ever seen Government's Exhibit 114 prior to the time I handed it to you?

A. I have.

Q. When did you first see it?

A. I can't answer that. It has been within the past few days, but I don't know the date.

Q. You had not seen it prior to that time?

A. No, I had not.

Q. Had it been shown to you by your attorneys prior [fol. 1762] to that time?

A. I have never seen it until the past day or so.

Q. Do you know who made this survey?

A. The name, referring to the person who signed it?

Q. Yes.

A. Heebner is a member of our staff, A. Gilbert Heebner.

Q. And you have had no knowledge of the fact that a survey had been made prior to the time this document was handed to you?

A. That is correct.

Q. Do you have any knowledge of any other surveys made by your bank on service charges?

A. The rather complete study made by a committee appointed by the management of our bank in the fall of 1959 is known to me.

Q. Was this a study of only your bank service charges or of service charges of other banks in the area?

A. It was a service charge study of our bank, the services we rendered, how best to market those, a study of whether or not our costs for service were somewhat in line with whatever increases there had been by specific items, and we [fol. 1763] naturally sought information about our competitors through whatever means were available, published schedules, to make comparisons. That was begun in 1959, September, as I recall it.

Q. And as to which of your competitors did your bank obtain this information?

A. We developed information from all of our competitors, commercial bank competitors, as I recall it, both in Philadelphia and the peripheral areas.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 115 a six-page document. The covering page is headed "Exhibit I, Survey of Branch Area Competition."

(Six-page document headed "Exhibit I, Survey of Branch Area Competition" was marked Exhibit G-115 for identification.)

Q. Mr. Ridgway, do you recognize Government's Exhibit No. 115?

A. I do.

Q. Is this the survey to which you referred?

A. This is part of the survey.

Q. What else was included in the survey with which you are familiar?

A. The Committee's report. There were exhibits, of which this is one of several exhibits to that survey and [fol. 1764] study of our full service we render and the charges that we make, and that kind of thing, how best to market it.

Q. Do you know who made this survey?
A. You are referring now just to Exhibit I?
Q. I am referring to Exhibit I, right.

Mr. Littleton: G what?
Mr. Reycraft: G-115.

A. This was prepared by several members of the bank's operations and cost accounting division, as I recall it. There are initials on one page which I can't read, which might be helpful for a section of it.

Q. I believe it is RLC. Do you know a person named RLC?

A. I do. That is Richard L. Carter, a member of my staff.

Q. Can you explain the competitive account analysis which appears beginning on the second page of Government's Exhibit No. 115?

A. I can describe it but not explain the details. Is that a fair answer to your question?

Q. Well, what do you understand the words "Old" and "New" to mean as they appear after each account.

A. This survey took specific accounts of our banks, [fol. 1765] and they were analyzed so that we would have a specific number of items. I have referred earlier to deposit items, checks drawn, and average balance with which to work. This "Analysis" took several of such accounts, applied the proposed service charge schedule for the Philadelphia National Bank—which was developed prior to the merger matter, which delayed it—as the "New" schedule of charges suggested in the "Service Charge Analysis" by the Philadelphia Bank, which is the "Old" and the "New" under P.N.B., and then it takes those same accounts and applies the service charges listed for the various other banks on this sheet. Generally these are approximations, because there are some details we may not know, but most banks, including our own, distribute a little pamphlet which tells the basic charges used by the banks.

Q. Would I be correct in assuming that each of the accounts listed, the nine accounts, is an account, so far as you know, which is only in the Philadelphia National Bank?

A. That is correct.

Q. And for hypothetical purposes you compared these accounts, the activity in these accounts, against the service

charges of your other competitors in the area; is that correct?

[fol. 1766] A. That is correct.

Q. Will you tell me what the conclusion was with reference to the effect on the charges made against the first account you indicated?

A. You mean the conclusion or to report the statistics here, sir?

Q. The statistics.

A. "B.D.P.C. Sunshine, old, 92 cents, new, 1.45."

Q. Mr. Ridgway, it isn't necessary for you to mention the name of the account. Just say the first and second account. As to to the second account?

A. 1.17 old, 1.73 new.

Q. And the third account?

A. 2.80 old, 3.67 new.

Q. And the fourth account?

A. 13 cents old, 1.77 new.

Q. And the fifth account?

A. 19.93 old, 25.90, or zero, I can't be sure now.

Q. And the sixth account?

A. None and none.

Q. And the seventh account?

A. 1.70 old, 2.46 new.

Q. And the eighth account?

A. .49 old, 1.01 new.

[fol. 1767] Q. And the ninth account?

A. 25 cents old, 85 cents new.

Q. Now, referring to the first account indicated, can you tell me whether the new charge is lower than that of any of your competitors as indicated by the exhibit?

A. It is not lower than any.

Q. Will you refer also to the second page.

A. The second page?

Q. The next page lists other competitor banks.

A. No, there are none lower.

Q. So that with respect to the comparison of this account with all competitive banks in the area, the new charge would be the highest for Philadelphia National Bank; is that true?

A. That is correct.

Q. Will you refer to the second account and tell me how the charges compare with those of your competitor banks.

A. The old charge is lower than three. The new charge is higher than all of them.

[fol. 1768] Q. And the third account?

A. $2.44. I have an illegible figure on the last column on the first page. Can you tell me what that is?

Q. It looks like $1.20 and $1.30.

Mr. Reycraft: $1.30 as to the third account; will you confirm that?

Mr. Littleton: It is illegible here, too.

The Witness: It looks like the old charge is lower than two; the new charge is higher than all of them.

By Mr. Reycraft:

Q. And the fourth account?

A. It looks like the old charge is lower than two; and new charge is higher than all of them.

Q. And the fifth account?

A. The old charge is lower than three, as I count it. The new charge is higher than—I have a figure, the last figure on the last column in the upper section of page 2. Could you help me with that figure, sir? Is it 28 or 23, sir?

Q. It looks like $23.30 to me.

A. O.K. Then it is just about equal to one and higher than the rest.

Q. All right.

With reference to the sixth account, what is indicated?

[fol. 1769] A. (No response.)

Q. It appears that there is no charge in any of them; is that correct?

A. We were the same as the others.

Q. In the seventh account?

A. It looks like the old charge is lower than two; the new charge is higher than the others.

Q. Than all the others?

A. Than all the others.

Q. And with reference to the eighth account?

A. It looks like on the old charges we were lower than nine; on the new charges, we are about the same as eight and higher than the others.

Q. And as to those eight, you are about 1 cent higher; is that correct?

A. 1 cent. I said about the same, about a penny difference.

Q. And as to the ninth account?

A. On the old charge we would be the same as one and higher than the others; on the new charge——

Q. Higher than all the others on the new charge?

A. All of them.

Q. Now the next page of Government's Exhibit 115 is headed "Analysis Survey of Philadelphia Banks."

[fol. 1770] Can you explain what an analysis survey is?

A. An analysis survey would be the report that is before you, which attempts to put side by side or one over the other the charges of our competitor banks, that is, to the extent that we able to get the information; and so we know where we fit into the picture competitively.

Q. Where did the survey indicate you fitted in competively with reference to monthly maintenance charges?

A. It indicates that we are lower than one, the same as one other, and higher than the balance of the banks reported on.

Q. I believe, sir, that when you said you are the same as one other, that means that you are the same as the Girard?

A. That is correct.

Q. And with reference to the minimum amount charges, what did the survey indicate?

A. It looks like all of the banks but one have a minimum charge of either 25 cents or 26 cents, I think, with the exception of one.

Q. The only one higher would be the Girard; is that right?

A. That is correct.

Mr. Reycraft: I have no more questions.

[fol. 1771] Cross-examination.

By Mr. Littleton:

Q. Mr. Ridgway, during the course of his examination of you Mr. Reycraft asked you what the word "shoppers" meant as used by one of the branch managers in reporting

to you and I understood you to say that shoppers were people who went around ascertaining fro each bank what their service charges were; is that correct?

A. Those that come in to us inquiring would be such; that is right.

Q. In other words, a person can go around to a bank and find out what the service charges are without any difficulty, can he not?

A. They can inquire with great ease.

Q. Yes. There is no mystery or secret about service charges?

A. There is no mystery.

Q. As a matter of fact, will you look at G-57, what the Department of Justice has marked G-57, being the application for approval to merge, and will you turn to page 104?

A. I have it, sir.

Q. You will see that that is headed "Exhibit G."

Will you read what the comptroller's form says Exhibit G is to show?

[fol. 1772] A. Exhibit G. Schedule showing interest rates and service charges on loans and deposits of each of the participating banks and the proposed interest rate and service charges proposed for the resulting bank in relation to such rates and charges of other competing commercial banks and financial institutions.

Q. So that the Comptrollerof the Currency requires you to find out and report to him the charges of other competing commercial banks and financial institutions, the service charges; is that correct?

A. That is correct.

Q. Will you turn to page 108 in the same exhibit, which is part of Schedule G. and tell me what it is headed?

A. "Service Charges of Competing Institutions—Competition—Regular Checking."

Q. And the headings of the columns?

A. Balance, Maintenance Charge, Checks Drawn, Checks Deposited, Deposit Tickets, Earnings Credit Per $100.

Q. And there follows on that page and the next three pages the service charges of how many other banks, that

is, banks other than Philadelphia National Bank and Girard Trust Corn Exchange Bank?

A. I have counted seventeen.

Q. Seventeen?

[fol. 1773] Now, these reports that various heads of branch offices of Philadelphia National Bank sent in to you, which have been marked G-103 to G-113, inclusive, reported in part on what banks in the area were charging for service charges, did they not?

A. That is correct.

Q. Did they not?

A. That is correct.

Q. And as I understand it, you were endeavoring to ascertain from your various branch or regional managers what their reaction was to the service charges proposed by the merger application; is that correct?

A. That is correct.

Q. And they were ascertaining, among other things, what their competitors were charging for service charges in order that they would properly predicate their opinion on information; isn't that correct?

A. That is correct.

Q. And that is what they did?

A. They did.

Q. And their opinions varied a great deal, didn't they?

A. They did.

Q. Now will you look at G-105?

A. I have it.

[fol. 1774] Q. That is a report Frank Dyer made to you, is it not?

That is right.

Q. And he says in the second paragraph of that report:

> "The increase in maintenance charge follows the proposal made by the Service Charge Committee in which we both participated."

Right?

A. That's right.

Q. What was the Service Charge Committee in which you and Frank Dyer both participated?

A. This is the committee I referred to briefly earlier, appointed by the president of our bank in the fall of 1959.

Q. Let me ask you right there, had this anything to do with the merger?

A. It had nothing to do with the merger.

Q. When had the Philadelphia National Bank last made a change in its service charges?

A. The last change by the Philadelphia National Bank generally was in 1956.

Q. In other words, there were four years when there hadn't been any change and the president appointed a committee for what purpose?

A. The committee was appointed to study what we were offering in the way of services; and there are a great many [fol. 1775] things that go into the checking-account service, for which we, incidentally, don't put any account analysis, counseling, the so-called management end of it, to appraise what were were doing to consider merchandising, the merchandising aspect of it, and to consider whether or not the costs and the services by, I will say departments—there were various kinds of charges, various kinds of—various special sections—as to whether there seemed to be some reasonable balance between the cost of these services and our then charges.

Q. And this committee comprised of you two gentlemen and a number of other officers of the Philadelphia National Bank, did it not?

A. There were representatives of what I could call the major divisions of the bank.

Q. You were reviewing this whole subject of, service charges?

A. That is correct.

Q. Among other things, what they should be, if they should be different in any respect from what then existed?

A. That was part of this assignment.

Q. Did that committee make a report?

A. It made a report.

Q. Did that report ever become effective?

A. It never become effective.

[fol. 1776] Q. Why not?

A. The merger——

Q. Supervened, I think the word is, isn't it?

A. Whatever the proper word is, those of that were on the committee wondered why nothing seemed to happen to our report.

At some long—some several months later we then had an idea why it had been delayed, and it seemed perfectly reasonable.

Q. Now, to use Mr. Reycraft's expression, "over-all and generally," did the report of that committee recommend increases in service charges which were greater or less than the application for merger has indicated the change in service charges would be?

A. Within that meaning, the recommendations of our committee were greater than those those in the merger proposal.

Q. Now, if you will turn your attention, please, to G-115, which the last document or schedule to which Mr. Reycraft was addressing your attention, this competitive analysis, do you have it?

A. Exhibit 115?

Q. 115, yes.

A. All right.

Q. If you will look at the first page, when you take a [fol. 1777] number of selected or random accounts and apply what you called the old and new PNB to such accounts, as well as the schedule of service charges of other banks, will you tell me what "old PNB" means?

A. "Old PNB" is the service-charge schedule that was in existence prior to the appointment of this committee, and which generally continued after its appointment.

Q. What does "PNB new" mean?

A. That is a schedule proposed—recommended by the Service Charge Committee appointed in the fall of '59.

Q. And this has nothing to do with the merger or the schedule of service charges appearing in the application for merger, does it?

A. It has not, nothing to do with it.

Q. It has only to do with this report that never was acted upon?

A. That is correct.

Q. And do I understand that those so-called new rates are actually not in effect now at all and never have been in effect?

A. That is correct?

Q. Now will you look at G-112?

A. I did not have G-112.

I have it.

[fol. 1778]. Q. This, Mr. Ridgway, is the comment on proposed service-charge program of J. M. Minster to you dated February 1, 1961.

Mr. Reycraft got you to read part of that. Will you now read paragraph 5 of that?

A. "I believe the increases will help produce the income to offset the staggering increase in costs. To me banks generally have failed to adopt a realistic approach to demanding a fair price for very important service. I also feel that with the increase in personal incomes over the last 10 years that now is the time to 'sell' increases for services. We complain about——"

Q. Who complains?

A. "Who complains about tax increases on entertainment, gas, jewelry? Why can't service charges be presented and considered in the light of 'if you want it, pay for it' and make everybody want it as an accepted and necessary quality item."

The Court: Let's take our ten-minute break at this point.

(A recess was had.)

By Mr. Littleton:

Q. Do you still have G-112 before you?

[fol. 1779] A. I have it.

Q. That is Mr. Minster's comment to you on a proposed service charge program.

Will you read us paragraph 4 of that comment?

A. "All of the increases will help 'discipline' customers who habitually keep poor account records and who in my opinion deserve to be labeled 'delinquents.' An account in balance is certainly a step in the 'quality' direction and I am in favor of adopting any service charge procedure that will 'discipline' or eliminate undesirable business. Bad apples make lousy pies."

Q. Thank you.

Will you now turn your attention for a moment to G-111?

A. I do not have G-111.

I have it now.

Q. This is the report of Mr. Holtby to you dated January 27, 1961, on the subject, "Merger Application and Service Charges."

Mr. Reycraft had you read a paragraph at the bottom of that first page:

> "I am pleased that we will retain our program for special checking accounts, but suspect that due to our proximity to several offices of the Girard Bank, some [fol. 1780] questions may arise as to the monthly maintenance fee discrepancy (25 cents—50 cents)."

Now, I presume by "Girard Bank" he means Girard Trust Corn Exchange Bank, does he not?

A. That is correct.

Q. Will you tell us, what is the nearest office of the Girard Trust Corn Exchange Bank to Mr. Holtby's Ardmore branch?

A. It's more than a mile east of us.

Q. That is the one in Wynnewood?

A. In Wynnewood.

Q. And that is more than a mile to the east; and doesn't the main line of the Pennsylvania Railroad run in between the two banks?

A. It does.

Q. And the next nearest is where? Down in Narberth?

A. Narberth would be even further away.

Q. That's over two miles down to there?

A. Two miles or more.

Q. Do you know from what areas the Ardmore branch draws its business?

A. It is my recollection in discussing this with Carl, as we do from time to time, and it came up in connection with the merger, that no more than 10 per cent and probably less [fol. 1781] than 10 per cent of his business comes from the eastern area.

Q. From east of the Ardmore branch?

A. East of Ardmore; that our preponderance, great preponderence of business is in the direction of Bryn Mawr and the West, perhaps a mile south of our location in Ard-

more, and then north to the river, which might run as long as three miles.

Q. Over towards Gladwyne and so on?

A. Yes. It's rather sparsely settled, but it is in that direction.

Mr. Littleton: Thank you very much. That's all.

Mr. Reycraft: Mr. Price?

Mr. Price: No questions.

Direct Examination. (Resumed)

By Mr. Reycraft:

Q. Mr. Ridgway, you were asked by Mr. Littleton about the first sentence of Government's Exhibit No. 113, which reads:

> "We have reviewed the proposed service charge schedule for the merged bank and have also sounded out the other banks in a very preliminary way on the likelihood of adjusting service charge schedules upwards."

[fol. 1782] Now Mr. Littleton asked you if it was not possible for shoppers to learn the service charges of other banks, and you answered that it was; is that correct?

A. That is correct.

Q. Have you ever observed or have any of your branch managers every reported to you that some of these shoppers that have been referred to have sounded out banks on the likelihood of adjusting service-charge schedules upwards?

A. The answer is no, as I understand it.

Q. That would be unusual, wouldn't it?

A. That's right.

Q. Mr. Littleton also asked you about the application which was filed with the Comptroller, which refers to service charges of other banks. The Comptroller has never suggested, so far as you know, or his office, that you sound out other banks on the likelihood of adjusting service-schedule charges upwards, has he?

A. Not to my knowledge.

Q. That would be surprising, too, wouldn't it?

A. (No response.)
Q. Pardon me. Did you answer the question?
A. I thought you made a statement.

Mr. Littleton: He did make a statement.
Mr. Reycraft: Will you read the question I asked?

[fol. 1783] (The testimony was repeated by the reporter as follows:

"Q. Mr. Littleton also asked you about the application which was filed with the Comptroller, which refers to service charges of other banks. The Comptroller has never suggested, so fas as you know, or his office, that you sound out other banks on the likelihood of adjusting service-schedule charges upwards, has he?
"A. Not to my knowledge.
"Q. That would be surprising, too, wouldn't it")

The Witness: I didn't understand the "wouldn't." I am sorry.

By Mr. Reycraft:

Q. What is your answer?
A. The answer is yes; yes, it would be unusual.
[fol. 1784] Q. Is it a fact also that the date of this memorandum, January 16, 1961, is after the application was filed with the Comptroller's office?
A. Yes.
Q. So there wasn't any necessity, was there, for Mr. Gillam to make these inquiries in order to obtain the information for the application?
A. That is correct.
Q. It is correct that there was no necessity?
A. That is right.

Mr. Reycraft: I would just like to observe for the record that, with reference to Government's Exhibit No. 101—G-101 is the memorandum of January 3, 1961, to which is attached a schedule headed "Exhibit G"—that my associates examined this document on May 5, 1961, at the offices of Philadelphia National Bank, and that the copy I have in my hand is a copy which was furnished to us by the bank on May 19, 1961, and contained what appeared to be, may

have been in the original, ink or pencil changes in the charges for returns and stop payments, which appear to range in figures from $2 to $3, and I wonder, Mr. Littleton, if we could have the original of this document for the record and whether you could ascertain who made these changes. [fol. 1785] Mr. Littleton: I will try to ascertain it, and at the same time you can do it. In your exhibit—I am observing this for the record—in your Exhibit G-57, which you had so marked, on the basis of which the witness testified, if you will look at Page 104 there, you will notice that the two figures that come in are each $2.

Mr. Reycraft: I don't dispute that. The question is, who made the changes in the attachment to the memorandum of January 3, 1961?

Mr. Littleton: And if I may observe further, your Exhibit G-45, which you have had marked in this record, gives exactly the same information.

I don't know who made the changes. I was trying to find out when I was questioning the witness. I will try to find out, and I suggest you do the same.

Mr. Reycraft: I suggest that W. R. Byrd, Jr., Mr. C. E. Baus, and J. L. Nungesser, who signed the memorandum, whose typed names appear on the bottom of it, may have that information.

May I also state for the record that Government's Exhibits 108 and 109, which you furnished to us, have penciled [fol. 1786] on them certain charges, certain changes. I think we ought to have the names of the person who made the pencil changes.

Mr. Littleton: May I say to you for the record that these were handed to me immediately before I handed them to you, and I haven't even looked at them before until you showed them to me at this moment; and Mr. Cooper is the one who handed them to me, and he is here, and maybe he can tell you.

For the record also may I state what I said to you privately, and that is that other copies are being made. They had to be made after you requested them before noon, and I hope to have other copies here for the Court and for myself.

Mr. Reycraft: Fine. I just wanted to leave no doubt that the changes were on the documents when I received them.

Your Honor, I had hoped to continue with Mr. Gillam, who is the author of one of the documents, and Mr. Beatty, who is the author of another document. Now Mr. Cooper is here, but I have not had an opportunity to examine and analyze Government's Exhibits 108 and 109, and while I dislike to ask the Court this early, I wonder if it would be convenient if we adjourned.

[fols. 1787-1790] The Court: In the present status of things, I will be happy to.

(Adjourned at 3:35 P.M. until Thursday, June 15, 1961, at 10:00 o'clock A.M.)

[fols. 1791-1792] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

NINTH DAY

Philadelphia, Pa., June 15, 1961

Before Hon. Thomas J. Clary, J.

[fol. 1793] WILLIAM C. MACMILLEN, JR., having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reveraft:

Q. Mr. MacMillen, what is your present residence?

A. 70 Cedarhurst Avenue, New York, Cedarhurst, New York.

Q. Can you describe your educational background?

A. I attended public schools in Troy, New York, Williams College, Albany Law School.

Q. What has been your business experience, Mr. MacMillen?

A. I was admitted to the Bar in New York State in 1937 or 1938, practiced law in New York State, in Troy, New York, until I went in the Service in 1942. Subsequent to that time, in 1946, I worked for Robert Young in New York. I was president of the Federation for Railway Progress in 1947. I was the Chief Executive Officer of Eagle Line Motion Picture Company in 1948, and became president of a merged company, Eagle Line Classics in 1949. I was president of Chesapeake Industries in 1950. In 1957, I became president of Colonial Trust Company, a commercial bank in New York City, of which I have been a director for [fol. 1794] three years, and last fall I left the bank and I have my own office now at 30 Wall Street for financial and management consulting.

Q. Mr. MacMillen, you say you are associated with Robert Young. Will you tell me who he is.

Mr. Littleton: Who he was.

A. Robert Young was president, was chairman of Allegheny Corporation, chairman of the C. & O. Railroad, chairman of New York Central, among other positions.

Q. What is the Eagle Lion Company you referred to?

A. It was a motion picture company operating in the United States and abroad.

Q. A distributor of motion pictures?

A. It was a producer and distributor.

Q. Will you describe the activities in which Chesapeake Industries engaged.

A. Chesapeake Industries was a holding company, had no operations of its own, but it had wholly owned subsidiaries that totalled some 15 or 20 during the period which I was president, in different industries—banking, public utilities, manufacturing, and so forth.

Q. With reference to the Colonial Trust Company, can you tell me what the progress of that bank was during the time you were chief executive officer of it.

A. Colonial Trust was a bank with assets of under [fol. 1795] a hundred million, a little under a hundred million, and its earnings went from some 400 odd thousand

before taxes in 1956 to; in the last year, 1960, they were running at the rate of $1,200,000 before taxes.

Q. Mr. MacMillen, have you in your industrial and banking experience had experience as a borrower?

A. Yes.

Q. On behalf of some of the companies in which you were interested?

A. Yes.

Q. And in your capacity as an executive with the Colonial Trust Company have you had any responsibilities in connections with loans?

A. Yes.

Q. Will you describe those responsibilities.

A. Well, as the president of the bank I had the primary responsibility for the management of the bank, which included, of course, the loan policies, and I was also chairman of the Credit Committee, which was the operating committee in the bank which passed on loans which exceeded the authority of the branch managers.

Q. How many branches did Colonial have?

A. We had five, including a branch in the main office.

Q. Can you tell me, Mr. MacMillen, what happened to the [fol. 1796] Colonial Trust Company?

A. The stock was sold, or the assets were sold, and the bank was merged into the Meadowbrook National Bank.

Mr. Littleton: You say the stock was sold, then you say the assets were sold.

The Witness: The stock was sold, I believe. I was not a participant in the negotiations.

By Mr. Reycraft:

Q. When did this happen, Mr. MacMillen?

A. In November of last year, 1960.

Q. Did you leave the bank after that time?

A. I did. I left at the end of the year.

Q. Have you had an opportunity as president of the Colonial Trust Company to observe the type of activities in which mutual savings banks engage?

A. Well, in a general way.

Q. Can you tell me what the differences are, if there are any, between commercial banks and mutual savings banks?

A. Well, mutual savings banks are restricted to taking time deposits, whereas a commercial bank, while it does take time deposits, probably two-thirds of its deposits on an average in the country are on demand deposits.

[fol. 1797] From the lending side, the mutual banks, since they have long-term funds in the form of time deposits, make loans of a longer duration than the normal commercial bank.

I think those would be the two primary differences between a savings bank, including a mutual savings bank, and a commercial bank.

Q. What effect does the heavy concentration in demand deposits have on the lending activities of commercial banks?

A. Well, it tends to restrict the loans to shorter term loans, since there is always a chance that there will be a heavy demand from the demand depositors to withdraw their funds, and those funds have to be available.

Q. Can you describe the differences, if there are any, between a commercial bank and a consumer finance company?

A. Well, consumer finance companies, by definition, confine themselves to that general phase of lending, whereas a commercial bank will loan across the whole spectrum of loaning activities. I think that is the primary difference. I would say that some finance companies will take risks which are not of bank quality, but that is not true of all of them. Some of them compete quite directly with banks.

Q. With reference to commercial and industrial loans, [fol. 1798] what is the area of overlap between commercial banks and consumer finance companies?

Mr. Littleton: Where?

Mr. Reycraft: You understand the question?

The Witness: Yes.

Mr. Littleton: Do you mean in New York?

Mr. Reycraft: On the basis of his experience. He has been president of a substantial bank.

A. I would say that there is an area where the quality of the risk is the same, but in large part the risks that are taken by the non-bank lender are of a quality which are not acceptable to a bank.

Q. Is there a difference in the interest rate charged by commercial banks and consumer finance companies?

A. I think that depends on the quality——

Mr. Littleton: If Your Honor please, I object to that, certainly, if he doesn't place it geographically.

By Mr. Reycraft:

Q. With reference to the consumer finance companies, since this is a matter of state law, will you refer to your experience in New York.

A. I think the rate tends to equate with the risk, and [fol. 1799] in those cases where the risk is greater, the rate is higher, and on the average the rate would be higher in the non-banking institutions.

Q. Has it been your experience that commercial banks loan to finance companies?

A. Some commercial banks do, many commercial banks do.

Q. Did your bank do this?

A. Yes, we did.

Q. Can you explain, sir, the distinctions, if there are any, between commercial banks and insurance companies?

A. Well, I think the primary difference is that insurance companies, of course, do not take deposits. On the loaning end, the insurance companies are inclined to make longer term loans than commercial banks and larger loans in size than most commercial banks.

Q. With reference to savings and loan associations, can you describe the difference between these institutions and commercial banks?

A. Well, the savings and loan associations do not take deposits in a technical sense. They do take in funds and give certificates, whereas a commercial bank takes deposits. The savings and loan associations also are inclined to make longer term loans as against the shorter term loans in the banks.

[fol. 1800] Q. Savings and loan associations sell stock, do they not?

A. Yes.

Q. Is this the only form in which they receive deposits?

The Court: Aren't they called shares rather than stock?

The Witness: I think shares, yes.

I can't say if they are the only ones. It is the primary form. In New York it is the primary form.

By Mr. Reycraft:

Q. What are the rights of the share owner with respect to getting back the money which he invested?

A. Well, he has to give notice, and there is a waiting period. That waiting period, again, in New York is customarily waived, so that as a practical matter you can get your money back from a savings and loan association on demand, although that is not the right of the shareholder.

Q. Is there any obligation on the part of the saving and loan association to give the money back on demand?

A. No there is not.

Q. Mr. MacMillen, on the basis of your experience in both banking and industry positions, what is your opinion of the effect of bank mergers on small and intermediate size borrowers?

[fol. 1801] * * * qualified him at all as to the situation in Philadelphia or the surrounding four-county or ten-county area.

Mr. Reycraft: Your Honor, this gentleman has been president of a very substantial bank. He has been chief executive of a holding company which has an interest in companies located in various parts of the United States.

The Court: Has he? It is nice to hear you say so. I haven't heard it.

By Mr. Reycraft:

Q. Mr. MacMillen, you have referred to the fact that you were president of Chesapeake Industries. Will you tell me the names of the companies with which Chesapeake Industries was associated.

A. I can name many of them. I am not sure I can name them all.

Among the companies which Chesapeake owned were Pathe Laboratories, which was a corporation with offices, laboratories, in New York and Los Angeles; Virginia Metal

Products, which is a manufacturer of steel partitions, located in Orange, Virginia; Stanley Greeting Card, which was a greeting card company located in Ohio; Portsmouth Gas Company, which is a public utility in Ohio; Colonial Trust Company, which we have referred to; Television Center, which was a ten-story office building in New York [fol. 1802] City; Cardwell Electronics, which was a New England manufacturer in the electronics industry.

We had some oil and gas properties in West Texas. We operated the Norfolk Terminal for the United States Engineers, through a subsidiary. We had a Dade Trucking Company, which was located in Long Island; the V. D. Anderson Company, which was a manufacturer of heavy machinery in Cleveland. We had a printing company in New York City.

Those are the ones that I recollect.

By the Court:

Q. Do I understand that the Colonial Trust Company was part of that package?

A. Colonial Trust Company was acquired by Chesapeake on January 1, 1955, and was from January 1, 1955, until January 1, 1958.

Q. Was it a wholly owned subsidiary?

A. It was 95 per cent owned.

The Court: All right.

By Mr. Reycraft:

Q. These other companies you have named, Mr. MacMillen, were they all controlled by Chesapeake Industries?

A. They were all wholly owned or virtually wholly owned.

Q. And did you have any duties as president of Chesa- [fol. 1803] peake Industries in connection with arranging the finances of these companies?

A. Yes. It is the primary responsibility of the president of the parent company to see that the subsidiaries were properly financed.

Q. What sources of financing did you have occasion to utilize for these companies?

A. Well, we were a publicly owned company, so we had a preferred and common stock—two preferred issues and a common stock issue—and we used commercial banks in addition.

Q. Mr. MacMillen, returning to my earlier question, what is your opinion of the effect of bank mergers upon small and intermediate size borrowers?

Mr. Littleton: Objected to.

The Court: Overruled. I will hear it.

A. Well, I would say that the elimination of a borrowing source would, of course, tend to restrict the borrower, but the degree of that restriction would depend on the number of other sources available and the quality of those other sources.

[fol. 1804] Q. In your opinion, Mr. MacMillen, based on your observation, what are the areas in which commercial banks compete for the business of borrowers?

A. For large borrowers, I think rate is probably the most important factor. For small or medium-sized borrowers, I would think the availability of funds and the willingness to take the risk would be.

Mr. Littleton: I move that that be stricken as not being responsive to the question. I don't see that it has any reference to the question.

The Witness: I am sorry, what was the question?

The Court: Read the question.

(The question was repeated by the reporter as follows:

"Q. In your opinion, Mr. MacMillen, based on your observation, what are the areas in which commercial banks compete for the business of borrowers?")

The Witness: I think that is the best answer I can give.

By Mr. Reycraft:

Q. Will you explain, Mr. MacMillen, what you mean by a large borrower?

A. I would think someone who was borrowing more than [fol. 1805] a million dollars at a time.

Q. What area would you put an intermediate borrower in?

A. Well, under a million, and, oh, I don't know, let's say over $100,000; something in that area.

Q. And by small you mean under $100,000?

A. Under $100,000.

Q. And you think that for those borrowers under $1,000,000 and availability of alternatives is the most important factor?

A. I would say the availability of alternatives and the willingness of banks to make their funds available.

Q. Has it been your observation that some banks will make a loan which others won't?

A. Oh, yes.

Q. Now with respect to removal of alternatives for borrowers, which you have testified is an important factor, how important is this for a large borrower?

A. Well, these are very general terms, of course, and there would be many exceptions to any answer; but I would say that it would be less important for the large borrower because, generally speaking, the credit of the large borrower would be better established, so that there would be less question about the willingness of a bank to lend the money.

Therefore, the areas of competition would get into the [fol. 1806] question of rate more than in the case of a small borrower, where his credit would probably be the most important factor.

Q. Has it been your observation that it is important to a small borrower to be well known before he can get a loan?

A. Well, it certainly—to be well known is better than not to be; but I wouldn't say that would be necessarily a critical factor.

Q. Is it generally easier for him to get a loan in the area in which he is known, in his home area?

A. I would say it would be easier to get a loan at a place where you were known than at a place where you were not known, certainly.

Q. In your opinion, Mr. MacMillen, what are the other competitive effects which result from a branch-bank merger?

Mr. Littleton: My objection goes to this, if Your Honor please.

The Court: All right.

Read the question back.

(The pending question was repeated by the reporter.)

Mr. Reycraft: No, no, from bank mergers.

The Court: I sustain the objection to the question as framed because I don't think it has any bearing on this [fol. 1807] case.

We are not getting into the category of this case up to now. Let's get into it.

If two country banks are going to merge, that is one thing; but we are talking about two Philadelphia banks. Let's get some testimony on that.

By Mr. Reycraft:

Q. Mr. MacMillen, can you tell me the manner in which banks are regulated, based on your experience?

A. Well, in New York State, a state-chartered bank is regulated by the State Banking Department and if they are a member of the Federal Reserve System they must also comply with the regulations of that system, and if they are a member of the Federal Deposit Insurance Corporation they must comply with the regulations of that system as well.

Q. And what are the primary purposes of these federal regulations?

A. Well, I think to make certain that banks remain solvent.

Q. Now, Mr. MacMillen, based on your experience, what lending limit do you think would be necessary to take care of 90 per cent of the loans which have come to your attention?

Mr. Price: Objected to.

The Court: Read that question back.

(The pending question was repeated by the report-[fol. 1808] er.)

Mr. Littleton: Objection.

The Court: I will sustain the objection to the question as framed. It is strictly a leading question.

By Mr. Reycraft:

Q. Mr. MacMillen, what was the lending limit of your bank?

A. It varied between $500,000 and $600,000.

Q. Were you able to arrange loans in excess of that limit?

A. Yes.

Q. How many?

A. Oh, I don't think I could answer that. I don't think I could answer that.

By Mr. Littleton:

Q. What was your answer?

A. I couldn't answer that. I don't know, I don't know how many.

By Mr. Reycraft:

Q. What is the largest one you can think of?

A. The largest one I can think of offhand is $3,000,000.

Q. And how was that arranged?

A. Through correspondent banks participating with us.

Q. Did you have any difficulty in arranging that loan?

A. No. We didn't have any difficulty in arranging that one.

[fol. 1809] Q. Have you ever had any difficulty in arranging loans in excess of your loan limit?

A. Well, yes, I'd say we have had some difficulty, but I don't remember in any case where we weren't successful.

Q. You were always able to make the arrangements?

A. In every one that I can remember now.

Q. What is the largest loan in which your bank ever participated?

A. Oh, while I was there, $200,000,000.

By Mr. Littleton:

Q. How much?

A. $200,000,000.

Q. 200?

A. Million.

Q. Do you know how many other banks participated in that loan?

A. Oh, it must have been fourteen or fifteen.

Q. Now, on the basis of your experience with industrial corporations, Mr. MacMillen, have you had occasion to arrange loans for those companies?

A. Yes.

Q. And what importance did you attribute at that time to the lending limit of the bank with which you did business?

A. Well, I don't think I knew the lending limit of the [fol. 1810] bank I was borrowing from at that time.

Q. Did the source from which the bank got the money make any difference to you?

A. No.

Q. What was the most important thing to you?

A. I would say getting the money at the going rate was the most important thing.

Q. Did it make a difference that there were other banks participating in the loan?

A. No.

Q. Now, what, in your opinion, is a minimum lending limit which is necessary for a bank to handle business in an area of about 2,000,000 population?

Mr. Littleton: Objected to.

The Court: If he has one, I will let him state it.

Mr. Littleton: I beg your pardon?

The Court: If he has one, I will let him state it.

The objection is overruled.

The Witness: I don't think I can answer that question.

Mr. Reycraft: All right.

[fol. 1811] By Mr. Littleton:

Q. You don't what?

A. I don't think I can answer that question.

Mr. Littleton: I don't think you can, either.

By Mr. Reycraft:

Q. Has it been your experience, Mr. MacMillen, that you have arranged loans for borrowers within your lending limit, arranged participation when you could have taken the whole loan?

A. Yes.

Q. Will you describe some of those?

A. Well, in general, I'd say that the fact that you can lend a borrower a given amount of money doesn't necessarily make it a wise thing for a bank to do; and under those conditions a bank might want to reduce its risk by getting other banks to participate with it.

Q. So that the fact that a bank has a particular lending limit would not necessarily mean that it would lend up to that limit on all occasions?

A. It would not.

Q. Can you tell me, sir,——

The Court: Let's stop right there a minute. Let's explore that.

[fol. 1812] By the Court:

Q. Let's assume that in your bank somebody came to borrow $400,000 when you were in the Chesapeake Industries and Colonial Trust.

If you could loan that amount you would tell the customer yes; isn't that what you would do?

A. Not necessarily. If it were a marginal loan, one which we were not sure was a good risk, we might say to him, "Well, we will loan you two hundred or we will loan you one hundred."

We might then say——

Q. Then he has to go to somebody else to get the participation, or do you arrange that? That is what I want to get the mechanics of right now.

A. That's optional. With us, our policy was that we would try to arrange it, because we wanted to be in the position of being the banker for the borrower.

However, that is not a universal policy and many banks will merely say, "We will take two hundred, you arrange the rest of it and come back to us when it is arranged and we will lend you our part of it."

That's a matter of individual policy and within banks, even the policy may vary by borrower.

Q. Suppose you wanted to keep the customer; what would you do?

[fol. 1813] A. I would arrange it.

By Mr. Littleton:

Q. You would what?

A. I would arrange it.

By the Court:

Q. You would arrange it?

A. Yes.

Q. And to whom would the customer make out his agreement to borrow and to repay?

A. To us.

Q. Alone?

A. Alone.

Q. And then you would make the arrangements with the other banks?

A. We would have a participation agreement contemporaneously executed with the other bank or banks.

Q. In other words, if you thought that $100,000 was all you cared to loan or that you were a little low on loaning funds, you would make the arrangements?

A. Exactly.

Q. All right. So that as far as the customer is concerned, you loaned him the money?

A. Exactly.

The Court: All right.

[fol. 1814] By Mr. Reycraft:

Q. Were there any occasions, Mr. MacMillen, when the customer did not know who the other participating banks were?

A. He usually did not.

Q. And did he usually care?

A. In our—I have never heard any expressions of concern about that.

Q. As far as you know, this was not a matter of concern to the customer?

A. Not so far as I know.

Q. Just by way of clarification, Mr. MacMillen, I understand correctly, do I not, that you were president of the Colonial Trust after you were president of Chesapeake Industries?

A. There was a short period of overlap, of a few months.

Q. Very brief?

A. But that's correct.

Q. All right, sir.

Now, in referring to loan participations which you have described, what consideration does the originating bank generally receive?

A. You mean where there are participations?

Q. Yes.

A. Well, that varies, but normally the originating and [fol. 1815] managing bank, if there is a series of banks in it, will receive some override, maybe. It varies depending on the degree of difficulty.

By the Court:

Q. Suppose it is a 5-per-cent loan, what do you mean by the override?

A. Well,——

Q. Let's assume a $500,000, five banks participating, you are the original bank, and four additional banks have $100,000 each. The loan is at 5 per cent.

A. Oh, you might get a quarter of 1 per cent or a half of 1 per cent.

Q. In other words, you would give to the others 4½ per cent and you would get that half per cent for servicing the loan?

A. Yes, sir. I would say that that would be high unless you had something like an accounts-receivable loan, where there was a great deal of paper work to be followed; and you might get a half a per cent.

But if it were a straight loan, to make it simple, a straight unsecured loan, you might even get an eighth.

Q. A quarter or an eighth?

A. In some cases you might not even get anything if it's simple enough.

[fol. 1816] The Court: All right.

By Mr. Reycraft:

Q. Sometimes might you do it in the hopes of getting something back from the other banks?

A. You might do it in the hope of getting reciprocal business from the banks.

By the Court:

Q. Backscratching?

A. Sir?

Q. Backscratching?

A. Backscratching, precisely.

By Mr. Reycraft:

Q. Mr. MacMillen, in your opinion, would an increase in the lending limit of the Philadelphia National Bank from $8,000,000 to $15,000,000 put it in a position to compete substantially with New York banks?

Mr. Littleton: Objected to.

The Court: I will let him answer it, if he can.

The Witness: Would you read me the last part of the question again?

(The reporter repeated a portion of the pending question as follows:

"Q. . . . would an increase in the lending limit of the [fol. 1817] Philadelphia National Bank from $8,000,000 to $15,000,000 put it in a position to compete substantially with New York banks?")

By Mr. Reycraft:

Q. Will you make that, Mr. MacMillen, a Philadelphia bank rather than a specific bank?

A. I would say that it would not, for the business which the New York banks are presently doing.

Q. Why do you say that?

A. Because I think the considerations for borrowers from New York banks today would not be significantly influenced by an increase in the lending limit of an out-of-New-York-City bank.

Q. Do you think it would make any difference with reference to competition with New York banks for pension trusts?

A. I really don't know very much about the pension-trust field. I don't think I could answer that.

Q. All right, sir.

Do you think it would make any difference in the foreign-banking business?

A. No. I don't think it would make any difference in the foreign-banking business.

Q. Can you explain why?

A. Well, I think the considerations with prompt non-[fol. 1818] United-States borrowers to concentrate a good deal of their business in New York are not—do not include the lack of availability of funds in non-New-York-City banks.

Q. What are the factors——

A. Lending limits.

Q. What are the factors which do influence these borrowers?

A. Well, I would say for non-United-States borrowers, the historical relation between the borrower and the lender was probably the most important consideration; and that has existed with some of the large New York banks or small New York banks for many, many years.

The quality of the service over a long period of time would probably be the second most important consideration.

I don't think that the lack of sufficient loan limit in non-New-York-City banks is a significant factor in any way.

Q. On the basis of your experience, Mr. MacMillen, how important a factor do you think it is in the location of a business enterprise that a city has a bank with a large lending limit?

A. Do you mean if an enterprise was going to locate in a city, how important would the lending limits of the banks there be?

[fol. 1819] Q. Yes, sir.

A. Insignificant.

Q. What are the important factors in locating a business?

A. Of course, these would vary by businesses, but the labor cost, the labor market, the availability of labor would certainly be important.

In many businesses, the availability of raw materials if you were a manufacturer; the transportation facilities, the availability of the ultimate markets, again, if you were a manufacturer.

The quality of the local government, particularly so far as their policy on law enforcement is concerned.

I think those would all be important elements.

Q. On the basis of your experience, Mr. MacMillan, what percentage of all the loans that came to your attention, by number, could be accommodated by a lending limit of $1,000,000?

A. That came to my attention while I was at Colonial Trust, over 99 per cent, by numbers.

Mr. Reycraft: No further questions.

Cross examination.

By Mr. Littleton:

Q. Mr. MacMillen, when did you first communicate with the Department of Justice your availability to testify as a witness in this case?

[fol. 1820] A. Mr. Reed asked me, I think, two weeks ago, something like that.

Q. You knew Mr. Reed before, did you?

A. Yes. I did know him before.

Q. Mr. Reed is the gentleman sitting with Mr. Reycraft at the Department of Justice counsel table?

A. Yes, yes.

Q. He communicated with you how long ago?

A. Oh, a couple of weeks ago. I couldn't tell you exactly.

Q. And I understand from your answers to these last questions Mr. Reycraft has been asking that a community which had no bank at all would attract business and industry just as easily as a community that had banks; is that correct?

A. No. I think if a community had no bank at all that that would be a deterrent.

Q. Right.

And how many banks would they have to have per population in order to attract?

A. I don't think—I think if it were a bank in the community, beyond that, it would not be any——

Q. Just one bank?

A. I would say so, yes.

Q. It is all right if you have one bank in a community?

A. I say that I don't think that it would be a deterrent [fol. 1821] to the attraction of industry.

Q. And I say the logical extension of that is that a community will attract industry even though it has no banks? Is that your theory?

A. No. I say I think a bank, a bank in a community is important, not for the reason that it would be important to the corporation, but it would be important to the employees and to the residents. It would be important to the labor element in the community.

Q. Then one bank would be sufficient?

A. Yes. You need a place to put your money and——

Q. So that from what you have last said, banking can be done by a corporation, business or industrial, at a distance, can it?

A. Yes.

Q. How much of such business is done by the New York banks in the Philadelphia area?

A. By "such business," I don't know quite what you mean.

Q. Meaning the business done by corporations, business or industrial, at a distance.

Mr. Reycraft: If you know the answer.

The Witness: I don't know.

By Mr. Littleton:

Q. Would you say there was some?

[fol. 1822] A. Oh, I am sure there is some.

Q. Would you say there was a great deal?

A. Not in relation to the total banking business done in New York.

Q. Well, all right, but how about the total banking needs of an area such as Philadelphia and the four-county area surrounding Philadelphia?

A. I am not familiar enough to answer that question.

Q. You are not familiar at all with the Philadelphia situation, are you?

A. No, I didn't say——

Q. Your bank never loaned anything over here, did it?

A. I didn't say that. I didn't say I am not at all familiar; and we did, but I am saying I am not familiar enough to answer your original question.

Q. Yes.

Now, what business did you do in Philadelphia?

A. Well, we had a very——

Q. When you are saying "we;" now, you mean Colonial?

A. Yes. We had a very happy correspondent relationship with the Philadelphia National Bank and did a good deal of business with them.

Q. What business did you do with Philadelphia business or industry?

[fol. 1823] A. Well, there were two—let's see. I can think of a couple of companies in the vicinity that we had a borrower's relationship with.

Q. That you had what?

A. That we had a lending relationship with.

Q. What were they?

A. Do you want the names of them?

Q. Sure.

Mr. Reycraft: No. I object, Your Honor. He may be embarrassed by stating the names.

The Court: Not if he is out of the business three years ago.

Mr. Littleton: All right. I will withdraw it.

By Mr. Littleton:

Q. How big were the loans that you made to them?

A. I don't think I can remember that.

Q. Did you solicit the business?

A. It was there when I became president.

Q. Did you solicit business generally in the Philadelphia area?

A. No. I did not.

Q. Your bank wasn't big enough to do that?

A. Well, we didn't do it.

Q. Do you know that other banks do solicit business in [fol. 1824] the Philadelphia area?

A. Yes.

Q. There is no doubt in your mind about that?

A. I know they have. I know they solicit.

Q. What was the ownership of the Chesapeake——

The Court: Do I understand that you withdrew the question as to names, which is entirely proper?

I thought that also included the area, whether in or around Philadelphia. I would like to hear that as to these people.

I don't think that that would make any difference.

By the Court:

Q. Were they in Philadelphia, surrounding Philadelphia? Where were they?

We just want locations, these people that you loaned money to when you were with the Colonial Trust. Were they located in Philadelphia proper, in the suburbs, or where were they?

A. One was in the city and one was in the Camden area.

By Mr. Littleton:

Q. Which you consider in the Philadelphia area, of course?

A. I did. You may not.

Q. Yes. Are they the only two you can remember?

[fol. 1825] A. The only two I can remember.

Q. And that is over how many years' experience?

A. Well, I was on the Board for a total of six years and was president for three years.

Q. That's nine years?

A. No, there was an overlap.

Q. Six years? All right.

The Court: All right.

By Mr. Littleton:

Q. What percentage of Colonial did the Chesapeake own?

A. Approximately 95 per cent.

Q. All the time you were connected with it?

A. That's right.

Q. And did they continue to own that after you left?

A. No.

Q. You went at the time Chesapeake disposed of its ownership?

A. Approximately, shortly before.

Q. What were the circumstances of Chesapeake disposing of its interest in Colonial?

A. Well, it had a handsome profit and we found a buyer.

Q. I beg your pardon?

A. We had a handsome profit and we found a buyer.

Q. Were you, yourself, a shareholder?

[fol. 1826] A. Of the bank?

Q. Of Colonial.

A. Oh, no, not at that time. I had the qualifying shares that were required of a director, 40 shares.

Q. But that's all?

A. But otherwise, no.

Q. Now, you said the largest loan that you ever had at Colonial which you participated out to other banks was $3,000,000?

A. No—yes, that's right.

Q. Is that correct?

A. Yes. That's the largest one that I remember.

Q. And you said that the largest in which Colonial ever participated while you were there was $200,000,000?

A. Yes.

Q. And I presume there the borrower selected its own banks in the $200,000,000 loan?

A. That is correct.

Q. And you got a piece of it?

A. That's correct.

Q. And I presume that——

A. At least we were selected by the borrower. I don't know——

Q. You were one of those selected by the borrower?

A. Yes. I don't know whether the borrower selected the [fol. 1827] other ones or not, but they selected us.

Q. Right; and I presume that was a loan to a large commercial-credit corporation, was it?

A. To a foreign government.

Q. A foreign government?

A. Yes.

Q. And the $3,000,000 loan was one that was brought to your bank by one of your customers?

A. Well, he was not a customer at the time.

Q. He came to your bank for a $3,000,000 loan?

A. That's right.

[fol. 1828] Q. Did he indicate to you that he knew you had to bring in other banks?

A. That came up early in the conversation, but I can't tell you whether he indicated or whether I told him.

Q. You, I presume, issue quarterly or annual statements?

A. Yes.

Q. They always show your capital and surplus?

A. They do.

Q. And your rule in New York is the same as here, that you can only lend 10 per cent of capital and surplus?

A. It is.

Q. He came here for a $3 million loan and you don't know whether he knew that or not?

A. No, I don't know.

Q. Had he ever dealt with you before?

A. No.

Q. Did you select the banks on this occasion?

A. Yes.

Q. And you received an extra or an over-riding charge in that case?

A. No, not in that case we did not.

Q. In other words, you managed the loan without any extra or over-riding charge?

A. This didn't require much management in this case.

[fol. 1829] Q. Had that borrower, to your knowledge, been to any other banks for this loan before he came to you?

A. It was an out of New York City loan. He had been to his local banks, he told me.

Q. And he had been turned down?

A. He had been turned down for the amount that he needed.

Q. You took it?

A. We, with other banks, took it.

Q. You had something to say about the difference between commercial banks and mutual savings banks. Name me some of the mutual savings banks in New York.

A. I don't know that I can give you the——

Q. Well, Bowery Savings is the biggest in the world, isn't it?

A. Yes.

Q. How many millions of dollars does Bowery Savings

have invested in mortgages in Philadelphia County, Bucks County, Delaware County, and Montgomery County at the present time?

A. I don't know.

Q. Have you ever thought to look into that?

A. No.

Q. Did you know they had some?

A. No, I didn't.

[fol. 1830] Q. Where do they invest their money?

A. You mean geographically?

Q. Yes.

A. I don't know. I don't know anything about it.

Q. Do you consider that Bowery Savings Bank was in competition with your bank in the matter of lending money on a mortgage?

A. No, because our bank didn't lend money on mortgage.

Q. Your bank didn't lend on mortgage. Did you consider Consumer Finance Company in competition with your bank in any respect?

A. Yes, I did, in some respects.

Q. Did you consider savings and loan associations in competition with your bank?

A. I considered them in competition with us for time deposits primarily.

Q. Time deposits?

A. Yes.

Q. And did you consider that they had a little advantage over you because of their special tax treatment?

A. They did; they did.

Q. They certainly do?

A. They certainly do.

Q. Are you one of those that worked to get legislation [fol. 1831] to tax savings and loan associations?

A. No we did not.

Q. That would make things more even?

A. It would make things more even yes.

Q. In other words, they had a competitive advantage over you?

A. That's right. Their chief competitive advantage, however, was that they could offer a higher rate of interest to the depositor. That was much more significant.

Q. You mentioned companies that were owned by this Chesapeake Company that you mention, including Colonial; is that right?

A. Yes.

Q. Did Colonial have business with most of those companies?

A. I don't think with any of them. They may have had a deposit with some, but they didn't lend any of them.

Q. They didn't lend any of them?

A. No. That was a policy that we adopted when we acquired the bank.

Q. Why was that?

A. We didn't think it was appropriate for a controlled bank to be loaning to other controlled corporations.

Q. You have spoken of this $3 million participation [fol. 1832] which was the largest loan in which your bank participated, which originated in your bank. I am not talking about the others. How many loans did you have which you thus participated out because they were over your lending limit?

A. I don't think I know the answer to that.

Q. How many did you have participated out because they were over the amount which, while within your lending limit, was beyond the amount that you wanted to go?

A. I don't think I could answer that.

Q. There were a number of those?

A. There were a number of them.

Q. That is quite usual, isn't it?

A. Yes.

Q. Because a company has a lending [illegible]t doesn't necessarily mean you are going to lend the entire amount of the lending limit?

A. You are correct.

Q. You always look at other considerations?

A. Exactly.

Q. Risk?

A. Risk.

Q. General quality?

A. Availability of funds.

Q. And in fixing the interest rate it is always negotiated, [fol. 1833] isn't it?

A. Yes, unless you lend to a prime borrower who is already borrowing from other banks, in which case you must either accept the rate of the other banks or not lend to him.

Q. That is competition, isn't it?

A. Yes, I think basically it is.

Q. If other banks are lending at the prime rate you can't charge more and get away with it, can you?

A. Right.

Q. But aside from that, you always, with each loan that comes in, consider all the circumstances surrounding the loan and then fix the amount of interest, do you not?

A. Yes.

Q. Quality, availability of funds to you?

A. Yes.

Q. General reputation?

A. Correct.

Q. Condition of the money market at the time?

A. Right.

Q. You don't have any fixed rate of interest for loans, do you?

A. We do not.

Q. What are the limits between which you can lend?

[fol. 1834] A. Well, I suppose the theoretical limits are from zero to the usary rate.

Q. Is there a usury rate in New York of 6 per cent?

A. Yes, but the practical limits, of course, are usually from the prime rate to 6 per cent. They have been over the last five years, let us say.

Q. The prime rate is dependent in some respects on the rediscount rate of the Federal Reserve, isn't it?

A. That is an element, yes.

Q. Another one is the amount of reserves required by the Federal Reserve at the present time. These are two of the controls which are maintained that you spoke about.

A. Exactly.

Q. Who sets the prime rate that you referred to?

A. Well, the prime rate is not as precise as the term would indicate. It is set usually by the larger banks in different communities, and it is not uncommon to have a different prime rate in New York than, let us say, in San Francisco, although that does not usually exist for a long

period of time; but if the Chase Bank today decided to make the prime rate 4¼ instead of 4½, it would be likely that other banks in New York within a week would probably be lending at 4¼, unless the Chase had made a bad mistake, in which case it would be likely that they would be back to [fol. 1835] 4½ within a reasonable period.

Q. And you usually followed the Chase?

A. Well, we as a smaller bank followed the big banks. If Chase went off today, we probably wouldn't go off tomorrow, but if First National City went tomorrow and Bankers the next day, we would be along pretty soon.

Q. Your bank never set the price?

A. We did not.

Q. You could not?

A. We could not. If we went from 4¼ to 4½, nothing would happen except we would lose business.

Q. These large borrowers you defined as over a million dollars?

A. That is large to me. It might be a different figure for somebody else.

Q. I think it is large to me also. Do you compete for their business on rate?

A. Well, rate is an element, and I would say the larger the borrower, the more important the rate element would be in the competition, because as he gets larger, his credit tends to be agreed upon by lenders, so that the area of competition then comes into the element of rate. With a smaller borrower, it would be a much wider disagreement as to the quality of the loan, and therefore the rate would [fol. 1836] be less important than the determination of the degree of risk.

Q. All right, let us talk about the large borrower. As large borrowers are you including the ones who are entitled to or who get the prime rate?

A. Yes, I include those, but, naturally, every borrower over a million——

Q. There wouldn't be any competition in rate for their business, would there?

A. Not on a rate basis.

Q. Not on a rate basis?

A. No.

Q. Where would the competition be?

A. Well, in that case it would be in the area of perhaps the length of time, duration of the loan. They might want a ten-year loan or a five-year loan, and there would be competition there. There would be competition in the degree of control that a bank would require in its loan agreement, whether it would restrict its amount of capital, restrict dividends, and the other elements that a bank controls in a large loan. That would be an area of competition. There would be an area of competition, although I would think it usually not significant, in the area of other services the bank might render. They might find homes for executives [fol. 1837] moving into the community, a simple thing like that, or they might provide unusual credit facilities or credit information. They might accommodate them in, say, a foreign subsidiary, in a country where loans were difficult to obtain. There is a whole variety of collateral services in which banks may compete with each other.

Q. So that rate is only one very small element, in some cases no element at all, is that so, in competition?

A. Yes, I think that is a fair statement.

Q. How many times in your years with Colonial did you ever compete by cutting the rate which somebody else had offered to a large borrower, using your definition?

A. I would say never, to my recollection.

Q. Never?

A. I would only say that during the period I was there, money was hard to find. Obviously that situation would be more likely to obtain during tight money than during a market when money was readily available.

Q. If you did start competing for loans by cutting rates, what would the effect be?

A. I suppose if you are thinking of the banking system as a whole, it would mean a reduction in profits for the banking system.

[fol. 1838] Q. What would it mean to you?

A. If we had money to lend that we couldn't lend otherwise, it would probably mean an increase in profits, but during the period I was there it would have meant a decrease in profits, because we could lend our money at higher rates.

Q. Aside from the money, you soon would be overloaned?

A. If you continued indefinitely, you certainly would be.

Q. If you competed by cutting rates, you would soon be overloaned, wouldn't you?

A. If you continued it that far, you would be. Whether it would be sooner or later would depend on the avidity of the borrowers, I guess.

By Mr. Price:

Q. The $3 million loan that you described, how much of it did you take?

A. My recollection is we took a half million, I think.

Q. So that you put out 2½ million elsewhere?

A. Yes.

Q. Was the 2½ million supported by a deposit or deposits?

A. There were some deposits. I don't remember.

Q. Whose deposits were they, the borrower's or yours?

A. The borrower's.

Q. So the borrower had to make deposits in the other [fol. 1839] banks which gave him a participation; is that right?

A. Yes.

Q. Did you arrange for that?

A. I don't remember exactly how that came about. I don't think we did.

Q. The borrower had to go around and make his own separate arrangements with these other banks as to how much deposit was required?

A. I see. No. If that is what you mean, I think we did it.

Q. And how was the amount arrived at? Did you tell the borrower he had to deposit in these other banks?

A. That phase of it I didn't handle, so I can't answer that. One of the officers of the bank handled it.

Q. But there was some business of that sort required?

A. Yes.

Q. You said that there was some difficulty attending this participation. What kind of difficulty?

A. No, I didn't say that.

Q. As to this loan.

A. No, I didn't say that. The question was asked, was there ever any difficulty in arranging participations, and I said that on some occasions there were, not on this case.

[fol. 1840] Q. What kind of difficulty are you speaking about?

A. Maybe the first bank you would go to didn't agree with your assessment of the credit risk and would say, "No, I don't want to participate," and you would have to go to another bank.

Q. So that there would be the problem of satisfying a number of different lending officers in different banks as to the desirability of the particular loan; is that so?

A. If you went to more than one, yes.

Q. Of course, if you went to more than one.

A. Right.

Q. And if you participated a loan out among a number of banks, you would have the same problem with each one?

A. Precisely.

Q. All that would be eliminated if you made the loan at a bank that could handle the entire thing itself, wouldn't it?

A. Well, there would be no need——

Q. All this difficulty you are talking about of getting other people to agree or not to agree, and so forth?

A. Yes.

Q. Did you do any foreign business?

A. Yes.

Q. How much?

[fol. 1841] A. I suppose we did more on a per capita basis than almost any bank in the country. About 30 per cent of our business was done outside of the United States.

Q. Was that because of your contacts with the Young interests?

A. No, that was the historical development of that particular banking institution long before we had anything to do with it.

Q. That was not anything that had grown up while you were there?

A. No.

Q. What were the other banks in New York that did the foreign business particularly?

A. Well, the First National City, of course, is well known. Chase Manhattan.

Q. How large are those two?

A. I don't think I can tell you their exact capital, if that is what you mean. I don't know.

Q. What others?

A. Well, almost every large bank in New York has an international department, but I think those two have through the years been most important in that field.

Q. And those are the banks that solicit business in Philadelphia that you spoke about?

[fol. 1842] A. I am not familiar with the First National City. I happen to know the Chase does have a department which solicits business around all of the large cities. I know it is a fact.

Q. Including Philadelphia?

A. I can't testify that they actually ever solicit in Philadelphia, no, I am not that familiar with it. I know that their general policy is to have a department, officers, employees, who go around the country soliciting banking business, but I can't say of my own knowledge that someone comes to Philadelphia.

Q. Did you have travelling officers in your bank that did solicit business of any kind?

A. We didn't have any officer whose exclusive duty that was, but on occasion we did have officers who travelled to other cities.

Q. Did you have one that travelled to Philadelphia?

A. No.

Q. You didn't solicit any business yourself in Philadelphia?

A. No. We had, as I said, a correspondent relation with Philadelphia National. We had at least one piece of business with Fidelity-Philadelphia, and on occasions when those loans were up, someone from the bank would come to Philadelphia, but we didn't have anybody who came [fol. 1843] down here and rang doorbells, so to speak.

Q. When you spoke about the commercial banks being required to maintain liquidity to pay their depositors on demand, that did not apply to the time loans or to the savings fund, did it, the savings department?

A. No. To the extent that banks having savings deposits, they can, to the extent that those savings deposits are large, to that extent the bank is more justified in making longer term commitments of its funds, because there is a

greater stability in the savings accounts than there are in demand accounts.

Q. The savings accounts are in the same position as the saving funds, are they not, so far as repaying the money is concerned?

A. That is correct.

Q. So they are on a par to that extent?

A. Yes.

Q. When you spoke about not wanting to lend your entire limit, was that the usual case, that where you had a borrower who wanted to borrow some money in your bank, you preferred, even though you could lend him $500,000 or $600,000, you would prefer not to lend the full amount even though he was a prime borrower; is that so?

A. Yes, that is so.

[fol. 1844] Q. And isn't that a general banking practice?

A. Yes, it is.

Q. And it is even more important where the borrower is not a prime borrower, and therefore the risk would have a higher proportion to your resources and assets where you were a small bank than if you were a much larger bank?

A. Yes, I think that is correct.

Q. So wouldn't it be the case, so far as banking in general is concerned, that a bank like the Chase would take a very much larger risk from a particular borrower than you would be able to do even though it were within your own limit?

A. Well, certainly in dollar amount that would be necessarily true. I don't know whether it would be true if you related to total assets or capital. I would think probably not true under those conditions.

Q. You would give as an illustration that you might want to stop at $100,000 or $200,000?

A. Yes.

Q. The Chase wouldn't necessarily stop at that same figure?

A. No. I say in dollar amount they most certainly would not, but if you related that to their capital, then the [fol. 1845] degree of risk I would imagine would be about the same. They might want to stop at the same relation to their capital as we did to our capital.

Q. So that the amount of capital of the lending bank is of utmost significance to determine where you would stop in a particular loan if it were something less than prime quality?

A. I would think that would be an important element.

Q. And that is general banking procedure?

A. Yes.

Q. You followed it yourself and other banks that you are familiar with followed the same practice?

A. Yes.

Q. Were most of these companies that you said you had experience in on the borrowing side the subsidiaries of the Chesapeake?

A. I would say most of them were but not only.

Q. Most of them were?

A. Yes, but not only those companies.

Q. And did you class them as small or intermediate or large borrowers?

A. Well, if you include the parent, I guess our borrowings ranged from $50,000 to $8 million, so we were in all three categories.

[fol. 1846] Q. Did I understand you to say your first contact with the Justice Department with reference to this case was within a couple of weeks?

A. Within a few weeks, yes. I don't want to say two weeks or three weeks. Mr. Reed came to my office and asked me if I would come down here and talk with him.

Q. Who came to your office?

A. Mr. Reed.

Q. Can you place that time approximately?

Mr. Reycraft: May I refresh your recollection? Mr. Reed's notes indicate that he talked to you on April 12 the first time, and then I believe you came down here and talked to us.

The Witness: Yes, and when was it—do you have the notes when I was here?

Mr. Reycraft: Two weeks.

The Witness: Two weeks.

By Mr. Price:

Q. Two weeks is closer than two months.

A. I think the original question was when, if I remember correctly, my willingness was indicated to testify, and that was two weeks ago in the meeting here. Now your question is, when was the first time Mr. Reed talked to me, which is a different question and a different answer.

[fol. 1847] Q. So it wasn't until a couple of weeks ago——

A. The first talk was on a very general basis about this matter and other matters, and it was only two weeks ago when——

Q. Just a couple of weeks ago you knew you were expected to testify?

A. That's right. I received a subpoena in New York, as a matter of fact, before I came down here.

Mr. Price: Thank you, Mr. MacMillen.

Mr. Littleton: May I just ask a couple more questions?

By Mr. Littleton:

Q. At the time you terminated your association with Colonial what was its ranking in size in the banks in New York City?

A. I don't happen to know that. We were 234th in the country. I happen to know that because it is published, but I don't know where we were in New York. We were not one of the first four or five.

Q. How many banks are there in New York?

A. In New York there are somewhere around 16 or 17.

Q. You are not one of the first four or five. Are you in the last four or five?

A. No, we are not in the last four or five. We are some-[fol. 1848] where in the middle.

Q. About mid way?

A. Yes.

Q. What were the years that you were associated with the Colonial?

A. Well, I became a director when we acquired the bank in 1955, early 1955. I became president in the fall of 1957 and continued in both capacities until November, 1960, last November.

Q. And was it between 1957, when you became president, and November, 1960, that the bank grew in size from $400,000 to $1,250,000?

A. It was the year before I became president, was the figure I gave you.

Q. That would be 1956?

A. Yes, something like that.

Q. So that in those four years it grew from $400,000 to $1,250,000?

A. The earnings before taxes. That is profits.

Q. How did it grow in assets?

A. I would say insignificantly.

Q. How did it grow in deposits?

A. Maybe in the neighborhood of four or five million, something of that kind.

[fol. 1849] Q. It grew?

A. Yes.

Q. From what to what?

A. Oh, from around $67 million to $72 million something in that area.

Q. And how about in loans?

A. Quite significantly.

Q. Quite significant growth in loans?

A. Yes, the bank was I think underloaned at the time I went there.

Q. It grew in loans?

A. Yes, quite significantly.

Q. It was able to compete with these other 15 or 16 banks?

A. Yes.

Q. It grew significantly in loans?

A. Yes.

Q. So it was obviously able to compete?

A. Yes, we competed for loans——

Q. In that period how many mergers were there in New York among the banks?

A. Which period?

Q. Well, the period you were speaking about, 1956 to November of 1960.

[fol. 1850] A. I couldn't tell you exactly. The Chase Manhattan merger occurred during that period.

Q. Morgan Guaranty?

A. Yes, the Morgan Guaranty.

Q. What else?

A. I think the Chemical——

Q. There were some others?

A. There were some others, yes. I couldn't tell you exactly.

Mr. Littleton: All right. Thank you very much.

Redirect examination.

By Mr. Reycraft:

Q. Mr. MacMillen, you testified that your bank had two loans in the Philadelphia area.

A. Yes.

Q. Can you tell me the size of those loans?

A. No, I can't. I don't remember.

Q. Can you tell me whether, on the basis of your observations, an aggressive bank has any difficulty in setting up participation?

A. I don't want to say "difficulty." There is often difficulties. I can only say that in our experience we never fail to set one up when we started out to do it.

[fol. 1851] Q. They could always be overcome?

A. We always overcame it. I don't want to say they can always be overcome. I can envision circumstances where they couldn't be.

Q. With reference to the availability of lending funds or the interest rate, which has been most important, on the basis of your observation, to small and intermediate sized business.

A. Availability of funds.

Q. And while you were president of the bank, if you had funds available to lend, and you did not have sufficient applications for loans, would you cut the rate?

A. Yes.

Q. You testified also concerning the deposit balances which borrowers keep with banks from which they borrow money.

By the Court:

Q. Let us go back to that last question. You never experienced that phenomenon, did you, while you were president?

A. No, it didn't occur during my time except very short-term occasions.

Q. I thought you had said that money was tight all the time you were president.

[fol. 1852] A. Yes, it was, substantially all the time, and there were maybe a few periods where for a few weeks or months you might have excess funds, but this was a period of tight money.

By Mr. Reycraft:

Q. But if it had loosened up——

A. We definitely would have dropped it down to the rate that we could have earned on the alternate source of investment, which would have been Government bonds or high-grade municipal bonds.

Q. Referring to my later question concerning a balance against loans, this was described as a compensating balance?

A. That is what it is called.

Q. Can you tell me the amount which your bank generally required or asked for as a compensating balance?

A. Generally during this period we sought 20 per cent.

Q. Were you generally successful in getting it?

A. We were generally successful.

Q. With reference to participations with which you are familiar, was it necessary in those you handled to have a lawyer for each bank review these participations or were there legal problems in connection with setting them up with each bank?

A. That is a difficult question to answer. There is a [fol. 1853] general form of participation agreement which we used, and I did not handle the mechanics of the participation, so I am not aware of any particular difficulties, but there may have been and they wouldn't have come to my attention.

Q. This is the type of thing that banks do frequently?

A. Yes, it is quite common.

Q. Is the mechanical cost of handling participation substantial in relation to the amount of the loan outstanding?

A. It is not normally so.

Q. You referred to a loan in which you participated with the Fidelity-Philadelphia.

A. Yes.

Q. Do you recall how much that was?

A. I think it was a million dollars, and we each had half of it.

Q. You have also testified concerning the improvement in the earnings of the Colonial Trust Company during your administration, on the basis of very little increase in deposits.

A. Yes.

Q. Can you tell me to what you attribute the increase in earnings?

[fol. 1854] A. Well, I think the most important thing was that this was a fine time to be in the banking business. Money was tight. Borrowers were readily available, and they were willing to pay any reasonable rate to get money. So I would say the circumstances surrounding that period were probably the most important; but, secondly, we made much better use of our funds. We were lending 62 per cent of our deposits instead of 45 per cent, so the funds that we had were used better. We revised our bond portfolio so that we got a better yield on an after-tax basis from it, and, most significantly, we reduced our cost, our labor cost, our cost of what we paid to the employees of the bank, from something like 46 per cent of our total income down to under 33 per cent, so we had a more, I think, efficient bank operation.

Q. Is there a substantial area in bank management where efficiency of operation and management can improve the earnings?

A. Well, there was in this bank. I think you would have to look at each bank to answer that.

By Mr. Littleton:

Q. During this period of tight money you of course kept in effect your 20 per cent requirement of compensating balance?

[fol. 1855] A. It was not invariable. We tried to get 20, and I would say we normally did.

Q. And that was 20 per cent of the line?

A. No, we sought 20 per cent of the borrowed balance.

Q. Of the borrowed amount?

A. Yes.

By Mr. Price:

Q. When there was surplus cash around, ultimately the prime rate came down and the discount rate came down and everything came down?

A. I am sorry; I didn't hear the first part of your question.

Q. When there is surplus cash available for loans, it is reflected in a reduction in the prime rate?

A. It certainly is, and every other rate.

Q. And every other rate?

A. Right.

Q. So that is simply a known phenomenon of banking?

A. It is.

Mr. Littleton: And in regard to different kinds of business?

A. Of every business, yes, sir.

The Court: We will take our mid morning recess at this time.

(A 10-minute recess was taken at 11:15 A.M.)

[fol. 1856] Mr. O'Donnell: Mr. Carl Taylor.

Carl Taylor, having been duly sworn, was examined and testified as follows:

Direct examination

By Mr. O'Donnell:

Q. Mr. Taylor, what is your present position?

A. President of the Waukesha State Bank, Waukesha, Wisconsin.

Q. How long have you held that position?

A. Since 1944, when the bank was founded.

Q. Are you one of the founders?

A. Yes, sir.

Q. Were you in banking prior to that time?

A. Yes, sir.

Q. In what position?

A. I helped organize the Northern Bank in Milwaukee in 1935, although not full-time employed by it, was Chairman of its Executive Committee for the period of 1935 to 1945, and my own bank was established.

Q. As president of that bank, what are your duties?

A. Well, the bank is $15,000,000, and the president of a $15,000,000 bank has just about all of the duties, but responsible for its loan policies, its investment policies, [fol. 1857] its general operation.

Q. Are you a member of banking associations?

A. Our bank belongs to the Federal Deposit Insurance Corporation. We are not a member of the Federal Reserve Bank.

Q. How about associations of bankers? Are you a member of any?

A. Well, I am a past-president of the Independent Bankers' Association. I served many years as Legislative Committeeman for the American Bankers' Association; for about ten years as Chairman of the Legislative Committee of the Wisconsin Bankers' Association.

I have been now for some years on the Taxation Committee of the United States Chamber of Commerce.

Q. Are you currently a member of the Legislative Committee of the American Bankers' Association?

A. I am on a special committee that the American Bankers' Association has for some of its legislative problems, yes.

Q. Through these associations have you had an opportunity to become familiar with the problems of banks generally?

A. Yes, sir. I think I have. Over the past ten years or so I have been invited out and have gone out to speak for the bankers' conventions of many of the states and to a number of conventions of loan societies in various states. [fol. 1858] I believe, sir, that I have a fair understanding of the general problems of banking.

Q. Do you subscribe to and read the literature of banking generally?

A. Yes, sir.

Q. As president of a bank, do you believe that you should be informed on conditions in banking generally?

A. I believe I have a fair knowledge of the banking problems of these times.

Q. You say your bank is a member of the Federal Deposit Insurance Corporation?

A. That's correct.

Q. As a member of that agency, your bank must comply with the regulations of that agency?

A. We must comply with the regulations of the State of Wisconsin and also with the Federal Deposit Insurance Corporation regulations. They are quite generally similar for all banks.

Q. Do these legal restrictions affect the type of business your bank is able to do?

A. I do not think we ever find ourselves compassed in by the restrictions or the laws. I think we would know the reason for them and would ourselves have complied with the requirements they make, even though they were not legally [fol. 1859] enforced upon us.

We worked comfortably within the regulations that we have.

Q. Are there regulations that affect the type of loan you make?

A. I would say not.

Q. Do the types of deposits which your bank receives affect the type of loans that you make?

A. We are about half savings and about half commercial deposits, and with savings deposits it is possible to make a little longer term loan than you would make with commercial deposits.

Q. What do you mean by a longer term loan?

A. We would make some mortgage loans for twelve years if we had surplus funds and our savings deposits were continuing to grow.

Commercial loans are made either on demand or on a much shorter term basis.

Q. Are most of your loans commercial loans or are they mortgage loans?

A. The majority of our loans are commercial loans and installment paper, retail-installment paper directly made by the bank.

Q. Do you mean personal type of——

[fol. 1860] A. We would have perhaps 6,000 installment loans to individuals for everything from buying an automobile to getting grandma's teeth fixed or for whatever purpose they might have for wanting the money.

Q. Do you know the rates of personal-finance companies which engage in similar types of lending?

A. Yes. I believe I do, sir.

Mr. Littleton: If Your Honor please, I assume this is restricted to Wisconsin.

Mr. O'Donnell: Yes.

Mr. Littleton: All right.

The Witness: I did not hear the comment of counsel.

Mr. Reycraft: Will you read the comment?

(The reporter repeated the proceedings as follows:

"Mr. Littleton: If Your Honor please, I assume this is restricted to Wisconsin.")

The Witness: I would not say that it is restricted to Wisconsin. I spoke in Pittsburgh a couple of years ago to the National Finance Association. I have long had a personal relationship with Francis Conway of Thorpe Finance, who operates over more than one state and who has just sold out to Pacific Finance.

[fol. 1861] I believe I have a fairly general knowledge of the finance business in other states, as well as Wisconsin.

By Mr. O'Donnell:

Q. Directing your attention to your familiarity with Wisconsin rates, the rates of Wisconsin personal-loan companies, are they similar to the rates which your bank charges on installment loans?

A. They, of course, would be very much higher than our bank's rates. Wisconsin's laws allow 1½ per cent for the first $100 per month, that's 18 per cent; 24 percent for the second $100; and 36 per cent for rates on loans——

3 per cent on the first $100, 2 per cent on the second $100, and 1½ per cent on the third $100, and above that; being 36 per cent on the first hundred, 24 per cent on the second hundred, and 18 per cent on the third hundred.

The usury law for banks is 10 per cent.

Q. When you speak of 36 per cent, you mean 36 per cent per year?

A. 3 per cent per month or 36 per cent per annum on the diminished balance.

Q. Are these differences generally applicable to loans of banks and of personal-loan companies generally in your area?

A. Yes, and generally throughout the United States. I think there may be a state or two that has no limit, but most [fol. 1862] states have a limit for finance companies which is substantially higher than the limit permitted to the banks or individual lenders.

They usually have separate small-loans acts which are administered separately from the banking laws.

Q. To your knowledge, do these personal-loan companies usually charge the maximum rate that they are permitted by law——

Mr. Littleton: Objected to unless it is restricted to Wisconsin.

Mr. O'Donnell: I was about to finish.

Mr. Littleton: Excuse me. I am sorry.

By Mr. O'Donnell:

Q. Do they charge the maximum rate permitted by law in Wisconsin?

A. My observation would be that they charge the maximum rate permitted in any state, including Pennsylvania.

Mr. Littleton: I move that it be stricken.

The Court: It may be.

Mr. O'Donnell: May I have my question read?

(The question was repeated by the reporter as follows:

"Q. Do they charge the maximum rate permitted by law in Wisconsin?")

[fol. 1863] The Witness: Yes, I believe they do.

By Mr. O'Donnell:

Q. Do you have any knowledge generally of the practice of small-loan companies beyond Wisconsin?

A. A general knowledge, yes, of the small-loans operations in other states. I have spoken before a number of their conventions. I have close personal friends in most of the larger finance companies, and I believe I have a general knowledge of how they operate and could properly state within generalities their operations.

Q. Are the rates charged by these other small-loan companies generally the maximum rates allowed in their areas?

A. Yes, they are.

The competition of banks was very slow in getting into this field. In the last four or five years many banks are establishing retail divisions and are moving into this consumer-finance deal.

By the Court:

Q. Where did all this happen, that the banks have just gotten into it in the last four or five years?

Do you know anything about Philadelphia, how long Philadelphia has been doing that type of business?

A. No, sir. I do not.

The Court: All right.

[fol. 1864] Let's go on. Let's get down to this case.

By Mr. O'Donnell:

Q. Are you a director of any other financial institutions?

A. Yes, sir. I am a director of the Modern Federal Savings & Loan Association; have been for approximately thirty years. I served almost twelve years as the Executive Trade Secretary of the Savings & Loan Association of Wisconsin.

About thirty years ago, just exactly this time, I was in Philadelphia to a celebration of the hundredth anniversary of the founding of the savings and loan business in Philadelphia.

Q. Can you state the distinctions between the savings and loan company of which you are director and your bank?

A. The Savings & Loan Association acquires its funds by selling shares to customers, which are not creditor obligations; they are shareholders in a mutual mortgage company.

The bank has capital funds of its own, but by law is permitted to accept deposits, savings and commercial deposits, which are creditor obligations.

The other principal difference is that the savings and loan associations are tax-exempt and banks pay a very high federal income tax.

Q. Both organizations of which you are a director and officer make the same type of loans?

[fol. 1865] A. No, sir. The savings and loan institutions are supposedly limited by law to mortgage loans on homes or residential properties. They have some latitude but it is very small beyond that.

The bank does a modest amount of home-loaning only when it has surplus funds. The majority of its business is commercial loans to commercial individuals and to commercial businesses.

Q. The principal business of your bank is making commercial loans, did you say?

A. That would be the principal business of our bank—soliciting deposits and using those funds for commercial loans.

Q. What is your lending limit, Mr. Taylor?

A. $123,000.

Q. Do you get requests for loans above your lending limit?

A. Yes. We do.

Q. Is this fairly common?

A. Perhaps ten or twelve a year.

Q. And what do you do with those requests?

A. If we think they are sound loans and are inclined to believe they should be made, we ring one of our correspondent banks in Milwaukee, arrange for the overline, and make the loan.

[fol. 1866] Q. Have you ever had any difficulty in arranging for this overline?

A. Not in any loan which we thought was proper to be made.

Q. Are your customers aware of this type of arrangement?

A. We would want to be sure that they knew in each case that the overline was going to another bank.

Q. Have they expressed any opinion on this?

Mr. Littleton: Who?

The Witness: There have been no objections from any customer.

By Mr. O'Donnell:

Q. What is the largest such loan you have arranged, Mr. Taylor?

A. Three quarters of a million dollars, and that was the largest one that was ever requested. We could arrange one of any conceivable size that was a sound and bankable loan.

Q. Have you turned down any requests for such loans?

A. Not because of any problem of placing them. We turn down all sizes of loans if we believe they have too great a risk; or in some cases, if we think they are not in the best interests of the borrower.

Q. Are there any other commercial banks in Waukesha?

A. There is one other located in Waukesha. There are perhaps a dozen that do business in Waukesha.

[fol. 1867] Q. Where are these others located which do business in Waukesha?

A. Well, within four or five miles, or ten miles around. Waukesha is the first county seat west of Milwaukee, almost a suburban part of Milwaukee.

A number of new banks are developing between the two county seats of Milwaukee and Waukesha.

Q. Mr. Taylor, to your knowledge, have there been any bank mergers in your geographic area?

A. In our state, the same thing is accomplished by a holding company purchasing and owning the group of banks in one holding company. The net result is the same; the technical procedure for doing it is a little different in different states.

Q. Have any of these acquisitions taken place in your community?

A. Yes. They have.

Q. Is the other bank which is in Waukesha a member of such holding company?

A. It is an independent bank, but it has one branch acquired back before 1947, when Wisconsin law permitted branches.

By Mr. Littleton:

Q. In other words, your answer to that question is no; is that correct?

[fol. 1868] A. (No response.)

Mr. O'Donnell: I take it that it is.

The Court: Read the question back.

(The question was repeated by the reporter as follows:

"Q. Is the other bank which is in Waukesha a member of such holding company?")

The Witness: It does not have a holding company. It did acquire one branch at the time that branch-banking was legal in Wisconsin.

By Mr. O'Donnell:

Q. And it is not a member of a holding company?

A. It is not a member of a holding company; presently under pressure to sell out to a holding company, as my own bank is.

Mr. Littleton: I move it be stricken.

The Court: The facts of life are always here. As the previous witness said, if they can make enough profit, they will sell.

By Mr. O'Donnell:

Q. Have you received an offer to acquire your bank?

A. We have received recently an offer for our bank substantially greater than I believe it is worth or than the stock has been selling for; and our directors and stockholders declined the offer.

[fol. 1869] Q. Why, in your opinion, was the offer made for more than your bank was worth?

A. Because if a monopoly can be established or a semi-monopoly can be established, banking can be made more profitable than any other kind of a monopoly; and every time you reduce the unit, the number of unit banks, you increase the potential for monopoly.

By the Court:

Q. What was the question that was asked you that provoked that answer or evoked the answer?

A. (No response.)

Q. Will you repeat Mr. O'Donnell's question that that was an answer to?

The Court: Not you, I am asking the witness to do it.

The Witness: The question asked me was if our bank had recently received an offer and if we accepted the offer.

By the Court:

Q. Didn't he go a step further and ask why, in your opinion, you refused it?

The Court: Is that substantially what you asked?

Mr. O'Donnell: No, Your Honor. "What, in your [fol. 1870] opinion, was the reason the price was more than the bank was worth?"

The Court: More than the bank was worth?

By the Court:

Q. Is that in answer to the question that you have said this and made that speech?

A. Your Honor, it seems to me that that was responsive to the question.

Q. It seems to you, does it?

The Court: All right.

Ask the next question.

By Mr. O'Donnell:

Q. Can you name some of these acquisitions which have taken place in your geographic area recently?

Mr. Littleton: Objected to on the ground of being irrelevant to this issue.

The Court: Sustained.

By Mr. O'Donnell:

Q. Have there been bank mergers in your geographic area?

A. Yes, there have been.

Mr. Littleton: The same objection.

The Witness: And are.

Mr. Littleton: Excuse me. I have an objection.

[fol. 1871] The Court: Read the question back.

(The question was repeated by the reporter as follows:

"Q. Have there been bank mergers in your geographic area?")

The Court: I sustain the objection on the ground that he has already answered the question.

By Mr. O'Donnell:

Q. Do you have an opinion of the effect of these bank mergers?

A. Yes, sir, I do.

Q. On competition in banking in your area?

A. Yes, sir. I do.

Q. What is that opinion?

Mr. Littleton: Objected to.

Mr. Price: Objected to.

Mr. Littleton: It is objected to as being irrelevant to this issue.

The Court: I am going to let it in. We have got to get this case finished sometime.

Go ahead. Answer the question.

The Witness: You have competitive banking if you have a number of unit banks. You have monopoly banking if you have one bank or if you have two and they can agree on [fol. 1872] how to handle the business.

And each time that a unit bank merges or is bought by a holding company, the preponderance of competitive banking shifts over to the preponderance of monopoly banking.

By Mr. O'Donnell:

Q. Why does this have an adverse effect on the community?

A. The whole economic life blood of the community is involved in its bank. Substantially never is a business started without some bank loan. The bank has almost a

veto on any economic development in the community if it chooses to veto it.

The banker's ability to find and encourage capable young people and direct them into the businesses that need to be done in the community is the source of success of the great majority of American communities.

Q. Mr. Taylor, in your opinion, has this trend you have described reduced the number of alternative sources of credit available to borrowers in your area?

A. If definitely has.

Q. With what effect, Mr. Taylor?

A. With the effect that wherever these branch operations or holding-company operations are run by a foreign management, new businesses to be started or young people who [fol. 1873] have to start on character instead of inherited cash find it is much more difficult and in many cases impossible to do what they could have done if they were dealing with an independent bank who knew them and could work with them.

By the Court:

Q. Now, Mr. Taylor, give us an illustration of each of those points that you made from your own personal knowledge.

A. Yes, sir, Your Honor.

Shortly after our bank was established, a man in his late thirties came to our bank and discussed with me the possibility of borrowing the money to start a stone company of his own. In our area——

Q. Wait a minute. Just tell about the fellow who didn't get it. Don't tell me about the fellow who did get it.

That is what I am asking you about.

A. Well, Your Honor, I just started to say what this man came to me to say. He had sought the loan at the other bank in the town and had been denied it because his employer did his banking at the other bank.

He had an alternate chance. He came to our bank and applied and we were able to work out the loan. It is now the largest stone company operating in Wisconsin. It could not have been possible except that there were alternate sources of bank loans for this man.

[fol. 1874] Q. Go ahead.

By Mr. O'Donnell:

Q. In your opinion, Mr. Taylor,——

The Court: Just a minute. Just a minute. We want to hear about the fellow who couldn't get it because of outside foreign management that I have heard about from him.

The Witness: Well, if he walked in——

By the Court:

Q. If you are making what appears to be a logical argument, tell us about it.

A. Yes, sir.

Q. But you are supposed to be here with knowledge.

A. Yes, sir.

Q. Now, do you have knowledge of a single instance of the type of horrible situation that results from bank mergers which you have just finished testifying about?

A. Yes, sir. I believe I can give a substantial number of incidents.

Q. Well, give me the instance, then.

A. The Pewaukee Bank, which I believe was the nearest bank to Waukesha, some seven miles away——

Q. You have two unit banks in Waukesha, haven't you?

A. We have two unit banks in Waukesha.

Q. All right.

[fol. 1875] A. But you asked me for an answer, Your Honor, of where a holding-company bank had stopped the progress of a business.

Q. Yes.

A. And I was just seeking to relate that.

Q. All right. Go ahead.

A. The Pewaukee Bank was purchased by the Marine Corporation, the Milwaukee-controlled banks. Three months ago the distributor of one of the larger beverages in our area, who had always banked at the other—at the Pewaukee Bank—came to tell me that he had been turned down there for the first time in his life or his father's life because they had a new management at the bank, a new set of rules that came out of Milwaukee, and he had been denied the loan.

Q. All right. Was it a good loan?

A. We made the loan.

Q. Then it was a good loan?

A. Well, we think it was good but you never know until you collect them whether they are good or not; but at this moment I believe it is good.

Q. But you haven't collected it?

A. That is correct.

Q. Nevertheless, he came to your bank and got a loan?

A. That is correct.

[fol. 1876] Q. So you criticized the other bank because they didn't think it was a good loan; is that it?

A. He stated to me that it didn't qualify for the regulations that the local branch had after it was connected with the holding company.

Q. Then you haven't had any previous banking experience loaning or not loaning or payment or repayment; you had no credit information on him at that time, had you?

A. We had full credit information on him before we completed the loan.

Q. I am asking you, you had no credit experience with him as such?

A. Prior to our loan, no.

Q. All right.

Does that credit experience have anything to do with your continuing to make loans?

A. (No response.)

Q. In other words, if a man is slow pay, drags out his loans, does that have an effect upon your re-loaning him?

A. It certainly does.

The Court: All right. Go ahead, Mr. O'Donnell.

By Mr. O'Donnell:

Q. In your opinion, Mr. Taylor, would approval of this merger have an effect on bank mergers in your area?

[fol. 1877] A. It most definitely would.

Mr. Littleton: Relating to which merger?

Mr. Price: Which merger are you talking about?

Mr. O'Donnell: This Philadelphia National Bank and Girard Trust merger.

Mr. Littleton: Objected to.

Mr. Price: Objected to.

The Court: I am going to let him answer. I will overrule the objection.

The Witness: Your Honor, I am not fully familiar with court procedure because I am not often in court, but if this is a possible answer I would like to make it.

When these mergers began to develop in our area, with the officers of the Wisconsin Bankers' Association——

The Court: You were asked an opinion on Philadelphia, now.

The Witness: Yes. I think this one very definitely affects ours.

The Court: Go ahead.

The Witness: When this merger movement began in our area some four years or so ago, the Wisconsin Banking Commission and the officers of the Wisconsin Bankers' As-
[fol. 1878] sociation, of whom I was one, went down to meet Mr. Gidney, the Comptroller of the Currency, and to urge upon him restraint in these mergers that he was permitting up in our area by means of holding-company procedure; and he said to us, without any hesitation, that he believed that bigger banks were better able to serve and he was favored toward bigger banks.

At that time the independent banking people in the industry were seeking to get a piece of legislation through the Congress that would restrict this trend towards monopoly and the bill was passed, not entirely to our satisfaction, but we thought adequate to cover cases like this.

And all of a sudden the bank monopoly in Milwaukee just almost caught fire as the three big Milwaukee banks began to bid against each other for the outlying banks and to ask new charters wherever there was a potential future need for them; and we were most happy to see the Department of Justice start three suit- which, to us, seemed to be the same suit—one in Philadelphia, one in Milwaukee, and one in Louisville—and we believe that those suits are proper and that they ought to be done in every community where this merger-branching fire is burning.

By the Court:

Q. So all mergers should be stopped?

A. No, sir. I do not think all mergers should be stopped,
[fol. 1879] but those that restrict competition——

Q. Can you name one way in which this will restrict competition, except to reduce one source of commercial credit in Philadelphia?

A. My general——

Q. Can you name any other way except reducing the number of opportunities for commercial credit?

A. (No response.)

Q. One sensible, logical statement where this merger will affect any other aspect of banking?

A. I think this merger will affect every possible application for loans that would previously have gone to competing institutions and will now go to one controlled institution, and if I might——

Q. What do you mean, "one controlled institution"?

We don't have any controlled institutions around here. We have individual Boards of Directors for every bank in this area.

A. Yes, sir. The two institutions would be controlled by one Board, whereas previously they were controlled by two Boards.

Q. All right.

A. And my knowledge of this area is that more than half of the unit banks in this four-county area have already been [fol. 1880] eaten up in the last ten or twelve years; and at some point, if this continues, there will just be one left.

Q. Now, you tell me the point.

A. Well, if it is done chronologically, it is, I assume, within ten years if you have disposed of fifteen or sixteen banks in the last ten years and there's only fifteen or sixteen left and you continue at the same rate.

Q. How big a town is your town?

A. Our city is 30,000.

Q. 30,000?

A. Yes. It's eleven miles from the city limits of Milwaukee and we are part of the whole metropolitan complex.

Q. And you have loaning power of $123,000 in your own right?

A. That is correct, sir.

Q. How much deposits do you have?

A. $15,000,000.

Q. $15,000,000 in deposits?

A. Yes.

Q. And your total assets then are $1,230,000?

A. (No response.)

Q. Do you have the 10-per-cent limit?

A. No. We do not have that type of law in Wisconsin. Our law in Wisconsin allows 15 per cent of the capital and [fol. 1881] surplus.

Q. So then you have less than $1,230,000?

A. Of capital and surplus, yes, sir.

Q. All right. I just wanted to know.

A. Yes, sir. Our total capital is about $1,700,000, but you can not use undivided profits or other reserves in computing your loan limit in our state.

The Court: All right.

Mr. O'Donnell: No further questions.

Mr. Littleton: I have no questions.

Cross-examination.

By Mr. Price:

Q. Your resources are now more than twice what they were ten years ago, aren't they?

A. Our bank was started in 1944. It has grown about $1,000,000 a year until two years ago, when the growth stopped as a result of a near-by bank being established.

Q. How did that stop you?

A. Well, it was established in the newly-born City of New Berlin, which had been farmland previously, and we had all of the public accounts and school accounts from there, and when this bank was established in New Berlin those accounts went where they belonged, into their own community bank.

[fol. 1882] Q. They have competed with you and taken some business away from you?

A. Business which belonged in this new bank in that area went there. We had helped them get the bank started, although I have no financial interest in it. We believe it should have been there.

Q. How about the First National Bank of Waukesha?

A. About $55,000,000. It's a very large institution, about $100,000,000.

Q. That is the only other bank in Waukesha?

A. We are the only two banks domiciled in Waukesha, but about ten or twelve banks compete for the business.

Q. That has been there all the time that you have been there?

A. The First National Bank is 107 year old.

Q. So that you were growing at the rate of a million dollars a year in spite of the fact that they were the only other bank in the town?

A. Yes. They were growing about $4,000,000 a year while we were growing only about $1,000,000 a year, because our county has been about the fastest-growing county in the United States in the last few years, a very rapid population explosion.

Q. They are four times bigger than you are; aren't they?

[fol. 1883] A. They are now about four times our size.

Q. You are both growing at about the same rate?

A. We are not both continuing to grow——

Q. You were both growing at about the same rate, were'nt you?

A. We are not——

Q. Aren't you

A. I——

Q. Will you please answer my question?

A. No, no. We are not growing at the same rate.

Q. I said you were during this ten-year period?

A. No. We misunderstand each other as to question and answer. They are growing about $4 to our one, which is not the same rate.

Q. You said they were four times as big as you were?

A. Yes. The same percentage they might be growing, but not at the same rate.

Q. At the same percentage rate?

A. That is correct.

Q. You were both growing at about the same percentage rate?

A. That would be correct.

Mr. Price: That's all, thank you.

Mr. Littleton: No questions.

[fol. 1884] Mr. O'Donnell: No further questions.

Mr. Reycraft: Is Mr. Clifford Gillam here?

CLIFFORD R. GILLAM, JR., having been duly sworn, was examined and testified as follows:

Direct examination

By Mr. Reycraft:

Q. Mr. Gillam, what is your present employment?

A. I am an assistant vice-president of the Philadelphia National Bank.

Q. How long have you held that position?

A. I think I became an assistant vice-president in 1957. I have been with the bank since 1949.

Q. What are your duties as an assistant vice-president?

A. I am the manager of our Montgomery office in Norristown.

Q. Have you held that position since 1957?

A. No. I became manager on January 1st of 1959.

Q. Mr. Gillam, I have handed you Government's Exhibit No. 113. Are you the Cliff Gillam whose name appears on the document as the author?

A. Yes. I am.

Q. And you are the author of the document?

[fol. 1885] A. That's correct.

Q. Now, do you have a recollection of the events which you described in this memorandum?

A. Yes. I do.

Q. Can you tell me the names of the banks that you discussed adjusting service-charge schedules upward with?

A. I discussed the service-charge schedules of two other banks in Norristown, the Montgomery County Bank & Trust Company and the Peoples National Bank of Norristown.

Q. Did you discuss it with any other banks?

A. No, that is all.

Q. Now, have you, on any other occasion, discussed service charges with other banks in your area?

A. I don't recall that I have.

Q. And what was the occasion for your discussing it with the other banks on this occasion?

A. The occasion in this case was the proposed service-charge schedule for the merged bank. I was asked to give my opinion as to the impact which the proposed service-

charge schedule would have on our bank's business in the Norristown area.

Q. What did the Montgomery County Bank indicate to you with reference to the likelihood of their adjusting service charges upward?

[fol. 1886] A. My purpose in calling them was to make a judgment as to, as I say, the effect of these service-charge schedules proposed.

The banking situation in Norristown is quite competitive and service charges are a factor in the acquisition and retention of business. I felt it necessary and appropriate, in order to make a judgment as to the effect of the new service-charge schedule on our bank's business, to inquire with them as to the present level of their service charges and also to determine, if possible, whether or not they were likely to make an adjustment in those service charges.

Q. Whom did you talk to at the Montgomery County Bank?

A. I talked to the officer in charge of their operations.

Q. What is his name?

A. His name is Mr. Bean.

Q. And what did he tell you?

A. He told me that they were—they had studied costs and income and had——

He told me first what their service-charge schedule was. He also indicated that they had studied their costs and income figures and had concluded, on a preliminary basis, that their activity charges were too low in relation to [fol. 1887] costs, and also their earnings figures, their earnings credit, was lower than their actual earnings rate; and that he was, therefore, of the opinion that it would be necessary for them at some point to adjust service-charge schedules.

Q. Did he tell you when they were going to be adjusted?

A. He was unable to do that. He indicated that this was a preliminary opinion of his as a result of studies which he had made.

Q. Did he tell you whom he discussed it with at his bank?

A. I don't believe he did.

Q. Did you tell Mr. Bean the service charges which the combined bank proposed to put into effect?

A. I don't believe that I discussed specific service charges with him.

Q. Did he tell you——

A. I was merely trying to determine what their existing charges were and whether or not a change on their part was contemplated.

Q. Did you tell him it was likely your charges would go up?

A. I said it was possible that our charges would be increased at some future date.

Q. Did you tell him about how much?

A. I do not believe that I told him. In fact, I am sure I did not tell him what service-charge schedule would be [fol. 1888] used because there were several possible service-charge schedules which could be put into effect.

Q. Why did you think it was important to discuss service charges with Mr. Bean?

A. Well, as I have indicated, the competitive situation in Norristown is a very acute one. Our customers are aware of service-charge schedules and they are a factor in obtaining business and in keeping business for our bank.

Q. Now with reference——

A. As you may have noticed, our service-charge schedule at the present time and at the time this memorandum was written was somewhat lower than the charges used by the other banks.

Q. Now with reference to the Peoples Bank, whom did you talk to?

A. Mr. Zollers.

Q. And what did you tell him?

A. I told him very much the same information which I had discussed with Mr. Bean, simply that I was asking—I was making a service-charge survey to determine, rather to verify the current level of their charges in connection with recommendations that I was making on our own service-charge schedule.

Q. What did he tell you with reference to any action that the Peoples Bank might take?

[fol. 1889] A. He said it was very difficult for him to make any comment in that regard. They apparently had increased their charges fairly recently and to his knowledge they were not considering any changes.

[fol. 1890] Q. Why did you think it was important to talk to Peoples Bank?

A. They are a very aggressive local bank competing with us in a very strong manner.

Q. They are the direct competitor of the branch which you operate?

A. That is correct.

Q. And are service charges an important aspect of that competition?

A. I would say they are a factor in the competition. I think it is pretty difficult to say how important a factor it is.

Q. What are the other factors in the competition between your two banks?

A. Other factors would be our office facilities, our lending policies, the personal relations which exist between a banker's customer and the banker, plus the general reputation of the institutions involved.

Q. Did I understand you to state, Mr. Gillam, that the Philadelphia National Bank had lower service charges than the other banks in the area?

A. Somewhat lower. A very fine analysis would indicate that our charges were somewhat lower than those then in existence at the other banks.

[fol. 1891] Q. Did this give you a competitive advantage with reference to the other banks?

A. I would say it gave us some competitive advantage. It would be difficult to say how great.

Q. That would depend on the degree of difference?

A. It would depend on the degree of difference. It would depend on the individual customer with whom you were dealing at any given time.

Q. Did either of these other two banks complain to you about your bank's lower service charges?

A. No, they did not.

Q. Did they ever discuss it with you prior to this time?

A. No, they did not.

Q. Have you ever discussed service charges with any other banks than those two you mentioned in the memorandum?

A. I have not discussed service charges with them. I think our bank makes periodic surveys of service charge

schedules in effect in our area as well as other branch areas in which we operate. Service charge schedules are prescribed. They are public information, really. A bank establishes them and they are in existence for a period of several years, so that it is something which we as a bank have knowledge of and I certainly have had knowledge of during my tour of duty in Norristown of the service [fol. 1892] charge schedules of the other banks. I have not personally made the calls.

Q. Who makes the surveys for your bank?

A. It would be someone in the various branch areas. It would be very difficult to say who makes the survey.

Q. Is there any one person in your branch area who would be responsible?

A. Generally the operations officer of our branch would make the survey.

Q. Of your particular branch?

A. That is correct.

Q. And is that you, sir?

A. No. I am at the present time but I have not been the chief operations officer of that branch during the full stay in Norristown.

Q. So that prior to the time that you assumed this position it would be your predecessor in the same position who would make the survey?

A. That's right.

Q. And what was his name?

A. His name was Robert Jones.

Mr. Littleton: I have no questions.

Mr. Price: No questions.

Mr. Reycraft: You are excused.

[fol. 1893] EDWARD G. BEATTY, having been duly sworn, was examined and testified as follows:

Direct examination

By Mr. Reycraft:

Q. Mr. Beatty, what is your present position?

A. I am an assistant cashier at the Philadelphia National Bank.

Q. How long have you held that position?
A. This is my sixth year.
Q. What was your position prior to that?
A. I was a member of the Credit Department since 1930.
Q. You have been with the bank all together since 1930?
A. That is right.

Mr. Reycraft: With Your Honor's permission, I would like to mark the original document as Government's Exhibit No. 116. It is a two-page document headed "Dun & Bradstreet, Inc. Reports," and if I may, I would like to substitute a copy after I have a chance to get a legible one.

(Two-page document headed "Dun & Bradstreet, Inc. Reports" was marked Exhibit G-116 for identification.)

By Mr. Reycraft:

Q. Are you the author of Government Exhibit No. 116?
[fol. 1894] A. That is right.
Q. When did you write this document?
A. June 2, 1958.
Q. What was the occasion for your writing this document, Mr. Beatty?
A. It was a report of a meeting which had been held, and the document was written as a memorandum of that meeting.
Q. Did you attend the meeting?
A. Yes.
Q. Who called the meeting?
A. I did.
Q. And was this part of your duties at the bank?
A. Yes.
Q. What was the subject of the meeting?
A. The problem of handling customers' requests for Dun & Bradstreet reports.
Q. What was the nature of the problem?
A. We as a bank, and we feel and know that other banks, received these requests, and sometimes filled the requests on a reluctant basis, because Dun & Bradstreet did not want us to do it. Dun & Bradstreet had recently put increased pressure on us to minimize this practice.

Q. Why did they not want you to furnish the credit re-
[fol. 1895] ports?

A. They wanted to furnish them themselves.

Q. What was the nature of the pressure which they put on you?

A. Conversation up to that point. I mean just asking us. We had had a visit from representatives from Dun & Bradstreet asking us to minimize the practice. They knew we were doing it, and they asked us to minimize or cut it to as low a point as possible.

Q. Would you say, as far as furnishing these reports is concerned, that you were in competition with Dun & Bradstreet?

A. No.

Q. You wouldn't say that?

A. No, because of the difference in size.

Q. Well, is it a fact that you performed the same kind of service for the customer as was available from Dun & Bradstreet?

A. Yes.

Q. So wouldn't you say that this indicated that there was some degree of competition between you?

A. The degree would have to be very small.

Q. But there is competition?

A. Yes.

[fol. 1896] Q. Mr. Beatty, can you tell me the names of the other persons who attended this meeting which you called?

A. George Hansmann, Bob Dodson, Leo Hughes, Don Horsey, and Bill Van Norden.

Q. What banks were they from?

Q. George Hansmann from First Pennsylvania Company, Bob Dodson from Central Penn, Leo Hughes from Provident Tradesmens, Don Horsey from Fidelity-Philadelphia, and Bill Van Nordon from Girard Corn.

Q. Did you select the persons who were invited to attend the meeting?

A. No.

Q. Who did?

A. The respective banks.

Q. You selected the banks who were invited?

A. Yes.

Q. What was the basis of your selection?

A. The banks that had extensive and well trained credit departments.

Q. And you thought the banks who were not invited did not?

A. The banks that were not invited had either none or very small credit departments.

Q. So that as far as credit information, these were your [fol. 1897] principal competitors; is that correct?

A. Yes.

Q. What was the first topic discussed at this meeting?

A. How the requests were handled, requests from customers.

Q. In the third paragraph reference is made to recent conversations which Mike Farley has had with each of the banks. Who is he?

A. He was the representative of Dun & Bradstreet.

Q. He is the one you referred to as putting pressure on your bank?

A. Yes.

Q. And is it your understanding that he had the same type of conversation with other banks?

A. Yes.

Q. Did you discuss the charges to be made to customers for these reports?

A. Yes, I discussed the charges that we made.

Q. Did you tell the other representatives present that you were considering raising your charge?

A. Yes.

Q. What did they say to you?

A. That is a difficult thing to answer. This meeting took a considerable time, but generally I would say that they were in favor of continuing to recover costs in this type [fol. 1898] of activity and were going to consult with associates to find out whether they too would consider raising their own charge.

Q. Did George Hansmann tell you that his bank was willing to go along on a $4 charge?

A. He said that he thought that $4 was not out of line with what their costs might be.

Q. And didn't he say that his bank was willing to go along with the $4 charge?

A. He said, I think, if I recall—may I look?

Q. You certainly may.

A. George said that he had no objection to us making a $4 charge and that he felt that possibly they would raise their own. Whether it was $4 or not, I cannot recollect.

Q. Your recollection at the time you wrote this memorandum was that he was entirely willing to go along with the $4 charge?

A. Yes, that's what I wrote.

Q. That is what you wrote?

A. That's right.

Q. Did he tell you also that he would discuss the matter with his associates at his bank?

A. I believe he did.

Q. Did he tell you also that he would let you know [fol. 1899] whether they would agree to the $4 price?

A. I think he did.

Q. Did he thereafter inform you whether or not they would agree to the $4 price?

A. No.

Q. Did they raise their price to $4?

A. I don't know.

Q. You haven't found that out?

A. No.

Q. You have no knowledge as to what they charge?

A. Well, they have no charge now at all.

Q. When did this happen?

A. You mean no charge?

Q. Yes.

A. Four months later.

Q. What did the Fidelity representative say to you with reference to the $4 charge?

A. Don said that they were charging at that time only $2.50 and that he felt it was not enough to cover their costs and that he wanted, as the rest of the banks were doing, to raise their charge and to better recover the costs that they were incurring.

Q. He said that his bank wanted to get in line with the rest of the banks, didn't he?

[fol. 1900] A. Yes.

Q. And this was his language, was it not?

A. Yes.

Q. You refer in your memorandum to the last meeting, which was held in 1952, and you mention the fact that Wayne Wilson of Fidelity was present at that meeting. Do you recall that?

A. Yes. I mean I recall my mentioning that in here, yes.

Q. Were you present at the 1952 meeting?

A. No.

Q. You mentioned also in your memorandum that Wayne Wilson in 1952 had agreed to go along with the $3 price; is that right?

A. Yes.

Q. Is this his language?

A. I don't know.

Q. Who told you this?

A. One of my associates.

Q. One of your associates told you that Wayne Wilson had agreed at the 1952 meeting to go along with the $3 price?

A. Yes, although the "go along" is my language.

Q. But this represented, in substance, what your associate told you, as you understood it?

A. Yes, that's right.

[fol. 1901] Q. Who was the associate that told you this?

A. I don't remember.

Q. You indicate that Don Horsey will report further to you on this. Did he do so?

A. No.

Q. You indicate also that the Girard Corn Exchange Bank was not represented at the 1952 meeting; is that correct?

A. Yes.

Q. And who gave you this information?

A. One of my associates.

Q. And again——

A. This was a general conversation with a number, and I can't remember.

Mr. Littleton: Excuse me, Mr. Reycraft.

You said Don Horsey. You mean Don Hershey, don't you?

The Witness: No, Horsey.

Mr. Reycraft: There is trouble with the legibility.

The Court: This is a good time to break for lunch.

(Recess taken at 12:30 P.M. until 2:00 o'clock P.M.)

[fol. 1902] [File endorsement omitted]

AFTERNOON SESSION

Present: Counsel as before noted.

EDWARD G. BEATTY, resumed.

Direct examination (resumed)

The Court: Do you have an extra copy of that G-116? I haven't seen it.

By Mr. Reycraft:

Q. Mr. Beatty, before the recess we had an issue arise as to whether it was Don Hershey or Don Horsey. Could you tell me the spelling of the name?

A. Oh—H-o-r——

Q. Will you spell the name completely?

A. H-o-r-s-e-y.

Q. Thank you, sir.

Now, on the second page of G-116 you indicate, do you not, that you reviewed this matter with Mr. Worstall, is it?

A. Right.

Q. And it was agreed that a charge of $3.50 per report to customers was proper; is that correct?

A. Right.

Mr. Reycraft: All right, that's all I have.

[fol. 1903] Cross-examination.

By Mr. Littleton:

Q. Mr. Beatty, as I understand it, Mike Farley was a representative of Dun & Bradstreet?

A. That's correct.

Q. Had he complained to you or your bank about this practice of your bank giving out information to customers that came from the Dun & Bradstreet reports to which the bank subscribed?

A. In effect, yes.

Q. They knew you were doing it?

A. Yes.

Q. And this had been going on for some time, had it?

A. Yes, years.

Q. In the Credit Department what do you do to obtain information? Do you just rely on the Dun & Bradstreet report?

A. Oh, definitely not. We obtain information from other banks, principally the bank of the account of the subject on which we are making an investigation, from trade sources, trade associations, and a number of other sources, a Dun & Bradstreet report being possibly one source, but not in all cases.

Q. In other words, you made investigations on a number of customers; is that right, or do you make investigations——

A. We make the investigations for customers on people [fol. 1904] who have approached them for credit, normally trade credit.

Q. Do you make investigations for people who approach the Philadelphia National Bank for credit?

A. Yes.

Q. Is the information generally exchanged among all banks with respect to various customers—businesses, corporations?

A. Yes.

Q. Why is this done?

A. Why is an investigation made?

Q. No, why the exchange of information among banks?

A. The exchange of information is made to enable any lending institution to better appraise a risk which they may or may not be about to take.

Q. And this has been going on for years?

A. It's a reciprocal arrangement.

Q. Right.

Now, this particular meeting followed, as I understand, this complaint that Mr. Farley of Dun & Bradstreet had made to your bank?

A. That's right.

Q. About this practice that he knew of, of giving out some of this information?

A. That's right.

Q. For a price to certain of your customers?

[fol. 1905] About how many of these reports to customers had your bank been making a year?

A. Oh, roughly between 100 and 150.

Q. And you paid a substantial price, as I understand it, to Dun & Bradstreet for this service they gave you?

A. Yes.

Q. And you made a charge, as I understand it, to customers for this information which you gave to them?

A. Yes.

Q. And now did that charge relate to what the information cost you?

A. Well, we tried to recover what might have been, what we might term out-of-pocket expenses.

Q. I understood you to say to Mr. Reycraft this morning that following this meeting about which he was interrogating you, you never did learn what the other banks did, but that your bank stopped this practice of furnishing information?

A. That's correct.

Q. Which you gleaned from Dun & Bradstreet reports?

A. That's correct.

Q. Did Dun & Bradstreet continue their objection to you giving the information; is that the reason?

A. Yes.

Q. How soon was that after this meeting?

[fol. 1906] A. I think November of that year that they changed—a management change and a change in policy

of Dun & Bradstreet; and in conversation with us and with other banks, we stopped the practice entirely.

Q. Dun & Bradstreet formally objected to you?

A. Yes.

Q. By letter?

A. Yes.

Q. And was there a general order issued throughout the bank about the practice?

A. Yes.

Q. What was the tenor and effect of that general order?

A. We stopped the practice entirely.

Q. What was the general tenor of the order that was sent out; that you should stop the practice entirely?

A. Oh, yes.

Q. Do you know whether or not any of the other banks stopped the practice?

A. Yes. I do know, and I do know that they did stop.

Q. And the practice hasn't been indulged in since by Philadelphia National Bank?

A. Not by us.

Mr. Littleton: That's all I have.

[fol. 1907] Redirect examination.

By Mr. Reycraft:

Q. The practice you are referring to is selling credit reports?

A. Do I have to take the word "selling" credit reports? Obtaining credit reports for customers; that's the practice I referred to.

Q. For a price? For a price?

A. No. We charged them for our out-of-pocket expense. We never considered it a price, because we wanted to definitely not make a profit.

Q. But you did charge them?

A. Right.

Q. When you delivered the report to them?

A. For the service.

Q. You charged them money for it?

A. Right.

Mr. Reycraft: I will take that.
That's all I have.
Mr. Littleton: Wait a minute.

Recross-examination.

By Mr. Littleton:

Q. When you said you delivered the reports, what did you mean by that?

[fol. 1908] A. We, in most cases, would either have the customer come in and look at the report, wherein we delivered it to him by hand; or in some cases we would mail them the report.

Q. But this was all stopped after this objection by Dun & Bradstreet and the general order that went through the bank?

A. That's right.

Q. And you haven't done it since?

A. We have not done it since.

Mr. Littleton: That's all.
Mr. Reycraft: I call Mr. Fred Potts.

Frederic A. Potts, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. Mr. Potts, what is your present position?

A. I am president of the Philadelphia National Bank.

Q. How long have you held that position?

A. Since 1947.

Q. What was your position prior to that time?

A. I was a vice-president.

[fol. 1909] Q. For how long?

A. Six years.

Q. What were your duties as vice-president of the Philadelphia National Bank?

A. I was in charge of a certain number of local cus-

tomers, as well as national customers. They might have been borrowing ones or otherwise.

At the same time I always kept a weather eye open for any new business.

Q. Now, I have heard several different descriptions of the types of vice-presidents that you have in Philadelphia National Bank.

Could you tell me your exact title as vice-president? Were you senior vice-president or executive vice-president?

A. No, I was just a straight vice-president.

Q. Were you the first vice-president?

A. No.

Q. Can you tell me your duties as president of the bank?

A. I am chief executive officer.

Q. And familiar with all of the activities of the bank?

A. I am supposed to be.

Q. You are responsible for all of them?

A. I am responsible for all of them.

[fol. 1910] Q. Mr. Potts, when did you first discuss or consider merger with the Girard Trust Corn Exchange Bank?

A. About five years ago, in 1956.

Q. Can you tell me how that came about?

A. Yes. We found out, as a result of our discussions, that we just could not at that time arrive at a fair basis of exchange of shares.

Q. Can you tell me how the discussions initiated?

A. Mr. Smith, Geoffrey Smith, who was then the president of the Girard Trust Corn Exchange Bank and now chairman of that bank, and I discussed the over-all possibility of a merger between the two banks.

Q. Do you recall who initiated the discussions?

A. It was almost simultaneous, as I recall.

Q. What led you personally to be interested in this simultaneous approach at that time?

A. It was that the two of us felt that we had complementary banks as far as the types of services were concerned, they being largely a big trust company, and we, at any rate, having the reputation of being a commercial bank.

In looking over the branch office setup of the two institu-

tions, it was quite obvious that our branches would dovetail particularly well.

There was also the feeling that a merger would give to [fol. 1911] Philadelphia the type of an institution which was required here in the area.

Q. Did you consider, sir, that you were in competition with the Girard at that time?

A. Yes.

Q. Now, you say that these negotiations discontinued.

Did you give any consideration at that time to the advantages to your stockholders of a merger?

A. Oh, yes. Obviously, in any discussion of a merger (I don't care whether it is an industrial corporation or a financial institution) one always looks, first of all, to the ultimate advantage to one's shareholders.

Q. What were your conclusions with reference to the advantages to your stockholders?

A. At that time we could not even come down to the point with respect to a basis of exchange, as I have already testified, where we thought that we could consummate a merger regardless of whether or not it would be to the advantage or disadvantage of the shareholders.

Q. Can you tell me what the problem was in arriving at a basis for exchange which was agreeable?

Mr. Littleton: Objected to, if Your Honor please. That has absolutely nothing to do with the issue before this Court.

[fol. 1912] We are talking about the present merger, not one in 1955.

The Court: I don't see that it has any relevancy. I will sustain the objection.

By Mr. Reycraft:

Q. Mr. Potts, at that time you testified that your bank was in competition with the Girard Bank?

A. That's right.

Q. And you considered also, I believe you testified, that there would be advantages to your stockholders from a merger?

A. That's right.

Mr. Reycraft: I don't wish to go past Your Honor's ruling, but may I ask the question again?

By Mr. Reycraft:

Q. What were those advantages?

Mr. Reycraft: Would you read the question I asked before, and the objection?

The Court: Are you assuming a merger?

Mr. Reycraft: Yes, sir.

The Court: If they had merged, what would have been the advantages at that time?

Mr. Reycraft: What did they think the advantages were, yes, sir.

The Court: Well, I will let you go that far.

[fol. 1913] By Mr. Reycraft:

Q. Would you answer that question, sir?

A. Certainly.

I will come back to any management's point of view, which is to the effect that management is there only so long as a good job can be done, and by a good job I mean bringing down final net earnings of sufficient stature, with a growth trend, so that the remuneration or the dividend payments to shareholders can be sustained and, with growth, increased over a period of years.

[fol. 1914] Q. And your ultimate responsibility is to your stockholders, is it not?

A. That is right.

Q. And to return a profit to the stockholders on the bank's operations?

A. Absolutely.

Q. Was it your view at that time that the merger between Philadelphia National Bank and the Girard Trust Corn Exchange Bank would increase the earnings of the combined banks over the earnings separately?

A. Yes, over a period——

Mr. Littleton: Objected to.

The Court: Overruled.

A. (Continued) ——over a period of years, no question about that.

Q. How many years did you think at that time it would take in order to achieve this result?

A. We never arrived at any such feeling. I wouldn't know what you mean either by how many.

Q. Can you tell me about what time, about what month in 1956, these discussions began and the month they terminated?

A. This is from memory. I would think it would have been in the early spring.

[fol. 1915] By Mr. Littleton:

Q. 1955 or 1956?

A. I think it was in 1956, early spring, and the discussions did not last very long, possibly over a period of three or four weeks.

By Mr. Reycraft:

Q. And you and Mr. Smith were the principal persons who discussed the matter?

A. We were.

Q. This would mean that the negotiations were more or less completed during the summer of 1956; is that right?

A. Are you referring to the discussions of five years ago?

Q. Yes, sir.

A. When you say the discussions were completed, they were ended.

Q. They were ended?

A. Correct.

Q. During the summer of 1956?

A. That is right.

Q. When did the subject come up again between the two banks?

A. April of this year.

Q. Who initiated the discussion at that time?

[fol. 1916] The Court: April of 1960, wasn't it?

Mr. Littleton: April, 1960.

The Witness: Excuse me. April of 1960.

I think Mr. Smith reopened the subject at that time.

By Mr. Reycraft:

Q. And he discussed it with you, did he?

A. That is correct.

Q. Now, how long after April, 1960, were you able to reach an agreement on the exchange of shares, the relative rate proportions of share exchange?

A. It would have been sometime around November 1.

Q. Did you again give consideration to the question of whether the combined earnings of the bank would exceed the separate earnings of the two banks?

A. We did.

Q. And what was your conclusion?

A. That the combined earnings over a period of years would definitely be improved as a result of a merger.

Q. Can you tell me what the factors were which you considered to contribute to that conclusion?

A. Yes. May I have the exhibit, because that is listed in the big exhibit.

Mr. Littleton: Mr. Potts, that is Exhibit G-57 that the [fol. 1917] Department of Justice has put in.

The Witness: Thank you.

Mr. Reycraft, on Page 35 of this exhibit you will see "Future Earnings Prospects," and carrying over to the next page, Page 36, you will see where the pluses and minuses are listed, ending on Page 37, and it was definitely felt that the improvements would be:

Additional interest from securities due to recent investment changes.

Interest at 3 per cent on the estimated amount of legal reserves released by recent changes permitting the counting of cash.

Reduction in rental expense due to the termination of the Mall Building lease in August of this year.

Interest at 3 per cent on the estimated reduction in duplicate deposit balances carried in other banks.

Net increase resulting from disposition of non-conforming assets.

Reduction in advertising expense, estimated at 25 per cent of the 1959 expenditures.

Finally, elimination of the 69th Street branch, which has been discussed in this court room during previous sessions.

[fol. 1918] Q. Mr. Potts, with reference to the factor described as additional interest from securities due to recent investment changes, do I understand you to mean that this increase has relation to the merger?

A. Yes, in this way, Mr. Reycraft. I don't want to become too technical here. I am sure you don't want me to. There are two methods of investing in Government securities for portfolio purposes. One is to invest in what we would term low-coupon discount bonds, or by investing in high-coupon non-discount bonds. With respect to the initial investment regarding a low coupon discount bond, the amortized discount by some institutions is taken into a net earnings position, so that that would make a difference. The Girard Trust Corn Exchange went along that particular investment route. The Philadelphia National decided on purchasing high-coupon bonds on a non-discount basis, keeping them relatively short as to maturities involved.

Q. So if I understand you correctly, it was contemplated that the Girard would change its investment policy to the one that you followed?

A. There was considerable discussion regarding that. The discount bonds which the Girard Trust Company had purchased, low-coupon discount bonds, were all of very [fol. 1919] short maturity, so that it was obviously assumed that those bonds would mature. After that the chances were that the adoption of the Philadelphia National Bank form of investment purchases would be followed.

Q. Could this type of change in investments be accomplished by Girard without merger?

A. Yes.

Q. So this increase, the effect on net operating income of $828,000 is not contingent upon the merger, is it?

A. That is correct.

Q. It is correct that it is not contingent on merger?

A. It could have been done the other way, I agree.

Q. Now, with reference to the next factor, described as interest at 3 per cent on the estimated amount of legal reserves released by recent changes permitting the counting of cash, will you tell me where the increase comes from as it relates to the two banks? Is it all from one bank or is it from both?

A. The question is, interest at 3 per cent on the estimated amount of legal reserves released by recent changes permitting the counting of cash, and the application indicates that there would be a $300,000 benefit to the merged bank as a result.

[fol. 1920] Q. My question is, is that benefit contingent upon the merger?

A. That benefit is contingent upon the merger.

Q. Can you explain in what manner that comes about?

A. The Federal Reserve recently changed their regulation—I have forgotten which regulation it is—which now permits the counting of cash, whereas heretofore cash was not permitted as a legal reserve. Now, with the two banks coming together, it was felt that there would be a saving with respect to this particular item in the amount that is indicated.

Q. And it is your testimony that this saving is contingent upon the merger?

Mr. Littleton: That is your question, Mr. Reycraft, although your exhibit shows that is one of the items where the changes are not caused by the merger.

Mr. Reycraft: I honestly don't know the answer, Mr. Littleton. I am trying to find out what it is.

Will you answer my question, Mr. Potts.

A. I answered it to the effect that it was contingent upon the merger, Mr. Reycraft, this saving, and I wish I could elaborate further, but the discussions that we had at that time, I remember, were an indication that when and if there should be a merger of the two banks, that there [fol. 1921] would be this saving.

Q. Can you tell me what the reason was for the reduction in rental expense due to the termination of the Mall Building lease?

A. There would be a consolidation of some of our operating space, our operating conditions. We, the Philadelphia National Bank, have in recent years been concentrating our operating staff in a downtown office building. In order to effect the necessary changes over the past three years, let us say, we have had to rent space in the Mall Building at the corner of 4th and Chestnut Streets. In August of this year that rental expires, and it was felt that we could, through the merger, eliminate that space, that through

the consolidation we would be able to put several operating departments together and hence make that saving.

Q. Net increase resulting from disposition of non-conforming assets. Will you explain that.

A. May I just look and see what those non-conforming assets were?

Q. Certainly.

A. They are on Page 143. The non-conforming assets show certain stocks, certain mortgages owned, other real estate owned, totaling $539,583, which, if a merger should [fol. 1922] be consummated, would have to be disposed of, and the saving is due to the disposal of those items in accordance with Federal Reserve regulations.

Q. And this is a one-time saving?

A. That is a one-time saving.

Q. Go back to the first four items. I hope I didn't mislead you, because I didn't intend to. The total at the bottom says, "Changes not caused by the merger," and I am not sure that I understand whether your conclusion is that these four are contingent upon the merger or not.

A. I am afraid I will have to follow the application, which says that they are changes not caused by the merger.

Q. Would it be a fair assumption, then, that the lease on the Mall Building might have been terminated in any event without regard to the merger?

A. It could have been, yes.

Q. Can you tell me, with reference to the advertising expense which is indicated at the bottom of Page 36, how much in advertising the Philadelphia National Bank spends annually at this time?

A. Yes. On a per annum basis the expenses are approximately $450,000.

Q. Do you know how much the Girard spends?

A. No, I do not.

[fol. 1923] Q. Where do you do this advertising, Mr. Potts?

A. We do the advertising through the local press, through the radio locally, through a one-performance television newscast each Sunday evening. We do our advertising through national periodicals. I am referring to the New York Times, Wall Street Journal, and in other larger

cities. That advertising takes the form of institutional advertising, publishing of statements.

Q. Can you tell me what proportion of the Philadelphia National Bank's advertising is spent on newspaper advertising?

Mr. Littleton: Only if you know, Mr. Potts.

A. I don't know that.

By Mr. Reycraft:

Q. You have no knowledge of the breakdowns of the advertising by amount?

A. Well, I obviously could get it, but I haven't got it at my fingertips.

Q. And you expected that $193,000 of advertising expense would be eliminated by the merger?

A. That is correct.

Q. Which is one of the benefits?

A. That is right.

Q. With reference to the elimination of the Philadelphia [fol. 1924] National Bank's 69th Street office, it was your conclusion that you would save $76,000?

A. That is right.

Q. And is this a one-time expense or a continuing saving?

A. That would be a continuing saving.

Q. Mr. Potts, according to the application, Page 17, on September 21, 1951, the Philadelphia National Bank acquired the Ninth Bank and Trust Company.

A. Correct.

Q. Do you have any recollection of that?

A. That is correct.

Q. And your position at the bank at that time was president?

A. Right.

Q. At the time this acquisition was made, was that bank in competition with your bank?

A. If at all, only to a minor degree.

Q. To what degree and on what types of services was it in competition?

A. Certain loans to larger corporations in the northeast section of the city.

Q. Is that the only area in which you considered it as in competition with you?

Mr. Littleton: Mr. Potts, you can look at Page 17, that [fol. 1925] Mr. Reycraft is reading from, in Government's Exhibit G-57.

A. Mr. Reycraft, there might have been some competition as far as certain large individual accounts were concerned, but otherwise I would say no.

By Mr. Reycraft:

Q. How far was that bank from your offices, do you know, from your main office, first?

Mr. Littleton: You mean the main office of the Ninth Bank and Trust Company?

By Mr. Reycraft:

Q. How far is the main office of the Ninth Bank and Trust Company from the main office of the Philadelphia National Bank?

A. I should think it would be in the neighborhood of five or six miles.

Is that right, Your Honor.

The Court: 23 minutes on the subway.

By Mr. Reycraft:

Q. Is the basis of your opinion that this bank was not in competition with the Philadelphia National Bank the fact that it was five or six miles away?

A. That would be a factor, but the chief reason was that the Philadelphia National Bank prior to that time was [fol. 1926] technically not in the so-called retail business. The Philadelphia National Bank was a wholesale bank. Just from memory, if I may, the total assets of the Philadelphia National Bank at the end of 1950 were in the neighborhood of $868,000,000, and we had roughly 11,000 to 12,000 accounts, and out of those, a thousand accounts were represented by correspondent banks and foreign accounts.

[fol. 1927] Q. The Ninth Bank & Trust Company at the time your bank acquired it had a Trust Department, did it not?

A. Yes.

Q. Was this your first entry into the trust business?

A. Yes, personal trusts.

Q. You had other trust business?

A. Corporate trust, yes.

Q. So that with respect to trust business, personal-trust business, at the time you had no overlapping of business?

A. None.

Q. Did the Ninth Bank & Trust Company do a commercial- and industrial-loan business?

A. Yes.

Q. Did your bank do so at the time?

A. Yes.

Q. Is it your opinion that the two banks were not in competition with reference to this type of business?

A. Oh, I have said that they were with respect to certain industrial corporations up there, and probably larger individual depositors, but not to any large extent.

Q. Both banks offered commercial- and industrial-loan services?

A. That is correct.

Q. And to the extent that they offered these services, [fol. 1928] would you agree that they were in competition?

A. I would.

Q. Now with reference to the First National Bank of Conshohocken, which the application indicates at page 18 was acquired on September 25, 1953, was this bank in competition with your bank at the time it was acquired?

A. Yes.

Q. In what respects?

A. Again, in similar respects to the Ninth Bank & Trust Company. Conshohocken is an industrial area while at the same time, of course, having numerous residences.

The larger industrial corporations in Conshohocken would have maintained accounts with us in central city.

Q. How far away were these accounts from your main office?

A. Conshohocken is about 16 miles, 15 or 16 miles.

Q. Did you have substantial business in that area?

A. Reasonably so.

Q. So, do you consider that you were in direct competition with the First National Bank of Conshohocken at the time of the acquisition?

A. In so far as some of the larger corporate and borrowing accounts were concerned.

Q. You both offered commercial and industrial loans?

A. That is right.

[fol. 1929] Q. And it would be in this area that you were in direct competition?

A. That is correct.

Q. Now with reference to the Chester-Cambridge Bank & Trust Company, which the application indicates was acquired on February 20, 1954, was your bank in competition with this bank at the time of the acquisition?

A. Only to a very limited degree.

Q. Did the Chester-Cambridge Bank engage in a significant way in the making of commercial and industrial loans?

A. No. They were more of a trust company. The larger industrial bank there is the Delaware County National Bank.

Q. At that time you did have a Trust Department; isn't that correct?

A. That's correct.

Q. And you were in competition with the Chester-Cambridge Bank in the personal-trust area?

A. If we had had the inclination to go into Chester to seek personal-trust accounts, the answer would be yes.

In so far as central city, which was where we had anticipated and still do getting our major trust business, the answer would be no.

Q. Your trust services were available, however, to the people in that area who chose to avail themselves of them?

[fol. 1930] A. If they chose to avail themselves of it, no question.

Q. Would this also be true with respect to the trust business of the First National Bank of Conshohocken?

A. They had limited trust business, if at all.

Q. The application indicates they engaged in general banking and trust business.

A. Right.

Q. So that to the extent they were engaged in that business, both banks offered the same types of service; isn't that correct?

A. That's correct; except, as I say, the Conshohocken bank concentrated more in industrial loans and the Chester-Cambridge was more of a trust business.

Q. Now with reference to the First National Bank of Lansdale, which the application indicates was acquired on February 20, 1954, was your bank in competition with the First National Bank of Lansdale at the time of acquisition?

A. Only in so far as some of the larger corporate accounts were concerned in that area.

Q. So that this bank, the First National Bank of Lansdale, offered commercial and industrial loans; is that correct?

A. That's correct.

Q. And your bank also offered commercial and industrial loans?

[fol. 1931] A. That's correct.

Q. And these services were available to people in the Philadelphia area; is that correct?

A. That's correct.

Q. Now, on the same day the application indicates your bank also acquired the Montgomery National Bank of Norristown?

A. That's right.

Q. Was this bank in competition with your bank at the time of acquisition?

A. My answer is identical to what I have said in the other cases—in so far as the larger industrial concerns are concerned.

Q. As far as commercial and industrial business is concerned, you were?

A. That's right.

Q. Here again the application indicates that the Montgomery National Bank did a general banking and trust business, and I assume that this was a small trust business?

A. That's correct.

Q. Were both the First National Bank of Lansdale and the Montgomery National Bank of Norristown in competition with each other prior to the acquisition?

A. The distance is so great that I would question that at the time.

[fol. 1932] I might add that subsequently the Montgomery National Bank of Norristown established a branch or merged with a bank closer to the Lansdale area and as a result of that opening of a new branch or acquisition then they would have been in competition.

Q. How far away were the two banks at the time your bank acquired them?

A. (No response.)

Q. How far were they from each other?

A. The Norristown Bank and Lansdale?

Q. Yes.

A. Ten miles.

Q. And in your judgment this was far enough so that they were not in competition?

A. Oh, yes.

Q. Now with reference to the Hatboro National Bank, which the application indicates was acquired on December 9, 1955, was this bank in competition with your bank at the time of acquisition?

A. Again, the same reply. I hate to have you feel it is needless talk, but Hatboro is an industrial center and where we might have had joint accounts, joint borrowing concerns, then we would have been in competition.

Q. Did you have such joint accounts?

[fol. 1933] By Mr. Littleton:

Q. What do you mean by joint accounts?

A. Where they had an account and where the Philadelphia National Bank had an account from the same corporation.

By Mr. Reycraft:

Q. Do you recall whether you had any?

A. No, I don't recall that, Mr. Reycraft

Q. Now, the Hatboro National Bank was engaged in offering commercial and industrial loans, was it not?

A. That's correct.

Q. And it also conducted a trust business?

A. Very small.

Q. Small personal-trust business?

A. Yes.

Q. Now with reference to the Citizens' National Bank of Pottstown, which the application indicates was acquired on December 9, 1955, was that bank in competition with your bank at the time of acquisition?

A. To a very limited degree.

Q. Again in the commercial and industrial loan area?

A. That's correct.

Q. And with reference to the Delaware Valley Bank & Trust Company, which the application indicates was acquired on November 9, 1956, was that bank in competition [fol. 1934] with your bank at the time of acquisition?

A. To the same extent I have already noted.

Q. To the extent that it engaged in offering commercial and industrial loans?

A. That's correct.

Q. With reference to the Gimbel Brothers Bank & Trust Company, which the application indicates was acquired on July 11, 1958, was that bank in competition with your bank at the time it was acquired?

A. With respect to savings and personal checking accounts, yes.

Q. It did not offer commercial and industrial loans?

A. It made no loans.

Q. Now with reference to central-city banks, Mr. Potts, who is your principal competitor at the present time?

A. The principal competitor of ours would be the First Pennsylvania Banking & Trust Company.

Q. And who would rank next?

A. Oh, goodness, they'd all come into the pot together, Mr. Reycraft, competition being what it is in the banking business.

Q. Would you name them, sir?

A. Certainly. Fidelity-Philadelphia Trust Company, Provident Tradesmens Bank & Trust Company, Girard [fol. 1935] Trust Corn Exchange Bank & Trust Company, Broad Street Trust Company.

Have I forgotten any?

Mr. Littleton: Central-Penn.

The Witness: Central-Penn Bank.

By Mr. Reycraft:

Q. Now, you——

A. Let me add the branch of the First Camden Bank which I don't want to forget here. The Industrial Trust Company.

Do you want me to go on?

Q. Why do you say that the First Pennsylvania Company is your principal competitor?

A. Well, it is because of their total resources, the fact that they do a larger national business than the other concerns; that generally speaking we find that when we go around locally, as well as nationally, it is the First Pennsylvania Company that seems to be there, too.

Q. Would this be throughout this area in which you have bank offices?

A. Indeed it would be.

Q. Now, is the same thing true with reference to the Girard?

A. I see Mr. Brown sitting over there and the answer would be yes.

Q. They are a pretty alert competitor, are they?

[fol. 1936] A. They are an alert competitor.

Q. Now, Mr. Potts, in considering whether your bank would merge with the Girard Trust Corn Exchange Bank was any factor in that decision attributable to an inadequacy in the management in your bank?

The Court: Read that question back.

(The pending question was repeated by the reporter.)

The Witness: Is that for me to answer?

Mr. Reycraft: Oh, yes.

The Witness: I think I can answer it this way, Mr. Reycraft—that the fact that the present president of the Philadelphia National Bank was asked to be the chairman of the Board and chief executive officer of the new bank would probably answer your question in the best way that I could.

By Mr. Reycraft:

Q. I would suggest that your bank have an excellent management and ask you to agree with me.

A. I would agree.

Q. All right, sir.

Is the same thing true of the Girard Trust Corn Exchange Bank?

A. Yes, indeed.

[fol. 1937] Q. So that there was no problem of management with either bank as far as this merger is concerned; isn't that true?

A. That's true.

Q. Now with reference to the financial condition of the Philadelphia National Bank, how would you describe it?

A. Strong.

Q. And how would you describe the financial condition of the Girard?

A. Likewise.

Q. So that is it a fact that the financial condition of neither the Philadelphia National nor the Girard Trust required or necessitated a merger?

A. Correct.

Q. Mr. Potts, at the present time, what is the largest bank in Philadelphia in terms of total assets?

A. The First Pennsylvania Banking & Trust Company.

Q. And the second largest?

A. The Philadelphia National Bank.

Q. And the third largest is the Girard; isn't that so?

A. Girard.

Q. Is there a time when Philadelphia National was the largest bank in Philadelphia?

A. Yes, indeed.

Q. What caused that change?

[fol. 1938] A. A merger between the Pennsylvania Company and the First National Bank.

Q. When was that again, sir?

A. When?

Q. When did that take place?

Mr. Littleton: 1955.

The Witness: 1955.

By Mr. Reycraft:

Q. And your proposed merger would make you 50 per cent larger than that bank; is that correct?

A. That's correct.

Q. Now, which bank in Philadelphia now has the largest loan limit?

A. The First Pennsy Co. and ourselves are identical with $8,000,000, unless they have changed recently.

Q. Aren't you slightly ahead of them in capital and surplus?

A. We are in capital and surplus, but you said lending limit.

Q. Your lending limit then is not any bigger than theirs?

A. I don't think so today, I believe we are both $8,000,000.

Q. But your bank is the largest in Philadelphia in terms of capital and surplus; is that correct?

A. These figures indicate that, Mr. Reycraft, but I believe as of today that they may be a few dollars ahead of us [fol. 1939] in that respect.

Q. But it is a close race?

A. Oh, yes.

Q. Now, can you tell me what the comparison is between the two banks with respect to capital and surplus plus undivided profits?

A. The first Pennsy Co. and the Philadelphia National Bank?

Q. Yes.

A. I can not break down theirs. I certainly can from our standpoint because we have two million six forty-seven-odd thousand shares outstanding at a $10 par value, which makes for $26,470,000.

Our capital would be the difference between that and $80,000,000, and our undivided profits today would be in the neighborhood of $16,000,000, bringing us to a total net worth of around $96,000,000—$95,000,000 to $96,000,000.

Q. Now, Mr. Potts, can you tell me what the approximate market price was of the Philadelphia National Bank stock a week prior to the announcement of this proposed merger?

A. I think I can. It would be an estimate, now—in the neighborhood of $42 a share.

By Mr. Littleton:

Q. Is this bid or ask?

[fol. 1940] A. What?

Q. Is this bid or ask that you are talking about.

By Mr. Reycraft:

Q. Or selling?

A. Selling.

Q. That is the approximate price of the last sale?

A. The approximate selling price, yes.

Q. Do you know what it is selling for now?

A. 52, approximate price.

Q. Do you know what the price of the Girard stock was at about this time?

A. Approximately $53 a share.

Q. Do you know what the change was in the price of that stock to the present time?

A. Yes. I didn't look at today's paper, but it's in the neighborhood of $63 a share.

Q. Mr. Potts, referring to Government's Exhibit No. 70, which is a document from the Girard Trust Corn Exchange Bank and with which you are not necessarily familiar, referring to the statistics which appear on the second page and which appear to be based on, may I say, the Pennsylvania Department of Labor & Industry statistics, would you agree with me, sir, that each of the industrial establishments indicated on that page requires commercial banking services?

[fol. 1941] A. Yes.

Mr. Littleton: Where is that?

Mr. Reycraft: Page 2 on G-70.

Mr. Littleton: Which ones are named on that page?

Mr. Reycraft: I am referring to the industrial statistics toward the bottom of the page, under the general heading "Industrial Statistics 1955, Number of Plants, Stores, and Establishments as Indicated".

Mr. Littleton: And your question is what?

Mr. Reycraft: Would you read the question and the answer?

(The question and answer were repeated by the reporter as follows:

"Q. Mr. Potts, referring to Government's Exhibit No. 70, which is a document from the Girard Trust Corn Exchange Bank and with which you are not necessarily familiar, referring to the statistics which appear on the second page and which appear to be based on, may I say, the Pennsylvania Department of Labor & Industry statistics, would you agree with me, sir, that each of the industrial establishments indicated on that page requires commercial banking services?

"A. Yes.")

[fol. 1942] The Witness: May I qualify that?

Mr. Reycraft: Yes.

The Witness: I thought you were referring to the number of plants there, which would have been industrial plants, Mr. Reycraft.

When you come down to stores, sure, they need a depositary. There is no doubt there, but they may not need to borrow from a bank, so that I would have to qualify my answer purely to that extent.

By Mr. Reycraft:

Q. Do they all require checking-account services?

A. Oh, yes; no doubt about that.

Q. There is no doubt about that at all.

Their requirements for commercial and industrial loans would vary?

A. They would vary.

Q. Would it be your judgment, based on your knowledge of banking requirements in this area, that most of them would require commercial- and industrial-loan services from commercial banks?

A. I would think, as far as the industrial plants are concerned, where the figure indicates 6,169, that in that category most of them probably would.

Q. And with reference to stores

[fol. 1943] A. With reference to stores, I couldn't answer there. I would say that the chances were much less likely.

Q. And with reference to wholesale establishments?

A. Wholesale establishments, the chances are that they would be, to a larger degree, requiring credit facilities than the category of stores.

Q. Than retail stores?

A. Than retail stores.

Q. Mr. Potts, at page 8 of the application reference is made to the type of business which is attracted by the Philadelphia port. Are you familiar with this type of business generally in this area?

A. Yes.

Q. Do you have any familiarity with the type of business which comes through the Port of New York?

A. Oh, only generally.

Q. Do you have any knowledge as to the relative tonnages done by the two ports?

The Court: If you are going to start comparing those, you had better compare bulk and dry cargo and everything else. I happen to know a little about that.

You had better put in the difference in prices that are collected for transporting.

The Witness: Do you want to repeat the question, [fol. 1944] please?

(The pending question was repeated by the reporter.)

Mr. Littleton: This is just plain tonnage, Mr. Reycraft?

Mr. Reycraft: That is the first question.

The Witness: The bulk tonnage coming through the Port of Philadelphia last year was number one.

By Mr. Littleton:

Q. Number one in the nation, do you mean?

A. Number one in the nation.

By Mr. Reycraft:

Q. Do you know how that compares with New York?

A. No.

Q. Do you know how the dollar value of the cargoes going through this port and New York compare?

A. Imports—I am breaking imports and experts now into two separate and distinct categories.

Imports, because of the large importation of oil and iron ore into this port, have assumed a dollar position that, if I am not mistaken, likewise last year was number one in the nation.

Q. With reference to those two types of imports?

A. No, including those two.

[fol. 1945] Q. Do you know what the principal imports are into this port?

A. Oil and iron ore.

Q. Do you know what the relative percentage of those two is to the total imports?

A. No.

The Court: It is 3 o'clock. Suppose we take a ten-minute recess.

(A ten-minute recess was had.)

[fol. 1946] Q. Mr. Potts, will you refer to Page 31 of the application.

Will you agree with me that your bank competes with the Girard Bank for commercial and industrial loans?

A. Yes.

Q. And in single payment loans to individuals?

A. Yes.

Q. In loans on residential property?

A. Yes.

Q. In loans on business properties?

A. Yes.

Q. In loans on securities?

A. Yes.

Q. And you compete in making installment loans on automobiles?

A. We do.

Q. With reference to installment loans on consumer goods?

A. We do.

Q. In the category which is included in the application "Other Installment Loans"?

A. Yes.

Q. And do you know what is included in the category [fol. 1947] "All Other Loans"?

Well, you don't have to answer that.

But in the miscellaneous category "All Other Loans" you also compete; is that correct?

A. Yes.

Q. And you compete for demand deposits of individuals, partnerships, and corporations?

A. We do.

Q. And for deposits of State and political subdivisions?

A. Yes.

Q. And for deposits of banks?

A. Yes.

Q. And for time deposits of individuals, partnerships, and corporations?

A. Yes.

Q. And for time deposits of state and political subdivisions?

A. Yes.

Q. And for time deposits of banks?

A. Yes.

Q. Does your bank offer account reconciliation services?

A. Yes.

Q. And does Girard also offer them?

[fol. 1948] A. Yes.

Q. Would you explain briefly what an account reconciliation service is?

A. It can only be accomplished through some of the new Rube Goldberg machines. What we would do in account reconciliation is to take in—may I qualify this and give you a specific example payrolls.

Q. Yes, sure.

A. For instance, we would take the payroll of a corporation and then we would make out the checks, send out the checks, have the checks returned, run them up, make up the statements for that particular depositor, and then send out the statements. In other words, reconciliation of an account.

Q. Were these services available to corporations throughout the area in which you have b[illegible]k offices?

A. If a head office offers that type of service, the answer would be yes. As far as the individual and smaller units of branch offices are concerned, no.

Q. Do you compete with the Girard Bank in operating services?

A. Yes.

Q. Does your bank offer lock boxes?

A. Yes.

[fol. 1949] Q. Will you explain what they are.

A. A lock box is established in order to facilitate the collection of checks for a corporation. Let's use Company X, which has large check collections in an area. An insurance company is as good an illustration as I can give you, or let's say a big oil company, and in order to facilitate the collection of their checks, what they will do when they send out their statements is to, on the return envelope, just have "Lock Box X, Y, or Z, Philadelphia, 30th Street Station." Then the bank would go and pick up whatever mail was in that particular lock box, process it, and give credit where credit is due.

Q. What is the advantage to the corporation of this type of service?

A. Quicker collection, and in the event that a check indicates insufficient funds, it will be easier and quicker to find out where there is a lack of funds. I can pull that together by saying that it is, of course, a facility from the standpoint of credit.

Q. It has the advantage to the corporation, does it not, of having less lag in the time it receives money?

A. It reduces float.

Q. It reduces float. Very good.

And this is a service which is essential primarily on a [fol. 1950] local basis; is that correct?

A. Let's say a regional basis. More on a regional basis, I think. It could be both, and, of course, depending on volume always.

Q. Does the Girard Trust Corn Exchange Bank offer this type of service?

A. Yes.

Q. And do you compete with them?

A. Yes.

Q. Do other banks in this area offer this type of service?

A. Yes.

Q. All of them?

A. I couldn't answer.

Q. Does your bank have a foreign department?

A. Yes.

Q. Can you tell me what measure of the volume of business you use for your foreign department? Is it dollar volume of deposits?

A. Well, we measure our foreign department, its success or failure, on the final net operating profit at the end of a period, let's say a 12-month period. Obviously, in order to obtain a profit, one looks at deposits, one looks at volume of transactions. I am referring to letter of credit. [fol. 1951] I am referring to acceptances. I am referring to other items in the over-all foreign department operations.

Q. Can you tell me what the volume of transactions was in your foreign department in 1960?

A. No.

Q. Approximately?

A. No.

Q. I assume that is available.

A. That is available.

Q. The Girard Trust Corn Exchange Bank, does it also have a foreign department?

A. Yes.

Q. Do you compete with them in the type of services that your foreign departments offer?

A. Yes.

Q. Is there any other bank in town which has a foreign department of equal size?

A. Yes.

Q. Who is that?

A. Did you say equal size?

Q. Yes.

A. No. Excuse me.

Mr. Littleton: Equal size to what? Philadelphia National [fol. 1952] or the Girard?

The Witness: To the Philadelphia National? That is what I assume you meant.

By Mr. Reycraft:

Q. To the Philadelphia National. What is your answer to that?

A. Philadelphia National has the largest foreign department operation in the city.

Q. And who is the second largest?

A. The Girard.

Q. And third?

A. Provident Tradesmens, I believe. That's pulling it out of the thin air.

Q. Are they substantially smaller than your foreign department?

A. Yes.

Q. Does your bank offer bank credit cards?

Mr. Littleton: What is a bank credit card?

The Witness: What do you mean by that?

By Mr. Reycraft:

Q. Well, I got this list out of your annual report, which indicates that you had bank credit cards.

A. We do.

Q. Can you tell me what they are?

[fol. 1953] A. Bank credit cards are the establishment of credit to an individual, which would then enable that individual to purchase goods, be it in a department store, and come in and borrow up to a certain maximum amount. What that is, it is a new form of establishing credit to individuals.

Q. Does the Girard have anything similar to this?

A. I couldn't answer that. I don't know.

Q. Can you tell me what type of checking accounts your bank has available?

A. All kinds.

Q. Can you tell me what all kinds are?

A. Demand deposits—that is regular checking accounts—special checking accounts, savings accounts, and this bank credit that we have just been talking about.

Q. I don't believe you meant to indicate that a savings account is a checking account.

A. No, I didn't.

Q. And the Girard offers the same type of checking accounts, do they not?

A. They do.

Q. And you do compete with them in the service?

A. Yes.

Q. With reference to personal loans, your bank is in the personal loan business, are you not?

A. Yes.

[fol. 1954] Q. And the Girard also?

A. Yes.

Q. And you compete with them in this area?

A. We do.

Q. I have also seen a reference to an executive loan service which you offer, and I take it that this is a higher personal loan service.

A. That terminology is an interesting one. I think that is more to catch some of the bigger fish.

Q. Does the Girard catch these fish also?

A. They do.

Q. The same fish?

A. The same fish. Out of the same pond, let us say.

Q. I see also that you offer revolving credit service. Can you tell me what that is?

A. Revolving credit is very similar to what I was trying to describe to you. Let's say Mr. Reycraft comes into the bank and wants to set up a line of credit for himself. If Mr. R's credit warrants it, then the bank would establish a certain line of credit, depending on what they have figured out the individual's credit is worth. A lot has to do with salary, income, information that is given to the bank by that individual. Then this line *is* credit is available to that individual to borrow upon up to the maximum [fol. 1955] amount established. The individual, Mr. R, could go into the store and buy a piano, and if it wasn't above his line of credit, he could utilize the line of credit and borrow to that extent, pay off, then come back in again at a future date, borrow enough to buy an ice box, as a case in point.

Q. And does the Girard offer the same type of service?

A. I believe so.

Q. So that you are in competition with them in that area also?

A. Right.

Q. You also have a special form of tuition financing plan, do you not?

A. We do.

Q. And does the Girard also?

A. They do.

Q. And you compete with them in that area?

A. Yes.

Q. And your bank has an estate planning service, does it not?

A. Yes.

Q. Can you describe briefly the function of your estate planning department?

A. Yes, indeed. An individual is endeavoring to look [fol. 1956] into the future, wishes to protect his wife and family. He comes in for professional advice. He is given just that type of advice as to how much insurance an estate might have, what kind of Will he might set up, how much he should set aside in securities—anything having to do with estate matters.

Q. And the Girard offers the same type of service?

A. They do.

Q. And you are in competition with them in that activity?

A. We are.

Q. Do you also have an investment advisory service?

A. Yes.

Q. Can you tell me in a general way what that does?

A. An individual or corporation who desires advice on investments professionally would come to a bank and establish the relationship for just such investment.

Q. And does the Girard have a similar service?

A. They do.

Q. And you compete with them there also, don't you?

A. Yes.

Q. Does your bank have a common trust fund?

A. We do.

Q. Will you describe what a common trust fund is?

[fol. 1957] A. A common trust fund was established some years ago. I believe it started here in Philadelphia. It has been a very popular form of investment for smaller trust assets.

Q. And does the Girard have a similar plan?

A. They do.

Q. And you compete with them for this type of business also?

The Court: As a matter of fact, Mr. Reycraft, they try to avoid it. I can tell you that from personal experience.

The Witness: Mr. Reycraft, that comes in under, let us say, competing for trust business.

By Mr. Reycraft:

Q. You do compete for trust business?

A. Oh, yes.

Q. Now, you got into the trust business about 1951. Would that be correct?

A. That is correct.

Q. And since that time what has been the progress of your trust department?

A. Our Trust Department assets today total approximately $400 million.

Q. And this has all been achieved since 1951?

[fol. 1958] A. That is correct.

By Mr. Littleton:

Q. When you give that figure, you mean the trusts which you administer?

A. The trust assets in the bank is the way I answered that question. Is that the way you wanted it answered?

Mr. Reycraft: Yes, sir.

By the Court:

Q. How much did you take over from the Ninth?

A. $17 million. We had quite a decision to make whether to go into the trust business or not. We decided to carry on.

By Mr. Reycraft:

Q. Do you know the approximate amount of the trust business that the Girard has under administration?

A. Approximately 2¼ billions of dollars.

Q. And you compete with them, don't you, for the available business in this field?

A. Yes.

Q. Do you administer pension and profit-sharing funds in your bank?

A. We do.

Q. And approximately how many of these do you have?

A. I couldn't answer.

[fol. 1959] Q. Will you describe briefly what is meant by pension and profit-sharing funds.

A. Yes. I think "pension" describes itself. In other words, a corporation comes in to us, and is desirous of setting up a pension and wants a corporate trustee. There are two forms. One is the so-called insurance trust, and a bank corporate trusteeship. Sometimes there can be one or the other, or they will be divided, so that with respect to pensions I don't think there is any difficulty there. Profit sharing is of a similar nature. If a company desires to set up a profit-sharing plan for its employees, they will come for professional advice to a bank, and the bank then would trustee the funds of that profit-sharing plan.

Q. Does the Girard offer the same type of services?

A. They do.

Q. So you are in competition here also?

A. That is correct.

Q. And does your bank offer correspondent bank services?

A. Yes.

Q. Can you describe what correspondent bank services you offer, briefly?

A. A correspondent bank, let's take a country bank, needs a central city bank, similar to the way a larger city bank [fol. 1960] needs a Federal Reserve Bank. We act similarly for our correspondent banks smaller in nature as does the Federal Reserve Bank for us. With our correspondent bank friends we offer many services in addition to the monetary one which I have mentioned to you, such as investment advice, clearance of checks, proof transactions, collection of items, and so on.

Q. With reference to the clearance of checks, do a larger number of these come from areas other than Philadelphia?

A. Yes.

Q. They come from other states?

A. That is correct.

Q. Do you have any estimate as to the approximate dollar value of your clearances during a week or a month or by any period of time?

A. I can get those, but I don't have them at my fingertips.

Q. Would you know, for example, the volume of the clearances out of state?

A. No.

Q. You would not have that separately?

A. Yes, we would have those figures in the bank.

Q. I think if you have those in summary form, I would [fol. 1961] like to get them.

A. I will be glad to.

Q. The Girard offers similar services, does it not?

A. Yes.

Q. And you compete with them for the business of correspondent banks?

A. We do.

Q. Have you given any consideration in your bank to taking over bookkeeping functions of correspondent banks?

A. There has been some talk, Mr. Reycraft, but we have not more than just considered it as something that might materialize in the distant future.

Q. Could you tell me how this service would operate as you contemplate it now?

A. Well, when you say, take over bank operations, the bookkeeping operations, distance would come into that. In other words, a bank at a distant point would get no advantage of having a bigger city bank handle that item for them. If a correspondent bank were close at hand, it would be possible for another bank to handle their bookkeeping program for them, but I will ask you, if you were another bank, would you like that bank to have the names of all your depositors?

Q. I wouldn't think so.

[fol. 1962] A. No.

Q. Not the Philadelphia National Bank.

A. That is correct.

Q. That would be because you are competitors.

A. Right.

Q. And because of the quality of your service. I assure you that is all I had in mind.

A. Right.

Q. Mr. Potts, who prepared the application which is marked as Government's Exhibit No. 57?

A. Is that the big application?
Q. Yes, that is the big one.
A. Dozens of us.
Q. Who would be the person who had the primary responsibility for it in your bank?
A. Our Comptroller.
Q. Is that Mr. MacLaren?
A. Yes.
Q. Can you tell me who prepared the narrative part of the application?

Mr. Littleton: There are several narratives in there. Maybe you better specify.

By Mr. Reycraft:

Q. Specifically I refer to Pages 7 to 11 of the application.
[fol. 1963] A. 7 to 11?
Q. Yes.
A. Senior management of both banks, with advice of counsel.
Q. It was a combined job?
A. It was a combined job.
Q. No one person would be——
A. No.
Q. Mr. Potts, do you know of any specific loans which your bank has lost because of your loan limit?
A. Yes.
Q. Will you tell me what they are.

Mr. Littleton: I don't think we should give names here, Mr. Reycraft.
Mr. Reycraft: Well, I don't see any way to avoid it.
Mr. Littleton: I do. You can withdraw the question.
Mr. Reycraft: Well, that is not the way I am willing to avoid it.
Mr. Littleton: I am going to object to talking about customers' business, with respect to customers' business publicly, if Your Honor please.
Mr. Reycraft: Your Honor, I am trying to be sensitive [fol. 1964] to the problems of the bank, but when we are talking about matters as specific as this, that require some analysis, I don't really see any way to avoid it.

The Court: Well, at the moment I am going to sustain the objection to the use of names. If you want it brought out by categories, whether it was industry, finance, construction, or general matters like that, all right, but I don't see where people who go to a bank in confidence and seek a loan should have their names spread all over the United States in a situation like this. I am going to sustain the objection. I think it will be an invasion of privacy unwarranted by the facts of this case.

Mr. Reycraft: May I ask Your Honor, if Mr. Potts will refer by number to the situations he has in mind and then furnish the names to us in confidence, which we will maintain——

The Court: I have no objection to that provided the Government agrees right now never to use them in any other but this litigation here and that they be impounded permanently.

Mr. Reycraft: With Your Honor's permission. If we wanted to use them, we would ask Your Honor's permission.

The Court: Yes. I can see no possible way that it could [fol. 1965] ever happen.

Mr. Littleton: If Your Honor please, may I ask for a further protective order on that, namely, that the Government not be entitled to subpoena the people from such borrower or any of their records in reference to such transaction or proposed transaction which never resulted.

The Court: In the absence of a showing of real necessity, I will grant that request.

Mr. Littleton: Thank you, sir.

Mr. Reycraft: I am going to withdraw the question, then.

By Mr. Reycraft:

Q. Mr. Potts, to your knowledge, what was the first occasion when your possible merger was discussed with representatives of the banking authorities?

Mr. Littleton: This is the merger under discussion, Mr. Reycraft?

Mr. Reycraft: Yes.

A. It is so long ago, it is hard for me to remember, but I believe the date was November 15, 1960.

Q. That is the date the application was filed, isn't it?

A. That is correct.

[fol. 1966] Q. And you didn't discuss it with either the Comptroller's office or any of his representatives prior to that time?

A. No.

Q. Now, how long prior to the filing of the application was the matter presented to your Board for action?

A. If you would reword that question, Mr. Reycraft, I could answer better because about two weeks prior to November 15th it was decided to approach each director of the respective banks separately to tell them about the situation, what was developing, to let them know how the basis of exchange which we had decided upon at that time was arrived at.

Then the formal application was presented to the Board at a meeting on Tuesday, November 15th, if I am not mistaken.

Mr. Reycraft: Will you mark as Government's Exhibit No. 117 a one-page document with the date of November 15, 1960, at the bottom, "Excerpt from Minutes of a Regular Meeting of the Board of Directors of The Philadelphia National Bank held on November 15, 1960."

(Document entitled "Excerpt from Minutes of Regular Meeting of the Board of Directors of The Philadelphia National Bank held on November 15, 1960" was marked Exhibit G-117 for identification.)

[fol. 1967] By Mr. Reycraft:

Q. Mr. Potts, will you refer to Government Exhibit 117? This is the excerpt from the minutes of a regular meeting of the Board of Directors of the Philadelphia National Bank, is it not, approving the proposed merger?

A. Yes.

Mr. Reycraft: Will you mark as Government's Exhibit No. 118 a one-page document headed "Excerpt of Minutes and Resolutions Adopted by the Board of Directors of the Philadelphia National Bank, December 20, 1960."

(Document entitled "Excerpt of Minutes and Resolutions Adopted by the Board of Directors of the Philadelphia National Bank, December 20, 1960" was marked Exhibit G-118 for identification.)

By Mr. Reycraft:

Q. Government's Exhibit 118 is an excerpt of the minutes and resolutions adopted by the Board of Directors of the Philadelphia National Bank on December 20, 1960, and what does that add, sir, to the earlier minutes?

A. Do you want me to read it?

Q. No. This is the authorization to execute the agreement of consolidation, is it not?

A. That's correct.

Q. All right, sir.

[fol. 1968] Mr. Reycraft: Now will you mark as Government's Exhibit No. 119 a document consisting of 15 pages, entitled "Agreement of Consolidation between Girard Trust Corn Exchange Bank and the Philadelphia National Bank, Under the charter of the Philadelphia National Bank, Under the title of 'Philadelphia Girard National Bank and Trust Company.'"

(15-page document entitled "Agreement of Consolidation between Girard Trust Corn Exchange Bank and the Philadelphia National Bank, Under the charter of the Philadelphia National Bank, Under the title of 'Philadelphia Girard National Bank and Trust Company,'" was marked Exhibit G-119 for identification.)

By Mr. Reycraft:

Q. Is this a true copy of the agreement of consolidation, Mr. Potts?

Mr. Littleton: You had better look at it.

The Witness: Without having had the chance, nor do I think you want me to take the time to read it, it certainly purports to be just that.

Mr. Reycraft: Will you mark as Government's Exhibit No. 120 a 4-page document headed "Articles of Association of Philadelphia Girard National Bank and T .st Company."

(4-page document entitled "Articles of Association of [fol. 1969] Philadelphia Girard National Bank and Trust Company," was marked Exhibit G-120 for identification.)

By Mr. Reycraft:

Q. Would you satisfy yourself, sir, that that is a true copy of the articles of association?

A. May I give the same answer to this as I did the other one?

Mr. Reycraft: Will you mark as Government's Exhibit No. 121 a 13-page document headed "By-Laws of Philadelphia Girard National Bank and Trust Company."

(13-page document entitled "By-Laws of Philadelphia Girard National Bank and Trust Company," was marked Exhibit G-121 for identification.)

By Mr. Reycraft:

Q. Would you satisfy yourself, sir, that this is a true copy of the by-laws of the Philadelphia Girard National Bank and Trust Company?

A. May I give the same answer as I did before?

Q. Mr. Potts, would you describe the transaction which was intended to bring about the consolidation of the two banks?

A. You are referring to 117?

Q. That is the contract, I believe.

Mr. Littleton: If Your Honor please, these agreements have been marked. They speak for themselves. We of- [fol. 1970] fered at the very beginning to stipulate them all into the record.

Now to have this witness describe the transaction—the agreements speak for themselves.

The Court: How was that, describe the agreements?

Mr. Reycraft: The transaction, Your Honor.

The Court: The transaction?

Mr. Reycraft: Yes, sir, how was it to take place physically?

The Court: How was it to take place physically?

Mr. Reycraft: Yes, sir. Who would do what?

The Court: I will let that go.

The Witness: Would you repeat the question, sir?

(The pending question was repeated by the reporter as follows:

"Q. Mr. Potts, would you describe the transaction which was intended to bring about the consolidation of the two banks?")

The Witness: May I again ask Mr. Reycraft, are you referring to one of the documents you have just given me?

Mr. Reycraft: Yes, sir. 119 describes in some detail the [fol. 1971] agreement between the parties and I ask you to state, sir, for the record, how the consolidation was to be brought about.

The Court: Who was to do what and what trucking company was to move the bullion?

The Witness: Should the outcome of this anti-trust suit be favorable——

By Mr. Littleton:

Q. To us?

A. To us, we would move to effect what you see here in these agreement, Mr. Reycraft.

There would be relatively little physical change. There would be a dovetailing of departments, personnel, likewise, of course, a complete dovetailing of top organization.

By Mr. Reycraft:

Q. What would the stockholders of Girard Trust Corn Exchange Bank do with their stock?

Mr. Littleton: Hold it.

Mr. Price: What was the question?

The Witness: What does it say here?

Mr. Price: That is objected to.

The Court: Overruled.

The Witness: It says here that each of the 1,591,875 shares of Girard presently outstanding shall be converted [fol. 1972] to 1.2875 shares of capital stock of the association.

By Mr. Reycraft:

Q. Would deliver their stock to the Philadelphia National Bank?

A. Should the merger be consummated, they would deliver their stock to the merged institution, and the merged corporate trust department of that institution.

Q. To the charter bank, is that correct?

A. That's correct.

Mr. Littleton: He didn't say that.

Mr. Price: No.

Mr. Littleton: He said the merged institution.

The Witness: I said the merged institution.

By Mr. Reycraft:

Q. Is it correct that they would deliver it to the charter bank?

Mr. Price: Objected to.

The Witness: They would deliver it to the resulting bank.

By Mr. Reycraft:

Q. To the charter bank?

A. Is that the same terminology?

Q. I am using the language you used in the application.

[fol. 1973] Mr. Littleton: If Your Honor please, I think what Mr. Reycraft is doing here is asking this witness to express a legal opinion.

Mr. Reycraft: I am asking him to describe an official transaction, as to who does what. It requires no legal knowledge whatever.

By Mr. Littleton:

Q. Do you know, Mr. Potts?

A. I don't know.

By Mr. Reycraft:

Q. You don't know whether the——

The Court: Wait a minute now. Wait. Maybe that is a matter that I will take over and answer.

What section of what exhibit provides that?

Mr. Reycraft: At the bottom of page 5, Your Honor.

The Court: There is no doubt about what that says. That provides for surrender to the association under the title of Philadelphia Girard National Bank and Trust Company.

That's what the agreement says and that's it. I don't need to have any testimony on that.

Mr. Price: I point out to Your Honor that that is simply the stock certificates that they are talking about [fols. 1974-1975] there.

The Court: I understand.

Mr. Reycraft: Your Honor, I wonder if this would be a convenient time to adjourn. I have some more questions from Mr. Potts, but I want to get further documents.

The Court: All right. We are within a few minutes of closing time, anyway. We will adjourn.

(Adjourned at 3:57 o'clock P. M. until 10:00 o'clock A. M. on Monday, June 19, 1961.)

[fols. 1976-1977] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

TENTH DAY

Philadelphia, Pa., June 19, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 1978] FREDERICK A. POTTS, resumed.

Direct examination (cont'd.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 122 an eight-page document headed "Amendment to Agreement of Consolidation Between Girard Trust Corn Exchange Bank and the Philadelphia National Bank under the charter of the Philadelphia National Bank Under the Title of Philadelphia Girard National Bank and Trust Company.

(Eight-page document headed "Amendment to Agreement of Consolidation Between Girard Trust Corn Exchange Bank and the Philadelphia National Bank Under the Charter of the Philadelphia National Bank Under the Title of Philadelphia Girard National Bank and Trust Company" was marked Exhibit G-122 for identification.)

By Mr. Reycraft:

Q. Will you examine Government's Exhibit No. 122 and confirm, if you will, that this is an amendment to the contract of December 20, 1960, which has been marked as Government's Exhibit No. 119.

A. As far as I can see, this is a true copy of the amendment.

Q. Mr. Potts, changing to a different subject, are you

familiar with the circumstances under which the first cross-
[fol. 1979] county branching occurred in this area?

A. Indeed, I am.

Mr. Littleton: You mean the Philadelphia National Bank's first cross-county branching?

Mr. Reycraft: I am referring generally to cross-county branching by Philadelphia banks within the four-county area.

The Witness: Well, I can say generally that I am.

By Mr. Reycraft:

Q. Do you know which Philadelphia bank was the first to acquire a branch cross county?

A. The Pennsylvania Bank and Trust Company.

Q. And when was that, sir?

A. That was during the depression, and they were asked to cross county lines by the authorities to save a local situation that was in rather parlous condition.

By Mr. Littleton:

Q. 1934?

A. 1934.

By Mr. Reycraft:

Q. When did your bank first cross county lines?

A. When we merged with the First National Bank of
[fol. 1980] Conshohocken, which would have been in 1953.

Q. Were there other cross-county acquisitions after World War II prior to this time?

A. On our part or by other banks?

Q. By other banks in Philadelphia.

A. Yes, there were.

Q. What were they?

A. That I couldn't give you offhand.

Q. What bank was acquired cross county in 1953?

A. First National Bank of Conshohocken.

Q. Was this move opposed by the bankers associations in those counties?

A. Opposed?

Q. Yes.

A. This move was opposed by the Montgomery group, and there was considerable agitation in Bucks County. I can't say whether there was any official action taken by that group.

Q. You don't know whether there was any official action taken by the Montgomery County group?

A. No, I do not.

Q. By either group?

A. By either group, I am not sure whether there was any official action or not.

[fol. 1981] Q. Mr. Potts, are you familiar with the formation in 1954 of a group of eight banks, including the Philadelphia National Bank, to pool loan limits?

A. Yes.

Q. Would you describe that group and its purpose.

A. Its purpose was to help finance improvements in the City of Philadelphia, such as what we call the Penn Center development.

Q. This group was formed in 1954?

A. I couldn't answer to that. There was a group formed at the time when financing was needed in order to move forward with this Penn Center project.

Q. Do you recall the total amount of the lending limit which was available from that pool?

A. No.

Q. Approximately 22 million?

A. Approximately 22 million.

Q. And were loans made from this pool?

A. Yes.

Q. To whom?

A. To several construction groups, one of which I know is headed by McCloskey and Company. As for any others, I can't answer. I don't know.

Q. What was the amount of the loan to the one group [fol. 1982] that — recall?

A. I can't say.

Q. Was it over $10 million?

A. Can I just answer it this way: It was a substantial loan and certainly in excess of the maximum loaning limit of any individual bank.

Q. But you don't know the total amount?

A. I don't know the total, no.

Q. Can you obtain that information for us, sir?

A. Yes, indeed.

Q. Is it a fact that the members of the group which you described included the Philadelphia National Bank?

A. Yes.

Q. The First Pennsylvania Company?

A. Yes.

Q. The Girard Trust Corn Exchange Bank?

A. Yes.

Q. The Fidelity-Philadelphia?

A. Yes.

Q. Central Penn?

A. Yes.

Q. The First National Bank?

A. Yes.

Q. The Tradesmens Land Title Bank and Trust Company?

[fol. 1983] A. Yes.

Q. And Provident Trust Company?

A. Right.

Q. I believe that is all.

A. I believe that is the so-called group.

Q. And I believe you agreed that they had a combined loan of about $22 million at that time?

A. Yes, that is right.

Q. Are you familiar with any similar pooling of lending limits since that time, Mr. Potts?

A. No, I am not.

Q. This is the only occasion which you recall?

A. This is the only case I recall at the moment without refreshing my memory.

Q. You don't think there were any others?

A. I don't think there were.

Q. Mr. Potts, will you refer to Page 7 of the application. The paragraph numbered 1 on Page 7, of the reasons for the proposed merger, is given to be, "To provide the Philadelphia area with a bank commensurate with its size and therefore adequate to meet 'the area's banking needs."

On the basis of your observation, Mr. Potts, how big a

bank do you think that Philadelphia needs to meet the various needs?

[fol. 1984] A. That is a difficult question to answer categorically. I would like to reply in this fashion, which is to the effect that I firmly believe that Philadelphia and this whole service area needs a bank bigger than what it now has.

Q. Do you think the bank resulting from this proposed merger will be big enough?

A. It will be helpful.

Q. Do you think it will be big enough?

Mr. Littleton: Big enough for what?

Mr. Reycraft: Big enough for the purpose which Mr. Potts described in the application.

A. It will be, let us say, getting a foot on the lower rungs of the ladder.

Q. Do you think it should be even bigger?

A. That depends on the future growth of this area and the future growth of the country.

Q. Based on existing needs of the area, do you think Philadelphia needs a bigger bank?

A. In my estimation, I would feel that as a starter, this would be a pretty good beginning.

Q. Do you think that, based on its existing needs, it doesn't need a bank bigger than the one which is proposed?

A. Mr. Reycraft, again, I can only repeat that we are dealing with something that is pretty nebulous here. In [fol. 1985] other words, how big a bank does an area need? I still have to answer that I feel, with the proposed merger, the resultant bank would go a long way toward relieving some of the needs of this community, financial needs.

Q. You indicated in response to an earlier question that this was a beginning; is that correct?

A. Yes.

Q. Do you think it may be necessary to make additional acquisitions by the combined banks in order to extend this beginning?

A. Certainly not in the foreseeable future.

Q. Is it a fair summary of your answer to say that you don't know at this time how big a bank is needed to serve the area's needs?

Mr. Littleton: He said not in the foreseeable future.

A. I said not in the foresseeable future.

By Mr. Reycraft:

Q. So that your answer is you don't know?
A. That is correct.

Mr. Littleton: That isn't——
The Witness: Not in the foreseeable future is the way I reply to your question.

By Mr. Reycraft:

[fol. 1986] Q. Do you think, Mr. Potts, that this area needs more than one bank of that size?

A. Again your question falls into this nebulous area where I don't think even the Lord Almighty could answer that question for you. It all depends on the growth of the area, things that, of course, we are all hoping for, looking toward the future, things that we expect in the way of population growth, in the way of expansion in commerce and industry. Other than that, I cannot answer your question.

Q. Mr. Potts, do you know of any industry, any plant or business, which has not come to Philadelphia because of the size of its banks?

A. I could answer that question in this manner, which is to the effect that on several occasions, to my knowledge, larger corporations in the national sphere would have come to a bank in Philadelphia to help them out in their financial requirements if there had been a larger bank in the area. Specifically your question is, do I know of any industries that have not come to Philadelphia because of inadequate lending limits. I would not be able to answer that, only in this way, that Philadelphia is one of the large industrial complexes in this country. We have in an area —let's take 90 miles—I believe the largest shopping group in, well, I won't say in the only section, but is one of the [fol. 1987] really big marketing areas in the country.

Q. Mr. Potts, perhaps you didn't understand my question. My question was not whether businesses had come to Philadelphia or not come to Philadelphia for loans or financial aid. My question was whether you know of any industry or business which had not located its business in the Philadelphia area because of the size of the banks in Philadelphia.

A. I answered you generally, because I don't think it can be replied to in specifics. I have had conversations with companies over the years that I have been connected with the bank, particularly when I was roaming the countryside covering our depositors, our borrowers, and as I said earlier, keeping a weather eye open for new business, and I had some of those conversations. There certainly were comments to the effect, why doesn't Philadelphia have a bigger bank to take care of the needs of companies like ours.

Q. Do you know of any single business which you can identify which has not located in the Philadelphia area because of the size of its banks?

A. No, but——

Q. All right. The answer is no; is that correct?

A. No, but. I will answer it this way: With a larger bank it is quite conceivable that businesses would have [fol. 1988] come here to establish plants which they have not done at the moment.

Q. It is conceivable, but you don't know of any?

A. That is correct.

[fol. 1989] Q. Now, Mr. Potts, you indicate at page 8 of the application that Philadelphia banks have not been able to meet fully the needs of the expanding Philadelphia metropolitan area.

Can you tell me the facts upon which you rely for this statement?

A. That's in paragraph——

Q. The second paragraph from the end.

Mr. Littleton: Also the top paragraph of the page.

The Witness: We state here or it is stated in the application that Philadelphia banks have not been sufficiently large to fill the area's banking needs and therefore have not been able to keep pace progressively with the area's growth.

Would you rephrase your question in line with that, please?

Mr. Reycraft: Yes, sir.

By Mr. Reycraft:

Q. My question is, will you state the facts upon which you rely for the statement that Philadelphia banks have not been able to meet fully the banking needs of the expanding Philadelphia metropolitan area?

A. We come back to a question that you asked on Thursday, and that comes down to the point that I am aware [fol. 1990] of occasions where our own depositors who were larger national corporations would have come to us if we had been able to meet the needs more fully than we have been able to up to the present moment.

Q. Will you state some of those instances?

A. We get into names now, so we are right back to where we were last Thursday.

The Court: If you keep them in broad categories, I suppose that their identity might be pretty well disguised.

The Witness: In a letter which was written, Mr. Reycraft, on December 22nd, to Mr. Bicks of the Antitrust Division, there were certain names set forth in that letter. If I may have that it would be helpful.

By Mr. Reycraft:

Q. May we have that marked, Mr. Potts, please?

A. Yes, sure.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 123 a copy of a letter consisting of 6 pages, from which I would point out that on the last page of the exhibit information is omitted from the letter as indicated by asterisks, which the Government does not wish to offer.

This is a letter signed by Mr. Frederic A. Potts and [fol. 1991] Geoffrey S. Smith to Mr. Robert A Bicks, Assistant Attorney General, Antitrust Division.

(Partial copy of 6-page letter dated December 22nd, 1960, to Mr. Robert A. Bicks from Frederic A. Potts and

Geoffrey S. Smith was marked Exhibit G-123 for identification.)

Mr. Littleton: Perhaps I had better state at this time that if this letter is going to be offered as an Exhibit G-123 we insist that the entire letter go in and not just the part that the Department of Justice wants.

Mr. Reycraft: I am not offering the omitted part. If you wish to offer it, you may do so.

The Witness: May the question be repeated, please?

(The reporter read the testimony as follows:

"Q. Will you state some of those instances?

"A. We get into names now, so we are right back to where we were last Thursday.

"The Court: If you keep them in broad categories, I suppose that their identity might be pretty well disguised.

"The Witness: In a letter which was written, Mr. Reycraft, on December 22nd, to Mr. Bicks of the Antitrust Division, there were certain names set forth in that letter. If I may have that it would be helpful.")

[fol. 1992] The Witness: These names, Mr. Reycraft, set forth the loans outstanding of five million or more, and lines of credit to that extent; and with this exhibit I could not specifically answer your question because the companies that I would know about that have asked for additional lines are not listed here.

By Mr. Reycraft:

Q. Mr. Potts, excuse me. Is this information contained in the omitted portion of the letter?

A. Yes.

Mr. Reycraft: I don't have it.

Mr. Littleton: May we have the question and answer before we go on?

(The testimony was repeated by the reporter as follows:

"Q. Will you state some of those instances?

* * * * * * *

"The Witness: These names, Mr. Reycraft, set forth the loans outstanding of five million or more, and lines of credit to that extent; and with this exhibit I could not specifically answer your question because the companies that I would know about that have asked for additional lines are not listed here.

[fol. 1993] "By Mr. Reycraft:

"Q. Mr. Potts, excuse me. Is this information contained in the omitted portion of the letter?

"A. Yes.")

Mr. Littleton: May I ask what the witness is about to read from now?

The Witness: The witness does not desire to read from this, except to quote numerically.

By Mr. Littleton:

Q. What is it that you have in your hand?

A. Which I understand is the Court's desire here.

Q. What is it that you have in your hand?

A. I have in hand now the full letter of December 22, 1960, written to Mr. Robert A. Bicks of the Antitrust Division.

Mr. Littleton: Has that had a Government identification mark on it?

Mr. Reycraft: No, it doesn't. I don't wish to offer it.

I have no objection to marking it as Government Exhibit 123-A, with the understanding that I don't intend to offer the full letter.

The Witness: Right.

(Copy of 12-page letter dated December 22, 1960, to Mr. Robert A. Bicks from Frederic A. Potts and Geoffrey S. [fol. 1994] Smith was marked Exhibit G-123-A for identification.)

The Witness: In this exhibit there are listed certain names under this category, to wit, The Following Borrowers in the Service Area of Philadelphia National Bank and of Girard Within the Last Year Explicitly Stated that they have had to obtain Loans from Banks in New York or other Cities due to the Inadequate Lending Limits of Philadelphia National or Girard.

These are five in number.

By Mr. Reycraft:

Q. All right, sir. With reference to the first of the five which you have given in response to my question, how much of a loan did it have outstanding from the Girard Trust Corn Exchange Bank?

A. Zero.

Q. Zero?

A. As of this date.

Q. And from the Philadelphia National Bank?

A. $6,960,000.

Q. Do you know, sir, what the total borrowing requirement of that first company is?

A. Considerably in excess of the figure that I just gave you.

Q. Is it considerably in excess of $15,000,000?

A. I haven't got those at my fingertips, Mr. Reycraft.

[fol. 1995] Q. Don't you think it is?

A. Rather than answer you this way, I can get those for you.

Q. All right, sir. Maybe that will be helpful.

Now with reference to the second borrower listed, which you have given in response to my question, how much of a loan did it have outstanding from the Philadelphia National Bank on the date of this letter?

A. Zero.

Q. And from the Girard?

A. Zero.

Q. And it is a fact, is it not, that at least $14,000,000 was available from both banks combined at that time?

A. Indeed it was.

Q. Now with reference to the third company which is listed, it has the full amount of loan outstanding which

Philadelphia National Bank was able to give it at that time, did it?

A. That's right.

Q. And from the Girard it could have, if its credit was satisfactory, borrowed another $2½ million?

A. That is correct.

Q. Now, with reference to the fourth company that you have given in response——

Mr. Price: $1½ million.

Mr. Reycraft: I beg your pardon?

[fol. 1996] Mr. Price: $1½ million.

Mr. Reycraft: $2½ million.

The Witness: $2½ million.

Mr. Price: That's right. I am sorry.

By Mr. Reycraft:

Q. With reference to the fourth company, how much of a loan did it have outstanding from Philadelphia National Bank?

A. It did not have any at that time.

Q. And from Girard?

A. Likewise.

Q. Now, it, too, could have had $14,000,000 from the two banks if its credit was satisfactory; isn't that correct?

A. It could have.

Q. And with reference to the fifth company which you have given in response to my question, it could have obtained another $400,000 from the Philadelphia National, could it not?

A. Yes, it could.

Q. And another $3½ million from the Girard?

A. Right.

Q. Now, do you know, sir, what the fifth company's line of credit with the Philadelphia National Bank was?

A. Our legal limit, I am pretty sure.

Q. The legal limit of $8,000,000?

[fol. 1997] A. $8,000,000.

Q. So that they had not yet exhausted the existing line of credit which they had with your bank?

A. Not with us, but they had——

By Mr. Littleton:

Q. As of this date, you mean?

A. They had larger outstandings; not as of this date.

By Mr. Reycraft:

Q. Larger outstandings with other banks?

A. Oh, yes.

Q. Now, sir, going back to the first of the companies which you have given me in response to my question, do you know whether this company had lines outstanding with other banks in Philadelphia?

A. No, I do not.

Q. Do you know whether the second company had lines outstanding with any other bank in Philadelphia?

A. I do not.

Q. And the third?

A. Yes. They do have lines with other banks.

Q. With what other banks?

A. I couldn't answer that.

Q. And the fourth?

A. I couldn't answer that, either.

[fol. 1998] Q. And the fifth?

A. Yes. They do have lines with other Philadelphia banks.

Q. Including First Pennsylvania?

A. Yes.

Q. Can you tell me, sir, with reference to the fifth company, who its major banker in Philadelphia is?

A. The First Pennsylvania is their lead bank.

Q. Now, I don't want to ask you to do this on the record, Mr. Potts, but I would like for you to furnish the names of the persons who made the statements which have been cited in response to Question 7 in the letter to Mr. Bicks of December 22nd and, as I say, it is not necessary to do this on the record.

A. All right.

Q. If I understand you correctly, you do not know who the principal bankers are in Philadelphia for each of these five companies, other than the fifth one?

A. Oh, yes.

Mr. Littleton: I don't think he said that.

Mr. Reycraft: I misunderstood, then.

You apparently do know.

The Witness: You asked me with respect not to the principal bank; you asked me if there were other banks who had lending limits, if I am not mistaken.

[fol. 1999] By Mr. Reycraft:

Q. All right. With respect to the first one——

A. With respect to the first, we would be. Philadelphia National Bank would be the principal banker here in Philadelphia.

With respect to the second, likewise; the third, likewise.

I couldn't answer for the fourth and I have given you the reply on the fifth.

Q. The fourth is not your bank, however?

A. I couldn't answer whether we are the principal bank or not. I think we probably are.

Q. You probably are the principal bank for the fourth?

A. That's right; here in Philadelphia.

Q. And as of the date of this letter they had no loans outstanding from your bank?

A. That is right.

Q. Nor from the Girard?

A. That is right.

Q. Now, the second borrower, Mr. Potts, is a subsidiary of another company which is also indicated on the exhibit.

Would your answer that your bank is the principal banker for the subsidiary apply also to the parent?

A. In Philadelphia, yes.

[fol. 2000] Q. Do you know who the principal banker is for the parent without restriction to Philadelphia?

A. I wouldn't say, Mr. Reycraft, that they have a principal bank. I do know that there are several institutions in New York that enter into loaning credits when the principal requires it.

As a rule, whenever possible, loans have been made *pari passu*, between the Philadelphia National Bank and New York banks.

However, when the principal needs were larger, why, then the Philadelphia National found itself a little backward in their ability to service this large company.

Q. But you did participate in each of those occasions?

A. We have participated.

Q. Now with reference——

Mr. Littleton: Excuse me. He said in each of those cases.

The Witness: I didn't answer that way. I said we have participated in loans; as far as each are concerned, I couldn't answer.

By Mr. Reycraft:

Q. With a few possible exceptions, do you believe that you did participate in all of them?

Mr. Littleton: If you know.

[fol. 2001] The Court: Read the question back.

You are dropping your voice again, Mr. Reycraft.

(The pending question was repeated by the reporter as follows:

"Q. With a few possible exceptions, do you believe that you did participate in all of them?")

The Witness: I just wouldn't know, Mr. Reycraft.

By Mr. Reycraft:

Q. Do you know, sir, whether the borrowing requirements of the second company, both subsidiary and parent, exceed $15,000,000?

A. Yes.

Q. Substantially?

A. Substantially.

Q. Can you tell me approximately how much?

A. No.

Q. With reference to the third company, can you answer the same question, whether its borrowing requirements exceed $15,000,000?

A. The answer to that question would be yes, on occasions.

Q. And the fourth company?

A. I don't know.

Q. Now, Mr. Potts, are there any other facts on which you rely in support of your statement that the Philadelphia [fol. 2002] banks have not been able to meet fully the needs of the expanding Philadelphia metropolitan area?

A. The Philadelphia National Bank has not been able fully to meet the needs of the area, not only with respect to a low ceiling on its lending limits, but also with respect to our Foreign Department operations, where particularly in what we term letters of credit we definitely find a considerable amount of business going elsewhere—New York in particular.

There are certain other areas where, with a larger bank, there could be greater specialization—specialization in many sections; such as in the commodity field, in loans—loan specializations.

We could have our whole loaning division set up differently from what we do now. We are now on what we call area coverage as against specific industry-type of coverage. If this merger should go through we would seriously consider setting up specialists in steel, in mortgages and construction loans, in various other categories of that type.

With a larger bank we could add to our specialists in the investment field. The same would hold true in trust operations, in pensions, in profit-sharing projects.

With a larger bank we could move forward into greater automation and hence give and offer better services to our correspondents and to our large depositors.

[fol. 2003] Q. Now, Mr. Potts, with reference to the activities of your Foreign Department, what is the limitation on your ability now to serve the needs of the area?

A. No. 1 would be size.

Q. Where does that become important?

A. You asked me a question last Thursday if I would bring in certain figures with respect to our Foreign Department. I have them here. Do you want to have this as an exhibit?

Mr. Reycraft: Yes.

Will you mark as Government's Exhibit No. 124 a one-

page document headed "Foreign Department Balance Sheet, December 30, 1960."

(One-page document headed "Foreign Department Balance Sheet, December 30, 1960," was marked Exhibit G-124 for identification.)

Q. This is of the Philadelphia National Bank, is it not, Mr. Potts?

A. That is of the Philadelphia National Bank.

Q. And there are pencil marks on the exhibit which I assume were made by someone from your bank.

A. They were made by me.

Q. Very good, sir.

A. We should have other copies. Are there other copies? No?

[fol. 2004] I will then read from the exhibit. Is that what you would like?

Q. If you will, sir, yes.

A. This sheet from which I am reading is dated December 30, 1960, and is the balance sheet as of that date of the Philadelphia National Bank's Foreign Department. It shows on the assets side of the ledger total loans of $27,147,000.

It shows under another category "Customers Liability, Unused Letter of Credit, $24,808,000.

Under a still different category, "Customers Liability, Acceptances," $18,070,000.

Due from Banks $2,659,000.

Other Assets, $28,000.

Excess Funds Used by PNB—that is the Philadedphia National Bank— $12,538,000.

Total footings $85,250,000.

On the liabilities side of the ledger are "Letter of Credit Issued," $24,808,000. This is a contra item.

Acceptances, $18,635,000.

Due to Banks—Demand—this is in the deposit category—$21,669,000.

Due To Banks—Time, $18,050,000.

Other Liabilities, $319,000.

[fol. 2005] Gross Income, $1,769,000.

Total footings, $85,250,000.

These figures, comparatively speaking, with our competition in New York in particular, are relatively small.

In banking—and I am not going to philosophize at great length, believe me—prestige, seems to count for a lot, and prestige, particularly with respect to foreign banks, is an important factor in a relationship of that kind. What happens is that foreign exporters, foreign importers, are very apt to think of New York City as the principal financial center, which of course it is. Philadelphia lives under the shadow of New York. We are only 90 miles away. That is one of the handicaps that Philadelphia banks have to live under, and I can assure you that, with greater size, and hence added prestige, that we would be able in Philadelphia in the merged institution to get considerably more business of a foreign nature than we are today.

Q. What is the limitation on your ability now to attract this business, other than prestige?

A. Oh, size of loaning limit, Mr. Reycraft, too.

Q. What is your lending limit as far as foreign loans are concerned?

[fol. 2006] A. Well, there are certain categories there, but, generally speaking, we are confined to our legal lending limit of $8 million.

Q. And you had a total as of the date of this exhibit of $27 million in loans?

A. Total loans, yes.

Q. Were any of those loans of $8 million?

A. I couldn't answer.

Q. You also indicated that areas of specialization would improve your bank's ability to compete; is that correct?

A. That is correct.

Q. Would it improve their competitive standpoint with relation to other Philadelphia banks?

A. In mergers, Mr. Reycraft—and now I am speaking only from my limited experience, which only goes back to September of 1951, when we merged with the Ninth Bank and Trust Company—I have found that in each instance where we have merged with a bank, that other banks in the area very quickly build up their own census if they require it, so that my answer to you is that with respect to the effect on competition, that competition as a result of

something of this nature seems to be enhanced rather than reduced.

Q. And this would follow also as there are additional [fol. 2007] mergers in the area, do you think?

Mr. Littleton: Read that question, please.

(The last question was read.)

Mr. Littleton: Objected to.

Mr. Reycraft: Well, I would like to know the basis of your objection. It is a perfectly proper question.

Mr. Littleton: I don't think his opinion is proper.

Mr. Reycraft: He has expressed his opinion. I am inquiring the basis of it.

Mr. Littleton: He has expressed his opinion as to what he has seen in the past.

By Mr. Ryecraft:

Q. So that each merger you have seen, Mr. Potts, in your opinion, has enhanced the competitive situation in the area; Is that a fair statement?

A. That is a fair statement. I have found that competition gets stiffer. Of course, if there is only one bank in an area, such as out in Conshohocken, that is another story.

Q. Do your have any reason to believe, based on your past experience, that this won't be true of the next merger also?

A. My feeling is that competion is going to be increased should this merger that we are now contemplating be [fol. 2008] consummated.

Q. And if there are other mergers after that——

Mr. Littleton: Objected to. The only merger before this court is the present merger.

The Court: I will sustain the objection.

By Mr. Reycraft:

Q. Mr. Potts, your annual report for 1960 on Page 10 indicates that for the second successive year the Foreign Department income showed a substantial increase over the preceding year. This was due to expanded activity in all

areas of the department's operations, particularly in letters of credit and other types of import and export financing.

Now, on the basis of that statement it doesn't appear that your bank has been at a disadvantage with respect to its ability to grow, does it?

A. That would be purely a matter of degree, Mr. Reycraft, nothing more. There was more activity in the foreign field throughout, and we got a reasonable amount of the added increase throughout.

Q. Mr. Potts, also at Page 8 of the application, the beginning of the third paragraph:

> "No Philadelphia bank has a lending limit high enough to serve the credit needs of large industry."

[fol. 2009] Are there ways in which your bank's lending limit can be increased other than by merging?

A. There are two other ways. One is through retained earnings and the second through the issuance of additional stock.

Q. Is there a third way, namely, transfers from undivided profits?

A. You will have to go back to your first question, Mr. Reycraft.

Mr. Littleton: Transfers to what?

Mr. Reycraft: He knows what I am talking about.

Mr. Littleton: Do you mean transfer to capital and surplus?

By Mr. Reycraft:

Q. Do you know what I am talking about?

A. I know what you are talking about now.

Mr. Littleton: He means transfers to surplus.

The Witness: I know what he is talking about, and I will be very happy to answer it.

One cannot transfer out the undivided profits if there aren't undivided profits to transfer out. That is No. 1 and basic.

In order to increase undivided profits, one does it through [fol. 2010] retained earnings. Should undivided profits reach a point where, through ratios and percentages it

seems as if the ratios would permit a transferance of funds from undivided profits to surplus, that certainly could be done and is done.

Q. If your bank were to sell stock as a means of increasing its capital, and therefore its lending limit, isn't it a fact that this would add to the total lending limits of Philadelphia banks?

A. You qualified your question by saying "if."

I would answer it this way, that if it might be profitable, without a dilution of earnings of presently outstanding shareholders, additional stock might be sold, and through that means a lending limit could be increased.

Q. Now, as compared with a merger situation, where what you propose to do, as I understand it, is to combine the lending limits of these two banks——

A. Yes.

Q. —this would not result in itself in an increase in the total funds for lending in the area; is that correct?

Mr. Littleton: I would like to hear that question again.

(The last question was read.)

[fol. 2011] A. The Philadelphia National's loaning limit is $8 million. The Girard's is $6 million. If those two are combined in a resultant institution, it would mean a loaning limit of $14 million. However, it is contemplated, as set forth in the application, that we would increase that lending limit by $1 million; in other words, taking $10 million out of undivided profits and moving it into surplus.

Q. This could be done without merger, could it not, the transfer from undivided profits?

A. You asked me that question before, and I said if undivided profits were of sufficient size and the ratios fitted into the over-all picture, that certainly could be done.

Q. Well, if they weren't of sufficient size, you couldn't do it.

A. You might do it, but one would not want to do it. Do you follow me?

Q. I don't follow how it is contingent upon the merger, if it is.

A. This comes into the over-all question again of size of undivided profits, the fact that undivided profits are in-

creased, generally speaking, through retained earnings. In our instance, going back over the last ten years, we would average in the neighborhood of 2½ million dollars of re- [fol. 2012] tained earnings going into undivided profits per annum. It takes quite a while to build up undivided profits sufficiently to warrant a bank reducing undivided profits and moving those funds into surplus purely for a loaning limit matter.

Q. My question, sir, is with reference to the $1 million which you proposed to add to the combined lending limits of the two banks. This could be done without any merger, could it not?

A. In our instance our undivided profits are today in the neighborhood of $15 million. In order to increase our lending limit by $1 million, we would have to take $10 million out of that undivided, which would leave $5 million in undivided profits, which would not be sufficient from our standpoint, under the lines of conservatism, to move $10 million today out of undivided into surplus. The answer then to your question is we would not do so.

Q. So that part of this comes out of the undivided profits of the Girard and part out of the undivided profits of the Philadelphia National?

A. That is right, and it is all set forth in the application.

Q. And the share attributable to your bank would be in the neighborhood of $600,000, as it applies to the loan [fol. 2013] limit?

A. I would have to look in here, which I will be glad to do.

Q. My question is, whatever your proportionate share——

A. Whatever the proportion is, correct.

Q. It is sound banking practice to make this transfer, is it not?

A. It is sound only because of the fact that the undivided profits, the category of undivided profits in the new setup, would be of sufficient size to warrant it.

Q. And this is based in part on the proportion which your bank is contributing to the undivided profits.

The Court: It is a matter of mathematics.

The Witness: That is all. It is all in here in the application, and I don't believe it is worked out percentage wise

as to size between the two banks. I think it is worked out in accordance with a formula which is set forth in the application.

By the Court:

Q. How much does Girard have in undivided profits? Do you know, Mr. Potts?

A. I do, Your Honor.

Q. What is it?

Mr. Littleton: Page 33 of the application.

[fol. 2014] A. The capital stock as of June 30 of the Girard, $16,919,000.

The Court: Undivided profits, I asked for.

A. Undivided profits, $14,059,000.

Q. $14 million for Girard and $15 million for the Philadelphia National. Between you you had $29,000,000. Take 10 out, and you still have $19 million. If you take it out of the Girard, there is only $4 million left. You say that is not good banking?

A. That is correct.

Q. If you take 10 out of yours, there is only 5 left. You say that is not good banking, but the combined have 19 left, which makes good banking?

A. Which makes good banking.

The Court: All right. I think I follow you.

We will take a 10-minute recess.

(A 10-minute recess was taken at 11:05 A.M.)

[fol. 2015] By Mr. Reycraft:

Q. Mr. Potts, at page 8 of the application, at the bottom of the page, you indicate six oil companies which have major refineries in the area. Do you know where each of these companies has its major banking affiliation?

A. Some, I do.

Q. With reference to the first, do you know?

A. Philadelphia and New York. Do you want the specific banks?

Q. Yes. With reference to the first, will you please give me that?

A. The Chase National Bank and the Philadelphia National Bank.

Q. And the second?

A. A bank in New York; I can not give you the name.

Q. Is this the major banking affiliation of that second company?

A. That is correct.

Q. The third?

A. Pittsburgh, with the Mellon National Bank.

Q. And the fourth?

A. New York; I can not give you the name of the bank.

Q. And the fifth?

A. The same answer holds true there and also with [fol. 2016] respect to the sixth.

Q. That is New York and you can't name the bank?

A. That's right.

Q. Now with reference to any of those six, do you have any basis, do you think, that they would transfer their major banking affiliation to Philadelphia if this merger should be approved?

A. We use the term "major banking affiliation" in maybe a different sense from what you are asking. A major banking affiliation would cover the larger loaning banks in any specific situation. Sometimes there is used the terminology of the main service bank and I would doubt whether, from a service angle, that the Mellon group would move out of Pittsburgh to come here to Philadelphia.

I would doubt whether Socony-Mobil, which is really a New York City account, would do likewise.

It is quite conceivable that Sinclair and Tidewater might at some time in the future because of their large refineries in this area, decide to make a move here; and certainly one of the added factors in that decision might readily be a bigger bank.

Q. This is merely conjecture at this point, however?

A. Merely conjecture.

Q. All right.

[fol. 2017] Now, at page 9 of the application you state that 26 of the nation's largest manufacturing enterprises have headquarters to Philadelphia nearer than to any other major banking center, yet only 12.9 per cent of their cash

as of December 31, 1959, was on deposit with the charter bank and only 4.4 per cent with the merging bank.

Now, can you tell me what the limitations are on those companies with respect to increasing their deposits in either of your two banks?

The Court: Read that question back.

(The pending question was repeated by the reporter.)

The Court: What do you mean "limitations"?

Mr. Reycraft: The application implies, sir, it seems to me, that these companies ought to have more deposits in these banks than they do; and I am inquiring into the reasons why they don't.

The Witness: That would encompass the basic reasons why we think this merger should take place.

By Mr. Reycraft:

Q. Is there anything comparable to a lending limit which limits the amount of deposits they can put in your bank?

A. There is a certain relationship between a lending limit and deposits.

[fol. 2018] Q. Do you know what the relationship is between the deposits which these companies have and the lending limits of your bank?

A. No.

Mr. Reycraft: Will you mark as Government's Exhibit No. 125 a one-page document headed "Answer of the Philadelphia National Bank to Questions 9 and 10."

(Document entitled "Answer of the Philadelphia National Bank to Questions 9 and 10," was marked Exhibit G-125 for identification.)

Mr. Littleton: If Your Honor please, this is one of the most confidential documents which we have handed to the Government in the answer to their request and I would ask that we be protected and that the customers be protected.

Mr. Reycraft: I have no objection to the names being omitted.

Mr. Littleton: All right.

By Mr. Reycraft:

Q. Now, Mr. Potts, with reference to the first company indicated in answer to Question 9 which the Government asked your bank, do you know who the transfer agent of that company is?

A. No.

Q. I suggest it is Fidelity-Philadelphia Tradesmens.

[fol. 2019] Mr. Littleton: What was that?

By Mr. Reycraft:

Q. And I ask you whether this report refreshes your recollection on that.

Mr. Littleton: May I ask what the witness is being shown?

Mr. Reycraft: It is a report from Standard & Poor's.

Mr. Littleton: Are you marking it?

Mr. Reycraft: Yes. I will mark it 125-A.

(Page 3054 of Over-the-Counter and Regional Exchange Reports, Standard & Poor's Corporation, May 5, 1961, issue, was marked Exhibit G-125-A for identification.)

Mr. Reycraft: 125-A also indicates that for the first depositor the registrar is the Provident Trust Company of Philadelphia and the Morgan Guaranty Trust Company of New York.

By Mr. Reycraft:

Q. Now, Mr. Potts, can you tell me with reference to Government's Exhibit No. 125 what the limitation is on that company for increasing its demand deposits in your bank?

The Court: Do you understand that question? I am confused still.

[fol. 2020] Mr. Reycraft: I would like to explain that in the application the statement is made that only 12.9 per cent of the cash of these 26 companies which are indicated is on deposit with the Philadelphia National Bank, and only 4.4 per cent with the merging bank.

By Mr. Reycraft:

Q. May I ask Mr. Potts if it is a fair reading of that application to assume that you mean that this merger would result in an increase in those deposits?

A. So far as the first company on your exhibit is concerned, I would think it was a fair assumption that should the merger be consummated we would get larger balances from this company.

Q. Can you tell me, sir, what the basis for that assumption is?

A. With a larger bank and a greater loaning limit, it is conceivable that this particular company would use us even more fully than they do today. If we give additional services, services that are greater and more full, the chances are that a corporation would recognize that fact.

Q. Now, is this related to the lending limit of your bank?

A. And other services that we could perform for them.

Q. Now, what is the relation to the lending limit?

A. This company that we are referring to has been in the past a substantial borrower and we would anticipate that in the future they will likewise be in the market for funds.

[fol. 2021] Q. And you would require a compensating balance?

A. That's correct.

Q. Of approximately how much?

A. This is just a yardstick, Mr. Reycraft, which I believe has already been mentioned in previous testimony. When a company borrows it is hoped that they will maintain 20 per cent of the borrowing with the bank.

With respect to a line of credit, which in this instance, let us say, is the lending limit, it is hoped that they will maintain at least 10 per cent of that line of credit, and should it be the total lending limit, 10 per cent of that.

By Mr. Littleton:

Q. As deposits?

A. As deposits.

By Mr. Reycraft:

Q. What has been your experience, sir, with reference to your ability to persuade borrowers to maintain 20 per cent of the loan on deposit with the bank?

A. Pretty good.

Q. Would you say that this is about an average which you are able to have the borrowers maintain with your bank?

A. If you say an average would be 50 per cent, no, it would be greater than that. We have to assess this particular area [fol. 2022] that we are referring to quite frequently and it has been a pretty happy situation.

Q. On the average, do your borrowers maintain 20 per cent of their loans on deposit with the bank?

A. Would you rephrase that? I mean, may I have the question again, please?

(The pending question was repeated by the reporter.)

The Witness: On the average, yes.

By Mr. Reycraft:

Q. And on the average with respect to compensating balances against lines of credit, is this approximately 10 per cent?

A. Yes.

Q. Now will you refer to the third company which is listed on Government's Exhibit 125?

Is there any reason why that company could not have increased its deposits with your bank without a merger taking place?

A. This company could very definitely increase their balances with us at any time.

Q. They would?

A. They could.

Q. They could? Would they if the two banks were to merge?

A. In the realm of supposition, I believe that they would.

[fol. 2023] Q. Now, if they had a maximum line of credit or a maximum loan outstanding, what would be the compensating balance that you would ask for?

A. We would expect the figures that I have mentioned,

Mr. Reycraft. I testified earlier that these percentage figures are purely a yardstick which we try to apply where and when we can.

With respect to the larger corporations, such as this No. 3 name, the chances are that this corporation would keep substantial balances with us to take care of check collections, the various services we might perform, also the standby facility of being able to borrow up to a certain amount.

Q. Now, these are services which they require in connection with the business they do in the area served by your bank; is that correct?

A. We have never defined the area served by our bank because I feel that our bank is national and international, as well as being a Philadelphia bank.

Q. Yes, but you indicated that they would take advantage of your services with respect to check collections for one.

A. Yes.

Q. Is this basically a service which is performed for business needs in the immediate area?

[fol. 2024] A. Oh, no, no. 48 per cent of our transit items (I am speaking of checks now) come from out of town.

Q. All right.

Now with respect to the third company we have been discussing, its transfer agent is the Morgan-Guaranty Trust Company, and another is the Union National Bank of Pittsburgh. Its registrars are the Bankers' Trust Company, the Pittsburgh National Bank, and the Mellon National Bank of Pittsburgh.

Do you have any reason to believe that any of these relationships would change as a result of the merger?

A. We'd try awfully hard.

Q. You are trying hard now, aren't you?

A. With a bigger bank we would have more of a selling point.

Q. Now, if this third company had the maximum loan outstanding with your bank of $8,000,000, you would ask for a compensating balance of $1,600,000, would you not?

A. (The witness nodded.)

By Mr. Littleton:

Q. The answer is yes? Don't shake your head.
A. We would ask. That doesn't mean we would get it.

By Mr. Reycraft:

Q. You would try?
A. Oh, yes.

[fol. 2025] Q. And your success has been quite good in this, as you have indicated?

A. Yes.

Q. And it now has a balance with your bank of $424,000; is that correct?

A. No, a little lower than that. You have looked at the 1959 figures.

Q. All right. $405,000 in 1960?

A. Right.

Q. So that this indicates, does it not, that within your present lending limits there is a substantial area of increase available in your banking relationship with this company?

A. Here we come into the prestige factor again, Mr. Reycraft. With a bigger bank, it stands out, it has more appeal, more drawing power.

Q. This is unrelated to your lending limit?

A. That's right.

The Court: Whose statement is that, Mr. Reycraft?

Mr. Reycraft: I beg your pardon?

The Court: Whose statement is that?

Mr. Reycraft: He agreed with me.

The Witness: It is a part of it, prestige and lending limit. As I mentioned earlier, it's hard to divorce one from the [fol. 2026] other.

If you have a bigger lending limit your prestige is greater.

By Mr. Reycraft:

Q. Do you have twice as much prestige with twice as big a lending limit?

A. Well, that's a matter of degree.

Q. Now, at the present time one of the transfer agents is the Union National Bank of Pittsburgh. Is that bank bigger than the Philadelphia National Bank?

A. No, that bank is smaller.

Q. And one of the registrars is the Pittsburgh National Bank. Is that bank larger than the Philadelphia National Bank?

A. We are running pretty much neck and neck. They are a little behind us now.

Q. So that you are in an equal competitive position with them at the present time?

A. Right.

Q. Now with reference to the fourth company on this list, it has $146,000 on deposit at the present time——

Mr. Littleton: Will you correct that to December 31, 1960; not at the present time?

Mr. Reycraft: All right. December 31, 1960, $146,000. [fol. 2027] Mr. Littleton: At that date.

By Mr. Reycraft:

Q. Now, that bank's transfer agent is the Chase-Manhattan Bank.

Do you have any knowledge as to the transfer agents of these companies, Mr. Potts?

A. No.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 125-B a one-page document, which is page 220 from Standard Listed Stock Reports, Standard & Poor's Corporation, Monday, March 20, 1961.

(Page 220 from Standard Listed Stock Reports, Standard & Poor's Corporation, Monday, March 20, 1961, was marked Exhibit G-125-B for identification.)

Mr. Reycraft: And as Government's Exhibit 125-C, page 244 from the same publication.

(Page 244 from Standard Listed Stock Reports, Standard & Poor's Corporation, Monday, March 22, 1961, was marked Exhibit G-125-C for identification.)

By Mr. Reycraft:

Q. Do you know, Mr. Potts, with reference to the remaining approximately 87 per cent of the cash which these 26 companies have, what they do with it at the present time?

Mr. Littleton: Will you read the rest of the paragraph [fol. 2028] in the application?

By Mr. Reycraft:

Q. Would you do that, Mr. Potts?

A. The Philadelphia National Bank does not know the amount of deposits, if any, maintained by any of the enterprises identified in the answer to the question.

Mr. Littleton: No, no. I am talking about the paragraph on page 9 of the application, the second paragraph.

Mr. Reycraft had you read only the first and second sentences of that.

Will you read the rest?

The Witness: The remainder of that paragraph?

> "Some of these undoubtedly have additional cash on deposit with other banks in the Philadelphia area, yet it is apparent that many of them are heavily dependent on larger banks in other cities (notably New York) for their major financial requirements."

By Mr. Reycraft:

Q. Now, does this paragraph intend to convey the impression that all of this cash is on deposit with commercial banks?

A. The exhibit that I have before me purely indicates the deposits that are held in the Philadelphia National Bank. With respect to the amounts outside, I couldn't answer.

[fol. 2029] Q. You don't know, for example, whether some of this cash is being invested in short-term securities?

A. I would imagine that, as I read the caption here, Mr. Reycraft, this is cash on deposit.

Q. Can on deposit with commercial banks?

A. I am referring to G-125. Is that what you are looking at?

Q. Well, the percentage figures given on page 9 are 12.9 per cent and 4.4 per cent. Are these percentages of total amounts of cash on deposit with commercial banks?

A. I would assume that to be cash.

Q. Cash on deposit?

A. There would be another caption. It would say security investments, investments in short-term paper, or something of that nature.

Q. All right. Could you confirm that for us, sir?

A. Certainly.

Q. This would indicate that approximately 80 per cent of the cash is on deposit with other commercial banks?

A. (The witness nodded.)

By Mr. Littleton:

Q. The reporter can't take your shaking your head. Do you mean yes?

A. Yes.

[fol. 2030] By Mr. Reycraft:

Q. Mr. Potts, what, in your opinion, will be the effect of the increased lending limit of the combined bank on the competitive position of other Philadelphia banks?

A. My first reaction is, as I have already indicated in the morning session here, that the other banks would certainly step up their competition. Size is not the entire factor in a bank, believe me.

I would feel, too, that what a larger lending limit could readily do (and we so state in the application) is attract additional business to the Philadelphia area, a part of which could readily rub off on the other banks so that they would be the beneficiaries, too.

Q. If it is a fact that the increased lending limit of the combined bank would be more attractive to large business borrowers, isn't it a fact that these large business borrowers which now do the business with your competitors in this area would be likely to transfer their business to the combined bank?

A. I don't think so.

Q. Would you explain that?

A. Relationships between a bank and a depositor, be that

depositor in the character of a loaning one or otherwise, have generally been established for quite a period of time. [fol. 2031] If there is one factor that I think banks know about it is that of inertia and that depositors are very loath to change their accounts except for good cause.

You asked about an increased lending limit. It is possible that when and if that particular corporation came into the market for funds and their funds were in excess of what the then present banks could grant them, that this particular company might readily come to the spot where they could get a bigger requirement, a bigger loaning limit.

As far as other factors are concerned, I would again repeat that an established relationship between a bank and a depositor is one which is cherished and only for cause as a rule does a depositor change their bank.

Q. And you think an increase in lending limit would not be sufficient cause?

A. Not their deposit relationships. I described it in the event that their loaning requirements increase, it is quite possible then that they would come to the spot where they could get greater accommodation.

Q. And bring their deposits with them?

A. I didn't say that.

Q. But you have testified earlier, sir, have you not, that you asked for a compensating balance of about 20 per cent?

A. That's what we would ask for, but here I am with my [fol. 2032] "but"—and this may be hard for you to understand or anyone from that standpoint—but in an area where a bank is doing business, sure, we compete against each other and are very pleased when we can get a nice juicy piece of business, but for us to go out to a depositor or a borrowing company and say, "Look here, we can give you a larger loaning limit and you reduce your balance with the XYZ Bank or banks in our area," we would hesitate doing that because it doesn't accomplish anything constructive.

Granted, during the period that a bank was borrowing from us we would ask that their cash balances be increased, if possible, we would also ask and hope that should such an increase take place that it would come from out of town and from other banks, rather than in the specific area.

[fol. 2033] Q. So that you wouldn't try to get this po-

tential business from companies which had business in other banks in the area?

A. I thought I said that we would not make a specific effort so to do. We would be very happy if—and again I repeat what I said—a juicy piece of business happened to come our way.

Q. You would be willing to take it?

A. We would be willing to take it under certain circumstances.

Q. Isn't it a fact that the 26 companies which are indicated on Government's Exhibit No. 125 all have existing banking relationships, many of them with banks other than yours?

A. Yes.

Q. Isn't it a fact also, Mr. Potts, that as a result of this merger, the proposed merger, the resulting bank would have a lending capacity approximately 78 per cent greater than that of the First Pennsylvania Company?

A. I haven't worked out those percentages. Have you got another exhibit?

Q. Just a minute. It is in the application.

A. Is it?

Q. Refer to Page 129 of the application.

[fol. 2034] A. Your question?

Q. My question is, isn't it a fact that the combined Philadelphia National and Girard Trust Corn Exchange Bank would have a lending limit approximately 78 per cent greater than that of the First Pennsylvania Company?

Mr. Littleton: Lending limit?

Mr. Bicraft: Yes. The capital and surplus figures are set forth for each of the banks on Page 129.

The Witness: Right.

Q. About 75 to 78 per cent?

A. Right.

Q. In your opinion, would this give your bank a substantial competitive advantage over the First Pennsylvania Company?

A. It would give us a competitive advantage. I am not prepared to qualify that.

Q. Will you agree that it is a significant advantage?

Mr. Littleton: I will ask Mr. Reycraft to define "significant" or "substantial" as he uses it.

The Witness: Mr. Reycraft, I will throw it back at you.

By Mr. Reycraft:

Q. Do you know what the word "significant" means?

A. I have a pretty good idea, yes.

[fol. 2035] Q. In your opinion, would it give you a significant competitive advantage?

A. Well, let's go into the latent. "Signifaco" means "signal," if I am not mistaken, and "canto" would be "singing," so there would be a significant sign that one would have as a result of this. My feeling is that when you look at percentage figures, Mr. Reycraft—and as a banker I hate to admit this—but when one looks at figures, one has to read between those figures. They can be misleading. The fact that the merged bank would have a substantial percentage figure ahead of the lending limit of the next nearest bank does not mean that, from a competitive angle, that would be in the nature of a significant one or a substantial one.

Q. So you think that the increase from eight to fourteen or fifteen million would not give you a significant competitive advantage?

A. It would give us a competitive advantage.

Q. A measurable competitive advantage?

A. A competitive advantage.

Q. Isn't this one of the purposes of the merger, to increase your competitive position?

A. One of the purposes of the merger is to protect a business that we feel rightly belongs to the Philadelphia area which is now going elsewhere.

[fol. 2036] Q. And to improve your competitive position?

A. To recapture some of the business that has gone away and to attract new business into the area.

Q. To improve your competitive position?

Mr. Littleton: Competitive position where and with whom?

By Mr. Reycraft:

Q. Is it to improve your competitive position?

Mr. Littleton: I object unless the competitive position in what area and with whom is added to the question.

By Mr. Reycraft:

Q. First start with the four-county area.

A. In the four-county area a larger bank, such as the merged bank, would improve to a degree its competitive position.

Q. You testified in answer to my other question that you wished to recapture certain business in the Philadelphia area. Can you tell me what business you have in mind? Any particular business?

A. I haven't got anything specific. This comes into the category of businesses that we know have gone to New York City.

Q. You don't have anything specific?

A. I have nothing specific.

[fol. 2037] Q. On Page 10 of the application you give as the third reason for the merger, ". . . the need to retain and attract quality and depth in management, and to develop the more higly trained specialists required by the increasingly complex banking needs of an industrial community."

You believe this merger would permit you to do this; is that correct?

A. Yes.

Q. Would this give you a competitive advantage over other banks in the Philadelphia area?

A. As I stated earlier, Mr. Reycraft, when a merger does take my place, my experience has been that other banks mend their own fences.

Q. In other words, they improve the quality and depth of their management?

A. That is correct.

Q. Is it your assumption that they would do this without mergers?

A. It is my assumption that should this merger go through and that we develop or attract additional specialists in certain areas—I mentioned earlier investments and otherwise

—that our competitors in the area would certainly do their best to develop and/or take on men of similar caliber.

Q. And you think they can do this without merger?

[fol. 2038] A. They can do that wherever they feel that it would be constructive and profitable for them to do it. What I am referring to here is that in a larger situation one can generally pay higher wages, attract men with greater knowhow, and/or women, and that it can be done economically. The reason in a smaller bank that there is not greater specialization is because of the fact, from the standpoint of those particular managements, they do not feel that it would be profitable for them to pursue that course.

Q. So that the merger would give you a competitive advantage over other Philadelphia banks in attracting specialists; is that correct?

A. I don't consider that other Philadelphia banks fit into the small category. I consider that the other Philadelphia banks are substantial institutions, and what I said there was that, mentioning profitability, size, I would think that the other banks in Philadelphia could very readily and profitably fit in higher costs of this nature into their own pictures.

Q. You think they can do it within the limits of their existing size?

A. I have said, in my estimation, I think they are substantial banks, and as far as limits are concerned, I could not confine that in this instance.

[fol. 2039] Q. And your bank, being the second largest bank and nearly as large as First Pennsylvania, has the same opportunity, does it not?

A. We have the same opportunity to a degree, yes.

Q. What would be the difference between your bank's ability to accomplish the result of attracting more qualified personnel and that of the First Pennsylvania?

A. Are there any First Pennsylvania Company men in here?

I would say none.

Q. Mr. Potts, in your judgment, what is the single most important benefit of the merger which you propose?

A. To whom?

Q. To the two banks.

A. To the two banks. In my judgment, the single most important benefit to the two banks would be the prestige factor, which would include larger lending limit, greater facility to handle what would be hoped for increased volume of business.

Q. And what, in your judgment, is the most important single benefit to the community?

A. Having a larger bank, with a lending limit of $15 million, the largest single factor benefiting the community would be the attraction initially of new business which might have gone elsewhere, the possibility of recapturing business which has gone to other financial centers, and, thirdly, to [fol. 2040] hold onto the new business which we now have.

Q. Wouldn't it be necessary for the First Pennsylvania Company to acquire these same advantages in order to compete with your bank on an equal basis?

Mr. Littleton: Objected to as arguing with the witness.
The Court: Sustained.

By Mr. Reycraft:

Q. Mr. Potts, are you familiar with the Provident Mutual Life Insurance Company?

A. In a general way, yes.

Q. Do you consider that this institution is in competition with your bank?

A. To a minor degree and only in larger loans that require longer maturities.

Q. Does your bank have any relations with the Provident Mutual Life Insurance Company, such as selling mortgages to them? Do you make a practice of selling them mortgages?

A. I can't answer that.

Q. You have a director who is a director of both your bank and the Provident Mutual; is that correct?

A. That is correct.

Q. Is the Western Saving Fund Society a competitor of your bank?

A. They are a competitor in two areas. One is for [fol. 2041] savings deposits and the other is in the mortgage field.

Q. Those are the only two areas?

A. That is right.

Q. The president of that society is a director of your bank, is he not?

A. No, not now.

Q. He was at the time of the application?

A. He was at the time.

Q. And he has since resigned?

A. Not from our bank directorship, but from the presidency of the Western Savings Fund.

Q. With reference to the other director, Mr. Bradshaw, is he still a director of your bank?

A. He is.

Q. Is he still president of the Provident Mutual Life Insurance Company?

A. Yes.

Q. Is he a director of the Provident Mutual Life Insurance Company?

A. Yes.

Q. Are you familiar with the Penn Mutual Life Insurance Company?

A. Yes.

Q. Is that company a competitor of your bank?

[fol. 2042] A. In the same way that I mentioned with respect to the Provident Mutual, to a limited degree, and only with respect to larger loans that require longer maturities.

Q. Is Mr. Floyd Starr still a director of your bank?

A. Yes.

Q. Is he a director of the Penn Mutual Life Insurance Company?

A. Yes. May I qualify that?

Q. Yes, sir.

A. I am not sure he is a director of the Penn Mutual Life.

Q. But he is financial vice president?

A. He is financial vice president.

Q. Mr. Potts, will you refer to Page 43 of the application. Toward the bottom of the page a list of banks is set forth, in response to the requirement in the application, "Assign consecutive numbers and provide the following information with respect to the head office of the Charter Bank.

Merging or Consolidating Bank, and each other commercial bank competing within the 'service areas' of the Participating Banks."

Now, is each of these banks which is listed between Page 43 and Page 71 a commercial bank competing with the Philadelphia National Bank?

[fol. 2043] A. Through Page 51, did you ask?

Q. Yes, the list begins on Page 43.

A. Through 51?

Q. It continues through 71, I believe.

A. Yes, I see.

The Court: The first question is, are they all commercial banks.

By Mr. Reycraft:

Q. Sir, I was incorrect. The banks themselves are listed on Pages 43 to 51.

A. That's right. That's what I thought.

Q. The branches follow.

A. These are commercial banks.

I would like to answer your question in this manner, that the smaller banks—for instance, here is the First National Bank of Riegelsville, which is northwest of us 44 miles, I could hardly call a competitor to either the Charter Bank or the Merging Bank. I don't like to generalize. I would say that the larger banks listed here, such as the Broad Street Trust Company, the Brown Brothers Harriman, Bryn Mawr Trust Company, Fidelity Philadelphia Trust, and others of that category, would be competitors to a greater or lesser degree of the two banks under consideration, but some of the smaller country banks in the hinter-[fol. 2044] lands would only be a competitor to a very minor degree, if at all.

By Mr. Littleton:

Q. Are you talking about your head office now or your branches?

A. It says head office.

Q. Are you limiting your statement that they are not competitors to your head office or are you including your branches?

A. The question was, as is listed here, " . . . the following information with respect to the head office of the Charter Bank, Merging or Consolidating Bank, and each other commercial bank competing within the 'service areas' of the Participating Banks."

The bank's areas would include the branches, so that my reply to you would be all-inclusive.

Q. What do you mean by all-inclusive?

A. When I say all-inclusive, I have stated that with respect to the larger banks that are here in central city, mentioning Broad Street Trust, Brown Brothers Harriman, Fidelity-Philadelphia, as a case in point, that they would be obviously competitors to the charter bank and the consolidating bank.

Q. At the head office?

A. At the head office.

Q. Mr. Reycraft's question goes to the entire four [fol. 2045] counties, which would include your branches.

A. That is correct. With respect to the branches, the banks listed here would be competitors generally to a limited degree. Those in a small category practically not at all. Those in a larger category, probably again to a limited degree.

Q. I direct your attention ——

Mr. Reycraft: May I conduct the examination.

Mr. Littleton: Yes, certainly, go ahead.

By Mr. Reycraft:

Q. With reference to the Bank of Old York Road, is this bank a competitor of your bank?

A. To a limited degree, if at all.

Q. The Bridgeport National Bank?

A. The same reply.

Q. The Bucks County Bank and Trust Company?

A. Practically nothing in the way of competition from Perkasie.

Q. The Chalfont National Bank?

A. To a limited degree, if at all.

Q. The Cheltenham National Bank?

A. For the record, I will say in answer to this question, I would like to state here and now that with respect to

our correspondent banks, and in their particular area, that [fol. 2046] we in the Philadelphia National Bank do not go out seeking business to take it away from the local bank.

Q. This is your bank policy?

A. That is our bank's policy. With respect to the Cheltenham National Bank I can assure you that the competition there is very limited, if at all, and it should fall under the umbrella that I have just stated to you, which is that it is our policy in the Philadelphia National Bank not to go out competing with our correspondent banks.

Q. The Cheltenham National Bank is one of your correspondents; is that correct?

A. That is correct.

Q. Is this by agreement with the bank that you don't solicit in their area?

A. It is a tacit understanding between the heads of the banks.

Q. With all of your correspondent banks?

A. Yes. I can assure you that if our representatives go into an area, let us say Cheltenham, and we solicit business which is part and parcel of the Cheltenham National Bank's bailiwick, we would hear from it very quickly.

Q. It would disturb your correspondent relationship?

A. Yes.

[fol. 2047] Q. Now, with reference to Citizens and Southern Bank and Trust Company, is that bank in competition with your bank?

A. To a very limited degree. We don't have any branches nearby, and they are not strictly a commercial bank such as we. Their loaning limit, I believe, is very small in relationship to ours. They, I am sure, make perosnal loans, probably automobil loans, in the category of small loans. It is quite possible that on the fringe they might be competing, but to a very minor degree.

Q. The Collegeville National Bank?

A. The Collegeville National Bank, since this application was presented, has merged with one of the central city banks, the Provident Tradesmens, and as such it would be a definite competitor.

Q. The Delaware County National Bank?

A. The Delaware County National Bank is in competition with our branch offices in Chester, as well as with those of the Fidelity-Philadelphia Trust Company here in this city.

Q. Do you consider it to be in competition with your head office?

A. It could be, with respect to a limited number of large [fol. 2048] corporations in the area which might be borrowers, and then the competition would only be to the extent that the local bank could loan the larger corporation. They would have a small lending limit, and it is possible that, with respect to large individual depositors, they might be in competition with us, the head office.

Q. I realize you can't be too specific, but what do you mean by larger in deposits and the area of loans? What range do you have in mind?

A. Well, Chester is a very heavily industrialized area, and as one rides down the Pennsylvania Railroad to Wilmington, you can see Baldwin-Lima-Hamilton Corporation ——

Q. My question is, large in terms of dollar amount for deposits? You indicated they would be in competition for large deposits.

A. Oh, goodness. I think that's too broad a word. I couldn't answer that. I am speaking of the potential of large individual deposits from, let us say, the heads of those corporations in the area.

Q. Is the Doylestown National Bank and Trust Company in competition with your bank?

A. To a very limited degree, if at all.

Q. And the Boylestown Trust Company?

[fol. 2049] A. No.

Q. The Elkins Park National Bank?

A. To a limited degree, if at all.

Q. The Fidelity-Philadelphia?

A. They are in definite competition with our head office.

Q. Will you agree that they are in substantial competitions?

A. Oh, yes.

Q. The First National Bank of Riegelsville?

A. Very, very limited, if at all.

Q. The First National Bank and Trust Company of Newtown?

A. To a limited degree, if at all.

Q. The First Pennsylvania Bank and Trust Company?

A. Competitive.

Q. The Frankford Trust Company?

A. Competitive.

Q. And the Girard Trust Corn Exchange Bank?

A. Competitive.

Q. The Harleysville National Bank and Trust Company?

A. Practically nothing, if at all.

Q. Industrial Trust Company?

A. Competitive.

Q. The Jenkintown Bank and Trust Company?

A. Here we come into a similar situation, which I [fol. 2050] described with respect to the Cheltenham Bank, where this is a correspondent of ours. We endeavor not to go into their area, and yet, probably in the category of smaller loans, automobile loans, and maybe in certain other minor areas, we might be competitive.

Q. Limited in the same way as your earlier statement with respect to the Chalfonte?

A. Cheltenham.

Q. The Liberty Real Estate Bank and Trust Company?

A. Yes, they are competitors.

Q. The Marian Bank?

A. I couldn't put them in a competitive category with us.

Q. The Montgomery County Bank and Trust Company?

A. Yes.

Q. The Morrisville Bank?

A. To a limited degree, if at all.

Q. That is 27 miles away from your head office?

A. From the head office, but they are in the area of our Bristol banks, out in Levittown.

Q. About how far is that, Mr. Potts?

A. From our nearest branch there?

Q. Yes.

A. Three or four miles.

Q. The National Bank of Chester County and Trust Company?

[fol. 2051] A. We, through regulations, are not permitted to open branches except in an immediately adjacent county. Chester County is outside the regulation, so that

it limits the competition very severely between, let us say, what we are discussing and the National Bank of Chester County.

Q. It is in another county?

A. It is in another county.

Q. The National Bank of Royersford?

A. That is 25 miles away. We have a branch out in Pottstown, which is not too far removed, probably five or six miles. The competition would be de minimis.

Q. The National Bank of Schwenksville?

A. Same reply.

Q. The Peoples National Bank and Trust Company of Norristown?

A. They are in our competitive area.

Q. And are they in competition with your bank?

A. Yes.

Q. The Peoples National Bank of Souderton?

A. To a very limited extent, if at all.

Q. The Perkiomen National Bank?

A. To a very limited extent, if at all.

Q. That bank has since merged, has it not, sir, with Industrial Trust?

[fol. 2052] A. Perkiomen, I think that is right.

Q. The Provident Tradesmens Bank and Trust Company? I think there is no question about that.

A. No question.

By Mr. Littleton:

Q. That is competitive?

A. About as competitive——

By Mr. Reycraft:

Q. It is competitive?

A. It is competitive.

Q. The Quakertown National Bank?

A. Hardly at all. The competition would be de minimis.

Q. The Second National Bank of Philadelphia?

A. This is one of the smaller banks in the city. Competition would be only with respect to smaller loans, particularly in the personal category. Competition is very small.

Q. The Security Trust Company of Pottstown?
A. Competitive in the Pottstown area.
Q. The answer is yes, it would be competitive?
A. In the Pottstown area.
Q. It is 32 miles away.
A. We have a branch in Pottstown.
[fol. 2053] Q. How far away from this bank?
A. Oh, about a mile and a half.
Q. The Sonsitaly Bank and Trust Company?
A. To a very, very limited degree.
Q. The Solebury National Bank of New Hope?
A. I could not, in all fairness, say that they are competitors.
Q. The Union National Bank and Trust Company?
A. To a very limited degree, if at all.
Q. The Audubon National Bank?
A. The same reply.
Q. To a very limited degree?
A. To a very limited degree, if at all.
Q. The Bank of Levittown?
A. I can't see any competition there.
Q. The Bordentown Banking Company?
A. It is a little bigger bank. Competition would be de minimis.
Q. The Broad Street National Bank?
A. That is:

Mr. Littleton: Of Trenton.
The Witness: To a very limited degree, if at all.

By Mr. Reycraft:

[fol. 2054] Q. The Burlington Bank and Trust Company?
A. Competition would be de minimis.
Q. The Burlington County Trust Company?
A. De minimis.
Q. The Camden Trust Company?
A. To a limited degree.
Q. The Cinnaminson Bank and Trust Company?
A. Competition would be de minimis.
Q. The Farmers and Mechanics National Bank and Trust Company of Woodbury?
A. The same reply, de minimis.

Q. The Farmers National Bank of Mullica Hill?
A. That is a very small bank.
Q. And your answer, sir?
A. Competition practically none.
Q. The Farmers Trust Company, Mount Holly?
A. Competition would be practically nil.
Q. The First Camden National Bank and Trust Company?
A. Competitive.
Q. To what degree?
A. They are one of the larger banks in Camden, and to that extent they would be competitors, competitors to us in the industrial loan category. I wouldn't think in any of [fol. 2055] the retail or personal loan categories. More from the standpoint of industry and the larger ones in their area.
Q. Does the First Camden participate with your bank in any loans?
A. Yes.
Q. Do you know how many?
A. No.
Q. What about the First National Bank and Trust Company of Beverly?
A. I would not say they are in competition with us.
Q. The First National Bank of Bordentown?
A. To a very limited degree, if at all.

The Court: We will go on at 2:00 o'clock, Mr. Reycraft.

[fol. 2056] [File endorsement omitted]

AFTERNOON SESSION

Present: Counsel as previously noted.

PLAINTIFF'S EVIDENCE (Resumed)

FREDERIC A. POTTS, resumed.

Direct examination (Resumed)

By Mr. Reycraft:

Q. Mr. Potts, will you direct your attention to the First National Bank of Collingswood at page 48 of the application and tell me whether that bank is in competition with your bank?

The Court: Allenwood?

The Witness: Collingswood.

Mr. Reycraft: Collingswood. No. 333.

The Court: Two different places—Allenwood happens to be a prison farm.

The Witness: To a minimum extent, if at all, and only in a particular service area.

By Mr. Reycraft:

Q. The First National Bank of Hamilton Square?

[fol. 2057] A. Even to a less degree than my answer to the Collingswood bank, but the same answer would hold.

Q. The First National Bank of Marlton?

A. To a very minimum degree, if at all, and only in that area.

Q. And the First National Bank of Paulsboro?

A. The same answer would apply there.

Q. The First National Bank of Riverside?

A. The same answer; in other words, to a minimum extent, if at all, and only in that service area.

Q. And the First National Bank & Trust Company of Roebling?

A. The same answer would apply there.

Q. And the First National Bank & Trust Company of Westville?

A. Likewise.

Q. The First National Bank & Trust Company of Woodbury?

A. The same reply.

Q. The First Trenton National Bank?

A. Competition would be somewhat larger. It's a bigger bank in a larger city, but the competition would be to a minimum degree and confined to that service area.

Q. The Haddonfield National Bank?

A. To a minimum degree, if at all, and only in the service area.

Q. The Mechanics National Bank of Burlington?

[fol. 2058] A. The same reply would hold there.

Q. The Merchantville National Bank & Trust Company?

A. Likewise.

Q. The National Bank of Mantua?

A. To a very minimum degree, if at all, and in the service area out there only.

Q. The Peoples National Bank of Laurel Springs?

A. The same reply.

Q. The Riverside Trust Company?

A. Likewise.

Q. The Security National Bank of Trenton?

A. Still to a minor degree, if at all, it being one of the smaller banks up there, and only in the particular service area.

Q. The Swedesboro Trust Company?

A. That's a very small bank. Competition would be limited, if at all, and only in the area.

Q. The Third National Bank & Trust Company?

A. The same answer holds there.

Q. The Trenton Trust Company?

A. Here is a bigger bank in a larger area. Competition would be greater, but still limited and in the service area.

Q. How far is that from your nearest office, sir?

A. Four or five miles.

[fol. 2059] Q. The Union National Bank——

The Court: What was that?

By the Court:

Q. Where are you figuring your office from, Morrisville or Bristol?

A. Yardley.

The Court: Yardley?
Go ahead.

By Mr. Reycraft:

Q. The Union National Bank & Trust Company of Mount Holly?

A. This is a small bank; competition only to a limited degree, if at all, and only in the particular service area.

Q. The Woodbury Trust Company?

A. The same reply would hold through there.

Q. The Yardville National Bank?

A. The same reply.

Q. The Bank of Delaware?

A. Well, here we go into a different state. This is a bigger bank. Our competition there would be chiefly confined to larger loans and conceivably with respect to larger individual depositors.

Q. By larger loans, sir, would it be fair to assume you mean above $100,000?

A. I'd like to see it a little higher than that, two fifty, [fol. 2060] in that area.

Q. All right. The Colonial Trust Company?

A. Well, this is one of the smaller banks in Wilmington. Competition is really to a limited degree.

Q. And the Commercial Trust Company?

A. The same reply there.

Q. The Delaware Trust Company?

A. The Delaware Trust Company is a larger one of the trust companies there. Competition would be limited to the larger borrowers and also the larger individual depositors.

Q. Once again, you prefer the $250,000 figure?

A. Yes.

Q. The Farmers' Bank of the State of Delaware?

A. This is the second largest of the banks in—well, this is Dover, isn't it?

They have one of their main offices in Wilmington, too, Mr. Reycraft, as well as the Dover office and I believe one or two others.

This bank would be in a competitive position as far as larger loans are concerned and conceivably with respect to certain larger depositors.

Q. Now, the figure 67 miles, you say, should perhaps be amended to maybe 26 for the nearest office?

A. I think—you see——

[fol. 2061] Q. That is the head office.

A. This is the head office. They have got four branches in Wilmington. The head office is not in our service area, but their branch offices in Wilmington would fit into the category that I have just given you.

Q. All right.

Would the Peoples Bank & Trust Company?

A. Well, this is a smaller one; limited competition and in that are- solely.

Q. And the Wilmington Trust Company?

A. The Wilmington Trust Company is the largest bank in Wilmington. We would be in competition with them, still to a limited extent and confined chiefly to the larger borrowers and larger depositors.

I could add here that we probably would be in competition, too, for certain trust business.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 126 a letter dated July 16, 1953, from Arthur Littleton to L. A. Jennings, Esq., First Deputy Comptroller of the Currency, attached to which is a two-page memorandum for the files dated July 9, 1953, the memorandum being signed by L. A. Jennings, Deputy Comptroller of the Currency, and will you mark the memorandum as 126-A?

[fol. 2062] (Letter dated July 16, 1953, from Arthur Littleton to L. A. Jennings, Esq. was marked Exhibit G-126 for identification.)

(Two-page "Memorandum for the Files," dated July 9, 1953, signed by L. A. Jennings, was marked Exhibit G-126-A for identification.)

By Mr. Reycraft:

Q. Mr. Potts, will you examine Government's Exhibits Nos. 126 and 126-A?

A. Yes.

Q. Do you recall the conference which is reported in the memorandum of July 9, 1953?

A. Yes, I do, to a limited degree.

Q. Do you recall pointing out to Mr. Jennings "that both The Philadelphia Company and the Girard Corn Exchange Bank were 'breathing down the neck' of the Philadelphia National and this had been brought about in no small way through aggressive expansion programs"?

A. I don't recall using the term "breathing down the neck," but I am certain that that was illustrative of our comments at that time.

Q. And that reflected your state of mind as you recall at the time?

A. That reflected the state of mind.

Q. All right.

[fol. 2063] Mr. Potts, will you refer to page 80 of the application?

Now with reference to the growth table which is set forth at page 80 of the application, I call your attention to the fact that the Footnote A, which is next to the charter bank and the merging bank, indicates that the growth rates of those two banks were computed by excluding deposits and loans acquired by merger as of the date of the merger.

A. Yes.

Q. And also the fact that it appears that the figures for the member banks in the Third Federal Reserve District and all active banks in the United States and possessions to include mergers.

Is my understanding correct?

A. May we have the question again, please?

Mr. Reycraft: Would you read it, please?

(The pending question was repeated by the reporter.)

The Court: Do you mean that statistics are always kept on that basis?

Mr. Reycraft: No, Your Honor. As I understand this exhibit, at page 80, it shows a lower growth rate for the

combining banks as compared with member banks in the Third Federal Reserve District and as compared with all of [fol. 2064] the banks in the United States.

Now, my question which I intend to put to Mr. Potts is whether, in order to have a valid comparison, one should not include mergers in both places or in neither.

The Court: Oh, I would agree to that, and I think he will, too.

The Witness: I can't answer the question because I don't know.

By Mr. Rexcraft:

Q. All right, but you would agree with me that in order to have a valid comparison——

A. Yes.

Q. —it ought to be one way or the other?

A. Definitely.

Q. Would you, Mr. Potts, be willing to check this with your associates after the testimony is finished for the day?

A. I will be glad to.

Q. Mr. Potts, will you refer to page 95 of the application?

A. Yes.

Q. In the first paragraph under Exhibit B, headed "Insurance Companies," would you read the last sentence, please?

A. "The long-term borrowings have tended to gravitate toward the insurance companies, while commercial banks are more active in the field of short-term loans."

[fol. 2065] Q. And this has been your experience, I take it?

A. That's right.

Q. Now will you refer to page 97 of the application?

A. Yes.

Q. At the end of Paragraph (f) would you read that sentence?

A. The third paragraph?

Q. Yes, sir.

A. "It can be said in general about the types of institutions described in the above paragraphs that in contrast to those covered by Exhibit B, the intensity of competition with commercial banks fluctuates widely and is generally relatively unimportant."

Q. And the institutions referred to are insurance companies, credit unions, sales-finance companies, personal-loan companies, factors, and direct-lending agencies of the Government; is that correct?

A. The various factors or segments of the loaning field, as you have illustrated them, would fit in under this coverage.

I might add, though, that I feel the section where it states, "the intensity of competition with commercial banks fluctuates widely" should definitely be underlined.

The generally relatively unimportant is a matter of relativity—amounts of loans, sizes of loans, and there is quite a difference in degree with respect to these four or five [fol. 2066] direct-lending sources that are mentioned here.

For instance, sales-finance companies are in much greater competition with the commercial banks than are credit unions.

Q. You stated with reference to credit unions at page 95, in the middle of that paragraph, "probably the severity of this competition is not great;" is that correct?

A. Up to the moment.

Q. And that was your opinion?

A. Yes.

[fol. 2067] Q. Mr. Potts, at the beginning of Page 99 there is a heading "Mutual Accounts." Can you explain for the record what "mutual accounts" means as it is used in the application?

A. "Mutual Accounts" means where a single corporation would have an account with the charter bank and with the merging bank. There are 392 such mutual accounts.

Q. It is mutual checking accounts, isn't it?

A. That is correct.

Q. You said corporations, Mr. Potts, but I wonder if it might not include individuals or partnerships?

A. It would.

Q. It could be individuals, partnerships, or corporations?

A. It could be.

Q. At Page 103 of the application reference is made, under the heading "Charter Bank," to the fact that there were 115 participations given by your bank between January 1, 1959, and December 31, 1959. Is my understanding of that paragraph correct?

A. Yes.

Q. And these are loans which were originated by the Philadelphia National Bank?

A. That is correct.

Q. Do you know whether any of these participations [fol. 2068] which were given by your bank were given because of the amount of loan was in excess of your bank's lending limit?

A. Could be, Mr. Reycraft. I couldn't put my fingers on it it specifically.

Q. Would it be possible for you to get that?

A. Yes, indeed.

Q. Now, with reference to the total amount of the loans originating in your bank during the period referred to as to which participations were given, your bank gave out to other banks $34,632,000, is that correct, and you retained $46,348,000?

A. That is correct.

Q. And with reference to Exhibit O of the application, which is the letter from Mr. Bicks of December 22, which was referred to this morning—I will get that for you.

(Exhibit G-123-A handed to the witness.)

Q. With reference to the second page of G-123-A, do you agree with me that only two of the loans outstanding at your bank at that time were at the lending limit of your bank?

A. That is right, as of that particular moment.

Q. And also there were none at the Girard Trust Corn Exchange Bank?

A. As of that particular moment.

[fol. 2069] Q. At the lending limit?

A. Right.

Q. And with reference to lines of credit to the maximum which your bank could give at that time, there were only 15; is that correct?

A. Well, I make it 16.

Q. All right, I will take your figure.

A. But let me say this: You said lines of credit would be given. That were given as of that time.

Q. Which were given, that is what I meant to say.

A. Right.

Q. And the information with reference to the Girard indicates that there were four at the maximum which the Girard could give at that time, or gave at that time?

A. That is right.

Q. And in order to make it completely clear, this is the maximum which your bank could give to any one customer?

A. That is right.

Q. Mr. Potts, would you agree with me that the financial history of your bank has been excellent or how would you describe it?

A. There were periods, shall I say, of great vicissitude in the earlier days. Following those vicissitudes, and after [fol. 2070] the national charter was granted, I would say that the history was excellent.

Q. And the adequacy of your capital structure at this time?

A. Adequate.

Mr. Littleton: You mean today?

Mr. Reycraft: Today.

The Witness: Adequate.

Q. And the future earnings prospects of your bank today?

A. Reasonably good.

Q. And the general character of the management of your bank?

A. Reasonably good.

Mr. Reycraft: That is all I have.

Cross-examination.

By Mr. Littleton:

Q. Mr. Potts, while you have G-57 before you——

A. That is the application?

Q. Yes. Will you look at Page 97. Mr. Reycraft had you read the last full paragraph on the page, which says:

"It can be said in general about the types of institutions described in the above paragraph that, in contrast to those covered by Exhibit B, the intensity of competition with commercial banks fluctuates widely [fol. 2071] and is generally relatively unimportant."

That is the third paragraph of Section F, is it not?

A. It is.

Q. The title to which is what?

A. "Direct Lending Agencies of Government."

Q. And there are two other paragraphs in F before the third paragraph which I read to you; is that correct?

A. That is correct.

Q. Those two other paragraphs in F which you referred to and the last paragraph which I read to you, where it says, "It can be said in general about the types of institutions described in the above paragraph . . ."

What is meant by "in the above paragraphs"? The other two paragraphs in F

A. The other two paragraphs in F.

Q. Will you also, while you have it before you, turn to Page 96 of G-57. Do you have it?

A. Yes.

Q. Mr. Reycraft had you read something from Paragraph D, I believe, which is headed "Personal Loan Companies." Will you read us the last sentence on that page. [fol. 2072] A. "Since the personal loan business of these companies is largely centered in the area in which each is located, and since the business they do is also done by commercial banks, the personal loan companies give active and important competition in the field of small loans to individuals."

Q. And going on back to Page 95, under Paragraph B, headed "Credit Unions," will you read that last sentence in that paragraph.

A. "Nevertheless, credit unions are a potential source of competition; the credit union yearbook has reported that while commercial banks throughout the country increased their assets 235 per cent from 1940 through 1959, credit unions increased their assets 1533 per cent during the same period."

Q. And on the next page, under Paragraph C, "Sales Finance Companies," will you read us from the second paragraph, second sentence, which I don't think Mr. Reycraft had you read.

A. This has to do with sales finance companies, and the last two sentences are, "It is believed that the major share . . ."

Q. No, no, the second sentence in the second paragraph. Begin there.

[fol. 2073] A. "If we assume that of the 52,634 new vehicle registrations in Philadelphia County alone in 1959, 65 per cent were financed at an average amout of $2500, the total dollar amount of financing in that year in that county alone would exceed $85 million. On the same basis there would have been over $69 million of new vehicle financing in 1959 in Delaware and Montgomery Counties. It is believed that the major share of this business is probably handled by motor vehicle sales finance companies. Accordingly, the competition they furnish commercial banks in this field is active and substantial."

Q. Now will you turn to Page 80 of G-57, on which Mr. Reycraft interrogated you. There was some discussion, some question on his part, about the elimination or the exclusion of deposits and loans acquired by the merger. In this growth record read us Note (a) which has to do with the charter bank and the merging bank.

A. Note (a) states, and I quote, "Excludes deposits and loans acquired by merger, as of the date of merger——

"Charter Bank—deposits $172,968,000; Loans $41,354,-000

"Merging Bank—deposits $124,165,000; Loans $45,526,-000."

[fol. 2074] And I direct your attention to Note (b), with respect to the commercial banks in Philadelphia. What does Note (b) say?

A. "Excludes deposits and loans acquired by merger of banks in other counties, as of the last published dates——"

In other words, the comparison with the commercial banks in Philadelphia excludes deposits and loans acquired by mergers from such banks, as well as from the charter bank and the merging bank?

A. That is right.

Q. And the comparison between the percentage of growth as a result of deposits of the charter bank and all commercial banks in Philadelphia is what, so far as deposits are concerned?

A. The charter bank growth, 15.15 per cent; merging bank, 8.42 per cent in deposits.

Q. How about all commercial banks in Philadelphia?

A. Commercial banks in Philadelphia, growth from deposits, 23.38 per cent.

Q. Give us the same figures for loans.

A. Loans, growth in the charter bank, 203.84 per cent. In the merging bank, 141.47 per cent. For commercial banks in Philadelphia, 158.65 per cent.

Q. And do you understand from Note (a) and Note (b) that all those figures and comparisons exclude deposits and [fol. 2075] loans acquired by merger?

A. I do so understand.

Q. Now will you turn your attention to Page 43 of G-57, which is headed "Convenience and Needs of Community." Do you have it?

A. I do.

Q. And it is from this list, the list which follows, that Mr. Reycraft questioned you at length about competition?

A. Right.

Q. Will you read us the paragraph numbered 1, which is the note to population of head office service area.

A. "The service area of the Head Office of the Philadelphia National Bank is considerably larger than the service area of the Bank as a whole. In order to account for 75 per cent of the 'IPC' deposits of the Head Office it is necessary to include the entire states of Pennsylvania, New Jersey, and Delaware."

Q. Do you want to continue?

A. "In the case of the Girard Trust Corn Exchange Bank, 75 per cent of the 'IPC' deposits are from within the City of Philadelphia and therefore the City alone is designated as the service area of the head office."

Q. Mr. Potts, you are not familiar, are you, with the study which has been made of the deposits in the entire [fol. 2076] service area covered by this section?

A. I am not, no.

Q. And when you were answering Mr. Reycraft's question, you answered him with regard to deposits within that service area?

A. I am not entirely familiar with that, no.

Q. You are not familiar?

A. No. Those were generalizations.

Q. When you said that certain banks in there are not competitive with your bank, you had no reference to deposits, then, in the particular areas of those particular banks; is that correct?

A. My statement was that they might be competitive in certain areas with respect to larger loans. With respect to the retail type of business, smaller deposits, the answer would be no.

Q. Do you know anything at all about deposits within the respective service areas of those banks which were individually named to you by Mr. Reycraft?

A. In each area as a group?

Q. Yes.

A. I have no figures there.

Q. Nor of your branches?

A. No.

[fol. 2077] Q. Mr. Potts, on Thursday Mr. Reycraft asked you a number of questions about the successive mergers which your bank had with smaller banks beginning approximately in 1951. Will you tell us why your bank went into this program.

A. Chiefly to follow our business, which was expanding in the areas, and also to follow the population growth in the various sections surrounding the city.

Q. Prior to this time will you describe the nature of the Philadelphia National Bank.

A. Prior to the decision to merge initially with the Ninth Bank and Trust Company in September of 1951, the Philadelphia National Bank was in the so-called wholesale commercial business. I mentioned in testimony last Thursday to the effect that the bank at that time had only 11,000 to 12,000 accounts, of which 1000 was represented by foreign banks and by domestic correspondent banks.

Q. Why did you change your policy?

A. We changed our policy because of the fact that in the Philadelphia area there had been and was continuing to be a very substantial expansion in commercial and industry business, and as I indicated, we all, of course, are fully aware of the population explosion which has taken place throughout the country. In the large urban centers

there has been a movement, which was becoming more pronounced, for the population to move from the urban [fol. 2078] centers to the outlying districts. As a result of these two phenomena, if you want to call them that, the decision was made in the Philadelphia National Bank to go into the retail banking field.

Q. Let me ask you right there, at this time how many banking offices did the Philadelphia National Bank have?

A. The Philadelphia National at that time had three banking offices, one the head office at 1416 Chestnut Street, our main operating office at 421 Chestnut Street, and a small hole in the wall out at 30th Street really to take care of Pennsylvania Railroad payroll days.

I might add, Mr. Littleton, that prior to the move at the bank into the retail field, that this bank was known as a banker's bank. We had a large correspondent network. So if you can follow me and visualize the type of bank the Philadelphia National was, here we were in the wholesale with few accounts. We had large correspondent bank relationships, close relationships with the larger corporations and certain large individual depositors in the area.

[fol. 2079] Q. When you say you had few accounts, do you remember about how many?

A. Yes. We had 11,000 to 12,000 accounts only.

Q. Did you have any personal-trust services?

A. We had no personal-trust services. We had no Consumer Loan Department, we had no savingts accounts, we had no safe-deposit boxes.

Q. Any special-checking accounts?

A. We had no special-checking accounts.

Q. And you said you had no safe-deposit department?

A. No safe-deposit boxes.

Q. What, then, was your reason and purpose for changing your policy?

A. It was an important decision as far as the bank was concerned, particularly looking toward the future. It certainly was management's viewpoint at that time, and I am going back now to 1950, that if the Philadelphia National Bank was to maintain its position, the quality of its services, the reputataion that it had, that it could no longer confine itself solely to this wholesale type of business. It became more and more evident that there was a change taking

place in the character of deposits, that the importance of the corporate deposit was lessening and that the deposit of individuals was becoming more and more of a factor [fol. 2080] in the over-all banking picture.

Q. Was industry moving out, also, as well as individuals?

A. Industry was also moving out, as is illustrated by plants which have sprung up around the city in what we call our ten-county Delaware Valley area.

Q. How many of these mergers did you engage in over the period 1951 to 1958?

A. There were eight such mergers.

Q. And what did that add in lending limit?

A. These mergers added $1,144,000 to our lending limit.

Q. Tell me, Mr. Potts, when you take over by merger one of these country banks, let's say Pottstown, for instance, what is your policy so far as the staff of that bank after it became merged with the Philadelphia National Bank?

A. Pottstown is a good illustration. The same set of circumstances occurred in many of the eight that we have just mentioned.

We would ask the then president of the local bank to remain as a vice-president of the Philadelphia National Bank in charge of that particular local office. The staff of that particular local office was maintained in its entirety.

Should (and this happens, of course, as time goes on) there be a change in the employee group, it is our effort and we follow it in so far as we can to employ additional [fol. 2081] help from the area.

Q. That is a definite policy of the bank that you are following today?

A. That is a definite policy of the bank.

Q. Again referring to Pottstown, and I will ask you about the others also, what was the lending power or authority of the head of the Pottstown Bank prior to the merger; do you know?

A. I can only say this—that it was very small.

In the small country banks, and this is the way they are run, generally speaking, the power, the loaning power, is really vested in the Board of Directors or in a small committee of the Board, on which the president would sit; so that as an individual the president of one of these local

country banks would have a very small, if any, loaning limit granted by the Board of Directors.

Q. Do you know what the lending limit of the Citizens' National was at the time you took it over?

A. There are some figures which I did have. Am I permitted to look at those?

Q. Yes, certainly.

A. Thank you.

The Citizens' Bank in Pottstown had a lending limit of $55,000 at the time of merger.

[fol. 2082] Q. Now, is the man who was president of the Citizens' of Pottstown presently the vice-president in charge of your Pottstown branch?

A. He is.

Q. His name?

A. Fredrick G. Erb.

Q. What is his lending authority at the present time?

A. $100,000.

Q. That is unsecured?

A. Unsecured.

Q. Do any other officers resident in that branch have the authority to lend up to a certain amount?

A. Yes, they do.

Q. You might tell us for the record what the lending authorities of each of the people in charge of each of the branches acquired by merger are.

A. Again, may I ask for certain——

Q. Do you have that?

A. I don't have it with me, but I believe there is such a thing.

This is headed "Lending Authority."

Q. Is this a memorandum prepared by you or a general order prepared and sent around by you?

A. Yes. This went out under my signature back in [fol. 2083] September 1960 and it indicates the lending limits of——

Q. The lending authority or lending limits?

A. Lending authority of all of the officers in the bank, including those in charge of our several branch offices.

In Norristown, the lending limit of the officer in charge, that's Mr. Clifford Gillam, who testified here one day last week, and that figure is $100,000 unsecured.

Q. When you say "lending limit" do you mean lending authority?

A. Excuse me. I am afraid I use both of the terms synonymously.

Lending authority for Mr. Charles W. Yust, who is in charge of one of our Northeast offices, $100,000.

In Upper Darby, which is our smallest office, John G. Keily, a lending authority of $50,000 unsecured.

Q. That is an office you opened; it was not the result of a merger?

A. It was not the result of a merger.

Do you wish me to go further?

Q. Yes, I do.

A. Conshohocken, Donald E. Horsey, lending authority, $100,000 unsecured.

Hatboro, Alan Resendorph, who did not come up through the lending field, $25,000 unsecured; his understudy, George [fol. 2084] W. Lapham, $15,000 unsecured.

In Lansdale, any two to three that I will read, Harold Koch, Harold Weingartner, Carl Reber, have a lending authority of $100,000 unsecured.

Q. In each of the cases where the branch bank is the result of a merger, is the lending authority of the officer or officers in charge greater than it was prior to the merger, when they were officers of the county bank or country bank?

A. To my knowledge, in every instance, the present lending authority is higher than it was prior to the merger.

Q. And in those instances where you opened offices, which were 69th Street and Ardmore, did you have an advisory committee from the neighborhood?

A. In Ardmore, yes; 69th Street, no.

Q. What did you do in each of the instances where there was a merger?

A. In each of the instances where there was a merger, we kept the former Boards in their entirety, asking them if they would form a part of an advisory committee of the Philadelphia National Bank.

Our success in enlisting the support of the former directors of these banks was excellent.

Q. And as time takes its toll by death or otherwise, what do you do towards filling those places?

[fol. 2085] A. We fill those places by going to the leading

citizens, businessmen in the respective area, asking them if they would join our advisory committee.

Q. And in those instances where officers, by reason of super-annuation or death, disappear from the scene, what is your policy toward filling official positions, such as in Lansdale, for instance?

A. In Lansdale, we brought in a man who had had many years of experience in the main office at the Philadelphia National, whose home was actually in Lansdale. We asked him to take over the management of that office.

Q. Why?

A. Because he knew the local situation, was known by the people in the area.

Q. What happened to the former president of the Lansdale Bank?

A. The former president of the Lansdale Bank died of old age. I could say that at the time of the merger he was in his high eighties and their first vice-president, I think, was ninety.

Q. Now directing your attention to something else, on Thursday Mr. Reycraft asked whether you gave any consideration at the time of the discussion of the proposed merger with the Girard Trust Corn Exchange Bank to the advantages to your stockholders if such a merger were [fol. 2086] granted, and he then questioned you about the advantages as to your stockholders.

Were there any other reasons or purposes which you had in mind in the discussion and attempt to bring to fruition a merger with the Girard Trust Corn Exchange Bank?

A. Well, there would be many, Mr. Littleton. We purely mentioned at the time of examination certain items that were listed in the application here having to do with specific dollar savings, one of which was advertising, as I recall, and that was as of the moment.

Looking toward the future, it would seem to me that the shareholders of the bank would, of course, benefit from anything constructive that would happen to the merged institution; what's good for the community, and what might be good in the public interest would certainly be good for one of the leading commercial banks at that time in the area.

Q. Do I understand from this that you had a public-service interest in promulgating this merger?

A. Aside from the benefit which, as I testified, I thought that shareholders would receive over a period of years, I definitely feel that the proposed merger would be in the best interests of the local community, the City of Philadelphia, the area in which we serve; and I am extending this from the [fol. 2087] four-county area to the ten-county area, which is our real—the kernel of our service area.

Q. What are those counties that you are talking about?

A. Those counties are Delaware, Chester, Montgomery, Bucks; crossing the river, Mercer, Burlington, Camden, Gloucester; New Castle, and Delaware.

Q. New Castle, Delaware?

A. And the City and County of Philadelphia.

Q. How does the public benefit through this merger in those areas?

A. The trend, as I have already stated, of industry—that is, new plants, commercial projects, and the trend as far as different population moves are concerned are definitely away from the big city center.

It would certainly seem to me that in the entire area in which a bank of the stature and prestige that the merged bank would have, with the fact that it would attract, we hope, additional business, would keep business here which ought to be here, that what would revert to the benefit of the merged bank would certainly likewise spread out and be constructive for the area as a whole.

Q. Comparatively speaking, how has the banking community moved with the industrial and business growth of the area that you mentioned?

[fol. 2088] A. Over these years, and this is my own feeling, the banks in Philadelphia have taken care of servicing the population changes extremely well. The big city banks have opened de novo branches where regulations would permit in adjoining counties. They have, in every way, tried to not only spread, but to increase their services to take care of this change in population.

Let me give you probably the best illustration that I can. Today in the four-county area there are 41 banks with 300 branch offices. In the ten-county area, which is the one I feel is the kernel of our real service area, there are now, 1,016 banking institutions with 478 branches.

In my opinion, that's pretty good coverage.

Q. In other words, the public requirement, in your opinion, is being met as far as convenience of location and accessibility is concerned?

A. That's right.

Q. In what way have the banks not kept up with business and industry, if at all?

A. Well, I don't think banks have kept up with the expansion of industry, of commerce.

I come to the lending limit which has often been mentioned in this courtroom. Industry, and particularly today, with the concentration which we find in large plants, [fol. 2089] is being established now in the outskirts of a city. That industry needs financial assistance to the greatest extent that they can get it.

Q. Mr. Potts, would you direct your attention, please, to G-57, which is the application for merger, and turn to page 127?

A. Yes.

Q. It is headed "Population, Twelve Largest Metropolitan Areas."

Where does the Philadelphia metropolitan area stand in that?

A. Philadelphia stands No. 4.

Q. And those ahead of it are what?

A. New York, No. 1; Chicago, No. 2; Los Angeles, No. 3.

Q. What comes after Philadelphia?

A. Detroit, No. 5; Baltimore, No. 6; Cleveland——

Q. Boston, isn't it?

I beg your pardon, Baltimore, yes. You are right, Baltimore.

A. Baltimore, No. 6.

Q. That's the city. I am talking about the total metropolitan area.

A. Total metropolitan area, excuse me. Boston would have Rank No. 6; San Francisco, 7; Pittsburgh, 8; St. Louis, [fol. 2090] 9; Cleveland, 10; Washington, 11; and Baltimore, 12.

Q. Now will you turn to page 132 of Exhibit G-57, which is headed "Comparative Rank Of Leading Bank (excluding Holding Companies) In Major Metropolitan Areas, December 31, 1959."

Q. Here the leading bank is, of course, the Bank of Amer-

ica, which we have bracketed with Los Angeles and San Francisco, with the $10,625,000,000 of deposits in that one institution Obviously, it would rank first.

Q. Now, which city ranks next? Which metropolitan area ranks next, so far as having a large bank?

A. New York, which is 3; Chicago, 4; Detroit, 5; Pittsburgh, 6; Boston, 7; Cleveland, 8; and Philadelphia, 9; St. Louis, 10.

Q. Philadelphia, 9; and its national ranking——

A. Is 4.

Q. —is 4 for the metropolitan area, but the national ranking of its largest bank is what?

A. 20.

Q. And that bank is?

A. The First Pennsylvania Company.

Q. And the total deposits of the First Pennsylvania Company as of this date, December 31, 1959, were what?

A. $1,075,000,000.

Q. As compared to Cleveland, what?

A. Cleveland, $1,332,000,000.

[fol. 2091] Q. And Boston?

A. Boston, 1,606,000,000.

Q. And Pittsburgh?

A. $1,753,000,000.

Q. And Detroit?

A. $1,785,000,000.

The Court: Suppose we take a break at this time.

(A recess was had.)

By Mr. Littleton:

Q. Mr. Potts, again may I direct your attention to G-57, this time to page 129, which is headed "Size Of Leading Banks (excluding Holding Companies) In Major Metropolitan Areas, December 31, 1959."

Will you look on page 129 and tell me what the aggregate deposits of the Philadelphia National Bank and Girard Trust Corn Exchange Bank & Trust Company were as of December 31, 1959?

A. Philadelphia National Bank's deposits as of that date were $978,600,000.

Girard Trust deposits as of that date were $668,700,000.

Q. And what were they if combined?

A. Combined, $1,647,000,000.

[fol. 2092] Q. Will you look further up the page and tell me how many banks were larger than what the combined bank would have been in Chicago?

A. In Chicago, there were two banks larger.

Q. And how many banks in Los Angeles would be larger than the combined bank?

A. Two.

Q. And in Detroit?

A. One.

Q. And how does the largest bank in Boston compare?

A. The largest bank in Boston, $1,854,000,000.

Q. Wait now. Deposits, Mr. Potts.

A. In deposits, $1,606,000,000.

Q. Just about the same as the combined bank would be?

A. Exactly.

Q. And in San Francisco how many would be greater than the combined bank?

A. San Francisco, aside from the Bank of America which I have already mentioned, there would be two more; three all together.

Q. Three all together larger?

A. Right.

Q. And in Pittsburgh?

A. In Pittsburgh, there would be one bank with deposits of [fol. 2093] $1,753,000,000.

Q. That is, even though this merger took place, there would still be in those cities a bank or banks larger than the merged bank in deposits?

A. That's correct.

[fol. 2094] Q. You have mentioned and other people have mentioned here at various times the fact that because of the lack of size, prestige, and lending limit, business that would naturally come to Philadelphia banks goes to New York and other cities. What is your authority for saying that?

A. A few years ago—and I believe this was mentioned by Professor Smith in his testimony early in the case—the Federal Reserve of New York came out with a survey setting forth the amount of business coming from other sectors which the New York banks were handling. In the

loan category, with respect to District 3, which is the Federal District, this survey, which was taken on October 5, 1955, showed that $308,000,000 of loans were being made as of that time by New York banks in the Third Federal Reserve District.

Q. And how about Philadelphia itself?

A. In Philadelphia there were $113,000,000 worth of loans made by New York banks, here in the city.

Q. That is within the city proper?

A. Within the city itself, the city proper.

Q. Do you have a copy of that monthly review by the Federal Reserve Bank of New York?

A. I do.

Mr. Littleton: I am going to have it marked as D-1.

[fol. 2095] (Document entitled "Monthly Review of Credit and Business Conditions, Federal Reserve Bank of New York," Volume 39, May, 1957, No. 5, was marked Exhibit D-1 for identification.)

Q. Mr. Potts, will you look at Page 65 of that report and tell us if the information you have just given appears anywhere on that page.

A. The information is under Table II. As far as the Third Federal Reserve District is concerned, the amount of loans, $308,000,000. With respect to loans made by central reserve New York City banks in Philadelphia proper, it shows $113,000,000.

Q. And that is as of what date?

A. October 5, 1955.

Q. In your opinion, has that increased in volume?

A. In my opinion, the loans which the New York banks are making in this area are still very substantial.

Q. Are you aware of any activity of the New York banks in this area, personally?

A. They are in our hair constantly, and I saw some figures recently which indicated that there were 85 full time and/or part time representatives of New York banks who are roaming around our back yard.

[fol. 2096] Mr. Reycraft: I object to these figures unless he puts in the record the source.

Mr. Littleton: I agree that that last answer be stricken.

By Mr. Littleton:

Q. Are you aware of the activities of any other banks of any other city or area soliciting business in Philadelphia?

A. There is no question on that score. Every month we have visitors from the larger cities throughout the country who are here to service what accounts they may have, both deposit accounts and loaning accounts, and who also are certainly seeking new business wherever they can find it.

Q. Is it your thought that this merger will in any way enable your bank to compete with that situation?

A. With respect to the New York banks coming into our area, possibly Pittsburgh banks, I would think that we would be much better able to compete as a larger institution.

Q. Now, Mr. Potts, on another subject, what in your opinion will be the effect on the small or medium size customers of the bank by reason of the merger, which I understood you to say was designed, among other things, to attract larger customers in the national market?

A. The effect and small and medium size concerns would certainly not be detrimental. I would think that the reverse [fol. 2097] would be more true, in that, in my experience, I have found that our larger depositors usually keep balances well in excess of the amounts that they might borrow. If one should take an average figure of this, it is quite substantial, and it would certainly be our intention to maintain our present policy, which is to make available to small and medium sized businesses these excess funds that are on deposit with us. We would not only continue to do it, but with a larger bank the chances are we would have better opportunities for so doing.

With respect, too, of small and medium sized businesses—and I have mentioned earlier this whole question of greater specialization—the two categories of businesses mentioned would be able to utilize this type of specialization. We might have our industry setup, which would be very constructive and helpful, let us say, to the industry of non-ferrous metals, to some other industry, to retail trade, to department stores, all the way along the line, so that my answer to you, Mr. Littleton, is that I feel that this merger would be beneficial for the reasons I have mentioned, and

am sure there are others, to the small and medium sized businesses.

Q. Do you believe that this merger would enable the resultant bank to control interest rates for commercial [fol. 2098] loans in this area?

The Court: Let me ask you, what do you mean by control? Set them, keep them down, lift them up, or what?

Mr. Littleton: Either one, either bring them down or bring them up.

A. Fundamentally, interest rates are decided upon by the laws of supply and demand. In other words, if there is in a booming economy a greater demand, then the interest rates are, of course, apt to go up because of it. No bank or no consortium of banks could control that. Another factor is, of course, the policy, and this goes into fundamental monetary and fiscal policy of the Federal Reserve of our Government. The Federal Reserve, with their rediscount rate, can affect very materially the entire interest rate pattern. The so-called Open Market Committee of the Federal Reserve Board can, through their purchases or sales of either short-term, intermediate-term, or long-term governments, likewise control certain fundamental trends in the interest rate pattern. Should a bank such as the Philadelphia National or the merged institution endeavor to set rates, if those rates were lower than their competitors', not only in the area but also in New York, Pittsburgh, other sections, that bank could not maintain a [fol. 2099] lower rate for long, because today in the financial picture, in the over-all one with respect to loanable funds, the situation is pretty tight.

Q. You mean you will soon be loaned out?

A. Soon be loaned out. The reverse would mean that a business which was in either one of the charter institutions, the merged bank, and with respect to the resultant bank, would lose business to their competitors. So that, to sum up, interest rates are controlled by many factors, the chief of which is the market place, the second is the Federal authorities, and the third is that the banking system is so broad that there isn't any bank or any consortium of banks that could do it as of today.

Q. What in your opinion will be the effect upon the public in Philadelphia and in Delaware Valley by reason of

the elimination of competition between the Philadelphia National Bank and the Girard Trust Corn Exchange Bank due to this merger?

A. With respect to the effect on the public in the Delaware Valley, I would think that there would be very little effect. I mentioned earlier that corporations—and now I will bring in individuals—really don't like to change their banking connections any more than they have to, so that traditionally there is that factor of inertia which would [fol. 2100] certainly come into it. It would seem to me that, as I have mentioned earlier, should the merger be consummated, there would be no lessening of competition, that there are sufficient other banks in the area to carry on in the same manner that we are working in today. Those are on the plus side of the equasion.

On the negative side, from the standpoint of the merged bank, it is quite conceivable that some people who fundamentally are opposed to bigness will, out of oneriness, move their account from the largest institution to one where they in their own minds think that maybe they will get a little personalized service.

I would feel that there are many other factors in this picture in addition to what I have already said, that there will be certain situations where an individual or a corporation might now have an individual account with the Philadelphia National and the Girard, and should the merger be consummated, that particular corporation or depositor might readily say to himself or herself, "I think it would be better if we had two banks rather than dealing solely in one."

Q. Some of the other banks would be alerted to that too?

A. Some of those other banks are already alerted to it.

Q. For instance, on rate of increase on savings deposits, [fol. 2101] would there be any difference in the rate of interest on savings deposits?

A. There would be no difference on rate of savings. As I see it today, the competitive factor there is, of course, No. 1, regulation, which is pretty closely watched over. Commercial banks are permitted only to go up to three per cent as of today. Most commercial banks in this area do pay 3 per cent. The competition in savings is from the mutual savings banks. As far as savings monies are con-

cerned, the Federal Savings and Loans, with their certificates, would of course be a substantial factor.

Q. Because they pay a higher rate?

A. Because they pay a higher rate. The mutual savings banks pay a rate of 3½. The Federal Savings and Loans pay a rate anywhere from 3½ to 4, and one sees advertisements in the press daily of 4½ to 4-¾ out on the West Coast.

Q. This is on what you pay. Now, how about on what you charge? Is there any difference between your practice of credit evaluation at the present time?

A. With respect to credit evaluation, in those instances that I can report on from practical experience, it seems to me that credit offices, as a rule, approach a problem in more or less the same way. Now, granted that there will be factors that will weigh one person's decision this was as [fol. 2102] against other factors in another case, I can't see where, as far as the merged bank is concerned, with respect to credit analysis, there would be any material change.

Q. There has been some suggestion implied, at least, in questions that this merger might adversely affect the small or medium sized businessman. What is your answer to that?

A. My answer to that is that the effect would be nil.

Q. Will it have a good effect or bad effect?

A. It would have a good effect in the sense that the merged institution, in my estimation, will attract greater business into the area. A bank of the stature that is being contemplated would certainly have the loanable funds required; and let me say this for the record, too, that I have found that in a larger institution per se, as well as in a small institution, the depositor, the customer, the borrower, be he large or small or medium sized, gets the same relative treatment.

Q. It has also been suggested or implied in questions that you can raise your lending limit by selling more stock or by retaining earnings. Addressing yourself to the latter first, how long, in your opinion, would it take to add to the lending limit of the Philadelphia National Bank an amount sufficient to bring it up to the lending limit of this merged bank if the merger is approved? How long would [fol. 2103] it take to acquire that additional lending limit by the method of retaining earnings?

A. By the method of retained earnings—and I mentioned

earlier that we have on an average been adding about 2½ million dollars into undivided profits over the recent past—in order to achieve a $15 million loaning limit, we would have to increase our undivided profits by $70 million, and it would take us in excess of 20 years to do it.

Q. Now, in order to sell stock of like amount to increase your lending limit to $15 million, what would it be necessary to do?

A. It would be necessary to be able to sustain the additional shares outstanding in the way of dividends and earnings should a bank which, as I answered Mr. Reycraft earlier, which today with its deposit structure does have adequate capital, go out to sell additional stock to obtain new capital, all that would happen would be that the outstanding shares would be watered to that extent.

Q. Would be watered. Would you recommend this method to your shareholders?

A. Well, as far as management, the answer is no, and I doubt if any of our members of the Board of Directors would go for any such sort of project.

Q. While we are talking about stock, Mr. Potts, Mr. [fol. 2104] Reycraft called your attention to the movement of price of the stocks of the Philadelphia National Bank and of Girard Trust Corn Exchange Bank before the merger was announced, the time after the merger was announced, and presently. Have you looked into this matter since Thursday?

A. Indeed, I did, because I wanted to be sure what I said the other day.

Q. Will you tell us what you found.

A. I asked one of our stock traders in the bank if he would look into this, and if I may, I have two sheets here with certain percentage figures on them.

Mr. Reycraft: May I look at that?

Mr. Littleton: You certainly may.

(Paper is handed to Mr. Reycraft.)

The Court: You have seen them, Mr. Reycraft?

Mr. Reycraft: Yes.

The Court: Go ahead.

The Witness: In Philadelphia on November 8, the merger having——

By Mr. Littleton:

Q. November 8, 1960?

A. November 8, 1960. The Philadelphia National Bank stock was selling 42⅝-43, bid and ask.

Girard, 55 to 55¾.

[fol. 2105] First Pennsylvania Company, 49⅜-⅞.

Provident Tradesmens, 55 to 55¾.

Fidelity, 49 to 50.

Q. Fidelity-Philadelphia Trust Company?

A. Fidelity-Philadelphia Trust Company.

Central Penn National Bank, 42¾ to 43¾.

On November 15, which is the date that the merger was publicized, Philadelphia National Bank, 44-45.

Girard, 56½-58.

First Pennsylvania Company, 50¼-51.

Provident Tradesmens, 55½-6¼.

Fidelity, 50¾-51¾.

Central Penn National Bank, 44¾-45¾.

The week after, on November 22, Philadelphia National, 44⅞-45⅜.

Girard, 57-8.

First Pennsylvania Company, 52-52¾.

Provident Tradesmens, 56½-7½.

Fidelity-Philadelphia, 52½-54.

Central Penn, 46½-47½.

On June 16, 1961, Philadelphia National Bank stock, 51¾-2½.

Girard, 62¾-3½.

First Pennsylvania Company, 57½-8¼.

[fol. 2106] Provident Tradesmens, 64¼-65.

Fidelity-Philadelphia, 62-63.

Central Penn National Bank, 50¼-51.

Increases percentagewise, November 8 to November 22.

Philadelphia National Bank increased 5.2 per cent.

Girard increased 3.6 per cent.

First Pennsylvania Company increased 5.3 per cent.

Provident Tradesmens increased 2.7 per cent.

Fidelity-Philadelphia increased 7.1 per cent.

Central Penn National Bank increased 8.8 per cent.

From November 22 to June 16——

Q. 1960?

A. November 22, 1960, to June 16, 1961.

Philadelphia National Bank increased 15.3.

Girard, 10.1.

First Pennsylvania Company, 10.6.

Provident Tradesmens, 13.7.

Fidelity-Philadelphia, 18.1.

Central Penn National Bank, 8.1 per cent.

[fol. 2107] Now, if I may just give you a few relatively similar reports of banks outside of Philadelphia:

Mellon National Bank, Pittsburgh. I think the percentage increases would be sufficient, and these are from November 15, 1960, to June 15 of 1961.

Mellon National Bank increased 17.8 per cent.

Chase National Bank, New York City, increased 38.9 per cent.

Chemical Bank of New York increased 35.9 per cent.

First National City, New York, 21.7 per cent.

The National City Bank of Cleveland, 47.4 per cent.

National Bank of Detroit, 32.05 per cent.

First National Bank of Boston, 21.06 per cent.

First National Bank of Chicago, 31.3 per cent.

The Bankers Trust Company, New York City, 26.4 per cent.

Those are all the figures I have.

Q. If you know, is this a period of general rise in the [fol. 2108] stock market?

A. This is in a general period of general rise in the stock market and very strong strength in bank shares.

Q. There is a memorandum you had, and Mr. Reycraft asked me if I would have it marked, and I am perfectly happy to mark it in my side of the case.

A. Surely.

Mr. Littleton: I have no copies, if Your Honor please, but I will have copies made.

The Court: Very well.

Mr. Littleton: Will you mark this D-2 and this D-2-A.

(Memoranda of stock prices of various banks were marked Exhibits D-2 and D-2-A for identification.)

Mr. Littleton: That is all, Mr. Potts. Thank you very much.

Redirect examination.

By Mr. Reycraft:

Q. Mr. Potts, Mr. Littleton asked you some questions about the May, 1959, issue of the Monthly Review of the Federal Reserve Bank of New York.

A. Yes.

Q. Now, the figure that you read for loans made to borrowers in other Federal Reserve Districts, for the Phila-
[fol. 2109] delphia Federal Reserve District was $308 million, was it not?

A. Correct.

Q. Can you tell me what states are included in this district?

A. It is parts of Pennsylvania, New Jersey, and Delaware. We do not go as far West as Pittsburgh. We do take in Trenton, Camden, Wilmington.

Q. It goes substantially beyond the four-county area in which your bank has offices; is that not correct?

It goes beyond the four-county area and also would go beyond the so-called ten-county area, but not to any great extent.

Q. The City of Wilmington is beyond your so-called ten-county area, isn't it?

A. No. That is New Castle, Delaware, that comes in there.

Q. The other figure at the bottom of Page 65 of this exhibit indicates that $113 million was in the City of Philadelphia itself; is that correct?

A. Right.

Q. And the figure of $113 million is, by comparison to Government's Exhibit No. 6, approximately 4.6 per cent. The total commercial loans in Philadelphia according to
[fol. 2110] that exhibit, is 2,451,137,000. I am just trying to find out if these figures are correct.

A. I think they are, as I recall.

Mr. Littleton: May I ask the date, Mr. Reycraft.

By Mr. Reycraft:

Q. I should say to you, Mr. Potts, that G-6 is as of June 15, 1960, and the figures for Philadelphia in the May, 1957, Federal Reserve Bulletin, they are outstanding as of October 5, 1955, so there is a disparity between those dates.

A. Yes, there is a disparity in the dates. Is there an extra copy of that exhibit? Because commercial loans covers a multitude of sins, you know.

(Exhibit D-1 handed to the witness.)

The Witness: Mr. Reycraft, I would suspect that the Federal Reserve Survey dated May, 1957, which we have been talking about, could readily be confined to commercial and industrial loans, but I feel we should check that to find out.

Industrial and commercial loans would be under one category. What I am referring to is that in the total of $2,451,000,000 which is on this exhibit of the Government's, included in that are real estate loans, loans to financial [fol. 2111] institutions, loans for purchasing or carrying securities, loans to farmers, loans to individuals for household, family, and other personal expenditures, all other loans, including overdrafts, so that I feel that we must have a verification as to the comparability of these two figures.

Q. All right, I agree with you.

Mr. Potts, referring to Page 97 of the application, G-57, the third paragraph, the paragraph F which Mr. Littleton asked you to read, says, "It can be said in general about the types of institutions described in the above paragraphs that, in contrast to those covered by Exhibit B . . ."

Now, can you tell me whether it is your understanding, as I understood you first to testify, that the institutions being contrasted with Exhibit B are those in Exhibit C or whether you intend to limit it to direct lending agencies of the Government.

A. I intended to limit it to what is under Section F, direct lending agencies of Government. I misread that.

Q. The application indicates, does it not, with reference to credit unions, on Page 95, that the severity of this competition is not great?

The Court: Credit unions?

[fol. 2112] Mr. Reycraft: Yes.

The Court: He agreed to that.

A. Yes. It says, "Probably the severity of this competition is not great. Nevertheless, they are a potential source of competition."

Q. They are potential competition. All right.

Now, with reference to Page 97, under the heading "Factors," the application indicates, does it not, that because of the nature of the risks, their business does not compete significantly with the credit business of commercial banks?

A. That is right.

Q. And you agree to that?

A. Yes, I agree.

Q. Now, you answered, I believe, in response to one of Mr. Littleton's questions, that issuing new stock would result in a watering of the stock. Now, this is a powerful phrase. I am not sure you intended to convey all that may convey to some people.

The Court: The word is "dilution."

The Witness: "Dilution" is a better word, and what I mean is dilution of the stock.

Thank you, Your Honor.

By Mr. Reycraft:

[fol. 2113] Q. I believe you will recall that in 1951 the Girard increased its capital by selling about 10 per cent of its total outstanding stock, amounting to 10 per cent of the then existing stock.

A. Did I say that?

Q. No. Do you have any recollection of this fact?

A. I don't recall, Mr. Reycraft.

Q. Well, I believe the application indicates it, and I can't put my finger on it for the moment, but you wouldn't suggest that this was a watering of their stock, would you?

A. No, because factors would be different under those circumstances. They probably had the deposit structure which they could support for additional capital.

Q. Is it a fair summary of your answer that if you sell new stock and raise new capital you must have the business to go with it?

A. That is correct.

Q. Selling the new issue would raise your lending limit, would it not?

A. Selling of stock would raise the lending limit.

Q. And wouldn't that attract the additional business to support the additional capital?

A. I think you are putting the cart before the horse.

Q. So that you think you should have the business before [fols. 2114-2116] you increase your lending limit?

A. That is right.

Mr. Littleton: I assume you meant by that method of increasing the stock.

The Witness: By that method. That is what I assumed from the question.

Mr. Reycraft: That is all.

Mr. Littleton: That is all, Mr. Potts.

The Court: That is all for today.

(Adjourned at 4:10 P.M. until Tuesday, June 20, 1961, at 10:00 o'clock A.M.)

[fols. 2117-2118] [Title endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

ELEVENTH DAY

Philadelphia, Pa., June 20, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 2119] E. GORDON KEITH, having been duly sworn, was examined and testified as follows:

(Exhibit G-16-A was handed to the Court.)

Direct examination.

By Mr. Reycraft:

Q. Dr. Keith, what is your present employment?

A. I am employed at the University of Pennsylvania, where I am vice dean, or associate dean, of the Wharton School of Finance and Commerce and Professor of Finance.

Q. What subjects do you teach under the heading of Finance?

A. Well, I teach Money and Banking, Public Finance, Fiscal Policy, Monetary Policy, and similar courses.

Q. How long have you been a professor of finance?

A. I have been professor since 1952 at the Wharton School.

Q. Where did you teach before that?

A. Well, I came to the University of Pennsylvania in 1949—1939, as a matter of fact—as an instructor in finance, and then was at the Treasury Department during the war, and then came back to the University of Pennsylvania in 1947 and have been there since.

Q. What were your duties with the Treasury Department?

A. I was with the Division of Tax Research in the [fol. 2120] Treasury.

Q. Do you have a graduate degree, sir?

A. Yes, I have a Ph.D. from Harvard University.

Q. In what subject?

A. In Economics.

Q. Dr. Keith, have you conducted or supervised a study of branch banking in the Philadelphia area?

A. Yes, I have.

Q. When did you do this, sir?

A. I did this in 1956 and 1957.

Q. Can you describe the circumstances under which this study was initiated?

A. Yes, I believe I can. I believe it was in June of 1956 that Robert L. Myers, the Secretary of Banking for the Commonwealth of Pennsylvania, requested the banks of Philadelphia, Delaware, Montgomery, and Bucks Counties to observe a voluntary moratorium with respect to branch operations across county lines.

The banks agreed to this, and the study was to be made by the joint State Government Commission of the Legislature of the branch banking situation in this State. At the same time, as I understand it, the banks in these four counties decided that they would like to conduct an independent study of the branch banking problem in the four [fol. 2121] counties, so I was approached by a committee representing the banks of the four counties to conduct or direct such a study.

Q. Can you tell me the names of the persons who were on the committee which approached you?

A. Yes. The chairman of the committee was Mr. Geoffrey Smith, then president of the Girard Corn Exchange Bank; Mr. William L. Day, of the First Pennsylvania Bank; Mr. DeHaven Devlin, of the Bryn Mawr Bank; Mr. Donald Helffrich, who was I think executive vice president of the Upper Darby National Bank, and Mr. Stuart Rauch, of the Philadelphia Savings Fund Society.

Q. And who assisted you in the study, Dr. Keith?

A. Well, I was assisted in the study by a number of other economists: Professor Nat Jackendoff, of Temple

University; Professor E. S. Herman, who was then at Pennsylvania State University but is now at the University of Pennsylvania; Professor John P. Lutz, of the University of Pennsylvania; and Professor Karl Scholz of the University of Pennsylvania.

Q. Was the study conducted under your direction?

A. The study was conducted under my direction, yes.

Q. Did it include a study of mergers in the four-county area?

[fol. 2122] A. It included a study of mergers in the four-county area, yes.

Q. Can you tell me who received copies of the study after it was completed?

A. Copies of the study went to each individual bank who had contributed to the support of the study.

Q. Was the study made public?

A. The study as a whole I think was not made public. It was released to the press when it was completed, but it was never published in the sense——

Q. Was the study itself released publicly?

A. It was released to the press. There was a session in which the press were given copies of the entire study.

Q. Now, what geographic area was encompassed within your study?

A. The four counties of Philadelphia, Bucks, Montgomery, and Delaware.

Q. Can you explain the reason for that selection?

A. Well, the reason for this was that under the Pennsylvania State Banking Code since 1937, I believe, banks are permitted to establish branches only in contiguous counties, so that the problem of the Philadelphia or city banks going out in the counties and establishing branches there arose [fol. 2123] only with respect to these four counties, these other three counties which were contiguous to Philadelphia County.

Q. So that this was the most relevant area for the purpose of your study?

A. Yes, this was the relevant area.

Q. Dr. Keith, will you refer to the study which you have before you, which is marked in evidence as Government's Exhibit No. 16-A, and turn to Page I-7.

A. Yes.

Mr. Littleton: If Your Honor please, may I at this time ask for an offer of proof.

Mr. Reycraft: Yes. This is a study which, as Dr. Keith has described, treats the competitive problems resulting from branch banking of Philadelphia banks within the four-county area. It treats the effects of these branch activities on mergers in the area. It discusses specifically the effects of mergers in the four-county area on composition and commercial banking, changes in banking structure in the four county area brought about by branch banking and mergers and consolidations.

Mr. Littleton: May I ask the witness a couple of questions?

Mr. Reycraft: Certainly.

By Mr. Littleton:

[fol. 2124] Q. Dr. Keith, you say that your study included a study of mergers. When you say that, you mean a study of mergers, cross-county mergers, whereby county banks or country banks were merged with city banks; it that correct?

A. This was our primary interest.

Q. You didn't make any study of mergers with banks within the City of Philadelphia, did you?

A. Well, we included statistics in the study.

Q. You included statistics in the study, but you didn't make any study of mergers within the City of Philadelphia, did you?

A. Well, it depends on what you mean by "study." Our primary focus was on the cross-county movement, obviously. However, in studying the operation of the banks here, we did, of course come into contact with the problem of intra-county mergers.

Q. There had been a merger, had there not, in 1951 of two large Philadelphia banks?

A. That is right.

Q. Did you make any study of that?

A. We did not.

Q. There had been a merger of two large Philadelphia banks in 1955, had there not?

[fol. 2125] A. Which one was that?

Q. Girard and Corn. Did you make any study of that?

A. No.

Q. That was 1951. The other one was 1955. My dates were reversed. It was 1951 for Girard-Corn and 1955 for First Pennsylvania.

A. That is right.

Q. You made no study of those at all?

A. We did not study that.

Q. So you can't say that you made any study of mergers similar to the one which is under discussion in this court room?

A. I think that is fair to say, yes.

Mr. Littleton: I object to this line of examination as demonstrated by the offer of proof.

By Mr. Reycraft:

Q. In you study, Dr. Keith, isn't it a fact that you considered the structure of commercial banks throughout the four-county area?

A. I think we did.

Q. And while you did not, as I understand your testimony, specifically analyze the particular mergers which Mr. Littleton referred to, you did study and reach conclusions as to the effects on the banking structure in the four-[fol. 2126] county area generally and on branch banking and mergers; isn't that the fact?

A. Well, we couldn't altogether——

Mr. Littleton: I am going to object to the question as leading the witness.

The Court: He was about to disagree with him, Mr. Littleton, so let's hear the disagreement.

Read the question.

(The reporter read as follows:)

"Q. And while you did not, as I understand your testimony, specifically analyze the particular mergers which Mr. Littleton referred to, you did study and reach conclusions as to the effects on the banking structure in the four-county area generally and on branch banking and mergers; isn't that the fact?"

A. I think we reached some general conclusions concerning the nature of banking operations in the four-county area.

Q. Including the banking structure in the four-county area?

A. Including the banking structure in the four-county area.

Q. And competition in banking in the four-county area? [fol. 2127] A. Competition in banking in the four-county area, that is right.

The Court: I am going to permit the line of questioning. I will overrule the objection.

By Mr. Reycraft:

Q. Dr. Keith, let me direct your attention to XV of your study.

A. Yes.

Q. And will you refer to Table 1-A on that page.

A. Yes.

Q. Will you state the source from which the data contained in this table was obtained.

A. The source is a Government publication "Monetary Policy and the Management of the Public Debt," a joint economic committee, economic report, 62nd Congress, second session, Pages 553 to 555.

Q. And will you refer to I-7 of your study.

Mr. Littleton: If Your Honor please, may I inquire at this point of Mr. Reycraft whether or not it is his intention to put in this entire report.

Mr. Reycraft: Yes, sir.

Mr. Littleton: The entire report?

Mr. Price: May I ask whether it is proposed to put it in as an exhibit or the witness is going to be asked to [fol. 2128] give certain portions of it so that we get the benefit of his judgment or simply put the book in evidence?

Mr. Reycraft: I am going to put the exhibit in, and I am also going to ask the witness questions about it so that we will have the benefit of his testimony.

Mr. Price: I will announce now, then, that I shall certainly object to the receipt of this book in evidence. The witness may testify, of course, if he chooses, and I will

examine him, but I shall object to the admission of the book as such.

Mr. Reycraft: It is not a book. It is a study which was prepared on behalf of your bank, among others.

Mr. Price: Not for the purposes of this case or having anything to do with this case.

The Court: I will rule on it at the proper time. I point up, however, that we are here to take sworn testimony.

Mr. Reycraft: Yes, sir. My purpose is in establishing the authenticity of the tables.

The Court: All right.

[fol 2129] By Mr. Reycraft:

Q. Will you refer to I-7 of your study and tell me the source from which the data contained in this table was obtained?

A. Well, there are two sources indicated here—1945 to 1950 from the "Monetary Policy and the Management of the Public Debt," Volume 1, 554-556; and data 1951 through 1955 are compiled from annual reports of the Board of Governors of the Federal Reserve System for those years inclusive and the Federal Reserve Bulletin for August, 1956.

Q. Will you refer to I-9 and tell me the sources of the data contained in this table?

A. The source of this data was the annual reports of the Federal Deposit Insurance Corporation for 1945, '47, '50, '53, and '55.

Q. Will you refer to Table I-H on page I-22?

A. The source of this was the 1949 Survey of Consumer Finances put out in the Federal Reserve Bulletin Survey 1956.

Q. Will you refer to II-3, Table II-A?

Mr. Price: May I have that reference again, Mr. Reycraft?

Mr. Reycraft: Yes, sir, II-3, Table II-A.

The Witness: This is the summary of changes in the commercial-banking structure of Philadelphia. These [fol. 2130] were tables which we prepared from information supplied us by the Federal Reserve Bank of Philadelphia.

By Mr. Reycraft:

Q. This was prepared under your direction?

A. This was prepared under my direction, yes.

Q. Now, Prof. Keith, it has been called to my attention that with reference to I-5 you said the Sixty-Second Congress, and I believe you meant the Eighty-Second Congress.

A. Yes, I did, the Eighty-Second Congress.

Q. Will you refer to page II-13, Table II-B, and tell me the source from which this data was obtained?

A. This was put together by us on the basis of information derived, as far as banking statistics are concerned, from the Federal Reserve Bank of Philadelphia.

Q. Will you refer to page II-18, Table II-C?

A. II-18?

Q. Yes, II-18.

A. This was put together in the same way.

Q. Under your direction?

A. Under my direction.

Q. Will you refer to page II-24, Table II-D?

A. The same answer.

Q. Will you refer to page II-31, Table II-E?

A. The same answer to that.

[fol. 2131] Q. Will you refer to page IV-30, Table IV-D?

A. This is the table showing premiums paid?

Q. Pardon me? I didn't hear your answer.

A. This is Table IV-D?

Q. Yes, on page IV-30.

A. Well, this was a table which we put together on the basis of information we got concerning prices paid for—premiums paid in connection with the mergers which had taken place in the Philadelphia area.

Q. Did you get this information——

Mr. Littleton: Objected to.

Mr. Reycraft: Pardon me?

Mr. Littleton: Objected to.

By Mr. Reycraft:

Q. Did you get the information from the banks involved?

A. I think we got the information from the banking services.

Mr. Littleton: Objected to as immaterial; not only as hearsay, but as irrelevant.

By Mr. Reycraft:

Q. Will you refer to——

The Court: I will overrule the objection. The question about the table itself and so forth was a matter where he was asked only where he got his information. That is as far as this question goes.

[fol. 2132] I will overrule the objection.

By Mr. Reycraft:

Q. Will you refer to Table IV-D on page IV-31 and state the source of this information?

A. To the best of my recollection, this was a table compiled in a similar way, from published information concerning the terms of mergers.

Q. Will you refer to page V-5, Table V-A?

A. The sources given here are the "Monetary Policy and the Management of the Public Debt," to which reference was made earlier, and the annual reports of the Governors of the Federal Reserve System.

Mr. Littleton: Objected to because it doesn't show what the area is that is covered by the table.

By Mr. Reycraft:

Q. What is the area covered by this table, Dr. Keith?

A. This would be a national table.

Q. The entire United States?

A. The area of the entire United States.

Q. Will you refer to page V-15, Table V-B?

A. Yes.

Q. Will you state the source from which this information was obtained?

A. This was material supplied to me directly by the [fol. 2133] Comptroller of the Currency as a result of a request which I made to him.

Q. Will you refer to Table V-C on the same page?

A. The same source.

Q. And V-D on the next page?

A. That was the same source.

Q. And V-E?

A. The same source.

Q. Will you now turn to page V-22 and state the source from which this information was obtained?

A. This information was supplied directly to me by the Department of Banking of the Commonwealth of Pennsylvania.

Mr. Price: What was the page reference?

Mr. Reycraft: V-22.

By Mr. Reycraft:

Q. Will you refer to the appendix, Appendix A, and Table A-I?

A. A-I——

Mr. Price: May I interrupt a moment, sir?

There are two pages that I find in the report designated V-22 and I will ask Mr. Reycraft to identify which page it is that he is referring to for the record.

Mr. Reycraft: With reference to V-22, as Mr. Price points out, there are two such pages. One page contains a table headed "V-F," titled "Data on Applications for [fol. 2134] Permission to Organize De Novo Branch Banks and to Establish De Novo Branches Submitted to the Department of Banking of the Commonwealth of Pennsylvania 1945 through 1956."

Mr. Price: Is that the page to which you refer?

Mr. Reycraft: That is the page to which I referred and as to which I directed my question.

By Mr. Reycraft:

Q. Dr. Keith, would you refer to Table A-I in the appendix?

Mr. Littleton: Now, where is the appendix?

Mr. Reycraft: It must be at the end.

The Witness: A-I was based on the data provided by——

Mr. Littleton: Will you wait a minute, Doctor, until we find out where it is?

The Witness: It follows VI-34.

By Mr. Littleton:

Q. Is this the so-called "Appendix A"?

A. This is Appendix A.

Q. May I say, Doctor, that in the copy of this that you furnished us the appendix follows II. We will take it out.

A. It may have been put up differently in different volumes.

Q. Now, should it follow the summary, do I understand?

A. This is where I have it in my volume.

[fol. 2135] Q. At the very end?

A. At the very end, yes.

Q. May I ask, are there any other appendices besides "A" which should follow?

A. Well, there are several other appendices, yes.

The Court: In the one that has been marked, the Appendix A follows VI-34 and after that comes a summary of principal arguments for and against branch banking, with a table of contents running apparently 27 pages.

Mr. Littleton: Thank you, Your Honor.

The Court: That is the way it is set up in the one marked for identification as G-16-A.

The Witness: May I say something, Mr. Reycraft?

Mr. Reycraft: Yes, sir.

The Witness: I think the summary of the principal arguments was not in the final report as submitted. This was an earlier memorandum which was prepared by us in the course of the study but, of course, each bank was given copies of the final report and could include as much of the earlier material as they wanted to within the bound volume, and I gather the practices varied with respect to what has been put into the volume here.

By Mr. Reycraft:

Q. But it was a part of your study?

[fol. 2136] A. It was a memorandum which was prepared for internal purposes, yes.

Q. As part of your study?

A. That's right.

Q. Will you state, sir, the source of the information contained in Table A-I?

A. A-I was based on data provided by the Research Division of the Federal Reserve Bank of Philadelphia.

Q. And with reference to Table A-II, the source?

A. This also was based on data provided by the Research Division of the Federal Reserve Bank of Philadelphia.

Q. And the source of the information contained in Table A-III?

A. That was the table put together by us based on data in Tables A-I and A-II.

Q. Will you refer to Table A-VI?

A. Yes.

Q. And state the source of the information contained in that table?

A. This was compiled from the data shown in Appendix B, Part I, in which we listed the changes in the banking structure during the periods of the study.

Q. And the information contained in Table VII?

Mr. Littleton: A-VII, or just VII?

Mr. Reycraft: I believe it should be A-VII.

[fol. 2137] The Witness: Yes. That printing is bad there. I think it should be A-VII.

Mr. Reycraft: This table is entitled "Changes in the Competitive Structure of Banking in Bucks, Delaware, and Montgomery Counties, January 1, 1947 to June 30, 1956, Number of De Novo Branches Established."

By Mr. Reycraft:

Q. Did you give the source of that information?

A. The source of that is Appendix B, the part where we have listed the de-novo branches opened in the different years.

Q. And the source of that information?

A. The source of that information was from the Federal Reserve Bank of Philadelphia.

Q. Now with reference to Table A-VIII, will you state the source of your information?

A. This was derived from the Department of Research and Statistics of the Federal Reserve Bank of Philadelphia.

Q. And with reference to Table A-IX, will you state the source of the information?

A. Well, this table we had to put together ourselves.

We got the basic data from the Federal Reserve Bank of Philadelphia concerning deposits, but then in the case of branch banks, where the total deposits would be reported as of the Philadelphia home office, we had to get the figures [fol. 2138] from the local bank to indicate the deposits in each of the separate counties.

Q. So the source is either the Federal Reserve Bank or the local banks themselves?

A. Or the local banks providing us with a breakdown of their deposits in the various branches.

Q. Will you refer to Table A-X and state the source of that information?

A. Well, this was a table which I think we put together ourselves from the figures supplied to us concerning deposits—or this would be total assets provided to us by the Federal Reserve Bank of Philadelphia, and then we set the table up; having all of the banks, we took the four largest the two largest, and the largest to arrive at these figures.

Q. You made the computations based on information supplied by the Federal Reserve Bank?

A. That is correct.

Q. Will you refer to Table A-XII——

Mr. Littleton: You are not going to give us XI?

Mr. Reycraft: I hadn't planned to.

Mr. Littleton: All right.

The Witness: You want A-——

[fol. 2139] By Mr. Reycraft:

Q. A-XII.

A. A-XII, this is the number of competitive banking offices?

Q. Yes.

A. Classified by type. This is based on Appendix C of the report, which shows the number of banks and branches in each of the communities in the four-county area, I believe.

Q. Will you refer to Table A-XIII?

A. Yes.

Q. And state the source of that information?

A. Well, this is a table which I think we put together on

the basis of our tabulation of the banks and their respective sizes in the different years.

Q. Are they based on information received from the Federal Reserve Bank?

A. Yes. This would have been put together from information received from the Federal Reserve Bank of Philadelphia.

Q. Will you refer to Appendix B, Dr. Keith, which is entitled "A Directory of Changes in the Banking Structure in Bucks, Delaware, and Montgomery Counties, January 1, 1948 to June 30, 1957, inclusive," Part I, "Combinations Resulting in Elimination of Independent Banking Units"; and Part II, "Establishment of De Novo Branches of Commercial Banks," and will you state the source of that information?

[fol. 2140] A. We put this together from information provided us by the Federal Reserve Bank of Philadelphia.

Q. Will you refer to Appendix B, entitled "A Directory of Changes in the Banking Structure in Philadelphia County, January 1, 1947 to June 30, 1957, Inclusive," Part I, "Combinations Resulting in Elimination of Banking Units," Part II, "Establishment of De Novo Branches of Commercial Banks and Mutual Savings Banks"?

A. This was put together by us on the basis of information provided us by the Federal Reserve Bank of Philadelphia.

Q. Will you turn to Appendix F, Table F-I, and state the source of that information?

Mr. Littleton: Excuse me. I don't think we have that.

The Witness: I beg your pardon?

Mr. Reycraft: You have that.

Mr. Littleton: Appendix F?

Mr. Reycraft: Yes.

Mr. Littleton: Is that Appendix B also?

The Witness: This is a table of index numbers showing the change in deposit size for individual banks located in Montgomery County.

By Mr. Littleton:

Q. Did you supply this to all the banks?

[fol. 2141] A. It should have been. There's one of these

tables for each of the three outside counties—Montgomery, Bucks, and Delaware.

Mr. Littleton: All right. We have it, again in a different part of the report.

By Mr. Reycraft:

Q. Will you refer to Table F-II and state the source of the information contained in that table?

A. This was done in the same way, based on the capital figures supplied us by the Federal Reserve Bank of Philadelphia.

Q. Will you refer to Table F-III and state the source of the information contained in that table?

A. This was from the same source, and using their deposit figures we computed the index numbers.

Q. Dr. Keith, did you also prepare a summary of your findings and conclusions?

A. We did.

Q. Do you have a copy of that with you?

A. I do.

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 127 a document consisting of 15 pages, entitled "Summary of Findings and Conclusions: Survey of Branch Banking in the Philadelphia Area, 1946 to 1957."

[fol. 2142] Mr. Littleton: May I repeat my objection for the same reason, if Your Honor please.

The Court: It is not offered in evidence; it is marked for identification.

I will overrule the objection.

(Printed and bound document entitled "Summary of Findings and Conclusions Survey of Branch Banking in the Philadelphia Area, 1946 to 1957," was marked Exhibit G-127 for identification.)

The Court: You understand we are not trying to undo anything that has been done in the past, are we, Mr. Reycraft?

Mr. Reycraft: We are showing the tendency to monopoly, Your Honor, the increase in the concentration of the banking structure in the Philadelphia area.

The Court: This is peripheral, though, because the witness has said that he has not studied the two big mergers in 1951 and 1955 in Philadelphia.

Mr. Reycraft: He has not——

The Court: So it is on the peripheral side. It doesn't enter directly into the problem that I am facing here and you are, so I will let you go on, but let's not spend days on this.

[fol. 2143] By Mr. Reycraft:

Q. Dr. Keith, with reference to the first page of your Summary of Findings and Conclusions what changes did you find in the banking structure of the Philadelphia area?

A. Well, we found that there had been a substantial reduction in the number of independent banks in the Philadelphia area, both in the County of Philadelphia and in the outlying, in the three contiguous counties.

Mr. Littleton: Objected to unless his statement is fixed as to time.

Certainly, you didn't find that between 1929 and the present time, did you?

The Witness: No. The years of the study were 1947 to 1956.

By Mr. Reycraft:

Q. What proportion of the number of banks did you find at June 30, 1957, compared to the beginning of your study?

A. I am not sure I get the question, Mr. Reycraft.

Q. Do your conclusions indicate about half as many banks; is that correct?

A. I believe that is shown in the tables when we made the study.

Mr. Littleton: If Your Honor please, I must object to Mr. Reycraft leading this witness. The witness is thor-
[fol. 2144] oughly competent.

By Mr. Reycraft:

Q. Will you refer to the second sentence of your summary, Dr. Keith?

A. The second sentence?

Q. Yes.

A. The reduction in the number of independent banks—as of June 30, 1957, there were, in this area, only about half as many banks as there had been at the end of 1947.

The Court: Where are you in the report?

Mr. Reycraft: The second page, Your Honor, of the summary.

The Court: Of the summary?

Mr. Reycraft: The second sentence, I should say. It is in the blue-bound copy.

The Witness: That's right. That statement is correct.

By Mr. Reycraft:

Q. Dr. Keith, referring to the third sentence of your summary, what did this reduction in the number of independent banks result from?

A. It resulted from bank mergers.

Q. Which you described as a wave of commercial-bank mergers?

A. Yes. I think that's right.

[fol. 2145] Q. How many banks were merged or absorbed during this period?

A. I believe the figure was 51.

By Mr. Littleton:

Q. I beg your pardon?

A. The figure was 51, as I read it here.

By Mr. Reycraft:

Q. As compared with how many new banks opening?

A. I believe there was only one new bank opened in the Philadelphia area during this period.

Q. What did your study show with reference to the number of new banking offices in the three counties established by de-novo branches as compared with mergers?

A. Well, I believe our study showed a large number of new banking offices to have been opened during this period.

Q. What does it show with reference to the number acquired by merger?

A. (No response.)

Q. Does it show that all but one were acquired as a result of mergers?

A. (No response.)

Q. Will you refer to the second sentence of the last paragraph?

A. The last sentence of the second paragraph, all but one [fol. 2146] of the new commercial-banking offices is acquired as a result of mergers, while the new savings banks —this was the early part of this period, I believe. I am talking about prior to 19——

Yes, all but one of the new commercial-banking offices were acquired as a result of merger, while all of the savings-bank offices were new establishments.

Q. Now will you refer to the second page of your summary?

A. This is branch banking; this is, I believe, across the county, the number of cross-county branches.

Q. All right.

A. This did not have relevance to the Philadelphia area, I mean Philadelphia County itself.

Q. Philadelphia County, you mean?

A. That's right.

[fol. 2147] Q. Will you refer to the second page, the beginning of the third paragraph, and state what your conclusions are with reference to the factors motivating the Philadelphia banks to engage in mergers.

A. Well, our conclusions were that the reason for the branch and merger activity on the part of the large Philadelphia banks was to get a foothold in the outlying counties to which some of their customers had moved and in order to draw in more deposits and to generally improve their competitive position in the four-county area.

Q. What relevance did the existence of established trade connections and existing customers have?

A. Well, I think we found that most of the large Philadelphia banks had established trade connections with manufacturing and retail firms. Some of these manufacturing firms had moved out of the center of Philadelphia into the outlying areas, both in North Philadelphia and in the contiguous counties. Retail establishments had also moved out, and there was therefore an incentive for the Philadel-

phia banks to try to maintain close connections with those customers in the outlying counties.

Q. Did you find that size was any factor in these movements?

[fol. 2148] A. Which movements, Mr. Reycraft?

Q. ". . . the motivations behind the recent branch banking and merger movement in the Philadelphia area have been predominantly economic, although the desire for bigness for its own sake is believed by some to have been of some importance."

Mr. Littleton: Objected to as being irrelevant—"believed by some."

Q. Was this one of the factors——

Mr. Littleton: Objected to.

The Court: The objection is overruled.

A. I think "believed by some" means that this was sort of a general view. We had no substantiation of this. This is an intangible thing which one cannot pin down. Size in a factor, I personally believe, and I think that this matter of prestige which was referred to yesterday by Mr. Potts may have been a factor here, but as far as our own study is concerned, this is merely reporting what was a general view, I think.

By the Court:

Q. You have no factual substantiation of it?

A. We did not study to find out whether or not size was a—well, let me qualify that a little bit. I think in some of the cases of these cross-county mergers a purpose behind the willingness of the merged bank to participate in the merger was to become a part of a larger institution, which would give them higher loan limits and more capable [fol. 2149] service from the city banks. In this sense I think size, from their standpoint, was a factor in agreeing to the merger.

By Mr. Reycraft:

Q. Dr. Keith, when you refer to the desire for bigness for its own sake being believed by some to have been of

some importance, to what persons were you referring at the time you prepared these conclusions?

A. Well, this is five years ago, and I am not sure——

By the Court:

Q. Were you referring to the practical banker or the theorist, Doctor?

A. Well, I think I was referring here to the talk on the street, rather than from the standpoint of the theorists.

By Mr. Reycraft:

Q. Did you interview anyone in connection with your study?

A. Oh, we interviewed a great many people in connection with our study.

Q. And some of your conclusions are based on these interviews?

A. Yes, to a certain extent we certainly incorporated the views we encountered in our interviews in our own findings. [fol. 2150] Q. What categories of people did you interview?

A. Well, we had a limited amount of time, and we didn't interview as many people as we would like to, but I talked with most of the bankers, a good many of the bankers both in the Philadelphia area and in the outlying counties concerning this problem, certainly some of the presidents of the larger banks in Philadelphia, or the men who were in charge of their branch operations, and we talked to a number of independent bankers in Bucks County, Montgomery County, and Delaware County.

Q. And did you talk to any others except bankers?

A. Generally speaking not, I think.

Q. So that your study is based primarily on discussions with bankers; is that correct?

A. It is based very largely on discussions with bankers who were participating in this study.

Q. Dr. Keith, will you refer to the third page of your summary, the second full paragraph——

The Court: Mr. Reycraft, I see a pattern developing here which I do not like. If you are going to read this in and say, "Is that your opinion?" I don't like that kind of

testimony. The book is here. I can read it as well as he can. If you want to question him on his conclusions, go ahead, but I don't intend to permit you to read this book [fol. 2151] in and say, "Is that so?" That is leading all the way, and I am not going to permit it. We have had objections on that ground, and I am just going to point up to you that that is the way it has to be from here in.

Now, if you want to reframe your strategy, we will take a ten-minute recess at this point.

(A ten-minute recess was taken at 10:55 A.M.)

Mr. Reycraft: Your Honor, I wish to state that on the basis of the ruling, I don't believe I can profitably pursue the examination. I wish to offer the survey, the summary of findings and conclusions, as representing the conclusions of the study commission.

The Court: Of the study group?

Mr. Reycraft: Yes, sir.

The Court: You are not being limited in any way, shape, or form in asking the good doctor any question about his ideas or anything else. I want you to understand that. To take Dr. Keith's group study and read conclusions reached by the group into the record is something that I am not going to permit. We have that. I can read it just as well as you can emphasize as part of the record the conclusions, but you have the good doctor here. He certainly [fol. 2152] did supervise this study. He has ideas. He is an economist and a thoroughly qualified one, and you are not being stopped in the slightest degree from questioning him to your heart's content on bank mergers, the present merger, or anything else. I want that understood, Mr. Reycraft. I want no inuendo in the record that I am cutting you off, because I don't intend to.

Mr. Reycraft: Perhaps I don't understand your Honor. What I will do is continue with my questioning, if Your Honor will permit me.

The Court: Provided you are not reading that volume in.

Mr. Reycraft: Yes, sir.

By Mr. Reycraft:

Q. Dr. Keith, did you reach any conclusions with reference to the question whether Philadelphia bank preferred to extend by merger rather than through de novo branches?

A. To expand by mergers rather than de novo branches?

Mr. Littleton: The answer is yes or no.

A. Yes.

By Mr. Reycraft:

Q. What was your conclusion?

Mr. Littleton: Objected to.

[fol. 2153] The Court: Overruled.

A. I think, as far as we could ascertain from talking with various bankers who were engaged in this operation, that there was some preference for acquiring bank branches through merger rather than through de novo branches, because when you acquire a bank through a merger, you get along with the bank its officers, its employees, its customer lines, and a somewhat more favorable reception in the community than you do when you come in with a de novo branch and have to start from scratch.

Q. Did you reach any conclusions with reference to the relative costs of expanding by merger rather than de novo?

A. We did not go into this in great detail. We would not be able to reach any such conclusion unless the banks themselves had been willing or thought it worthwhile to provide us with that information.

Q. What reasons did you find the acquired banks had for being willing to participate in mergers?

A. Well, the acquired banks had various reasons for being willing to participate in mergers, and I presume you are referring here specifically to the smaller banks outside?

[fol. 2154] Q. The mergers you studied, yes, sir.

A. We were particularly interested, of course, in the acquisition of small banks by the large Philadelphia banks. In some cases these banks saw an advantage in affiliation with a large Philadelphia bank. In some cases they had management problems such as Mr. Potts referred to yesterday, where you had the president and vice president who

were unable to carry on an aggressive banking operation in the community. They had no succession in line, and the easiest way out from the standpoint of preserving the institution and continuing to serve the community was to merge with a Philadelphia institution.

Q. Was it your conclusion that mergers of this type sometimes had beneficial effects on the community?

A. I think we had the impression that it did have beneficial effects on the community.

Q. As of the time you concluded your study, Dr. Keith, did you reach any conclusion with reference to the likelihood of continued mergers in the Philadelphia area?

A. Well, we did feel that the merger movement was probably not going to go ahead at as fast a pace as it had been proceeding between 1954——

Mr. Littleton: Keep your voice up, will you. I didn't hear that.

[fol. 2155] The Witness: We did feel that the merger movement across county lines particularly was probably not going to proceed at as fast a pace as it had been proceeding during this period between 1954 and 1956.

For one reason, the banks which were first absorbed tended to be the weaker banks, although this wasn't universally true, but, in any case, the banks which remained in the outlying communities usually reacted by strengthening their own organization, and they felt that, in effect, their competitive position was strengthened rather than weakened when one of their other competitors was absorbed by a Philadelphia bank. In other words, it tended to sharpen up, as we saw it—and some of the independent bankers, I think, more or less admitted this—the whole competition within the area. They had to introduce consumer loans, introduced techniques which the Philadelphia banks brought out there. So this was one reason for believing that it helped the communities to have mergers of this sort take place.

On the other hand, the further you go with these, of course, the price becomes higher, and although the several Philadelphia banks did pay a substantial premium to get into the communities, thinking particularly up in Bucks County and Bristol, and there were allegedly high premiums [fol. 2156] paid in some other cases, and, of course, the

fewer the banks left, the more Philadelphia banks would be competing for them, the higher the price, so that this, we thought, would ultimately slow down the process. Both the strengthening of the outside banks and the fact that the price at which they were willing to be absorbed might become a stopper from the standpoint of the acquiring bank.

Q. Why did you find these prices were becoming a stopper?

A. Well, I think any banker would probably agree that if you have to pay too high a price to acquire a branch, it may be better to wait and try your luck with a de novo branch later on.

Q. In your opinion, did the prices charged have any relationship to the competition among banks for the acquisitions?

A. I wouldn't know on that.

Q. You didn't reach any conclusion on that?

Mr. Littleton: He said he wouldn't know. Objected to.

By Mr. Reycraft:

Q. Did you reach a conclusion on that in your study? [fol. 2157] Mr. Littleton: Objected to. The witness said he didn't know.

The Court: The objection is overruled.

The Witness: Will you restate your question, Mr. Reycraft.

By Mr. Reycraft:

Q. Did you reach any conclusion in your study as to whether competition among banks in Philadelphia to make acquisitions had any bearing upon the price of those acquisitions?

A. Yes, I think we observed, as did anybody else, that where you have competition among banks for attractive institutions, that the price goes up.

Q. Did you reach any conclusions with reference to the mergers within the City of Philadelphia?

Mr. Littleton: Objected to. He said he made no study of mergers within the City of Philadelphia.

The Court: The objection is overruled.

A. I am not sure I understand your question, Mr. Reycraft. Conclusions with respect to what?

Q. The likelihood of mergers within the city proceeding much further.

A. Oh, I believe we did make a statement here to the effect that if it proceeded much further, it might attract [fol. 2158] the attention of the regulatory authorities to the possibility of reduced competition within the city.

Q. Did you conclude, therefore, that it was likely to proceed much further.

By the Court:

Q. Well, you weren't faced with what is known as the Cellers amendment at that time, which required all bank mergers to go through a certain process?

A. That is true. We observed that and we felt that there might be resistance to further mergers within the Philadelphia area.

Q. Including an act of Congress? You hadn't contemplated that at the time, had you?

A. I doubt it.

By Mr. Reycraft:

Q. Dr. Keith, what did your study show with reference to any change in the number of insured commercial banks with head offices in Philadelphia during the period of your study?

A. Any change in the number of head offices?

The Court: Are you talking about commercial banks now?

Mr. Reycraft: Yes, sir.

The Witness: I think we found during the period of the [fol. 2159] study that the number of independent banks in the Philadelphia area fell from—I can't keep these figures in my mind. I think we started out with 36 banks in 1947 and we were down to 16 in 1956. These were insured commercial banks, I believe.

By Mr. Reycraft:

Q. How many of these banks were eliminated by acquisitions?

A. I believe all of them were.

Q. Did you reach any conclusions with reference to the change in the concentration of banking assets in Philadelphia during this period?

A. Yes, we introduced statistics which had worked up, referred to earlier, showing the change in the concentration of bank assets in the Philadelphia area.

Q. What did your statistics show? . . .

Mr. Littleton: Will you give us the reference, please.

A. Table A-X in the main document, and this showed that the—well, the largest bank as of December 31, 1947, in Philadelphia proper controlled or represented 23 per cent of the total assets, commercial banking assets, in the city. As of June, 1950, this was 22 per cent, and as of June 30, 1956, this was 25 per cent. Of the two largest [fol. 2160] banks, as of December 31, 1947, the two largest banks represented 41 per cent of the total banking assets in the city; as of June 30, 1950, 41 per cent; and as of June 30, 1956, 48 per cent.

We also found that for the four largest banks the ratios rose between these dates from 56.5 to 73.1 per cent.

By the Court:

Q. Was that because the assets of five banks on June 30, 1956, were included in the first four?

A. Yes, the mergers would have shot these percentages up.

By Mr. Reycraft:

Q. So that this increase in concentration which you have described resulted from the mergers?

A. Mainly the result of mergers. Of course, I presume the larger banks may have been growing a little faster than some of the smaller banks, even so, but I don't think you would have had the changes in these ratios had it not been for the mergers referred to earlier.

Mr. Littleton: You said that last as an assumption, that the larger banks had——

The Witness: This is an assumption purely.

[fol. 2161] Mr. Littleton: You have nothing on which to base it?

The Witness: I have no facts here in the study.

Mr. Littleton: I move that it be stricken.

By Mr. Reycraft:

Q. And if they——

Mr. Littleton: I have a motion, Mr. Reycraft.

Mr. Reycraft: I am speaking to your motion.

By Mr. Reycraft:

Q. If they had not grown, all of this increase would be attributable to mergers?

The Court: I don't think it is necessary to strike it. I am going to overrule the objection, because the doctor stated very definitely that it had no basis in fact. It is a calculated assumption, and that is all I am going to accept it for.

By Mr. Reycraft:

Q. Dr. Keith, did you examine the changes in the number of commercial banks in the four-county area between 1947 and 1956?

A. Yes, we did.

Q. What conclusion did you reach?

A. Well, we found there too that there were——

[fol. 2162] Mr. Littleton: The reference, please.

The Court: A-X.

The Witness: Well, now, let's see. You will find on Table A-X also a similar statistical presentation for Philadelphia and the contiguous counties. In other words, this would be the entire four counties.

Mr. Reycraft: Yes.

The Witness: And this shows increases in concentration of bank assets for the same years. Do you wish me to read those?

[fol. 2163] By Mr. Reycraft:

Q. If you can explain them generally without reading them that will be preferable.

A. Generally, I think perhaps the most important figure is the one for the four largest banks again, where the

percentage of assets within the four-county area controlled by the four largest banks was 49 per cent in 1947 and 64½ per cent in 1956.

Q. What change took place with reference to the number of banks in the four-county area?

A. Well, the number of banks in the four-county area, I think there are some figures in Chapter II on that, page II-12. At the end of 1947 there were 69 commercial banks which had offices in Bucks, Delaware, or Montgomery Counties. By June 30, 1956, this was down to 39.

Q. Did you study the source of these acquisitions, that is, whether the number of banks acquired by home-county banks as compared with those acquired by Philadelphia banks?

A. Yes. We did.

Q. What was your conclusion?

A. Well, you will find on Table II-B here the number of independent banks—Chapter II, page 13, the number of independent banks eliminated by absorption by county banks (that is banks within the same county) 14 out of a total of 31 eliminated by absorption; and 17 by Philadelphia [fol. 2164] banks.

Q. Dr. Keith, did you study the change in the banking structure in Delaware County?

A. Yes. We did.

Q. Did you examine the number of new banks chartered in that county?

A. I believe there were no new banks chartered.

Q. Pardon me?

A. I believe there were no new banks chartered in that county during the period of our study.

Q. Were there any new banks chartered in any of the three counties in that study?

A. I think the Bank of Old York Road was the only bank in the area. Let's see—that would have been in Montgomery County, I believe.

Q. Did you reach any conclusion with reference to any possibility of the effects on competition of the mergers you have just described?

A. Well, as I——

The Court: Read that question back.

(The pending question was repeated by the reporter.)

The Court: You can answer that yes or no, Doctor.

[fol. 2165] The Witness: Yes.

By Mr. Reycraft:

Q. What was it?

A. Well, we described a lot of mergers here. I think, as I indicated before, we reached conclusions concerning the mergers of Philadelphia banks with smaller banks in Bucks, Montgomery, and Delaware Counties; that, by and large, these tended to intensify competition in those latter counties.

Q. Did you reach any conclusion with reference to the effect on the range of choice of persons residing in those areas of banking services?

A. We did not undertake to question businessmen concerning the range of choice with respect to banking outlets.

I think you will find a table in here at the end, toward the end, in an appendix here, in which we indicate the number of competitive commercial banking offices in communities in Bucks, Delaware, and Montgomery Counties. This is Table A-XII.

The Court: A-what?

The Witness: Table A-XII, in Appendix A.

This is as of November 1956, which would have been toward the end of the period of our study.

You will notice here we indicate the number of competitive units here in each of the three counties. We also indi-[fol. 2166] cate the number of units in which there was a county head office in which there was one county branch, and in which there was one Philadelphia branch.

In the first category these would all be communities which only had one banking office, which indicates the kind of office it was. Then, as you come on down, you have communities with two and three competitive units in them.

I think the general trend at the time was for some reduction in the number—you can see—of course, this doesn't indicate time. This is only as of the close of the period, but we did find that throughout this period, particularly in the three counties, the number of small banks—this is

shown, I think, in Table A-XIII—that the number of very small banks, those with deposits under $2,000,000, were sharply reduced during this period, and even those with deposits from between $2,000,000 and $10,000,000 tended to fall.

On the other hand, the banks with deposits of more than $10,000,000 tended to go up, which would be natural when you are merging small banks into larger ones.

For example, you will notice in Bucks County that in 1947 there were eleven banks with deposits between $2,000,000 and $4.9 million. By 1956 these had been reduced to four banks; and similar figures are shown for the other [fol. 2167] counties.

By Mr. Reycraft:

Q. Did you reach any conclusion with reference to the effect on competition which might result if the merger movement you described were to continue in the City of Philadelphia?

Mr. Price: Objected to.

The Court: Overruled.

The Witness: Yes. We reached a conclusion that this might encounter some opposition from the regulatory authorities, I believe.

By Mr. Reycraft:

Q. Did you reach any conclusion independently with reference to the effect on competition?

A. I do not think we did.

Mr. Reycraft: I would like to refer him to the text, Your Honor, page 8 of the summary.

The Court: Refer him.

By Mr. Reycraft:

Q. At page 8 of your summary,——

A. Yes.

Q. —at the end of the second paragraph, does that refresh your recollection?

A. Let's see. Where this says——

"On the other hand, if the merger movement were to [fol. 2168] continue to reduce the number of competing units in the City of Philadelphia and some of the larger communities in outside counties, competition could be significantly limited."

By the Court:

Q. You said it could be, but you didn't say it would be?
A. That is correct.

By Mr. Littleton:

Q. And you said "lessened," not "limited"?
A. "Lessened," I think this is.

By Mr. Reycraft:

Q. It could be substantially lessened?

Mr. Price: He said "significantly."
The Witness: "Significantly lessened."

By Mr. Reycraft:

Q. Dr. Keith, did you give any attention in your study to the adequacy of regulations for banking mergers?

A. Well, we looked a little into the regulatory aspect of the problem, yes.

Q. Did you reach a conclusion?

A. Well, I think that we indicated in here there did not appear to have been any, as of the time of this study, any special——

Well, you have to depend on whether or not you were [fol. 2169] talking about the state regulatory authorities or about the federal.

Q. Well, will you start with the federal?

A. As far as the federal was concerned, we could find no evidence that the Comptroller of the Currency had raised serious objection to any of the mergers which had taken place in the country at large, as a matter of fact.

Q. Did you examine the number of applications which

had been submitted to the Comptroller during the period of your study?

A. Well, we had access to material which was presented by the Comptroller in the hearings before the Antitrust Subcommittee of the Committee of the Judiciary, House of Representatives, at the Eighty-Fourth Congress, First Session; and in these hearings, I believe, Mr.——

I think we made a reference in our document that there had been some 376 applications for mergers among national banks, and all of these 376 applications had been approved by the Comptroller of the Currency.

Q. You found that none had been disapproved?

A. None had been disapproved.

Q. Out of 376?

A. That's correct.

Q. Did you reach any conclusions with reference to the [fol. 2170] adequacy of the attention given by the regulatory authorities to the problem of controlling home-county mergers in Pennsylvania?

Mr. Price: Objected to.

The Court: Read the question back.

(The pending question was repeated by the reporter.)

The Court: I will sustain the objection to that question. I don't think that the doctor should be put in the position of having to answer it.

By Mr. Reycraft:

Q. Did you reach any conclusion, Dr. Keith, with reference to the question of whether there was any basis for concern with respect to further mergers among remaining Philadelphia banks at the time of your study?

Mr. Price: Objected to.

The Court: Read it back.

(The pending question was repeated by the reporter.)

The Court: Concern to whom?

Mr. Reycraft: For the public.

The Court: Who are the public?

[fol. 2171] Mr. Reycraft: The users of bank services, primarily.

The Court: In the United States or in Philadelphia?

Mr. Reycraft: In Philadelphia.

The Court: I will overrule the objection on that basis.

The Witness: Well, I think we said in IV-3 the fact that there has been a reduction in the number of competing banking units in the area suggests the possibility of lessened competition, although it need not mean this.

By Mr. Reycraft:

Q. I believe you also——

Mr. Price: I move the answer be stricken as not responsive to the question in the respect that it was limited by the Court.

The Court: I think it was. I will deny your motion.

By Mr. Reycraft:

Q. I would like to refresh your recollection also by referring you to V-46.

A. Yes?

Q. Would you read that page and see whether it refreshes your recollection?

A. V-46?

[fol. 2172] Q. Yes, sir.

The Court: Read it to yourself, Doctor. I don't want it in the record.

The Witness: Yes. I think what we were trying to point out here was that particularly with respect to the state authorities, their prime concern appeared to be with the decline in the number of banks in the outside areas, particularly as a result of the intercounty mergers.

Whether this was concerned with too much danger of monopoly or too much competition in the area, I don't think is the case. I think we observed here that possibly more concern, more attention should be given to what was occurring within the City of Philadelphia itself, where the state authorities did not appear to have—well—raised similar objections or given similar attention to the merger movement.

By Mr. Reycraft:

Q. Did you reach any conclusion with reference to the importance of the soundness of the institutions involved in the merger?

A. The importance of the——

Q. The soundness, yes, sir, the financial soundness of the institutions.

The Court: In Philadelphia?

[fol. 2173] Mr. Reycraft: Yes, sir.

The Court: I note that he said he wouldn't recommend two sound banks in a two-bank town being merged and eliminating competition, but we are talking about Philadelphia.

I think the question has been limited as of now to Philadelphia.

Mr. Reycraft: He also says or reduced numbers signifi. cantly by fusing two sound and viable institutions.

The Court: Will you read that, Doctor? Are you talking about Philadelphia?

The Witness: I think we are talking generally here.

The Court: I thought you were, too.

By Mr. Reycraft:

Q. Are you including Philadelphia?

A. I presume we had in mind the whole area.

Q. Did you conclude, Doctor, that there was any basis for concern about further mergers among remaining Philadelphia banks?

The Court: Concern to whom?

Mr. Reycraft: For the public.

The Court: Isn't that the question you just answered?

[fol. 2174] Mr. Reycraft: Would you read the answer to that question?

The Court: If you haven't answered that question, Doctor, go ahead and answer it.

I assume there is an objection.

Mr. Price: I object.

The Court: And that it is overruled.

Mr. Price: I objected before; I guess I ought to object again.

The Witness: Well, I think, to repeat what I said earlier, we did indicate feeling that there might be concern on the part of the regulatory authorities if there were any further mergers within Philadelphia or the merger movement went much further.

The Court: We have had that, Doctor.

The Witness: Yes.

The Court: So you are a good prophet.

By Mr. Reycraft:

Q. Do you have any prophecy at this time, Doctor, as to the future?

A. I have no prophecy. I have not followed this situation.

As I indicated earlier, my interests lie in other directions.

Q. Dr. Keith, did you, in your study, give any considera-
[fol. 2175] tion to the type of competition in which the merged banks engaged in Philadelphia?

A. In Philadelphia or in the four counties?

Q. Philadelphia first, then in the four counties.

These banks have offices in all counties, I assume.

A. Yes. We observed that competition is, of course, a multiple thing. I mean that's why we included within this study an examination of savings and loan associations, finance companies, mutual-savings banks, and credit unions that, to a greater or lesser extent, in some aspects of their business commercial banks are in competition with these other institutions.

Q. Yes.

What consideration did you give to the method of competition among commercial banks?

A. Well, we tried to determine by questionnaire and interview the ways in which commercial banks competed among themselves with these other institutions with, I think, particular reference to the competitive behavior of a Philadelphia bank going out into one of the three contiguous counties.

Q. Did you reach any conclusion with reference to price competition and interest rates among commercial banks in Philadelphia?

[fol. 2176] A. Yes. As far as we could observe from the

interviews which we had, price competition is not a major factor in the competition among the commercial banks. They do not try to take customers away from their competitors by offering loans at lower interest rates, et cetera.

Q. Did you find any competition in service charges?

A. Well, we found some difference in service charges. In a sense, one thing which we observed was that when a Philadelphia bank went out into the suburban counties, they usually introduced the same service charges which were in effect in the home office, and frequently the bank which they took over either had lower service charges or in some cases had not imposed any service charges.

This may have made them in a sense somewhat less competitive with the local institutions, if the local institutions continued the old practice. In some cases the local institutions, following the entry of the Philadelphia bank, might themselves introduce service charges.

Q. Or increase their service charges?

A. Or increase them.

Q. Did you reach any conclusions with reference to the effect of paying premiums for the acquisitions which you have described in the four-county area?

The Court: the effect of paying premiums for acquired [fol. 2177] institutions? The effect on whom?

Mr. Reycraft: The capital structure of the acquiring bank.

The Court: That makes sense.

Go ahead, Doctor.

The Witness: Well, we did not go into this question of premiums in great detail.

As was previously indicated, we tried to compute the extent to which premiums had been paid, but since the mergers in which we were particularly interested were the mergers, or one type of merger in which we were particularly interested was the merger where a strong bank was picking up a weak bank—in those cases there were no premiums.

I think the premiums occurred in the case of the acquisition of the two banks up in Bristol and some of the subsequent acquisitions, I believe, involved some premiums; but this was a—I think we pointed it out as something we did not go into in any great detail.

I think on page IV-29 one aspect of the recent merger

movement that has given rise to some critical comment has been the large premiums paid in connection with some of these mergers.

By Mr. Reycraft:

Q. Did you make any study of the percentage of the premium paid, the amount of the premium paid as a per-
[fol. 2178] centage of deposits?

A. Yes. I think we introduced some statistics here bearing on that.

Q. What did your study show in that regard?

A. Well, that is shown on Table IV-D on page IV-30, by percentage groups, indicating the per cent of the total deposits of the premiums paid for acquired banks in the Philadelphia area, expressed as a percentage of total deposits and net worth of the acquired bank.

There were 15 cases of cross-county mergers and 10 within Philadelphia itself.

Q. And how many of those involved the payment of premiums?

A. Well, these were the 15 cases there. Sometimes the premiums were very small.

Mr. Littleton: If Your Honor please, I must object to the relevancy of this kind of testimony. There has been no definition here as to Philadelphia National Bank or Girard Trust Corn Exchange.

These are just general figures and I can not see the relevancy to the issues before this Court.

Mr. Reycraft: They include acquisitions——

Mr. Littleton: I object to it.

Mr. Reycraft: They include acquisitions in which both
[fol. 2179] the Philadelphia National Bank and the Girard Trust Corn Exchange——

Mr. Littleton: Mr. Reycraft, I have an objection on the record.

Mr. Reycraft: n addressing myself to your objection.

Mr. Littleton: You are asking the witness a question.

Mr. Reycraft: I am speaking that the tables include references to acquisitions in which Philadelphia National Bank and Girard Trust Corn Exchange Bank engaged, and I think they show that one of the reasonable conclusions that

can be reached as to premiums is that one of the reasons was the elimination of competition.

Mr. Littleton: I still object because it doesn't appear anywhere in these tables that they are Philadelphia National Bank or Girard Trust Corn.

They may have been, but it doesn't appear in the table and the witness hasn't stated.

The Court: He hasn't had a chance.

By the Court:

Q. Does this include Girard Trust and Philadelphia National acquisitions?

A. Well, in so far as they engaged in mergers during this [fol. 2180] period.

Q. But you have no independent recollection now, do you, Doctor, whether either one of them paid a premium in any particular acquisition?

A. (No response.).

Q. I am suggesting that you don't because I can't see how you could keep that in your mind.

A. This detail slips me, I am afraid.

The Court: Then I will sustain the objection.

Mr. Reycraft: I would like to ask the same question, Your Honor, with reference to the percentage of net worth of the acquired banks; and I assume there will be the same ruling.

Mr. Littleton: The same objection.

The Court: The same ruling.

By Mr. Reycraft:

Q. Did your study, Dr. Keith, include any examination of the length of time it took borrowers to get loans processed at branches after acquisition?

A. Well, I am not——

Mr. Littleton: That is objected to unless it is directed to either the Philadelphia National Bank acquisitions or the Girard Trust Corn Exchange acquisitions.

Mr. Reycraft: Your Honor, I submit that a study of [fol. 2181] competition among commercial banks in the four-county area, which is the most relevant area in this case, is highly relevant on the issues here.

The question of elimination of competition and tendency to monopoly resulting from this merger can be judged not only by reference to the fact that the two banks themselves, but also by reference to general competition in the area, and I think that on that basis the witness should be permitted to testify concerning competitive effects of commercial-bank mergers in this area.

Mr. Littleton: I submit, if Your Honor please, that Mr. Reycraft's argument in completely contradictory.

The Court: I pointed out that this is in a field that is quite gray. It is certainly not black-and-white, and I have to allow perhaps untoward and untold leeway.

I am going to overrule the objection.

Mr. Reycraft: Would you read my question?

The pending question was repeated by the reporter as follows:

"Q. Did your study, Dr. Keith, include any examination of the length of time it took borrowers to get loans processed at branches after acquisition?")

The Witness: My recollection is that we made no sys- [fol. 2182] tematic attempt to determine the differences between the time it took to make a loan before the merger had taken place and after it had occurred.

On the other hand, in discussing the general effects of mergers of a city institution with a bank in one of the three contiguous counties, it was quite clear that in some cases this could lead to some delay in getting a loan. This is because the city bank, which took over the bank outside, would frequently set up standards and procedures for examining loan applications, requiring certain information from the borrower which had to be analyzed; and this could take some time.

I encountered stories both ways.

You could get an example cited, which I never was, of course, able to verify, of a man who could have walked into one of the local banks and gotten a loan on his signature and was kept waiting for three weeks after a merger.

On the other hand, there were——

By the Court:

Q. What happened on the second time he went around after he waited three weeks?

A. He went to another bank, I was told. He didn't come back.

Q. In other words, he had to re-establish credit with the new bank?

[fol 2183] A. In a sense, yes.

Q. But I am interested in him going back the second time. How long did it take after he had re-established his credit?

A. This would be the other side of the story, I think, that once the machinery had been set up and was well oiled, then the contention made by the banks themselves on this particular point was that they could get a loan for a man within (well, again, my memory may—this was five years ago that I asked these questions) but say within a matter of a day or 24 hours, possibly 48.

By Mr. Reycraft:

Q. Did your study include any examination of the effects on banking costs of the mergers you examined?

A. We inquired into this and we asked in the questionnaire which we sent out to the various banks what effect this had had on banking costs; and I think the answer we got back was one which we had expected, namely, that it hadn't affected banking costs very much.

Q. It what, please?

A. It did not affect banking costs very much.

The reason for this was one, I think, alluded to by Mr. Potts yesterday, namely, that when you went into an outlying bank and took it over you kept on all of the old employees; so that there was no opportunity for economy here. You [fol. 2184] sometimes incorporated them within your pension plan and that increased expenses; and that any economies which were going to develop out of this would be expected to occur in the longer run and not immediately after the merger.

So the answers we got to these questions were generally no, that no substantial economies had been effected.

On the other hand, of course, in the matter of clearing checks, in the matter of being able to use the more elaborate

machinery which a larger bank would employ, undoubtedly there were economies here; but these were offset by the diseconomies of having to absorb an institution and perhaps step up expenses temporarily.

Q. You didn't make any study, did you, of the economies which might occur over the long run?

A. No. I don't think we were in a position to go into that detail.

Q. Did you find that the desire to reduce expenses was stated to be a factor in any of these mergers?

A. Would this be on the side of the merged bank or the acquiring bank?

I think this is one of the reasons, perhaps, for going into a merger. Let's say a smaller bank out in the outlying counties, to the extent, let's say, that it tries to provide trust services for its customers, may find this an expensive [fol. 2185] operation given the number of trust accounts which they are able to attract.

Q. If I may refer you to page 10 of your conclusions,—

A. Which is this, the summary?

Mr. Littleton: Do you mean the summary?

Mr. Reycraft: The summary and conclusions.

The Witness: Yes?

By Mr. Reycraft:

Q. Will you read the last paragraph in that section and see whether that refreshes your recollection?

A. The last paragraph on page 10?

Q. Yes.

A. "The recent decline in the number of independent unit banks"——

Q. No, at the top of the page, above the V.

A. "The branch banking and merger movement does not appear to have made any very substantial contribution to the reduction of the banking costs in the Philadelphia area. The desire to reduce expenses has been infrequently mentioned as a motivating factor behind recent mergers, and the economies that have been cited following these mergers have been quite modest. But in view of the limited time that has elapsed since most of these mergers were effected, it is probably too soon to reach a final conclusion on this [fol. 2186] point."

Q. And that was your conclusion at that time; is that correct?

A. That was as far as we could see at that time.

The Court: Is it any different from the conclusion that he expressed here this morning, independently of that?

Mr. Reycraft: I thought it was, Your Honor.

The Court: I didn't see it. I understood everything he said to be concluded by the language he just read.

By Mr. Reycraft:

Q. Did your study include any examination of the size of the resources a commercial bank ought to have in order to realize economies of scale?

A. Well, that is an intriguing question which given more resources and time, we would have, I think, liked to have looked into; but I can't honestly say that we made any significant move in this direction. I mean we could——

I pointed out earlier that the reason, as we saw it, for the disappearance of so many of the very small banks, those between $2,000,000 and $10,000,000, some of these absorbed by in-county institutions, some of them absorbed by Philadelphia institutions, we felt was to some extent an [fol. 2187] attempt to effect greater efficiency through a larger institution.

Q. Is your answer that you did or did not reach a conclusion on this subject?

A. I think we reached a conclusion that the very small bank was perhaps suffering from diseconomies of small size.

I think we also had the feeling that when you got up to a bank between $10,000,000 and $50,000,000, particularly out in the counties, that they felt that they could compete effectively with larger Philadelphia banks, even though they might not be able to afford or use all of the mechanical equipment which cuts down costs and processing checks and so forth.

Certainly, the bankers we talked to in Montgomery and Bucks Counties on this point seemed to feel that they could operate, that they didn't need to merge with a larger institution in order to continue to do a profitable business in their existing size.

[fol. 2188] Q. Did you reach any conclusion or did you make any study of the advantages or disadvantages to the public of new banking offices being established by merger or by de novo offices?

A. You mean which was more in the interest of the public?

Q. Yes.

A. Oh, I think this would vary according to the general situation. I mean, you understand, of course, that in a sense the regulatory authorities have two problems: One is too few banks and the other is too many banks or banking offices. Generally speaking, the state authorities seem to lean in the direction of making it difficult for new branches to be established outside of Philadelphia County, so that the procedure usually followed, if a bank wanted to acquire a branch, was to acquire it by purchase or by merger.

In case they wished to establish a de novo branch in one of the outlying counties, this had to be approved by the Secretary of Banking and also by the Banking Board, and of course, on the Banking Board would be bankers reflecting the interests of the banks in the county being thus invaded. Furthermore, they gave an opportunity for any local banks which opposed the establishment of this new [fol. 2189] branch to be heard, to present evidence indicating that there were adequate banking resources in the county already and that there was no need for this new banking office.

This, I might say, contrasts a little bit in terms of the procedure followed within the city, where the general attitude of the Secretary of Banking seemed to be that if a commercial bank wanted to establish a new branch, this was its own business, and if this resulted in a loss to the bank, that was its concern and not the concern of the banking authorities.

By the Court:

Q. Was it your conclusion, then, that one of the prime reasons for the mergers cross-county was because of this situation that you have just described?

A. I think so, that in a good many instances they felt that this was the only way that they could, as I say, follow their customers into these counties, since the obstacles in

the way of getting approval of a new branch would be fairly great.

By Mr. Reycraft:

Q. Dr. Keith, on the basis of your study of the banking structure in Philadelphia and the three contiguous counties, do you have an opinion as to whether there would [fol. 2190] be an adverse effect on competition if the second and third largest banks in Philadelphia were merged?

Mr. Littleton: The answer is yes or no, Doctor.

A. Do I have an opinion?

Q. Yes, sir.

A. Yes, I think I have an opinion.

Q. What is it?

Mr. Littleton: Objected to.

The Court: Overruled.

A. Well, this is only an opinion, I might say, and it is an opinion which is not based on a continued followup of the developments which have occurred since the period of my study, but my opinon is that there would still be a considerable amount of competition within the Philadelphia area, knowing the other banks that are doing business following this merger.

Q. In your opinion, would a substantial amount of competition be eliminated between the two banks?

A. Well, I can only observe that as far as the particular aspect of this which we looked into, namely, the operation in the contiguous counties, that the operations of the Philadelphia National Bank do not overlap very significantly the [fol. 2191] operations of the Girard Corn Exchange, which is concentrated in Delaware County and in Ambler, whereas the Philadelphia National Bank's offices are out, generally speaking, along the Schuylkill, up that way.

Q. Do the home offices compete, in your opinion?

A. Well, I assume that all the larger banks compete with each other in this area, but I have no inside information on the intensity of competition among them.

Q. Would it be eliminated, in your opinion, if the banks were merged?

A. Well, in so far as there is competition between the Girard and the Philadelphia National, I assume that a merger would eliminate it.

Mr. Reycraft: That is all.

Mr. Littleton: I have no cross-examination, Doctor.

Cross-examination.

By Mr. Price:

Q. Dr. Keith, you concluded that the merger movement that you described was the result of a need for further banking facilities; is that right?

A. Well, in so far as this was the merger movement as between the out-of-county banks——

Q. That is right. The establishment of branches outside of Philadelphia was the result of a need for addi-

[fol. 2192] tional banking facilities, was it not?

A. Yes. I think the outlying counties were growing. They needed more banking offices. They needed possibly a wider variety of services than were initially being provided by the local banks. This would be more important in some communities than it would be in others.

Q. But in general the acquisition of outside county banks or the establishment of branches provided facilities which the smaller banks had not performed and been able to furnish and therefore their services to the community were improved, were they not?

A. Well, this again depends upon the kind of community. I wouldn't want to say that none of these outlying banks had been able to provide services to their customers. Some of these banks were, and some of them who have remained independent still are, as far as I understand, quite able to furnish the ordinary run of commercial banking facilities.

Now, there are some special services which I presume the Philadelphia banks can offer which these smaller banks cannot, but through the correspondent relationships which they would have with the Philadelphia banks, I presume that this would not be too much of a detriment from the standpoint of these outlying communities.

[fol. 2193] Q. You spoke before of the additional services that many of these banks became able to render as a result

of merger, such as perhaps trust facilities, which they didn't have before.

A. Yes.

Q. Increased size of loans. They were additional services that were not available in all cases, were they?

A. Yes. For instance, the Jenkintown Bank and Trust Company, the Montgomery Bank in Norristown, have, let us say, trust departments. I think that what happened was that in some of the cases, and this was particularly true the further you moved out of Philadelphia, or I believe there was a situation in Lansdale where you had a rather unprogressive bank that probably wasn't serving the community too well, and when the Philadelphia National Bank went out there it probably did a good deal to add or supplement the services which were available to the local businessmen in that area; but there were other banks in the outlying area, I think, which were much more alert to what modern banking meant and were trying to provide it to their customers.

Q. I didn't mean that they all either required or desired to merge, and I think you found that a number of them were sufficiently well staffed and independent to be able [fol. 2194] to——

A. Oh, yes, some of them were quite uninterested in any merger.

Q. That is right, but the ones that were interested were interested because they had internal needs that could be met only by merger or by assistance from the outside; isn't that right?

A. This was true. You have two different situations, I think. There are some banks which, either because they have a problem of management succession or because they have a problem of high costs which they don't know how to cope with or because they have a problem of not being able to provide the services demanded have to look around for some solution to this problem, and the merger solution is an attractive one. On the other hand, there were other mergers where I think the initiative probably came from the Philadelphia banks themselves, and where the principal appeal, perhaps, to the local institution was perhaps more profits for stockholders. I mean the terms of the merger were attractive enough to make them feel they could do

better by becoming a part of the Philadelphia institution than to stay an indepedent in their own locality.

Q. In any event, it was a matter of choice with the [fol. 2195] smaller banks?

A. Oh, yes. None of these were forced into it.

Q. And they all considered that they were improving their position by virtue of the merger, as far as you could tell; is that not so?

A. As far as I could see, this was the case.

Q. And as far as you could see, the effect of these mergers was beneficial to the communities, was it not?

A. In this particular case I think our general conclusion was that this was beneficial to the communities concerned. In fact, we, of course, felt that a kind of mixed banking system in w..ich you have both local and city institutions is perhaps the best combination, since a man is free to deal with either a local institution or with a Philadelphia institution as he sees fit.

Q. And you found that at least in certain instances an improved competitive situation had sharpened up the competitive activity of the banks?

A. Yes, I think we found that in a number of instances.

Q. And that the effect of the branch banking and merger movement, as you described it, improved the quality of banking services in many parts of this four-county area?

A. That is correct.

[fol. 2196] Q. You found, did you not, on this general subject of competition that competition among the banks in the area was considerably keener at the time of your examination than it was, say——

Mr. Reycraft: I object to the question. I don't mind your leading him, but I think you ought to let him testify.

Mr. Price: This is cross-examination, and I am entitled to lead him, Mr. Reycraft.

Mr. Reycraft: Yes, but not to testify.

Mr. Price: I am asking him a question. He can testify.

By Mr. Price:

Q. I am asking you whether you didn't find, as a result of your examination of this problem, that competition among the banks was keener than it was ten years before.

A. In many of these communities outside of Philadelphia this was certainly our observation.

Q. Did you not also reach the conclusion that the growth of business and the growth of the economy and of industry in the area required larger banks than had been the case before or that had been needed before?

A. Well, I think——

The Court: Which area are we talking about?

[fol. 2197] Mr. Price: Philadelphia and the four-county area.

The Court: Are you talking about Philadelphia or the outside area? What are you talking about?

Mr. Price: Philadelphia and the four-county area.

The Court: Read the question.

(The reporter read as follows:)

> "Q. Did you not also reach the conclusion that the growth of business and the growth of the economy and of industry in the area required larger banks than had been the case before or that had been needed before?"

A. Well, I think we suddenly found that the growth of these suburban and outlying communities in many cases meant that the small bank which had previously served them wasn't able to do so as effectively as it had before this growth and expansion. In some cases this was a matter of availability of offices in newly developed communities. In some cases it could have been the growth of business in these areas and the movement of business into these areas. The local banking establishments, most of which were quite small, knowing the limits upon their lending [fol. 2198] capacity, could presumably not serve the local community, because many of these business firms as I understand it out there could and did come into Philadelphia for a good part of their loan business. Of course, if a Philadelphia bank could acquire a branch out there, that put it in a somewhat better position to compete for that kind of account. If you could offer them a local office to handle their day-to-day needs, you might be able to get some of their loan business.

By the Court:

Q. Dr. Keith, when you said that they were following their customers into the outlying area, you didn't think they were doing it for a charitable purpose, did you?

A. No, I did not.

Q. You thought they were doing it for profit?

A. Oh, yes, I believe that all of these people that have gone out have done so with the idea of improving their profits by so doing.

Q. But your testimony in chief, as I understood it, was related primarily to the Philadelphia banks going into these three counties.

A. This was the problem, of course, that we were primarily concerned with.

The Court: I thought you made that clear earlier.

[fol. 2199] By Mr. Price:

Q. You found a correlation between the size of banks and the size of their customers, did you not?

A. I don't know that we studied this particularly, but, of course, the Federal Reserve Board in Washington made such a study and did come out with a finding that there was a correlation between the size of loans and the size of banks. Obviously you can't have very large loans on the books of a very small bank.

Q. And didn't you find that there was competition among the larger Philadelphia banks outside the four-county area, competition with New York banks?

A. This we did not look into.

Q. I beg your pardon?

A. I say, this we did not look into.

Q. You didn't look into it?

A. I don't think you will find anything——

Q. Will you turn to Page I-24 of your report.

A. Yes.

Q. The last line.

A. Last paragraph? Where it says, "There is a considerable correlation between the size of banks and the size of customers"?

[fol. 2200] Q. Yes, will you read that.

A. "The largest banks compete in a national market." Do you wish me to read further?

Q. Yes, the rest of that paragraph.

A. "Furthermore, banks competing in this national market must keep up with the growth of banks in other cities. Banks in New York City are, for example, concerned over the growth of large banking units in the Far West and elsewhere, while Philadelphia banks are concerned about maintaining their competition position in the national credit market against growing institutions in such cities as Chicago, Cleveland, Pittsburgh, and Boston."

Q. That was your conclusion, was it not?

A. This was a conclusion based on a general understanding of the nature of banking competition throughout the country.

Q. I say, it was your conclusion, was it not?

A. I would agree with this, yes.

Q. Did you find also, Dr. Keith, that the concentration in banking assets in Philadelphia was somewhat less than it was for comparable size cities in the country? Do you recall that?

A. Well, I think we had a table in the appendix back here in which we undertook to compare—Table A-XI—[fol. 2201] in which we compare the percentages of total commercial bank assets owned by the largest bank in principal financial centers as of June 30, 1954.

Q. That shows their relative positions in that regard, does it not?

A. Well, it shows that the largest four banks in the Philadelphia area controlled or represented 69 per cent, I think, of total bank assets in this country, as compared with some larger and some smaller ratios in other cities. Do you wish me to indicate some of the cities in either category? It is higher than in New York, obviously, since you have larger banks there, but lower than Providence, Pittsburgh, Minneapolis, Cleveland, Boston, Chicago, Detroit, Dallas, Atlanta, Richmond, Kansas City, St. Louis, Baltimore, Philadelphia—Baltimore, and then you come to Philadelphia—so that at that time Philadelphia would be, with respect to the proportion of assets in the community held by the largest four banks, would have been fairly near the bottom of the list.

Q. Dr. Keith, you included in your report a consideration of some of the competition that was afforded commercial banks by non-commercial bank sources.

A. Yes.

Q. And that is why you included the savings funds, and [fol. 2202] so on, in your study?

A. Yes. This was the wish of the committee, that we include in our study an analysis or examination of these other institutions.

Q. And you understand, do you not, that commercial banks have a great many activities in addition to the straight deposit and lending activities?

A. Oh, yes. We were aware of the fact that they engaged in other activities.

Q. And there is large competition in the Philadelphia and four-county area in these other fields?

A. Well, there is certainly competition for time deposits with the mutual savings banks and the savings and loans, I think. There is competition with these institutions in the real estate lending market. There is competition for consumer loans with the finance companies and to a lesser extent, I think, with the credit unions. These are the areas, I think, in which to some extent there is competition with finance companies for business loans.

Q. You found out, in general, there wasn't any price competition?

A. As far as we could determine, this was not a way in which commercial banks compete with each other.

[fol. 2203] Q. And that is not only in Philadelphia or the four-county area, is it?

A. No, I think this is generally understood to be the case.

Q. You mentioned service charges. You made no study of the basis for the amounts of the similar charges, did you?

A. No, we merely attempted to get information from the various banks concerning the kinds of service charges which they imposed.

Q. It was the fact or the amount of the service charges?

A. It was the fact or the amount, yes. We did not go into the basis for determining what service charges should be.

Q. That it what I meant. Did you find, in general, that the bank capital and surplus had tended to lag behind the growth of industry?

A. I wouldn't say that we found this in this study. We tried to trace the growth of industry in this general area,

as a means of determining whether there was an adequacy of banking service here. We also compared the number of banking outlets, with population, the population per banking office as an indication of the adequacy of bank office facilities.

[fol. 2204] Q. Did you find them to be adequate?

A. Well, it is pretty hard to say what is adequate in this area.

Q. Well, you didn't find any shortage, did you?

A. There seemed to be some reduction. I believe my recollection is that we found that the number of banking offices increased somewhat faster in this area than the population.

Q. So that so far as services are concerned, the community was adequately served, was it not?

A. Well, assuming that it wasn't too inadequately served at the start. You never know what the basis from where you are starting here. Certainly you could say that the growth in banking offices had kept pace during this period with the growth of the community. Whether it was adequate at the start of the period or not, I wouldn't be in a position to say.

Q. Did you find that there was a lag in lending capacity because of the expansion of industry or growth of industry at a greater rate than that of the banks?

A. This would have required I think a rather different sort of study to determine to what extent the banks here were unable to satisfy the borrowing needs of the businessmen in the area. We made no attempt to——

[fol. 2205] Q. Will you turn to Page I-24 again and see if you didn't make just that statement. In the middle of the page, "... there has been a lag in lending capacity." The sentence starts, "Since the increase in bank capital," and so on, just about the middle of the page.

A. Are we talking about Philadelphia here or about banking generally? This is the middle of the page?

Q. The middle of Page I-24 starts, "Since the increase," and so on.

A. "Since the increase in bank capital and surplus has tended to lag behind the growth of industry and of the banks' own assets, there has been a lag in lending capacity."

But I think we are referring here, are we not, to the country as a whole rather than any specific situation here in the Philadelphia area. I think this was recognized, that after the war business expanded very rapidly. GNP rose. The banks generally found it difficult to increase their capital, and therefore their lending capacity, as rapidly as their customers were expanding their operations.

Q. Then there is a relationship between the growth of industry and the capacity of banks to keep pace with them [fol. 2206] by an increase of their capital and surplus so as to maintain their lending capacity?

A. Yes, I think as business grows, businesses grow in size, the banking institutions have to keep pace with them.

Q. And that is a normal development and natural development and one that is really necessary in our present economy, is it not?

A. I think it is a natural development. Of course, people might disagree as to whether the need for additional bank resources should be dependent upon increasing the number of banks or increasing the size of existing banks. This is a matter of opinion on which views might differ.

Mr. Price: That is all. Thank you.

The Court: We will recess now till 2:00 o'clock.

Gentlemen, come in at ten after 2:00. I have a couple of sentences this afternoon, so you can make it at 2:10. Recess court till 2:00 o'clock.

(Recess taken at 12:33 until 2:00 o'clock P. M.)

[fol. 2207] [File endorsement omitted]

AFTERNOON SESSION

(The following took place in chambers:)

(Discussion off the record.)

Mr. Reycraft: Your Honor, in answer to questions which the Government propounded to the Philadelphia National Bank, and specifically in response to Question No. 6 to the bank, we were furnished a list of documents and copies

of documents which are numbered as an appendix to the answer from No. 1 through No. 81.

Now, these documents indicate on their face in many cases that the originals contain the amounts of the lines of credit outstanding with respect to each of the individual companies involved. They indicate that the originals include the lines of credit outstanding with the Girard and with Philadelphia National, in many cases, and other Philadelphia banks. They indicate these companies have lines of commerce throughout the United States.

We have no real interest in having the names of the companies whose lines are involved in the record, and we are quite satisfied to have copies of the originals in the record which don't contain the names of the companies. However, we do feel that the information as to the number of banks involved, the amounts with respect to each [fol. 2208] bank, are important. They show in many cases we think direct competition between the Philadelphia National and Girard in this area for the loans which these companies require in this area. I believe that they will show—although I don't have the dollar amount yet—that in many cases the lines are less than those which the Philadelphia National and the Girard could grant without merger, so I think they are of relevance to our case, and they show that the lines, the total lines of credit of most of these companies, I believe the originals will show, far exceed anything the two banks could grant them either before or after a merger.

So for that reason I would renew my request for the originals of these documents, and I say again that I have no interest in the names of the companies who- business is involved, and am agreeable to any procedure that might be suggested which would protect their identity.

The Court: Well, with that, what objection would you have, Mr. Littleton?

Mr. Littleton: If the names are kept quiet, that is all right with me. The only objection there, of course, is the stupendousness of the job.

The Court: As I understand it, he is merely asking that you delete the erasures that you have already made and [fol. 2209] bring in what you have excluded from what

you have shown him. They are asking you to produce something you already have.

Mr. Littleton: He is asking us to produce the amounts of the lines granted by every other bank——

Mr. Reycraft: The original of the document.

The Court: Which were shown on the originals originally and which were deleted. That is all he is asking.

Mr. Littleton: I think he is asking more than that.

Mr. Reycraft: May I show you by way of example?

The Court: Yes.

Mr. Reycraft: Appendix 10-A. You will observe, Your Honor, a dollar sign on the side. I believe the amounts are on the side. It shows, for example, Philadelphia National, Girard Trust. These are Philadelphia banks. So I do think, if they want to leave out this heading, I don't care about that. That is the name of the company who is getting the credit. But as to the names of the banks, I don't see anything confidential about that.

The Court: And this is wiped out completely and this [fol. 2210] is replaced (indicating). If you had dollar values down there, what is the difference?

Mr. Littleton: I have no objection to that at all. Of course, what he is asking for is the originals out of our credit files.

The Court: Oh, no, he is asking for the original of this paper.

Mr. Reycraft: If you will give me a copy with all of the information except the top line, which shows the name of the company who is getting the credit, that would be satisfactory.

The Court: If you had on the original the dollar value and deleted it, he wants it replaced.

Mr. Littleton: That is the same for each one?

Mr. Reycraft: The same for each one.

Mr. Littleton: All right, I have no objection to that.

The Court: That is the reason I didn't see where you could or would have an objection.

Are we going any further with Dr. Keith?

Mr. Reycraft: No, sir, he has been excused.

The Court: All right.

[fol. 2211] Mr. Reycraft: If it is agreeable, Your Honor,

I would start tomorrow morning with Dr. Goodman and spend this afternoon marking exhibits.

The Court: That is agreeable to me. Tomorrow is Wednesday. How long do you think Dr. Goodman is going to take?

Mr. Reycraft: I am hoping to finish on Thursday, and I think if Dr. Goodman goes over into Thursday, I would be able to finish up Thursday anyway.

The Court: Let us then talk about the progress of the case.

Mr. Littleton: May I interject just one thing: I am not so sure that we can have all this additional information that he asked for by Thursday, but we will get it as quickly as we can. It means an awful lot of typing.

Mr. Reycraft: Can't you reproduce them by photostat?

Mr. Littleton: We can, those that are reproduceable.

The Court: If they did on the original what they have done there, they can't do it.

As I understand it, you are merely asking for a reproduction without deletions. If you want some code for your [fol. 2212] own information which would be completely private, I don't see any objection to that.

Mr. Reycraft: If the only information deleted is the name of the company, that is perfectly satisfactory.

Mr. Littleton: We will number each one.

The Court: Then you can have your own code for the numbers and there will be no need for it to appear in the public record. I thought that was your concern.

Mr. Littleton: Oh, yes, that is my position and has been from the beginning.

The Court: I don't think it is important by name anyway.

Mr. Reycraft: I don't either, Your Honor.

The Court: That is all right.

Now, how about the defense? If we get into Thursday, do you want to start on Thursday?

Mr. Littleton: I think it would be better for us to pull things together, and I think we would save time in the end if we started next week some time.

The Court: What is some time next week? Monday?

Mr. Littleton: Well, if we finish Thursday, I think Monday would be all right.

[fol. 2213] Mr. Price: Tuesday would be better.

Mr. Reycraft: Mr. Reed is more cautious than I, and he suggests I might not be able to be finished by Thursday.

Mr. Reed: I think, to be on the safe side, Friday we will be completed.

The Court: Suppose we figure, then, that we aim for the completion of the Government's case by Friday, the 23rd.

Mr. Reycraft: Certainly.

The Court: Frankly, I would prefer it if you would finish around the noon hour.

Mr. Reycraft: We will try to arrange that.

The Court: The next week, gentlemen, we are running into the weekend of the 4th.

Mr. Price: Saturday is the first.

The Court: And if humanly possible, I don't want to sit on the 3rd.

Mr. Price: I would be glad to contribute whatever I can to accommodate you.

Mr. Reycraft: I don't think anyone is terribly upset by that.

The Court: At the same time I don't want to delay the [fol. 2214] finish of the case.

Mr. Littleton: I think from the viewpoint of witnesses as well as the Court and counsel that is desirable.

The Court: It has to go over till Tuesday anyway, as I understand it, at the request of the defendant to pull things together. They want some interval in there.

Mr. Littleton: We want to edit out our list of witnesses.

The Court: I wouldn't be able to start before 10:30 on Wednesday, the 5th, if we don't finish next week. That might be some help to you gentlemen from Washington.

Mr. Littleton: We won't finish next week.

The Court: I didn't think you would.

Mr. Price: 10:30 on Wednesday, the 5th.

The Court: 10:30 on Wednesday, the 5th. I had in mind that some of you might want to go out of town over the 4th, and I am quite sure the boys from Washington will want to return home and stay there as long as possible.

Mr. Reycraft: We appreciate that, Your Honor.

[fol. 2215] The Court: I am perfectly agreeable if you want to go down and mark documents today, and I will send Mr. Kane down with you, and as with the rest of them, if you have extra copies, I would like to see them, so that when the time eventually comes, I will be in a position to pass on them.

Mr. Reycraft: That is all I had, Your Honor.

The Court: All right, gentlemen.

Mr. Price: We will conclude not later than noon on the 23rd?

The Court: Noon of Friday.

Mr. Price: That will give us much of Friday afternoon and Saturday and Monday.

Mr. Reed: So we will reconvene next Tuesday.

The Court: We will reconvene next Tuesday at 10:00 o'clock.

Now, Mr. Schuman, since you are the official marker, I assume that you will be busy this afternoon, and Mr. Kane and Mr. Hughes will accompany you.

(Recess taken at 2:30 P. M.)

[fol. 2216] (The following took place in the absence of the Court:)

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 128 a one-page document headed "Excerpt from the Minutes of a Regular Meeting of the Board of Directors of Girard Trust Corn Exchange Bank held on November 15, 1960," dated December 13, 1960.

(Document headed "Excerpt from the Minutes of a Regular Meeting of the Board of Directors of Girard Trust Corn Exchange Bank Held on November 15, 1960," dated December 13, 1960, was marked Exhibit G-128 for identification.)

Mr. Reycraft: Will you mark for identification as Government's Exhibit 129 a one-page document headed "Excerpt of Minutes and Resolutions Adopted by the Board of Directors of Girard Trust Corn Exchange Bank," December 20, 1960.

(Document headed "Excerpt of Minutes and Resolutions Adopted by the Board of Directors of Girard Trust

Corn Exchange Bank," dated December 20, 1960, was marked Exhibit G-129 for identification.)

Mr. Reycraft: Will you mark for identification as Government's Exhibit 130 a set of documents, the first page of which is headed "Minimum Interest Rates on Collateral Loans;" at the bottom appears the date October 17, 1955, and Frederic A. Potts, President, appears. The second [fol. 2217] page of Government's Exhibit 130 is headed "Minimum Interest Rates on Collateral Loans," dated April 16, 1956, and the typed name Frederic A. Potts, President, appears.

The third page, also headed "Minimum Interest Rates on Collateral Loans" is dated August 23, 1956, and the typed name Frederic A. Potts, President, appears.

The next page, "Minimum Interest Rates on Collateral Loans," dated July 10, 1957, has at the bottom the name Frederic A. Potts, President.

The next page, "Minimum Interest Rates on Collateral Loans," August 9, 1957, bears the name Frederic A. Potts, President.

The next page, "Minimum Interest Rates on Collateral Loans," January 20, 1958, Frederic A. Potts, President.

The next page, "Minimum Interest Rates on Collateral Loans," April 22, 1958, Frederic A. Potts, President.

The next page, "Minimum Interest Rates on Collateral Loans," September 12, 1958, Frederic A. Potts, President.

The next page, "Minimum Interest Rates on Collateral Loans," May 18, 1959, Frederic A. Potts, President.

[fol. 2218] The next page, "Minimum Interest Rates on Collateral Loans," September 1, 1959, John McDowell, Executive Vice-President.

The next page, "Minimum Interest Rates on Collateral Loans," August 23, 1960, Frederic A. Potts, President.

(11-page document of sheets each headed "Minimum Interest Rates on Collateral Loans," bearing dates from October 17, 1955, to and including August 23, 1960, was marked Exhibit G-130 for identification.)

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 131 an exhibit consisting of five pages, the first page of which has the heading "Daily Bulletin Memorandum," July 6, 1956, and the name G.

Edward Cooper, Vice-President and Cashier, appears on the bottom.

The second page is headed "Centralized Office Service Charges, 13.2 Revised 1-58"; the third page, also headed "Centralized Office Service Charges, 13.2 Revised 1/58" and the typed date 9/1/56 is crossed out, and in the body of this page there are what appear to be inked-in changes after the information applicable to earning credit, where there is an inked-in change for maintenance charge under special checking accounts and for statements requested under special checking accounts. The next page is headed [fol. 2219] "Centralized Office Service Charges, 13.2 Revised 2-58"; the next page is headed "Centralized Office Service Charges, 13.2 Revised 1/9/61."

(5-page document, the first page of which is headed "Daily Bulletin Memorandum," dated July 6, 1956, and four attached sheets, each entitled "Centralized Office Service Charges," was marked Exhibit G-131 for identification.)

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 132 a 14-page document, the first page of which is dated November 30, 1960, from Richard L. Cotter, Assistant Cashier; subject: "Mutual Accounts-Girard Corn & P. N. B." and the initials R. L. C. appear at the bottom.

On the second page, the date of November 23, 1960, appears, and it appears to be a memorandum from E. L. Worstall.

Mr. Littleton: Is that November 23rd? It looks like November 22nd here.

Mr. Reycraft: I think you are right. It is November 22nd.

The next page is a memorandum from E. L. Worstall, and there are six persons to whom this memorandum is addressed, and the memorandum is dated November 22, 1960.

(Discussion off the record.)

Mr. Reycraft: The fourth page of Government's Exhibit [fol. 2220] No. 132 is headed "Bucks County," and contains a list of six companies which appear to be accounts

maintained in common with Girard Trust Corn Exchange Bank and the Philadelphia National Bank.

The third page of Government's Exhibit 132 indicates that the balances in the accounts which are included within the exhibit may be indicated on the original documents. Therefore, we request that an effort be made to ascertain whether the original document does contain the balances.

(14-page document, the first sheet of which bears date November 30, 1960, being from Richard L. Cotter, Assistant Cashier, subject: "Mutual Accounts-Girard Corn & P. N. B.," was marked Exhibit G-132 for identification.)

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 133 a 7-page document, the first page of which is headed "Lines and Outstandings to Finance Companies, June 30, 1960."

(Document consisting of 7 pages, the first page being headed "Lines and Outstandings to Finance Companies, June 30, 1960," was marked Exhibit G-133 for identification.)

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 134 a 5-page document headed [fol. 2221] "Dealers."

Following the name of each dealer appears the date 1959 and 1960, with some exceptions, and following each date a dollar amount which appears to be the amount of loans outstanding.

(5-page document headed "Dealers" was marked Exhibit G-134 for identification.)

[fol. 2222] Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 135 a document consisting of 13 pages. The first page is headed "Rental Accounts" and the date 12-1-60 appears.

The second page of the document begins with the Page No. 1 at the bottom and continues through Page 12. The attachment which begins with the Page 1 at the bottom is headed "Consumer Credit Commercial Loans, Business Loans."

The next page, which has the No. 2 at the bottom is

headed "Consumer Credit Commercial Loans, Earth Moving and Contracting Equipment Dealers."

The next page, with the No. 3 at the bottom, is headed "Commercial Credit Consumer Loans, Commercial Refrigeration and Modernization," and the handwritten words "Stay at gtex," appear at the top.

On the page with the No. 5 at the bottom, the heading "Industrial Laundry and Dry Cleaning Equipment Dealers" appears.

Mr. Littleton: Did you skip No. 4?

Mr. Reycraft: Yes, because it is a continuation.

On the page with the No. 6 at the bottom the heading "Consumer Credit Commercial Loans, Other Industrial [fol. 2223] Equipment" appears.

The next page, No. 7, at the bottom, has a heading "Consumer Credit Commercial Loans, Miscellaneous."

The page with 8 at the bottom is headed "Consumer Credit Commercial Loans."

The page with 9 at the bottom is headed "Consumer Credit Commercial Loans, Rentals."

The page with 10 at the bottom is headed "Consumer Credit Commercial Loans, Wholesale—Others."

The page with 11 at the bottom is headed "Consumer Credit Commercial Loans, Wholesale—Mobile Homes."

The page with 12 at the bottom is headed "Consumer Credit Commercial Loans—Wholesale—Automobiles."

And our notes show that this document came from Girard.

(Document consisting of 13 pages, the first page headed "Rental Accounts," was marked Exhibit G-135 for identification.)

Will you mark for identification as Government's Exhibit No. 136 a five-page exhibit, on the first page of which appears the heading "Outstanding Consumer Credit Commercial Loans—12-31-60. House Accounts * Commercial [fol. 2224] Modernizations."

On the second page appears the heading "Consumer Credit Commercial Loans, House Accounts * Heavy Commercial Vehicles."

On the next page, "Consumer Credit Commercial Loans, House Accounts—Machinery and Equipment."

The next page, No. 4, is also headed "Consumer Credit

Commercial Loans, House Accounts * Machinery and Equipment."

On the 5th page, the same heading.

And our notes also indicate that this document came from Girard.

(Five-page document, the first page of which is headed "Outstanding Consumer Credit Commercial Loans—12-31-60, House Accounts * Commercial Modernizations" was marked Exhibit G-136 for identification.)

Mr. Flocken: Government's Exhibit 137 is a 12-page document, the first page headed "Exhibit E, Classification of Regular Checking Accounts, According to Size." This exhibit was attached to a Service Charges Committee Report dated 7-28-60 to Mr. Frederic Potts, and it came from the PNB.

(12-page document, the first page headed "Exhibit E, Classification of Regular Checking Accounts According to [fol. 2225] Size," was marked Exhibit G-137 for identification.)

Mr. Littleton: Did you say you can't find the report to which this is attached?

Mr. Flocken: I said, when I marked the exhibit, I believe, that it was attached to a report by the Service Charges Committee to Mr. Frederic Potts, and that memorandum was dated 7-28-60.

Mr. Littleton: Do you have that report at the present time?

Mr. Flocken: I cannot put my hand on it at the present time.

Mr. Blenko: The report is dated July 28?

Mr. Flocken: That is what my notes indicate.

Mr. Littleton: You designated that informally as 233, I believe.

Mr. Flocken: I didn't have a chance to do it before I started to mark this. I wanted to examine to see if we have 233, which should be this memorandum (indicating).

I will now mark an eight-page document as G-137-A, which is a report of the Service Charges Committee to Mr. Frederic A. Potts. The memorandum is dated July

28, 1960, and is the memorandum which I referred to in [fol. 2226] connection with Exhibit 137.

(8-page document dated July 28, 1960, to Mr. Frederic A. Potts, president, headed "Report of the Service Charges Committee" was marked G-137-A for identification.)

Mr. Flocken: Government's Exhibit No. 137-B is a ten-page document, the first page entitled "Exhibit G, Deposit Items Surveys," which is another exhibit attached to the memorandum which has been marked as 137-A.

I would also like to state for the record that Government's Exhibit 115, that has already been identified as 115, is Exhibit I, "Survey of Branch Area Compensation," which is an additional exhibit attached to the memorandum that has been marked as 137-A.

(10-page document, first page entitled "Exhibit G, Deposited Items Surveys" was marked Exhibit G-137-B for identification.)

Government's Exhibit 138 is a two-page memorandum dated 12-2-60, entitled "Merger Memorandum, Re: Priority of Branch Sites."

(Two-page memorandum dated 12-2-60, entitled "Merger Memorandum, Re: Priority of Branch Sites," was marked Exhibit G-138 for identification.)

[fol. 2227] Government's Exhibit 139 is a five-page memorandum signed Robert C. Allen, dated 11-28-60. The first page is entitled "The Philadelphia National Bank," and there follows a description of various Philadelphia National branches.

(Five-page memorandum signed Robert C. Allen, dated 11-28-60, the first page entitled "The Philadelphia National Bank" was marked Exhibit 139 for identification.)

Government's Exhibit 140 is a three-page memorandum from W. J. Whiteford to Mr. E. L. Worstall, dated December 14, 1960. The subject matter is a report on a merger meeting concerning the organization and operation of the retail division of the resulting bank, PNB and GTCX. Attached are two pages, Pages I and II.

(Three-page memorandum dated December 14, 1960, from W. J. Whiteford to Mr. E. L. Worstall, was marked Exhibit G-140 for identification.)

Government's Exhibit 141 is a one-page memorandum dated January 17, 1961, signed H. T. Enssler, to V. E. Furey and E. L. Worstall. It is a progress report No. 1 on equipment loans, task force progress report on equip-
[fol. 2228] ment loans.

(One-page memorandum dated January 17, 1961, signed H. T. Enssler, to V. E. Furey and E. L. Worstall, re Equipment Loans—Progress Report #1, was marked Exhibit G-141 for identification.)

Government's Exhibit No. 142 is a one-page memorandum from William Whiteford to Mr. Worstall. This is a task force committee report on the retail division of the resulting bank. It is dated January 11, 1961.

(One-page memorandum dated January 11, 1961, from Bill Whiteford to Mr. E. L. Worstall, was marked G-142 for identification.)

Government's Exhibit 143 is a two-page document signed by the typed name at the bottom R. David Connor and Harold Carter. The document is dated February 1, 1961, and entitled "Savings Fund Recommendations," a report by the members of the Savings Funds Task Force.

(Two-page document dated February 1, 1961, headed "Savings Fund Recommendations," was marked Exhibit G-143 for identification.)

Government Exhibit 144 is a one-page document dated January 16, 1961, apparently stating the number of com-
[fol. 2229] mercial accounts and personal accounts at the two banks that have been assigned numbers.

Mr. Littleton: What is your justification for that statement?

Mr. Flocken: The first paragraph:

Philadelphia National has not notified its 17,000 commercial accounts of their number, as well as 8000 personal accounts located in Bristol and Hatboro."

Mr. Littleton: That is just the contrary to what you said, isn't it?

Mr. Flocken: I believe the first two lines of figures above the first paragraph of text indicates actually assigned numbers——

Mr. Littleton: To what?

Mr. Flocken: To Girard and PNB accounts, and then the third line of numbers on the page, about the middle of the page, there is a column "Accounts Assigned Numbers," and PNB Commercial Accounts are numbered, apparently, 800 have been assigned numbers.

(One-page document dated January 16, 1961, the first line reading "Numbers Assigned" was marked Exhibit G-144 for identification.)

Government's Exhibit 145 is a two-page document dated February 21, 1961, with signatures of four individuals on the second page, addressed to Mr. Vincent E. Furey. This [fol. 2230] is Progress Report No. 2, Task Force on Equipment Loans for the combined bank.

(Two-page document dated February 21, 1961, subject: Progress Report No. 2 task force re equipment loans Philadelphia Girard National Bank and Trust Company, was marked Exhibit G-145 for identification.)

Government's Exhibit No. 146 consists of the answers of Philadelphia National Bank to Questions 4 and 5 propounded by plaintiff.

(Document headed "Answer of the Philadelphia National Bank to Questions 4 and 5 of Questions Propounded by Plaintiff" was marked Exhibit G-146 for identification.)

Government's Exhibit 147 is a 10-page document comprising the questions propounded by plaintiff on answer by defendants in this case. These were submitted April, 1961, and they contain questions 1 through 30.

(Ten-page document comprising the questions propounded by plaintiff for answer by defendants was marked Exhibit G-147 for identification.)

Government's Exhibit No. 148 is a four-page document, the first page of which is a letter dated May 3, 1961, from Morgan, Lewis and Bockius, enclosing the attached three-page modifications of questions propounded by plaintiff on

[fol. 2231] April 28, 1961, as agreed upon by counsel for the parties May 2, 1961.

(Four-page document, the first page of which is a letter dated May 3, 1961, from Morgan, Lewis and Bockius, was marked Exhibit G-148 for identification.)

Government's Exhibit 149 is a four-page document consisting of a covering letter dated May 8, 1961, signed by Ernest R. von Starck, addressed to George D. Reycraft, attaching a three-page explanation of the method of sampling that will be used by both Philadelphia National Bank and Girard Trust in answering certain of plaintiff's questions relating to loans and deposits.

(Four-page document consisting of a covering letter dated May 8, 1961, signed by Ernest R. von Starck, addressed to George D. Reycraft, was marked Exhibit G-149 for identification.)

Government's Exhibit 150 is a four-page document consisting of two letters, the first dated December 9, 1953, from Arthur Littleton to Mr. L. A. Jennings, Deputy Comptroller of the Currency, enclosing a copy of the proposed agreement of merger between the Philadelphia National Bank and the Chester-Cambridge Bank and Trust Company. There is attached to the second letter a pro [fol. 2232] form statement of condition for the Philadelphia National Bank.

Am I correct that that L, Mr. Littleton, stands for——

Mr. Littleton: Look right down at Note (a).

Mr. Flocken: —that it is a deposit of the Lansdale Bank, Montgomery National and Chester-Cambridge in Philadelphia National?

Mr. Littleton: I just refer you to Note (a) at the foot.

Mr. Flocken: Am I correct that that L at the top of the page stands for deposits at the Lansdale Bank?

Mr. Littleton: The letter at the top of the page certainly stands for Lansdale.

Mr. Flocken: And I take it from note (a) that you referred me to that those deposits are from that bank?

Mr. Littleton: "These are the deposits of Lansdale, Montgomery National, and Chester-Cambridge in Philadel-

phia National, carried on their books as 'due from banks', and on Philadelphia National's books as 'deposits.'

That is what Note (a) says.

[fol. 2233] (Four-page document consisting of two letters, the first dated December 9, 1953, from Arthur Littleton to Mr. L. A. Jennings, Deputy Comptroller of the Currency, was marked Exhibit G-150 for identification.)

Government's Exhibit 151 is a two-page letter dated July 22, 1955, addressed to the Honorable L. A. Jennings, Deputy Comptroller of the Currency, signed—I must ask assistance for the name.

Mr. Littleton: E. L. Worstall.

Mr. Flocken: Concerning the preliminary approval of the proposed merger of the Citizens National Bank of Pottstown with the Philadelphia National Bank.

(Two-page letter dated July 22, 1955, addressed to the Honorable L. A. Jennings, Deputy Comptroller of the Currency, signed E. L. Worstall, was marked Exhibit G-151 for identification.)

Government's Exhibit 152 is a one-page letter signed by Mr. Worstall, to L. A. Jennings, Deputy Comptroller of the Currency, dated September 27, 1955, concerning negotiations for merger between Hatboro National Bank and the Philadelphia National Bank.

(One-page letter dated September 27, 1955, from E. L. Worstall to Honorable L. A. Jennings, Deputy Comptroller [fol. 2234] of the Currency, was marked Exhibit G-152 for identification.)

Government's Exhibit 153 is a two-page letter dated July 18, 1956, signed Frederic A. Potts, addressed Honorable Ray M. Gidney, Comptroller of the Currency. It is a request for approval of the Comptroller for a merger of the Delaware Valley Bank and Trust Company and the Philadelphia National Bank.

(Two-page letter dated July 18, 1956, from Frederic A. Potts to Honorable Ray M. Gidney, Comptroller of the Currency, was marked Exhibit G-153 for identification.)

Government Exhibit 154 is a two-page letter dated October 16, 1953, from Frederic A. Potts to L. A. Jen-

nings, Deputy Comptroller of the Currency, requesting approval for establishment by PNB of a branch office in the Penn Center development.

(Two-page letter dated October 16, 1953, from Frederic A. Potts to L. A. Jennings, Deputy Comptroller of the Currency, was marked Exhibit G-154 for identification.)

Government's Exhibit 155 is a one-page letter dated October 25, 1954, signed Frederic A. Potts, to L. A. Jennings, Deputy Comptroller of the Currency, supplying ad-
[fol. 2235] ditional information on a previous request for the opening of a new office in Chester.

(One-page letter dated October 25, 1954, from Frederic A. Potts to L. A. Jennings, Deputy Comptroller of the Currency, was marked Exhibit G-155 for identification.)

Government's Exhibit 156 is a one-page letter dated May 6, 1955, signed G. Edward Cooper, to L. A. Jennings, Deputy Comptroller of the Currency, requesting permission to establish a branch at Grant Avenue and Roosevelt Boulevard, Bustleton, Philadelphia.

Mr. Littleton: Can you read what is down in the corner in somebody's handwriting?

Mr. Flocken: "Card made and entered in book," with the initial B, as I read it, underneath it.

Mr. Littleton: Do you have any idea what that is?

Mr. Flocken: I have no idea what that is.

Mr. Reycraft: My guess is that somebody in the Comptroller's office made that notation on the document.

Mr. Littleton: I would guess that is it.

Mr. Flocken: There is also a typewritten notation at the
[fol. 2236] bottom of the page in the left-hand corner "Application Withdrawn."

Does that show on the other copies?

Mr. Littleton: That shows on this.

(One-page letter dated May 6, 1955, from G. Edward Cooper, vice president, to Mr. L. A. Jennings, Deputy Comptroller of the Currency, was marked Exhibit G-156 for identification.)

Government's Exhibit 157 is a one-page document, application of Philadelphia National Bank to establish a

branch in Media, Delaware County. The application is dated July 6, 1955, and it is signed G. Edward Cooper.

I notice, Mr. Littleton, that the same notation is written in the lower right-hand corner, "Card made and entered in books," with the initial B.

Mr. Littleton: Yes. Do you want to call attention to the typewritten words at the bottom at the left?

Mr. Flocken: I will call attention to the typewritten note at the bottom lower left-hand corner "Rejected."

(One-page document, Application of the Philadelphia National Bank, Philadelphia, Pennsylvania, for permission [fol. 2237] to establish a branch in Media, Delaware County, was marked Exhibit G-157 for identification.)

Government's Exhibit 158 is a one-page letter dated April 23, 1958, signed Frederic A. Potts, addressed to R. M. Gidney, Comptroller of the Currency, requesting approval for establishment of a branch in the King of Prussia area, Upper Merion Township, Montgomery County.

Again the notation "Card made and entered" is in the lower right-hand corner, with the date 4-24-58 and initials that look as if they are HSB in handwriting.

In the lower left-hand part of the page there is in handwriting "8 local branches." Underneath it has "14"—or "11"—outside at the bottom in type "Rejected (Reapplied 2-16-60 and Again Rejected; See Attached)"

Mr. Littleton: What is the attached?

Mr. Flocken: We believe it is the next exhibit.

(Document signed Frederick A. Potts addressed to Honorable R. M. Gidney, comptroller of the currency, was marked Exhibit G-158 for identification.)

[fol. 2238] Government's Exhibit 159 is a one-page document which is the application of the Philadelphia National Bank for permission to establish a branch in Upper Merion Township, Montgomery County. It is signed E. Lawrence Worstall, dated February 16, 1960. The lower left-hand corner of the page has typed on it "Rejected," and this is the attachment referred to in Government's Exhibit 158.

Mr. Littleton: What is your justification for that?

Mr. Flocken: My justification is that the typewritten on

G-158 at the bottom says "Rejected (Reapplied 2-16-60 and Again Rejected.)"

This application is in the same area, I believe, in the King of Prussia area, and it is also the same date, and is rejected.

Mr. Littleton: I gather you got this exhibit and the last exhibit from the Comptroller of the Currency?

Mr. Flocken: I believe that is correct.

Mr. Littleton: And can you remember that this was attached to the preceding exhibit?

Mr. Flocken: I cannot do so.

(One-page document, Application of the Philadelphia Na-
[fol. 2239] tional Bank to Establish a Branch in Upper Merion Township, Montgomery County, was marked Exhibit G-159 for identification.)

[fol. 2240] Mr. Flocken: Government Exhibit 160 is a 2-page document consisting of the application of The Philadelphia National Bank for permission to establish a branch on Frankford Avenue at Knights Road, in Philadelphia. The application is dated September 7, 1960, and it is signed in handwriting which I am not able to read.

Mr. Littleton: H. W. Wallgren.

Mr. Flocken: And the typewritten notation in the lower left-hand corner reads "Application Withdrawn."

(Application of The Philadelphia National Bank for permission to establish a branch at Frankford Avenue at Knights Road, Philadelphia, dated September 7, 1960, two-page document, was marked Exhibit G-160 for identification.)

Mr. Littleton: Put this on the record, if you please.

I notice in G-160 that there is a second page to the application. Some of your previous exhibits have been the same form of application, but the second page has not been attached.

When you received these documents from the Comptroller of the Currency was there a second page attached on the ones which you put in as single-page documents?

Mr. Flocken: To my knowledge, Mr. Littleton, those that we put in as single pages were the way we received them
[fol. 2241] from the Comptroller.

Off the record.

(Discussion off the record.)

Mr. Littleton: I notice, however, that there is a Received stamp of the Comptroller of the Currency dated September 22, 1960, on this second sheet, which second sheet, I believe, is simply a photostat of the reverse side of the first sheet, because you will notice on the first sheet, about five or six lines from the bottom, there is "(See other side)."

Mr. Flocken: I am inclined to agree with your explanation, Mr. Littleton.

Mr. Reycraft: Will you mark as Government's Exhibit No. 161 the Federal Reserve report on this merger, which was attached to a letter of March 1, 1961, from Elizabeth L. Carmichael, Assistant Secretary, to W. Wallace Kirkpatrick, Esquire, Acting Assistant Attorney General, Antitrust Division, Department of Justice.

The letter indicates that there are enclosed reports on a proposed consolidation of First Westchester National Bank of New Rochelle and First National Bank and Trust Company of Ossining; and that report is not attached to the Government's Exhibit 161.

The covering letter also indicates that there is enclosed a report on proposed consolidation of The Philadelphia [fol. 2242] National Bank, Philadelphia, Pennsylvania, and Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania.

The report consists of 10 pages, and the first page of the report itself headed "Report by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency, under Section 18(c) of the Federal Deposit Insurance Act, as amended, on the competitive factors involved in the proposed consolidation of"—and then the names of the two banks following.

(Letter dated March 1, 1961, from Board of Governors of the Federal Reserve System to W. Wallace Kirkpatrick, Esq., Acting Assistant General, together with 10-page "Report by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency, etc." was marked Exhibit G-161 for identification.)

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 162 a letter from Robert A. Bicks, Assistant Attorney General, Antitrust Division, dated January 19, 1961, to Hon. Ray M. Gidney, Comptroller of the Currency, Treasury Department. The letter is 9 pages, and there is a summary attached as the 10th page.

(9-page letter dated January 19, 1961, from Robert A. Bicks, Assistant Attorney General, to Hon. Ray M. Gidney, Comptroller of the Currency, together with a one-sheet [fol. 2243] summary, was marked Exhibit G-162 for identification.)

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 163 a 6-page document, the first page of which is headed in the upper right-hand corner "Page 2," and it is entitled "Analysis of Competitive Factors," and in the upper left-hand corner appears The Philadelphia National Bank, Philadelphia, Pennsylvania; and for the record, I might state that it has been represented to me by Mr. Reisenberger of the F. D. I. C. that page 1 of the reports which the F. D. I. C. submits is a covering memorandum, internally, within the F. D. I. C.; and that the exhibit, as it appears in the record, is what is sent to the Comptroller's Office and was sent to the other reporting agencies.

Mr. Littleton: Have you ever seen page 1?

Mr. Reycraft: I have not.

Mr. Littleton: Where did this document G-163 come from?

Mr. Reycraft: The document G-163 was sent to the Department of Justice in the mail by the Federal Deposit Insurance Corporation after it had made its reports to the Comptroller and after the other reporting agencies had made their reports to the Comptroller on this merger.

Mr. Littleton: And they state that this was its report to the Comptroller?

[fol. 2244] Mr. Reycraft: That is what is represented to me.

(Six-page document, consisting of Pages 2 to 7, inclusive, entitled "Analysis of Competitive Factors," the Philadelphia National Bank, Philadelphia, Pennsylvania, was marked Exhibit G-163 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 164 a four-page document, the covering page of which has the words "Advance Extract from Annual Report to the Congress of the Comptroller of the Currency."

(Four-page document, having cover page reading "Advance Extract from Annual Report to the Congress of the Comptroller of the Currency," was marked Exhibit G-164 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 165 a six-page exhibit. The covering memorandum to this exhibit is an inter-office memorandum dated July 3, 1956, from Third & Arch Streets to Mr. R. D. Conner, Main Office, and our notes indicate that this is a Girard document.

(Six-page document, the first of which is an inter-office memorandum dated July 3, 1956, from Third & Arch Streets to Mr. R. D. Conner, Main Office, was marked Exhibit G-165 for identification.)

[fol. 2245] Mr. Reycraft: Will you mark as Government's Exhibit 166 a one-page document headed "Service Charges G.T.C.E. vs. 1st Pennsylvania and Philadelphia National Average Regular Checking Account of 18 Items Consisting of 4 Deposit Tickets, 5 Deposit Items, 9 Checks Drawn."

(Document entitled "Service Charges G.T.C.E. vs. 1st Pennsylvania and Philadelphia National Average Regular Checking Account of 18 Items Consisting of 4 Deposit Tickets, 5 Deposit Items, 9 Checks Drawn," was marked Exhibit G-166 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 167 a one-page document which our notes indicate came from the Girard Trust Corn Exchange Bank, headed Philadelphia Bank Service Charge Comparisons—Regular Checking Using a $500 Average Balance Base With a Total of 18 Items."

(Document entitled "Philadelphia Bank, Service Charge Comparisons—Regular Checking Using a $500 Average Balance Base With a Total of 18 Items," was marked Exhibit G-167 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 168 a one-page document headed "Philadelphia Bank Service Charge Comparisons Regular Checking Using an Average Account With 9 Paid Items, 4 Deposit Tickets, 4 [fol. 2246] Checks Deposited and 1 Cash Deposit," dated 8-25-58.

(One-page document entitled "Philadelphia Bank Service Charge Comparisons Regular Checking Using an Average Account With 9 Paid Items, 4 Deposit Tickets, 4 Checks Deposited and 1 Cash Deposit" dated 8-25-58 was marked Exhibit G-168 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 169 a one-page document headed "Philadelphia Bank Service Charge Comparisons Regular Checking Using an Average Company Account for Various Size Categories," dated 8-29-58, from the Girard Trust Corn Exchange Bank.

(Document entitled "Philadelphia Bank Service Charge Comparisons Regular Checking Using an Average Company Account for Various Size Categories," dated 8-29-58, was marked Exhibit G-169 for identification.)

Will you mark as Government's Exhibit 170 a three-page document headed "Analysis Survey of Philadelphia Banks Regular Checking as of September 20, 1960," which was also obtained from the Girard Trust Corn Exchange Bank.

(Three-page document headed "Analysis Survey of Philadelphia Banks Regular Checking as of September [fol. 2247] 20, 1960," was marked Exhibit G-170 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 171 a three-page document headed "Analysis Survey of Philadelphia Banks Regular Checking as of March 31, 1961," also from the Girard Trust Corn Exchange Bank.

(Three-page document entitled "Analysis Survey of Philadelphia Banks Regular Checking as of March 31, 1961," was marked Exhibit G-171 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 172 a two-page document, the first page having in

the upper left-hand corner the words "Girard Trust Corn Exchange Bank, Philadelphia, Pa." and the caption, "Memorandum, Re: Proposed First Pennsylvania Company Branch Springfield, Delaware County Shopping Center," dated September 3, 1958, from Robert C. Allen.

(Two-page memorandum re "Proposed First Pennsylvania Company Branch Springfield, Delaware County Shopping Center" dated September 3, 1958, from Robert C. Allen, was marked Exhibit G-172 for identification.)

[fol. 2248] Mr. Reycraft: Will you mark as Government's Exhibit 173 a two-page document which is a letter of September 26, 1958, from Geoffrey S. Smith, president, Girard Trust Corn Exchange Bank, to the Honorable Robert L. Myers, Jr., Secretary of Banking, Commonwealth of Pennsylvania.

(Two-page letter on letterhead of Girard Trust Corn Exchange Bank, from Geoffrey S. Smith, president, to the Honorable Robert L. Myers, Jr., Secretary of Banking, was marked Exhibit G-173 for identification.)

Mr. Littleton: I see there is supposed to be a map attached to this. Do you have a map along with it?

Mr. Reycraft: No, we don't.

Mr. Littleton: The last page on the first paragraph of G-173 says appended to this letter is a map.

Mr. Flocken: Off the record.

(Discussion off the record.)

Mr. Littleton: On the record again, the answer is you don't have the map to this?

Mr. Flocken: That is correct.

(Discussion off the record.)

[fol. 2249] Mr. Reycraft: Will you mark as Government's Exhibit 174 a one-page memorandum from Robert C. Allen to Mr. S. S. Gardner, dated September 11, 1958.

(Memorandum dated September 11, 1958, from Robert C. Allen to Mr. S. S. Gardner, vice president, was marked Exhibit G-174 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 175 a one-page memorandum dated February 10, 1959,

from Mr. S. S. Gardner to Messrs. Geoffrey S. Smith, George H. Brown, Jr., and O. H. Beadle.

(Memorandum dated February 10, 1959, from S. S. Gardner to Messrs. Geoffrey S. Smith, George H. Brown, Jr., and O. H. Beadle, was marked Exhibit G-175 for identification.)

Mr. Reycraft: Is it agreeable to call it a day?

Mr. Littleton: Are you finished?

Mr. Reycraft: No. I want to look through these and cut some of them down. I don't want to mark all of these.

Mr. Littleton: It is entirely up to you.

[fols. 2250-2256] (Discussion off the record.)

Mr. Blenko: I would like to state on the record, with the approval of Mr. Reycraft, that we are substituting a correct current schedule of PNB service charges in effect at various branches for the original Exhibit G-109, which was provided at Mr. Reycraft's request——

Mr. Littleton: On very short notice.

Mr. Blenko: —under conditions of haste, which gave rise to certain inaccuracies on the face of the original.

The substituted version of G-109, we are advised, is a correct current schedule.

Mr. Reycraft: No objection.

Mr. Blenko: Thank you.

(Adjourned at 5:00 o'clock P. M., until 10:00 o'clock on Wednesday, June 21, 1961.)

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Volume II

TRANSCRIPT OF RECORD

(Pages 1026–2029)

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1962

No. 83

UNITED STATES, APPELLANT,

vs.

THE PHILADELPHIA NATIONAL BANK, ET AL.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

FILED MARCH 16, 1963
PROBABLE JURISDICTION NOTED MAY 21, 1963

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Volume II

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IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

TWELFTH DAY

Philadelphia, Pa., June 21, 1961

Before Hon. Thomas J. Clary, J.

[fol. 2259] Mr. Reycraft: Your Honor, I would like to substitute for Government's Exhibit 149, which is an original document, a copy.

The Court: Motion granted.

Mr. Reycraft: I would also like at this time, Your Honor, to substitute for tables which were marked earlier by the Government, revised tables, the revisions, taking the form primarily of changes in the headings, the additions of footnotes, and I have handed a set to the reporter, and I ask that they be substituted for the exhibits which were originally marked.

Mr. Littleton: Will you state what the changes are.

Mr. Reycraft: Yes, I will.

Government's Exhibit 1, a change in the heading to indicate that the banks involved are those with head offices in the counties indicated.

(Document headed "Table I, Number of Banking Offices of Commercial Banks with Head Offices in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania" was marked Exhibit G-1-S and substituted for document originally marked Exhibit G-1.)

Mr. Reycraft: This is the new G-1, revised G-1, and also if you will refer to the second page of revised G-1, Foot-

[fol. 2260] notes 2 and 3 give the names of the banks which were indicated by category in the original Exhibit 1.

Now, with reference to Exhibit G-2 also a change in the title to indicate that the banks involved are those with head offices in the counties indicated, and also an addition of three footnotes to indicate the banks involved, and the word "Total" is added at the bottom of the first page.

(Document headed "Table 2, Comparison of Total Deposits and Deposits of Individuals, Partnerships and Corporations of the Philadelphia National Bank and Girard Trust Corn Exchange Bank with such Deposits of all Commercial Banks with Head Offices in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania as of October 3, 1960," was marked Exhibit G-2(S) and substituted for document originally marked G-2.)

Government's Exhibit No. 3 also contains a change in the heading to indicate that the material referred to commercial banks with head offices in Philadelphia. There is also the addition of the word "Total" at the bottom, and Notes 2, 3, and 4 are added to specify the banks included in the categories in the original document.

(Document headed "Table 3, Comparison of Total Net [fol. 2261] Loans of the Philadelphia National Bank and Girard Trust Corn Exchange Bank with such Loans of all Commercial Banks with Head Offices in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania as of October 3, 1960," was marked Exhibit G-3(S) and substituted for document originally marked G-3.)

Government's Exhibit 4, also a change in the heading to indicate that the banks included are those with head offices in the four counties. The word "Total" is also added at the bottom, and Notes 2, 3, and 4 are added to specify the banks involved.

(Document headed "Comparison of Capital Funds of the Philadelphia National Bank and Girard Trust Corn Exchange Banks with such Capital of all Commercial Banks with Head Offices in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania as of October 3, 1960,

Table 4" was marked Exhibit G-4(S) and substituted for document originally marked G-4.)

Government's Exhibit No. 6, also a change in the heading for the same reason. It shows these banks with head offices, and there is also a footnote which indicates the banks involved in the tabulation.

(Document headed "Table 6, Analysis of Loans of the Philadelphia National Bank and Girard Trust Corn Ex- [fol. 2262] change Bank and Comparison of Their Combined Loans with Total Loans of Commercial Banks with Head Offices in Philadelphia and with Total Loans of Commercial Banks with Head Offices in Philadelphia, Delaware, Montgomery, and Bucks Counties, Pennsylvania, as of June 15, 1960," was marked Exhibit G-6(S) and substituted for document originally marked G-6.)

Government's Exhibit No. 7, the same change, the change to show the head offices, and to show the banks included.

(Document headed "Table 7, Analysis of Deposits of the Philadelphia National Bank and Girard Trust Corn Exchange Bank and Comparison of Their Combined Deposits with Total Deposits of Commercial Banks with Head Offices in Philadelphia and with Total Deposits of Commercial Banks with Head Offices in Philadelphia, Delaware, Montgomery, and Bucks Counties, Pennsylvania, as of June 15, 1960," was marked Exhibit G-7(S) and substituted for document originally marked Exhibit G-7.)

Government's Exhibit 8, the same change in the heading to indicate that the banks involved are those with main offices in Philadelphia. The footnote on Government's Exhibit 8 in the original document is changed to [fol. 2263] eliminate the reference to Brown Brothers Harriman.

Mr. Price: May I ask, in connection with that, whether Brown Brothers Harriman is included in that?

Mr. Reycraft: No, it is not.

(Document headed "Table 8, Comparison of Total Assets of the Philadelphia National Bank and Girard Trust Corn Exchange Bank with Total Assets of all Commercial Banks with Main Offices in Philadelphia and with Total Assets of

all Commercial Banks with Main Offices in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania," was marked Exhibit G-8(S) and substituted for document originally marked G-8.)

With reference to Government's Exhibit 9, the change is to add breakdowns of the loans examined by categories of $1 to $49,999, $50,000 to $99,999, $100,000 to $249,999, and $250,000 to $499,999, $500,000 to $999,999, and a category of $1 million or more, which is in the original tabulation.

(Document headed "Table 9 (Revised), Analysis of Commercial and Industrial Loans of Philadelphia National Bank as of October 5, 1955, by Location of Borrower" was marked Exhibit G-9(S) and substituted for document originally marked G-9.)

[fol. 2264] Government's Exhibit 10, the same change is to break down the loans into the five categories which I have just described for Government's Exhibit 9.

(Document headed "Table 10 (Revised), Analysis of Commercial and Industrial Loans of Girard Trust Corn Exchange Bank as of October 5, 1955 by Location of Borrower" was marked Exhibit G-10(S) and substituted for document originally marked Exhibit G-10.)

Government's Exhibit No. 13 contains an additional footnote, indicating that the number of commercial banks includes the Philadelphia office of Brown Brothers Harriman and Company, a private bank, the head office of which is in New York, and does not include First Camden National Bank and Trust Company, which has one office in Philadelphia, nor National Bank of Chester County and Trust Company, which has one office in Delaware County, and that is by way of further explanation.

(Document headed "Table 13, Summary of Number of Commercial Banks and Banking Offices in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of December 31, 1947, June 30, 1956, and October 3, 1960," was marked Exhibit G-13(S) and substituted for document originally marked G-13.)

Government's Exhibit No. 14 contains additional data [fol. 2265] for the years 1957, 1958, and 1959, and one item under "Voluntary Liquidations," indicating that there were four for 1960, is added. There are also added Footnotes 2, 3, and 4 in explanation of the material contained in the bodies of the tables.

(Document headed "Table 14, Major Structural Changes Affecting the Number of Commercial Banks and Commercial Bank Offices in the United States, by Years, 1940, 1945 Through 1960" was marked Exhibit G-14(S) and substituted for document originally marked Exhibit G-14.)

Government's Exhibit 15 contains a change in the footnote to further explain the source of the data contained in the exhibit.

(Document headed "Table 15—Summary of Savings and Time Deposits of Girard Trust Corn Exchange Bank by Location of Depositors" was marked Exhibit G-15(S) and substituted for document originally marked G-15.)

Government's Exhibit 16 merely adds a total under each of the categories by date, so that, for example, in the category December 31, 1947, after the four banks indicated, total figures are included.

(Document headed "Table 16, Concentration of Assets of Insured Commercial Banks in Philadelphia, Delaware, Mont. and Bucks Counties, Pennsylvania in 1947, 1950, 1956 [fol. 2266] and 1960, and Effect of Proposed Merger Upon Such Concentration of Assets" was marked Exhibit G-16(S) and substituted for document originally marked Exhibit G-16.)

G-17 is a merely a change in title to indicate the information contained in the exhibit.

(Document headed "Table 17, Large Loans and Lines of Credit of Girard Trust Corn Exchange Bank Outstanding on September 21, 1960 by Location of Borrower" was marked Exhibit G-17(S) and substituted for document originally marked Exhibit G-17.)

And the same change for Table 18 in the title.

(Document headed "Table 18, Large Loans and Lines of Credit of Philadelphia National Bank Outstanding on September 21, 1960, by Location of Borrower" was marked Exhibit G-18(S) and substituted for document originally marked G-18.)

Government's Exhibit 20, the change is a further explanation in the footnote of the fact that the data contained in the exhibit is that supplied by the Girard on a random sample basis, and it states the basis of the sample, which is 1 out of 50.

Government's Exhibit No. 21 adds to the original exhibit a category, "Lines of Credit Under $50,000," also [fol. 2267] based on information supplied by the Philadelphia National Bank.

(Document headed "Table 21, Philadelphia National Bank—Loans and Lines of Credit Under $50,000" was marked Exhibit G-21(S) and substituted for document originally marked Exhibit G-21.)

On Government's Exhibit 25 there were typographical errors under "Loans for Purchasing or Carrying Securities" in the line beginning "Dollar Volume" under "Per Cent of Total."

(Document headed "Table 25, Philadelphia National Bank, all Loans $50M & Over, Except Commercial & Industrial Oustanding September 21, 1960," was marked Exhibit G-25(S) and substituted for document originally marked G-25.)

And with reference to Government's Exhibit No. 27, there were also errors under the totals by area, and the changed figures are indicated on the new exhibit.

(Document headed "Table 27, All Loans $50M and Over Except Commercial & Industrial Merging Banks' Combined Totals Outstanding September 21, 1960," was marked Exhibit G-27(S) and substituted for document originally marked G-27.)

In Table 28 there was one typographical error. After [fol. 2268] the heading "$100,000 to $500,000" under

"Total Four Counties," rather than 39.5 per cent as indicated on the original, it should be 59.5 per cent in the four-county area.

(Document headed "Table 28, Philadelphia National Bank, All Personal & Business Demand Deposit Accounts $10M & Over" was marked Exhibit G-28(S) and substituted for document originally marked G-28.)

Table 28A contains a more detailed title and deletes "Bank Demand Deposits" from the category of "Government Demand Deposits."

(Document headed "Table 28A, Time Deposits, $10,000 and Over, and Government Demand Deposits of Philadelphia National Bank in Philadelphia, Bucks, Delaware and Montgomery Counties, Pennsylvania, as of June 1960" was marked Exhibit G-28-A(S) and substituted for document originally marked G-28-A.)

Government's Exhibit No. 29 contains a change in the title to more fully explain the exhibit and adds a category under "Philadelphia National Bank" of "Demand Deposits Other Than Bank Demand Deposits" and "Domestic and Foreign Bank Demand Deposits," which also results in a change in the second page in the combined PNB and Girard totals, and the footnote on the second page is added [fol. 2269] to further explain the exhibit.

(Document headed "Table 29, Demand Deposit Accounts $10,000 & Over of Philadelphia National Bank, Girard and Merging Banks Combined" was marked Exhibit G-29(S) and substituted for document originally marked G-29.)

Government's Exhibit No. 30 contains a change in the title, and there are changes in the category under "Philadelphia National Bank, Number of Accounts," and there is added a combined total for both Girard and Philadelphia National Bank, and the footnote explains the information.

(Document headed "Table 30, Analysis of 100 Largest IPC Demand Deposit Accounts of Girard Trust Corn Exchange Bank and 100 Largest IPC Demand Deposit Accounts of Philadelphia National Bank by Location of Such Depositors" was marked Exhibit G-30(S) and substituted for document originally marked G-30.)

Government's Exhibit No. 31 contains a change in the number of time deposits under $10,000 in the four-county area, from 15 to 16.

(Document headed "Table 31, the Philadelphia National Bank, Number and Location of Savings Accounts and [fol. 2270] Time Deposits Under $10,000 as of March 31, 1961," was marked Exhibit G-31(S) and substituted for document originally marked Exhibit G-31.)

Government's Exhibit 45 contains a change to eliminate the earnings credits which had been included in the service charges erroneously.

(Document headed "Comparison of Proposed Service Charges of 'Resulting' Bank with Service Charges of Philadelphia National Bank and Girard Trust Corn Exchange Bank Immediately Prior to Their Application to Merge" was marked Exhibit G-45(S) and substituted for document originally marked Exhibit G-45.)

[fol. 2270a] Mr. Reycraft: Dr. Goodman.

OSCAR GOODMAN, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. Dr. Goodman, what is your present position?

A. I am an associate professor of Finance at Northwestern University in the Graduate School of Business.

By Mr. Littleton:

Q. Doctor, would you mind speaking clearly? We can't hear you.

A. Yes, sir.

I am an associate professor of Finance at Northwestern University in the Graduate School of Business.

By Mr. Reycraft:

Q. Dr. Goodman, would you describe your educational background?

A. Yes. I have a bachelor's degree in Business Administration from Northwestern University.

I have a master's degree in Economics from the University of Wisconsin.

I have a Ph.D. in Economics from the University of [fol. 2271] Wisconsin.

I have an LL.B. from the University of Wisconsin.

Q. Dr. Goodman, what field was your graduate work in Economics that was done?

A. Yes. My graduate work was in Economics, with a concentration in finance. The subjects in essence involved economic theory, banking, finance, distribution, and allied fields.

Q. And your undergraduate work?

A. My undergraduate work was in the—the concentration was marketing.

Q. Would you describe your teaching experience?

A. Well, I taught at the University of Wisconsin in the School of Business from 1948 to 1952. I was associate professor of Finance and Insurance at Washington State University in Pullman, Washington, from 1953 to 1956. I was an associate professor of Finance at the University of California, in Berkeley, from 1956 to 1958; and I have been at Northwestern University in the Finance Department of the School of Business from 1958 until the present.

Q. Dr. Goodman, can you tell me some of the subjects you taught at the University of California?

A. At the University of California I taught Corporation Finance, Investments, Business Fluctuations and Fore- [fol. 2272] casting, Corporation Finance Case Problems, and Marketing Principles.

Q. And what did you teach at Washington State?

A. Corporation Finance, Investments, Principles of Insurance, Property and Casualty Insurance, and a survey, Introduction to Business.

Q. And what did you teach at Wisconsin?

A. Corporation Finance, Investments, Principles of Insurance, Sales Forecasting and Measurements, and Statistics.

Q. And at Northwestern?

A. Business Finance, Problems in Finance, Investment Portfolio Management, Investments, the Finance Seminar, and the Research Methods Seminar.

Q. Have you done any other teaching outside the universities?

A. Yes. I have taught at the Management Institute of the University of Wisconsin, and I have taught at the National Trust School sponsored by the American Bankers' Association, which convened at Northwestern University last summer and will be there again this year.

In the National Trust School my teaching assignment is Investments for Trust Officers.

Q. Doctor, will you describe your business experience?

A. Yes. My business experience was as manager of the Merchandise Control Research and Records Office of Alden's, mail order, in Chicago, where my major work was [fol. 2273] sales forecasting and preparation of budget, and analysis of sales performance.

Then I was at Spiegel's in Chicago as a senior market analyst. The main work was sales forecasting, market research, store-location studies.

This was in the period before I went to the Graduate School. It was from 1943 to 1946.

Subsequently I went to Wisconsin, majored in Economics and Finance and moved into Finance.

Q. Dr. Goodman, have you had any publications?

A. Yes.

Q. What are they?

A. The publications include a discussion of business education delivered at the Fire Association of the Pacific; "Forecasting Life Insurance Sales," in the Life Association News; "Sales Forecasting," published by the Bureau of Business Research and Service of the University of Wisconsin; "A Note on a Method of Forecasting Merchandise Sales," in the Journal of Marketing.

I have written for the Encyclopedia Britannica the following articles:

Capital Structure, Bond (in Finance), Futures, Hedging, Broker, Buyer, Check, Cash, Cash-on-Delivery.

Q. And have you written any book reviews?

[fol. 2274] A. Yes. I have written a book review of Trust

Banking in Washington by Howard Preston, which appeared in the Pacific Northwest Quarterly in 1954;

A book review of Retail Trade Area Analysis, by L. V. Fine, which appeared in the Journal of Marketing;

A book review of County Patterns in Life Insurance Sales, which appeared in the Journal of Insurance in 1958;

And a book review of Pension Funds and Economic Power, by Paul Harbrect, which appeared in the Journal of Insurance—it will appear in the next issue of the Journal of Insurance, this year, 1961.

Q. Now, in addition to the experience you have described, have you done any additional research in the field of banking?

A. Yes. I have done research in the banking area on the question of concentration and monopoly as it applies to the bank holding-company area.

In April, 1959, I started work on a paper tentatively entitled, "The Meaning of Competition as defined by the Bank Holding Company Act of 1956," and that paper is still in progress.

The purpose of the paper is to analyze each and every decision made by the Federal Reserve Board starting with the first one and to derive and distill from that the mean-[fol. 2275] ing of competition as interpreted by the Federal Reserve Board.

It also includes the analysis of geographic area encompassed by the Federal Reserve Board and the line of commerce as the Federal Reserve Board interpreted it under the Bank Holding Company Act.

Q. Do your classes in Finance include problems involving bank operations?

A. Yes. A substantial part of the work that I do in the finance area involves banks and banking as a source of business funds, and also the question of bank management and the impact of the composition of a bank's assets in the sense of the significance of it to the investor, as well as to the manager of a bank.

Q. Dr. Goodman, are you a member of any professional societies?

A. Yes. I am a member of Beta Gamma Sigma, which is an honorary in Commerce; Phi Delta Kappa, which is an honorary in Education;

Then I am a member of the American Economic Association, the American Finance Association, the Financial Analysts Society, the American Association of University Teachers of Insurance, the American Association of University Professors, and the Illinois Bar Association.

[fol. 2276] Q. Dr. Goodman, have you made any study in connection with this case?

A. Yes.

Q. When did you begin that study?

A. I began the study at the early part of March and have worked on it intermittently since March and constantly for the past month.

Q. What information have you examined in preparation for your study?

A. Well, I have examined the reports by the regulatory agencies who examined the impact of the merger.

I have examined the application.

I have examined the statistics collected by the Justice Department from the banks.

I have examined the material from the banks which the Justice Department has collected.

I have examined the depositions of the bank officers taken.

I have examined the full range of economic literature dealing with the problem of concentration, monopoly, competition, and simplifications in banking and in credit.

Q. On the basis of your study have you reached any conclusions on the effect of the proposed merger of the Philadelphia National Bank and Girard Trust Corn Exchange on [fol. 2277] competition in commercial banking in the Philadelphia area?

Mr. Littleton: Objected to until we have an opportunity to cross-examine this witness.

Mr. Reycraft: All right. Cross-examine.

By Mr. Littleton:

Q. Doctor, you never taught banking at all, did you?

A. I think that a fair answer to that would have to be yes, in the sense that banking is an integral aspect of courses in finance.

If you mean, have I taught the narrow course in bank

management at the Graduate School of Business, our school, for example, is thinking of dropping its narrow course in bank management.

Q. Did you ever teach bank management?

A. No. I have not.

Q. Did you ever teach anything about commercial banking?

A. Yes. I have.

Q. Courses in commercial banking?

A. I have not taught a course called "Commercial Banking."

I have taught commercial banking as it applies to sources of funds for business.

Q. Your field has been corporate finance, insurance, and marketing, hasn't it?

A. I think that probably one would have to include in- [fol. 2278] vestments.

Q. And investments?

A. Yes, sir.

Q. That has been your field. Anything about banking is just collateral to that that you might have taught?

A. Since banking is one of the— is the most important financial institution, I can't—I would not say that it is collateral. It is an integral part of finance.

Q. Did you ever write anything on the subject of bank management?

A. The only thing that I have written was the review of trust banking.

Q. Of trust banking?

A. Trust banking.

Q. Did you ever write anything on commercial banking?

A. Other than the draft of the paper that I now have on the Bank Holding Company Act, which I started in 1959.

Q. And where is that paper, sir?

A. The paper is in Chicago.

Q. Have you completed it?

A. No. I have analyzed 20 cases, I believe. After the analysis of the 20 cases I decided to wait because I felt——

Q. Excuse me?

A. Because I thought the earlier cases may not fairly rep-

[fol. 2279] resent the Federal Reserve Board's feelings, in that they had not had any experience with the Act. I felt that perhaps the later cases might be completely different.

Q. This is this project you are working on in connection with the Bank Holding Company Act; is that correct?

A. Yes. That was the paper which I had said was "The Meaning of Competition as Interpreted by the Bank Holding Company Act."

[fol. 2280] Q. And there is nothing extant that comes from you as yet in that field?

A. No.

Q. There is nothing I could read, for instance?

A. The articles in the Encyclopedia Brittanica have not been published. Those deal with checks, cash—those have banking implications. You could not read them for they have not yet been published.

Q. Let me ask you about this project which you have at the present time in connection with the Bank Holding Company Act.

I am asking you, is there anything that you have written there that would be available to us to read?

A. Nothing has been published.

Q. And you don't have your manuscript with you?

A. I do not have it with me.

Q. Is there a manuscript?

A. Yes.

Q. Completed?

A. The first 20 cases have been analyzed, yes, and conclusions drawn from them.

Q. Have you ever been employed by a bank, Doctor?

A. No, sir.

[fol. 2281] Q. And when you talked about your bringing in banking as part of these courses that you teach or that you study, your emphasis has been on securing credits from commercial banks; it has been from the point of view of the borrower, has it not?

A. It has been from the point of view of the borrower in business finance.

In investments, it has been from the point of view of the bank, inasmuch as the excellence of management of a bank's funds reflects itself in the profitability of the bank.

Q. Now, these things that you have examined in connection with this particular merger that we have here under consideration, have you told us everything that you have studied in connection with this?

A. I am not sure. I have tried to indicate those that came to mind immediately.

Q. For instance, you said you read the depositions of the bank officers.

A. Yes.

Q. Name us the officers who gave us their depositions.

A. Yes. I read the deposition of the bank officer, I believe it was the deposition of Mr. Brown.

Q. And what other deposition did you read? I under- [fol. 2282] stood you to say the bank officers who gave their depositions.

A. I believe I only read one deposition, the deposition of Mr. Brown of the Girard Bank.

Q. Then did I misunderstand you when I thought you said you read the depositions of bank officers?

A. I have read one deposition of a bank officer, Mr. Brown of the Girard Bank.

Q. And you have told us everything else that you have examined in connection with this?

A. I don't believe I could say that. I told you everything that came to mind when you asked me that question.

I have a good deal of material here and I have examined a very substantial number of documents and substantial number of sources, and as we go along it may very well be that a number of other sources and other kinds of material will appear in the discussion.

Q. Have you ever made a study of banking concentration in any other area than the Philadelphia area?

A. Yes, I have.

Q. Tell us about that. Where was that?

A. It is in Lexington, Kentucky. I was asked to analyze the bank area in Lexington, Kentucky, and Philadelphia.

Q. That, of course, is in connection with the action which [fol. 2283] the Department of Justice has brought against the Lexington banks which were seeking to merge?

A. Yes, sir.

Q. That is in connection with the action which the De-

partment of Justice has brought against the two banks there which have merged?

A. Yes.

Q. In any other area have you ever made any studies of banking concentration?

A. The other studies of banking concentration were all in relationship to the bank holding company decisions. Other than that, no.

Q. And as late as May 24, 1961, you hadn't formed any opinion about this particular merger, had you?

A. No. I was still in the process of examining documents. All of the exhibits had not been prepared. The figures were being ground out in Washington.

Q. And some of them weren't prepared until just this morning, were they?

A. The figures—several exhibits, I believe, were prepared yesterday or the day before, which were produced.

Q. And you have studied them?

A. Yes, I have. I have tried to study every document and every bit of material which is available and bears on [fol. 2284] this case.

Q. When did you come to Philadelphia in connection with this case?

A. I came to Philadelphia in connection with this case the Friday before the case started.

Q. And you have been here ever since?

A. No. I was here Friday, Saturday, Sunday, and Monday. I returned to Chicago, because I teach.

I returned here on Friday night and I have been here—it seems to be an age. Actually I have been here a week and a half.

Q. You have been here since Friday night a week ago?

A. Friday night a week ago, yes.

Q. In other words, you were working all last week while we were having the documents read into the record here in court?

A. Oh, yes. Yes, I have felt that I would use whatever time I had available to completely familiarize myself with all of the material that I possibly could get.

Q. And before this case, had you ever been to Philadelphia?

A. Yes, I have been in Philadelphia, merely as a casual visitor.

Q. Not in connection with any banking matter?

[fol. 2285] A. No. The American Economic Association has had its annual meeting here and I was here for that.

I have been here to meet with friends of mine who are associated with the Insurance—with the American Association of Chartered Life Underwriters and the casualty and property underwriters; and I have been here to visit friends of mine who teach in the area.

Q. Now, in addition to the things that you have taught, and the things that you have written, you said that you have read all of the pertinent literature on this subject that you could put your hands on.

Will you tell me what literature you have read, by name and author?

A. Yes, I can. I can tell you that literature which I thought——

What I did was prepare a bibliography, a selected bibliography of material that I had looked at. This is not all the material that I had looked at, since I could not remember it, but I do have a selected bibliography which I will be glad to read if you so desire.

Q. May I see it?

A. It starts here on Page 4, 5, 6, 7, 8, and 9.

Q. May I take it back to look at it here?

A. If you are going to take the whole thing, you had [fol. 2286] better take this too.

Mr. Reycraft: Will you mark as Government's Exhibit 176 the document which Dr. Goodman handed to Mr. Littleton, which contain a bibliography as described?

(Nine-page document (with three attached tables), entitled "Finance Faculty Seminar for Advanced Graduate Students in Finance, Finance Seminar, June 9, 1961, Professor Oscar R. Goodman, Effects of Bank Mergers," was marked Exhibit G-176 for identification.)

By Mr. Littleton:

Q. Doctor, when you say you looked at these, do you mean that you studied these?

A. I have examined each of the bibliography that I have

listed here; some in great detail, others merely to see what was in them, to see if I could find anything of use.

Some of them I have taken only a little bit from; some I have taken a lot from. In other words, these are the sources that I have used, all in varying degrees.

I have used them as one would use them in research.

By Mr. Price:

Q. Dr. Goodman, you said that you had started to study [fol. 2287] this question intermittently sometime in March.

Was that when you were first retained by the Government to give an opinion in this case?

A. I was asked by the Government on March 2nd, as a matter of fact, to examine the material in order to come to an opinion, to start preparing to arrive at an opinion.

Q. And that was to testify, wasn't it?

A. Yes.

Q. For the purpose of testifying?

A. It was explained that I would be asked to be a witness in the case.

Q. And was that about the same time that you were asked to examine the Lexington situation too?

A. Yes.

Q. When did you reach an opinion on the Lexington case?

A. I have not reached an opinion on the Lexington case.

Q. When did you reach an opinion in the Philadelphia case?

A. I would say that I reached a tentative opinion after examining the figures of the reports of the regulatory agencies, based upon those particular figures.

Q. What date was that?

A. I believe I had those figures—I must have had those [fol. 2288] figures sometime late in March.

Q. On May 24, when your depositions were taken in Chicago, you stated that you had not yet reached an opinion, did you not?

A. Yes, sir. I had not reached my opini——

Q. Which is the correct statement then?

A. I can only say that I felt that I should not reach my final opinion until I had examined all of the information that was to be made available to me.

On May 24 I did not have the information on the 1960

condition of the banks, which was being prepared in Washington.

Q. When you were asked whether you had reached an opinion when you were testifying in Chicago, you made no such qualification as you have added today, did you?

A. I don't believe the question was asked. The question was asked whether I had reached an opinion. I would have to say that on May 24 I did not have an opinion.

Q. But there was nothing about the qualifications that you gave today, was there? You just said categorically that you had reached no opinion, did you not?

A. On May 24 I had not reached my opinion in this case.

[fol. 2289] Q. And your answer to the question simply was, "No," wasn't it?

A. My answer to the question reflected the fact that I had not reached an opinion and was, "No."

Q. And there was no qualification such as you have given today?

A. (There was no response.)

Q. Was there?

A. I would answer the same way to the same question if it were asked me again on May 24.

On May 24 I had not reached my opinion in this case.

Q. The 20 cases which you say you have considered in your study of banking concentration all relate to the bank holding companies, do they not?

A. Yes, sir.

Q. And in what parts of the country?

A. They range in varying parts of the country where bank holding companies operate.

Q. Tell me where these cases are that you referred to.

A. Well, sir, I don't have a list in front of me. I am trying to think about them.

The cases would be where bank holding companies operate and that would be Ohio, California—there were cases [fol. 2290] in California, there were cases in Ohio, there were cases in Wisconsin, there were cases in Minnesota, there were cases in Utah, there were cases in New York.

Q. How many in New York?

A. I am trying to think about the New York situation. I am not sure about New York. I don't have the list of

cases—I have a list of cases somewhere in the evidence and I can give you the list of cases which were involved in the Bank Holding Company Act, if you like, which will give you each and every one of them, if you want me to find them.

Q. Not this minute, but if you will be good enough to do that during the recess, give me the list of cases which you have described as these 20 cases that you studied.

A. Yes.

[fol. 2291] Q. None in Pennsylvania?

A. No, none in Pennsylvania.

Q. And in the course of your studies did you make any direct inquiries in Pennsylvania or in Philadelphia?

A. No. In the course of that——

Q. Did you——

A. In the course of that study, I don't believe there was any relevancy in Pennsylvania.

Q. I couldn't hear that answer, Doctor.

A. I don't think that study dealt with Pennsylvania.

Q. No.

Now, in the course of your researches for the purposes of testifying in this case, did you make any examination of other than these statistics which the Government gave you? Did you make any examination of the situation in Philadelphia?

A. Well, yes. I tried to collect as much information as I could on Philadelphia and the Third Federal Reserve District; and, therefore, tried to collect information published by the Federal Reserve Bank of Philadelphia, feeling that their studies would relate to this particular area.

I also wrote to the Department of Banking in Harrisburg and received from them two studies, I believe, that they had had on hand. One was a study by a young man [fol. 2292] named John Sienkiewicz, which was a paper on branch banking and mergers in Pennsylvania written in 1955, a study of branch banking and the merger movement in Pennsylvania up to 1955.

I also came across a reference to a so-called Keith report, which was investigated in the course of investigating branch banking in Chicago, and I then wrote and got a copy of the Keith report because it dealt with banking

and the merger movement in Philadelphia, particularly in this area.

In the course of my analysis whenever I came across references to Philadelphia and the Third Federal Reserve District I paid special attention to those statistics and that information and that evaluation.

I would come across some references of this type in reports submitted in other studies, for example, bank-concentration studies submitted to the Congress in the course of the bank-merger notification—the bank-merger hearings.

Philadelphia appears in many tables which are included in studies prepared by the Small Business Administration, as well as tables prepared and published in the course of the hearings before the Congress. In those instances I tried to pay very particular attention to Philadelphia.

[fol. 2293] In addition, in the investment services I tried to take a look at Philadelphia banks to see whether they were successful, et cetera.

I also collected from Polk's the information that is in the appendix of that study you have there, dealing with all the banks in the four counties in which Philadelphia banks can establish offices; and from Polk's I examined the individual companies, the individual banks, and the area.

Q. What was the other study that you referred to as having received from Harrisburg in addition to Sienkiewicz?

A. It was by John Sienkiewicz.

Q. You described Sienkiewicz, but there was another one.

A. It was a study called "Branch Banking in Pennsylvania," a little pamphlet. I have it here somewhere.

Q. Do you remember the author?

A. I received—I believe that was the Department of Banking of the State of Pennsylvania. I don't remember it right now. Perhaps it is in the bibliography.

Q. Then your research consisted entirely in a review of statistical data and material which you got from various sources; is that correct?

A. Yes. All of the material which I looked at was collected by myself or at my direction, and typically was either collected as primary data from the individual who [fol. 2294] supplied it to me, or was secondary data.

Q. Did you talk to anybody? Did you get any oral ex-

pressions of opinion from anybody, or only the written opinions which you gleaned from the documents which you read?

A. The problem of concentration and competition in banking is interesting enough that I discussed the question of the effects of bank merger at a doctoral seminar. We have our doctoral candidates in finance, who are asked to come to a seminar, which is typically led by one of the members of the department on a subject of interest in the area of finance, at which all the members of the Finance Department come and we discuss a problem in finance.

And I did discuss with all the members of the department and our doctoral candidates, all of whom have had very, very substantial educational backgrounds in economic theory and finance, the question of the effects of bank mergers in general; and I used the data that I collected from Polk's, which is in that outline, as an example of a particular area, feeling that this would be pertinent.

Q. Then you didn't talk with any bankers or businessmen in Philadelphia about this subject, did you?

A. I collected no information based upon personal interviews in Philadelphia.

Q. And you conducted no personal inquiries yourself in [fol. 2295] Philadelphia, did you?

A. Well, I would say that I conducted a very extensive personal inquiry of the situation in Philadelphia.

Q. My question, Doctor, as you have gathered, was directed to your personal conversations with people in Philadelphia about this matter.

A. As a matter of fact, I did discuss some things in Philadelphia. I was curious about several of your——

Q. With whom?

A. I am about to tell you.

I was curious about several of your banks here. One was the Pennsylvania Safe Deposit & Warehousing Company, and one was the Finance Company of Pennsylvania, which, it was obvious, were not thought of as competitors by the banks because they had not listed them in the application.

The statistics on the banks, although they were called banks, were such as to excite my curiosity because, although they carried the name of bank, they just simply

didn't have a balance sheet that had any resemblance to a banks' balance sheet.

Therefore, I went to visit these two particular institutions and talked to individuals there, just to satisfy my curiosity. I had never seen two such institutions, so I did go to these two places.

[fol. 2296] In addition——

Q. What information did you get from them?

A. I got information which satisfied me that they simply were not—although they had bank charters, they were not what I would consider to be commercial banks. They were not—they were performing substantially—the most important part of their function, so far as I was concerned, was not commercial banking.

Q. And that is all the information you were looking for from them and that's all you got, was it?

A. That is all that I was looking for from those two institutions.

Then there was the question of Brown Brothers & Harriman, which was a disturbing fact, and I called up a Mr. Hess, I believe it was, at Brown Brothers & Harriman to see if I could get some information from him as to his operations in Philadelphia. He told me that he could not give me those individual figures.

Then there was the Camden branch. I went down to the Camden branch, walked in the Camden branch, and called up the president of the First Camden National Bank to see if he had data which he would make available to me on the operations of his first Camden branch. He said no.

I believe that—let's see. For the moment, that's all I can [fol. 2297] think about.

Q. Did you talk with anybody else, either bankers or businessmen, outside of Philadelphia who had banking connections or did banking business in Philadelphia?

A. No.

Mr. Price: That's all I have.

Mr. Littleton: May I ask just one or two questions on this G-176?

The Witness: What is this? My outline?

By Mr. Littleton:

Q. The bibliography which you gave me or which you handed to me, Doctor, of the writings or texts that you looked at in connection with this is attached to what appears to be a program of "Finance Faculty of Northwestern University School of Business" taught by you or conducted by you.

I assume in your teaching you have always been objective?

A. I try to be.

Q. Yes.

This program is dated June 9, 1961, and is headed "The Effect of Bank Mergers," and I notice that part of the program is, in paragraph 4, The Philadelphia National Bank and the Girard Corn Exchange Bank (a state-chartered institution) have announced their intention to merge [fol. 2298] and their stockholders have approved the merger.

Then you are going to discuss and receive from the point of view of the economists interested in private finance what would be the effect of this merger on competition in the relevant market.

A. The date, incidentally, Mr. Littleton, is really May 24th. I felt that I should include the most complete——

The date that you have is June 9th, but it really—that is an error on the part of my secretary.

This is a reproduction. I thought I might want some copies here, so on June 9th I asked her to reproduce the original outline and to include the complete bibliography, in other words, pages 7, 8, and 9—pages 7, 8, and 9 were added on June 9th, you see.

Q. Yes.

A. So she changed the original date. The date should be May 24th.

Q. Well, May 24th——

A. The date of this discussion.

Q. May 24th is the date when your deposition was taken in Chicago.

A. That afternoon; that is correct.

Q. And at that time you said you had formed no opinion as to this Philadelphia National-Girard merger?

[fol. 2299] A. I had not.

Q. Had you, on June 9th, the date of G-176 that I hold in my hand?

A. June 9th? That was Friday.

I would say that my opinion by—by June 9th I had been—this was the week after I had returned from Philadelphia, at which time I had had all the tables, all of the tables which the Government had been preparing, based upon the financial data.

At that time I had, for three days, been examining all of the documents collected by the banks. I would say that on June 9th my opinion was formed.

By the Court:

Q. Is that the night you came back to Philadelphia?

A. Yes.

Mr. Littleton: If Your Honor please, I object to this witness as not being qualified to express the opinion he has been asked for.

Mr. Reycraft: Your Honor, I submit the witness has made every study that a witness could make, that an economist could make, during the time available and that he is qualified to testify as to what his study has shown.

The Court: I will not hold that he is an expert on banking or bank mergers. I refuse to so qualify him.

[fol. 2300] I will, however, qualify him as an economist who has taught finance, and he may be allowed to express his opinion in that category, as one who has made a special study of this case; but I do not qualify him as an expert in either banking, the operation of banks, or bank management.

Do you get the distinction?

Mr. Reycraft: Yes, sir.

The Court: All right.

We will take a ten-minute recess.

(A recess was had.)

The Court: Proceed, Mr. Reycraft.

By Mr. Reycraft:

Q. Dr. Goodman, in your teaching of corporate finance, did you have an opportunity to consider the subject of mergers generally?

A. Mergers is a very important part of corporation finance and I consider mergers as a substantial part of my course in corporation finance and in business finance and any other finance courses that I teach.

Q. Dr. Goodman, in your teaching in the business-finance field have you had an opportunity to examine the structure of financial institutions from which businesses obtain financing?

A. Yes.

[fol. 2301] Q. Will you explain in what way?

A. I have examined the sources and the uses of the funds of financial institutions and how they distribute these funds to various individuals and businesses who borrow funds.

In other words, where they have got their funds from and what they do with the funds that they have received.

I have examined the characteristics, the nature of the management limitations that are upon the managers of financial institutions, which are laid onto them by the very nature of the contract under which they have received the funds and the nature of what they are allowed to do with their funds.

Q. In so doing you have examined in your teaching and in your studies into the differences in the structures of these institutions?

A. Yes. I have.

Q. Now, have you made a study in connection with this case of the financing problems of businesses?

A. Yes. I have.

Q. And in making this study, what financial institutions did you examine?

A. I examined commercial banks, savings and loan institutions, mutual banks, sales-finance companies, finance companies, general finance companies, mutual-savings banks, and other institutional investors, life-insurance com-

[fol. 2302] panies, et cetera.

Q. Did you reach any conclusion with reference to the sources of funds for business financing?

A. Yes.

Q. What were they?

A. My conclusion is that for small and intermediate-sized business, the great majority of all of their external funds is derived from commercial banks.

For large businesses, large corporations particularly, they have a substantial number of alternatives in the capital market.

Q. Now, what was the basis for this conclusion?

A. The basis for this conclusion is an examination of the studies made by the Securities & Exchange Commission, who gets the proceeds from the sale of bonds and stock, and other capital which is available to business.

It is based upon an examination of the various statistical reports and analyses made by economic agencies investigating sources and uses of funds by businesses and by financial institutions.

Q. From the standpoint of a business which can use the financial services of a financial institution, did you consider whether there are differences between commercial banks and other institutions?

[fol. 2303] A. Yes.

Q. And what are they?

A. Well, it is my conclusion that as far as the smaller and intermediate-sized business is concerned it effectively has very, very little opportunity in deriving external funds from such institutional investors as insurance companies, pension funds, and other such financial intermediaries; and it has very little opportunity of deriving short-term working capital from any of the savings institutions, like savings and loans or mutual-savings banks.

In other words, the primary and practically only regular source for reoccurring financing purposes for small and intermediate-sized business, short-term, self-liquidating type of loans, as well as intermediate financing, for all practical purposes this is the commercial banking system.

Mr. Littleton: If Your Honor please, may I inquire at this point of the witness, because he has used the term several times, if he will define small and intermediate businesses?

The Witness: Yes. The definition of a small business varies. It usually is defined in terms of number of em-

ployees or in terms of size, and even then the definitions vary by industry.

[fol. 2304] I think that we are beginning to accept as definitions those definitions promulgated by the Small Business Administration.

By Mr. Littleton:

Q. How are you using them, Doctor?

A. I am using them in the same way.

I would consider that a small business would be a business whose asset size is probably—again it depends on the industry, but I have in mind an asset size of less than $250,000 and employees of less than 500 employees; but the definitions vary considerably, as we say, by industry.

In some industries, some construction industries, the definition of small business might go up as high as $1,000,000 or more.

The definitions that I use are those which are promulgated by the Small Business Administration, which I have here, in other words, for each individual industry.

By Mr. Reycraft:

Q. Would you indicate those for the record, Doctor?

A. Yes. These are the SBA rules and regulations.

The definition of a small business—a small-business concern for the purposes of Government procurement is if its number of employees does not exceed 500 persons; for construction contracts, if its annual receipts are less than [fol. 2305] $5,000,000 for the preceding three fiscal years; for food canning and preserving, less than, again, 500 employees.

We have a number of categories which are listed here in terms of employee standards. I think that—well, let me get the apparel. For example, in the apparel industry it is generally less than 250 employees. In the chemical and allied products, generally less than 250 employees, although in some categories it is 500 and in other categories it is less than a thousand.

Small, then, is a matter of relativity. It varies by individual industry. In general, one would say that the retail-trade industry is characterized by small industry in gen-

eral, as primarily small. Probably 90 per cent of all businesses in retailing would be characterized as small; most in wholesaling would be characterized as small.

[fol. 2306] By Mr. Littleton:

Q. What was that from which you were reading?

A. I was reading from SBA rules and regulations.

Mr. Littleton: Is that marked?

Mr. Reycraft: I will have it marked.

The Witness: In addition, the Federal Reserve Board has defined small business—small, medium, and large—for purposes of carrying on a study in 1955 and in 1957, and they have promulgated some standards of what is small and what is large.

Now, to be sure, I should get the information, the standards, that they have used in their study. I will get the 1955 and 1957 studies, and we can examine specifically what the Federal Reserve Board used.

Mr. Reycraft: Will you mark as Government's Exhibit 177 Part 21 of the Small Business Administration rules and regulations, Revision 2, Section 121.3.

(Small Business Administration Rules and Regulations, Revision 2, Section 121.3, was marked Exhibit G-177 for identification.)

The Witness: The Federal Reserve Bank of Philadelphia, in its commentary on the 1957 Federal Reserve study of small business financing, used the definitions of less than $50,000 for retail trade, less than $250,000 for wholesale, [fol. 2307] commodity, real estate; than a million dollars for manufacturers of food, liquor, tobacco, textile, apparel, and health; less than $5 million for sales finance companies, and less than $5 million for some very substantial manufacturing companies.

By Mr. Littleton:

Q. Do I understand that they are the definitions you are using?

A. Well, I feel that I would use the definitions that are becoming accepted by most researchers in the field.

Q. You are testifying, and I am asking you if you are using those terms.

A. I am using the same definitions.

Q. As what? The Federal Reserve or the Small Business Administration?

A. Well, I think I might say that I am using these as a general guide, the two combined. I don't have the problem of defining any particular business as small or large. My thinking about the problem revolves about the question of, in general, what industries do small business predominate in, as defined by those who have studied and counted the number of companies in each individual field. So I don't have to define, I have not had the problem of defining, any one business by any size standard, so I have [fol. 2308] not followed any very specific, I have not followed any standards of that type. I generally in my thinking have used the standards used by the Small Business Administration and by the Federal Reserve Board, because, in any group of individuals who talk about small business, the question on the high side, at what point do you cut off a small from a very large business, is somewhat of an unsettled problem.

Q. You used a third term. You said intermediate businesses.

A. Yes. In terms of asset size for small, intermediate, and large sized businesses, when one uses corporations, one category which I often follow is the categories which are listed in the "Quarterly Report on Manufacturers" published by the SEC, and in their size categories when they examine financial statements of manufacturing corporations, they, for example, have three categories:

Under $1 million in terms of total assets.
$1 million to $5 million.
$5 million to $10 million.
Then they have additional larger sizes:
$10 million to $25 million.
$25 million to $50 million.
[fol. 2309] $50 million to $100 million.
$100 million to $150 million.
$250 million to $1000 million.
$1000 million and over.

So In manufacturing, in the opinion of the Securities and Exchange Commission, there are various gradations of

industry from less than $1 million all the way up to $1000 million and over.

Q. And you have been testifying here about intermediate businesses. What do you mean?

A. Well, when I deal with manufacturing corporations of the kind that would be reported by the SEC in their "Quarterly Report on Manufacturing Corporations" I would tend to use as small companies those companies that are less than $10 million, the range running from very small, under one, to relatively small, to small. I would use as intermediate some range from perhaps $10 million to $50 million.

Q. So that when you used "intermediate" a few moments ago in answer to a question Mr. Reycraft asked you, you were talking about $10 million to $50 million by corporation, were you?

A. Only in manufacturing corporations of the type that are reported by the SEC. In trade and wholesaling the [fol. 2310] sizes would be considerably different, and in trade and in wholesaling, in retail trade, a very small company would be one less than $50,000 in total assets, and gradations of size probably up to—well, I would probably say less than $250,000 in total assets would be small, but less than $50,000 would be very small, put it that way.

Q. What would be intermediate?

A. I think that an intermediate size retailing concern probably would be anywhere from $250,000 up to, in total assets, up to $5 million would be an intermediate size. I don't think you can have just three categories. There would be a group of middle retailing companies, and then there would be the very, very large ones, very large being a company like Sears Roebuck or a company like the A&P, whose assets size is in the hundreds of millions.

Q. You understand you used the term. All I want to know is what you meant by the term.

Mr. Reycraft: I ask that Mr. Littleton be instructed to confine his questions totally to qualifications and save this for cross-examination.

The Court: I think I have a pretty good idea what the doctor means in the various realms, so go ahead.

By Mr. Reycraft:

Q. Dr. Goodman, from the standpoint of the business [fol. 2311] borrower, what are the other services available from commercial banks?

A. Probably the function associated with the safekeeping and the drawing of cash and its monetary equivalents, in other words, demand deposits, the checking facilities to facilitate the transfer and the payment of funds for the small business, the providing of small business with cash —on the giving side and the taking side.—providing of a businessman with an opportunity to borrow, to finance his working capital, to finance his inventory, his self-liquidating needs, primarily to finance his needs of the type that have a maturity of less than one year, of the type that will finance his current operations, financing inventory, which is then sold, with the proceeds he can then pay off his loans.

In addition, the bank provides for the small and intermediate size businessman term loans, probably substantially—in recent years a more substantial part of the funds can be secured for longer than one-year periods—used for such things as financing the installation of equipment or fixtures and used for such things as his so-called, well, semi-permanent working capital needs for financing his basic inventory other than the type that is entirely liquidated.

[fol. 2312] Q. Are there services available to business from commercial banks which are also available from other financial institutions?

A. Yes, to a limited extent from the mortgage window. In other words, a small business could, if it owned its store, it would be able to raise funds by securing a mortgage from a bank or from a savings institution or from an insurance company. He may secure mortgage money for real estate purposes from other financial institutions, and in some industries factors are used for the financing of receivables, but for most small and intermediate size business, factors are not a source of funds to any substantial degree.

Q. Why not?

A. Well, the costs are higher than the costs for a commercial bank. The amount of the financing would have to be relatively large to make it worth the factor's time

to go into a particular company, so factors tend to specialize among textile companies to a substantial degree, larger companies, manufacturing companies to a substantial degree, and they are relatively unimportant in retailing, in most retailing and wholesaling fields.

Q. You referred to several institutions which perform some services required by business. Can any of these [fol. 2313] institutions perform all the services required from financial institutions?

A. No.

Q. Which ones can they not perform?

A. No other institution except the commercial bank can create demand deposits, for example, can loan money which it does not have in its possession, can create a loan by creating a demand deposit. Therefore, the facilities of the banks for lending to business are much greater and much broader than the facilities of any other institution. In addition, no other institution can loan money so cheaply to smaller businesses than a bank, because the costs of the contact from a commercial bank's point of view are spread over its full range of commercial banking activities. In other words, the business deposits its funds with the bank. The business draws its funds on the bank. The business is constantly in contact with the bank and the bank in contact with the business. Therefore, the expenses of making a particular loan, of servicing a loan of a commercial nature for a bank are unique as compared to any other kind of financial institution, and therefore the only kind of loan, let us say, a life insurance company which would want to loan commercial loans could make would [fol. 2314] be relatively large, because of the cost of making the loan, of servicing the loan, from the company's, from the lender's, point of view. Therefore, no other institution, I do not think, can make the kinds of loans which are the primary commercial needs of a small and intermediate sized business, as compared to that made by a commercial bank.

Q. Have you given any consideration to small loan companies as a source of financing to business?

A. Yes. The statistics indicate—I have some figures prepared by the Federal Reserve Bank of Philadelphia which clearly indicate that the amount of money made avail-

able by small loan companies to business as compared to that made available by a bank is relatively insignificant. Again the same problem. If a business were to go to a small loan company, they would have to pay a very substantial rate—I will state somewhere between 24 and 36 per cent—and the amount that the small loan company can loan to the business is typically restricted by law. I believe the Pennsylvania figure is around $600, with a gradation up to higher amounts, and this is quite typical of practically every other state. So the small business that went to a small loan company would be one that is in desperation, that has been turned down by its bank.

[fol. 2315] Q. What are the principal sources of capital to personal loan companies, small loan companies?

A. The principal sources of capital which the small loan company uses is capital supplied by the owners of the company and loans from commercial banks. In other words, the commercial bank is the supplier, too, of a substantial part of the funds which small loan companies use.

Q. Do these facts have any bearing upon the competition between commercial banks and small loan companies to furnish services to businessmen?

A. I think it quite clear that the costs of the small loan company and the amount of money that they can advance to a business, the cost is so high, the amount of money is so limited, that businessmen who go to small loan companies would be those who had been turned down by banks and would be so desperate that they would want to pay these very, very substantial prices, which in most cases are uneconomic, and the amount that they could get would be insignificant, because the amount that the small loan company can make available is so limited.

Q. Have you examined any documents with reference to the relationships between small loan companies and either of the two banks involved in this case?

A. Well, I have examined, I believe, in this particular [fol. 2316] market, Mr. Brown in his deposition pointed out that the small loan companies were not significant competition; and in addition some of the documents indicate—there was a document that had reference to the Ritter

Finance Company, a local company here, and again an opinion by a bank officer that the competition of the loan company is simply insignificant. They are in a completely different market, as far as the bank is concerned, that they loan to a completely different kind of customer, they are not competition.

Q. Have you given any consideration to the range of choice of business for financial services with respect to the geographic area?

A. Yes, I have. I have given a good deal of thought to that particular problem.

Q. And what data did you examine in connection with this study?

A. I examined the reports on the geographic area prepared by the regulatory agency. I examined the area within which the banks could legally establish branches. I examined the opinion of writers on the subject of banking and bank concentration and markets on what the geographic area for a bank is. I examined the opinion of Federal Reserve bank writers in individual areas, writing [fol. 2317] on the geographic area within which the banks in their district compete. I examined the geographic area established by students of the problem of banking in Philadelphia and in Pennsylvania, and then I examined the source of the business of the banks as shown in data collected from their own records, first in 1955, in response to a request by the Federal Reserve Board, who wished to study the nature of commercial and industrial lending by banks in individual districts and for the country as a whole, and in this particular study the geographic area of the commercial and industrial loans of the banks were specified; and then I examined data collected from the banks, indicating the geographic area from which their business came in 1960.

Q. On the basis of this examination what were your conclusions?

A. My conclusion is that the relevant geographic area for an examination of the effects, if any, of concentration in this particular area is the four-county area of Philadelphia County, Bucks County, Montgomery County, and Delaware County. However, I also concluded——

Mr. Littleton: If Your Honor please, I move that the answer be stricken because it is not within the limits that [fol. 2318] Your Honor put on his qualifications.

Mr. Reycraft: The question I asked was whether he had given consideration to the availability of business of financing service and what areas they go to.

The Court: For whatever weight it carries, I will let it stand.

Mr. Littleton: May I just ask that that be a continuing objection?

The Court: It may be.

Mr. Reycraft: Will you read the question and the answer.

The Court: He has answered it. We are waiting for a question.

Mr. Reycraft: May I ask that he read the question and the answer, Your Honor, so that I may get my trend of thought.

The Court: All right.

(The reporter read as follows:)

"Q. On the basis of this examination what were your conclusions?

"A. My conclusion is that the relevant geographic area for an examination of the effects, if any, of concentration in this particular area is the four-county [fol. 2319] area of Philadelphia County, Bucks County, Montgomery County, and Delaware County. However, I also concluded——"

By Mr. Reycraft:

Q. Would you complete your answer.

A. —that there is a number of markets in which commercial banks compete: One, international; another, national; and the other, my conclusion was the other is local, and I concluded that some banks compete for parts of their business in all three markets. Most banks compete for all of their business in only the local market, and most banks who compete in more than one market, national or local, have the greatest and most substantial part of their business in the local market; and a separate and distinct area

of competition for banks who compete in more than one market can be established in each individual market.

Q. What banks did you rely upon for these conclusions?

A. Again, all of the sources that I mentioned in answer to the earlier question.

Q. Will you particularize with reference to the data that you relied on for your four-county area conclusions?

A. The question that is involved in the four-county area [fol. 2320] is specifically, what is the geographic area which should be defined as the local market? In other words, assuming that the banks do compete in international, national, and local markets, the question of national market is relatively simple. It is the United States. The question of the geographic area of the international market today is the world. The question of the local market is a matter of determination to be determined on the basis of the information that can be gleaned and gathered in each individual situation. Every geographic area is different and depends upon the situation in the local area that is specifically involved.

Q. And what are the statistics on which you relied in this particular area?

A. The statistics that I relied upon primarily were the statistics developed by the banks themselves in response to a 1955 inquiry by the Federal Reserve Board involving an examination of the nature of their commercial and industrial business and an analysis in 1960 involving a complete examination of the nature of their deposit business, both time and demand, and the nature of their loaning business.

Q. And how did those studies bear upon your conclusions?

[fol. 2321] A. Those studies indicated that the overwhelming proportion of the total business, overwhelming to me,—I will give you the date as we go along here—of the total business of each of these banks is done within the geographic area encompassed by the boundary lines, the outer boundary lines of these four counties that I mentioned; and I therefore concluded that the local market in which these banks compete is the four-county area that I have previously described, although the statistics also indicated that the two large banks, the Girard and the PNB,

do also compete in the national market and to a limited degree in the international market.

Q. Will you refer specifically to these statistics, whatever percentages were persuasive to you as showing this conclusion.

A. Because of the nature of the data, I will have to refer to the material that I collected, so I will take a look at the individual tables.

Q. When you refer to Government's exhibits, Dr. Goodman, will you give the numbers of them.

A. Yes. In essence, in coming to a conclusion here, I had the opportunity of examining statistics collected by the banks and reported by the banks in their correspondence, inter-office correspondence, or in memos one to the [fol. 2322] other within an individual bank, not of one bank to another, but of information given within the banks to various parties within the bank.

I had information collected by a committee of both banks once the merger was determined upon, and I had information collected by the Federal Reserve Board of Philadelphia in reporting upon the nature of the market, of banks in the Third Federal Reserve District, of which Philadelphia is a part.

For the purposes of this discussion now I will start off with a discussion of my conclusion as to the market based upon, first, the data collected from the banks by the Federal Reserve Board in 1955, and then we can go, if you like, to other parts of the analysis.

Q. What is the bearing of the 1955 data?

A. Government's Exhibit 9, which is Table 9, is an analysis of commercial and industrial loans of the Philadelphia National Bank as of October 5, 1955, showing the location of the borrower.

Mr. Littleton: Is this the original No. 9 or No. 9 as revised this morning?

The Witness: I have both the old and the new here. I [fol. 2323] am looking at the revised copy.

Well, I think the first set of data reported, the first question to examine, is where do the loans of less than $50,000 originate for the Philadelphia National Bank, and we see that the number of loans that originates within the four-county area is 72 per cent. 72 per cent, therefore, in num-

ber of the loans of less than $50,000, which is a substantial bulk of the loans made by the Philadelphia National Bank, originate in the four-county area.

Now, loans from $50,000 to $100,000, 57 per cent originate in the four-county area. Therefore, again, over half of the loans in number originate in a geographic area of these four counties, the four counties of Philadelphia, Bucks, Montgomery, and Delaware.

Larger loans show the same pattern. $100,000 to $250,000, 58 per cent of the loans of $100,000 to $250,000 originate in the four-county area.

56 per cent of the loans of a quarter of a million to half a million.

Now, as the loans get larger, the $500,000 to $1 million loans, we have 41 per cent originating in the four-county area, and the loans of $1 million or more, in number, 57 per cent.

[fol. 2324] So we see that of all the loans examined, the categories, then, of the loans, indicate that for the smaller loans, 72 per cent originate, of the loans of less than $50,000, originate in the four-county area, and for the larger loans over 50 per cent originate in the four-county area, for the Philadelphia National Bank.

Now, then, for the Girard: The Girard is Table 10, which I assume is Government's Exhibit 10, and again we have the new and the old, Table 10 revised. Table 10 originally showed two categories, one million or more, and loans of less than a million, and the Table 10 revised shows the categories by individual group, and here we see that of the number of loans from $1 to $50 thousand, 84 per cent originate in the four-county area, 84 per cent of all the small loans less than $50 thousand originate in the four-county area; 78 per cent, less than $100,000; 77 per cent of the $100,000 to $250,000; 64 per cent of the $250,000 to a half million; 67 per cent of the $500,000 to a million; and the very large loans, $1 million or more, the percentage drops down sharply, 30 per cent, indicating that for the Girard its very large loans of a million or more are made substantially outside of the four-county area.

[fol. 2325] By Mr. Reycraft:

Q. Did you examine any data as of a later date?

A. Yes, I examined data of a later date, and the later date is 1960, when we have an analysis of the information presented based upon the statistics of the banks in 1960. I have reference to Table 21, whatever exhibit that is, whatever Government's exhibit Table 21 is.

Q. That is Government's Exhibit 21.

A. Government's Exhibit 21, Table 21, shows Philadelphia National Bank, loans and lines of credit under $50,000 in 1960. Although some of the data evidently is based upon 1960, some of the tables are based upon information as of 1960, some are based on information as of 1961. For the specific characteristic that we are examining, the date change makes little difference, because our focal point is the proportion of the total business that originates within a geographic area, and within a span of several months it simply does not change.

Table 21, then, indicates loans and lines of credit of less than $50,000, for the Philadelphia National Bank, 81 per cent of all of their loans originate within the four-county area. These are loans, commercial loans, exclud-
[fol. 2326] ing consumer credit and mortgage loans.

For mortgage loans of less than $50,000, 89 per cent in number originate within the four-county area.

Of time credit loans, 84 per cent originate within the four-county area.

The lines of credit, most of the information is not available, and I think that since most of it isn't available, these are the major statistics that we can apply to.

Then this again indicates that in this particular situation over 80 per cent for the Philadelphia National Bank of all of their business originates within the four-county area. The rest of it is spread all over the United States—in essence, 10 per cent in other parts of the United States, 8 per cent all over the rest of Pennsylvania. So the major market, then, for the small loans, less than $50,000, is the four-county area, the local market.

Q. What is your conclusion with reference to the availability of financing for businesses by size with respect to the geographic area?

A. With respect to geographic, practically all small and

intermediate sized business is restricted to the local markets [fol. 2327] for banks funds. They are restricted to the local market for bank funds primarily because the bank knows them best, since the bank is dealing with them in all of their other financial transactions, and since the bank services them for all of their other financial needs, the costs as well as the knowledge which the bank has of the local business is unique, which no other bank outside of the local area can match. This being the case, I and most observers of the source of bank funds for small and intermediate size business conclude that they are primarily and almost solely local market bank borrowers.

Q. These conclusions apply to small and intermediate sized business in the Philadelphia area?

A. Yes, they do.

Q. Did you make any study of the types of loans which are available to business and whether they varied by the size of the business?

A. Well, the question comes up as to, for those short-term funds that are made available by financial intermediaries to business, is any or is any significant amount of it available to smaller and intermediate sized businesses. The Prudential Life Insurance Company is the only substantial life insurance company that has established a spe- [fol. 2328] cific commercial and industrial lending department; and I was curious to see if this particular insurance company felt that it could successfully invade the small and intermediate sized business lending market, since most insurance companies, practically all insurance companies, simply do not invade the business loan market to any substantial degree, practically none in the less than one year type duration loan; and Gordon McKinley, the chief economist for the Prudential, wrote an article in "Law and Contemporary Problems," where he discussed the Prudential's venture into commercial and industrial loans, and he pointed out, as have all others who thought about it in general, but he pointed it out from the point of view of his particular company, that they simply couldn't economically advance funds to businesses of less than a million dollars, for all practical purposes, in assets.

In other words, the expense, relatively speaking, was much too high for them to lend short-term money to the

smaller business; and in addition they pointed out that the smaller businesses' credit worthiness was ordinarily less than the larger businesses who were available to them, and, in addition, the cost of making funds available to [fol. 2329] smaller business was relatively so large as to exclude the Prudential Company from the small business market; and this buttressed all observations that one is able to make as to the availability of such funds to small and intermediate sized business from institutions other than commercial banks for that very substantial part of their needs, which is short-term funds.

Q. Did you examine any data with reference to the interest rates paid by businesses by size?

A. Yes. For that information I examined the statistics of the banks, and I examined the statistics collected by the Federal Reserve Board in their 1955 and in their 1957 study, and I collected the evaluations of the Federal Reserve Bank of Philadelphia and other banks, of other supervisory agencies, and the statistics are quite clear, and that is that smaller business pays the highest rates of interest, and significantly higher than large business, primarily reflecting two things: One, the additional cost of serving smaller loans, and, two, ordinarily the less credit worthiness of a small business relative to a large.

[fol. 2330] Q. Can you refer to any statistics on which you base that conclusion?

A. Yes. If you will give me a minute I will get the statistics.

You will have to give me a minute here. We have some statistics for the figures in general for all sizes of business in the United States as a whole, in which we indicate in Government—what is it, Exhibit 63—indicating that the interest rate varies by size of borrowers for the country as a whole and varied from an average of 5.4 per cent for all borrowers, to 6.4 per cent for less than $50,000 in asset size to 4.3 per cent for $100,000 or more in asset size.

But we also have the figures for the Third Federal Reserve District, which I am trying to locate, and these figures clearly bring out the same statistics for the Third Federal Reserve District, that in this district smaller borrowers pay higher rates of interest than do larger.

As a matter of fact, Government Exhibit 70——

By Mr. Littleton:

Q. What is that last that you referred to, that last reference?

A. This is Government Exhibit 63.

Q. No, the one that you referred to after that.

[fol. 2331] A. I have some statistics collected by the Federal Reserve Bank of Philadelphia on the interest rates paid by size of borrower in the Third Federal Reserve District, which bear out——

Q. Is that a Government exhibit?

A. Sir?

Q. Is that a Government exhibit?

A. No, it is not. I say I am looking——

Q. Do you have the figures?

A. I am trying to find it.

In addition, Government Exhibit 76——

Q. Wait. Excuse me.

Do you mind if we see it before you testify about it?

A. Rather than take the time, I thought I would look at another exhibit which I can lay my hands on.

Q. Don't worry about the time. I would like to see it while you are testifying about it.

A. O.K. All right. I will find it, then.

I don't appear to have that with me at this minute. I will have to get it.

Q. Did you have any conversation with Federal Reserve about it?

A. This information, I collected from the Federal Reserve [fol. 2332] District Monthly Review. It was published in a Monthly Review.

Q. Did you have any conversation with the Federal Reserve people in Philadelphia about it?

A. I got the Monthly Reviews, some monthly reviews I got in Chicago——

Q. Won't you answer my question?

A. I am just trying to answer your question, in the sense that I did have conversations with the librarian as to the various things that they have in the library.

Q. Did they say that this figure couldn't be broken down?

A. Pardon me?

Q. Did they say that this figure could not be broken

down, and if it were, it would not be statistically valid because it would have to be by sample?

A. Well, I did not have any discussion with any statisticians or economists of the Federal Reserve District about the statistics which they published.

Q. Did the figures that you have referred to and that you are not apparently able to find at the moment say that they were by sample?

Mr. Reycraft: I will object until we have the exhibit. Then we can talk about it.

Mr. Littleton: All right, if we find the exhibit, but I don't want to pass on and just leave what the doctor has [fol. 2333] said in the air until I have seen the exhibit.

If Your Honor please, we are not being captious. We asked Federal Reserve for exactly the same information and were told that if it were able to be broken down it would not be valid statistically because it would have to be by sample.

The Court: Let's find the records that he relied on.

It is getting on toward 12:30; it is almost 12:25. We will continue at 2 o'clock.

(Recessed for luncheon at 12:21 o'clock P. M.)

[fol. 2334] [File endorsement omitted]

AFTERNOON SESSION

Present: Counsel as before noted.

PLAINTIFF'S EVIDENCE (Resumed)

OSCAR GOODMAN, resumed.

Direct examination (resumed).

By Mr. Reycraft:

Q. Dr. Goodman, were you able to locate the exhibit that you were seeking prior to the recess?

A. Yes. Prior to the recess Mr. Littleton and I were talking about interest rates——

Mr. Price: I can't hear you.

Mr. Littleton: We can't hear you at all.

The Witness: Interest rates in the Third Federal Reserve District as reported by the Federal Reserve Bank of Philadelphia.

I have located a reference taken from the June, 1958, Monthly Review of the Federal Reserve Bank of Philadelphia and it says that small business is at a disadvantage when it comes to interest rates. Small business generally pays more than large borrowers for bank loans, and the [fol. 2335] Federal Reserve Bank of Philadelphia gives the following reasons—higher administrative costs, including investigation and servicing, and higher risks, including such things as management, assets, ability, and size.

In 1956 another study——

By Mr. Littleton:

Q. Before you leave that, are they referring to small business generally or are they referring to small business in the Third Federal Reserve District?

A. They are referring to the results of the 1957 study made of bank lending in the Third Federal Reserve District.

Q. What is it you are reading from, Doctor?

A. This is a note that I took from the review, from the business review.

Q. You don't have the business review there?

A. No. I do not.

By the Court:

Q. What month?

A. June, 1958.

Mr. Littleton: Are you going to mark this note of his?

Mr. Reycraft: If you wish.

The Witness: I have one more note to read from the same note.

[fol. 2336] By Mr. Reycraft:

Q. Proceed.

A. In 1956, the Federal Reserve Third District was evaluating the results of the 1955 loan survey in the Third

District and they found that rates varied from 3 to 6 per cent, but the lower rates were for large loans, and almost 50 per cent of the loans had rates of 6 per cent or more; but with the smaller loans, in dollars, although 50 per cent—this is my interpretation now—although 50 per cent in number had rates of 6 per cent or more, in total dollars they were 10 per cent, indicating the very large number of small loans in the Third District.

By Mr. Littleton:

Q. And that was from which issue?

A. This is from the April, 1956, issue of the Monthly Review of the Federal Reserve Bank of Philadelphia.

Now——

Q. I take it that you don't have a page reference, do you?

A. Page 11 of the 1956 review. I do not have the page number from the 1958 review.

Now let's see if there are any other Philadelphia references.

That is my Philadelphia rate reference, the specific reference in those two Federal Reserve bulletins. I think this [fol. 2337] again bears out the fact that practically—I think all investigators of bank-loan rates come to the conclusion that small business generally pays higher interest rates on bank loans than large business, for sound economic reasons.

By Mr. Reycraft:

Q. Will you state what those reasons are, Dr. Goodman?

A. The reasons are as I have stated. The loans are typically smaller, the cost of servicing the loan is typically larger; and as a general rule, speaking broadly, there are a larger number of risks that must be very closely investigated and, in addition, from an economic point of view, small business operates in a local market and, therefore, has a smaller number of banks to call upon than does large business, the largest businesses.

Q. Dr. Goodman, have you completed your examination of these data? Are there any other data which you referred to here?

A. Well, if we are speaking of rates and amounts, I have data and observations which have to do with the relative dependence of small business upon banks relative to bigger business, and the relative disparity in terms or rates.

Q. And what do those data show?

A. Well, did you want to mark this particular page?

[fol. 2338] Mr. Reycraft: Will you mark as Government's Exhibit 178 a one-page Thermo-Fax document. At the top of the document is the number "14."

(Handwritten document produced by the witness Goodman, bearing at the top the number "14" was marked Exhibit G-178 for identification.)

By Mr. Reycraft:

Q. Dr. Goodman, you were about to refer to some other data you examined in reaching your conclusion.

A. Yes. I will refer now to a tabulation of average interest rates on loans made, member bank loans to business in 1955 and 1957; and in each of these categories the interest rates on loans to the smaller-size business are larger than the interest rates on loans to larger-sized businesses.

For all loans, for short-term loans, for intermediate loans (which is one to five years), and for long-term loans (which are over five years), the rates consistently are higher for the smaller businesses and smaller for the larger businesses.

Q. Will you identify that table you are referring to?

A. This table is called "Interest Rates on Member Bank Loans to Business, 1955 and 1957, by Size of Borrower and Maturity of Loan."

The note that I have in front of me is taken from a [fol. 2339] study on financing small business published in April of 1958, but it is based upon the statistics published in the April, 1958, Federal Reserve Bulletin, which are a result of the 1957 analysis, and also a comparison of the 1955 study and the 1957 study.

The one that I am referring to is a reproduction which was published in a publication called "Financing Small Business".

By Mr. Price:

Q. May I ask what page that was on, Doctor?

Mr. Reycraft: I am going to mark this.

The Witness: Page 388.

Mr. Reycraft: Will you mark as Government's Exhibit 179 for identification a one-page document which has a table on the left-hand side entitled "Table 10—Interest rates on member bank loans to business, 1955 and 1957, by size of borrower and maturity of loan"; and on the right-hand side, "Table 11—Size-of-bank variations in interest rates on business loans, by size of borrower."

(1-page document, being reproduction of pages 388 and 389 of April, 1958, Federal Reserve Bulletin, was marked Exhibit G-179 for identification.)

By Mr. Reycraft:

Q. Do you have a copy of this, Doctor?

[fol. 2340] A. Yes, I have a Thermo-Fax copy.

Q. Dr. Goodman, did you also make reference to "Table 1, Business loans member banks, 1955 and 1957, by size of borrower," from the same study?

A. Yes. I have.

Q. What does that table show?

A. Well, let me get that table.

Mr. Reycraft: Will you mark as Government's Exhibit No. 180 a one-page document with a reproduction of "Table 1—Business loans to member banks, 1955 and 1957, by size of borrower," which appears at page 375 of the same study.

(Photocopy of "Table 1—Business loans to member banks, 1955 and 1957, by size of borrower," was marked Exhibit G-180 for identification.)

The Witness: I was answering a question relative to the information I had here.

Table 1 of the 1957 study is a comparison of the amount of loan, the amount of increase or decrease in the loans made available by member banks to business, indicated by size of borrower, with a comparison, 1957 compared to 1955.

This particular table shows that in 1957, as compared to 1955, the smaller businesses—the smallest business cate-
[fol. 2341] gory, less than $50,000 in assets, received 3 per cent less in amount of loans in 1957 than they did in 1955.

On the other hand, the largest businesses received substantial increases in the amount of loans that they were able to call upon in 1957 relative to 1955, such as the category from $5,000,000 to $25,000,000 received 25 per cent more, the category from $250,000 to $10,000,000 in size assets received 25 per cent more. The very largest businesses, $100,000,000 or more, received 66 per cent more in business loans from member banks in 1957 than they did in 1955.

The statistics then clearly indicate that the amount of loans which smaller businesses were able to get was substantially restricted relative to the amount of bank loans which larger businesses were able to get in 1957 relative to 1955.

By Mr. Littleton:

Q. May I ask, are we still talking about the Third Federal Reserve District?

A. No. The statistics are for all member banks in the United States.

Q. In the United States, and all borrowers in the United States?

A. These statistics are of all borrowers in the United States, by size, and they indicate the amount of loans in
[fol. 2342] number, the amount in dollars, and the average size of the loan; and they show the amounts and the numbers received in the various size categories, and they indicate very clearly that in times of tight credit, such as 1957, compared to times of relative monetary ease in 1959, smaller business found it much more difficult to receive bank loans relative to large.

[fol. 2343] Q. Does this study contain data from the Third Federal Reserve District?

A. Let me examine my data, and we will take a look at it for the Third Federal Reserve District.

For the Third Federal Reserve District I referred to several items taken from the monthly business review of the Third Federal Reserve District. The first is an article by K. R. Bach, vice president of the Third Federal

Reserve Bank located here in Philadelphia next door to the court house, and Mr. Bach writes on the subject of "Rediscovery of monetary policy, some problems of application." This is written in August of 1955, and he refers to such things as the tone of the market, tone of the market referring, relatively speaking, to the availability of credit.

He, for example, indicates that the tone of the market involves the supply of money, the availability of money, and the cost to him who demands funds, and Mr. Bach says that one response to tightness in credit is to screen applicants more carefully, examining the fringe of unsatisfied borrowers, not necessarily to ask higher rates of the small borrowers. In other words, he indicates that this is speaking generally and does not refer to the particular study. [fol. 2344] It is his observation that in times of tight credit standards of lending are raised and a larger number of borrowers are unable to receive funds.

Mr. Littleton: What page of the "Business Review" does this appear on?

The Court: We have to establish something here, Mr. Littleton. On a couple of occasions Mr. Reycraft has objected to your interruptions.

Do you object, Mr. Reycraft, to this interruption to clear up pages, and so forth?

Mr. Reycraft: No.

The Court: You have on one or two occasions exhibited a little concern.

Mr. Reycraft: The question is how long it goes on.

The Court: I just want to make sure that this is all harmonious.

Mr. Littleton: If the doctor would just state his data so I get a memorandum on it, I will be satisfied.

The Witness: Ordinarily in taking material from the "Monthly Review" of the Federal Reserve Banks, except for the one in New York, I usually don't put down page numbers, because the reviews are very small—they are per- [fol. 2345] haps eight to twelve pages—and being so small, it is very easy to find the article. Sometimes I have the page, sometimes I don't. This particular one I do not have the page.

Now, then, the Federal Reserve Bank of Philadelphia in June of 1958 analyzed the results for the Third Federal

Reserve District of the 1957 loan survey, and they suggest—I have the page here, Page 15—they say that monetary restraint caused some banks to change their lending policies to the detriment of small borrowers. Credit standards are upgraded. There is more stress on compensating balances. Longstanding customers are given preference and large are favored over small. However, not all banks revised their lending policy, according to the analysis of the Federal Reserve Bank of the Third District, of the 1957 study. They suggest that small banks, specialists in small business financing, did not do as much changing of their lending policies as did big banks. They say big banks did most of the changing of the standards of their lending policy, and they say that the results of the Federal Reserve survey suggests that tight money bore harder on small business than on large business.

They go on to analyze certain aspects of the tight money [fol. 2346] situation in the Third Federal Reserve District. For example, they suggest that in terms of the increase in dollar loans, large business was able to increase its total amount taken, '57 vis-a-vis '55 by 50 per cent, medium size business by 28 per cent, and small business by 10 per cent. They suggest that there may be an explanation for this phenomena in a change in demand. In other words, the statistics clearly indicate that small business was discriminated against, defining discrimination in the sense that they were able to get substantially lesser funds relative to large business.

Now, in terms of explaining the reason for this, their general statement is that the results of the survey suggest that tight money bore harder on small business than on large. However, they suggest that perhaps there were some other reasons, and one possible reason, although there is no evidence, is that perhaps there was a change in demand. Perhaps small business did not want as much money. There is no evidence to bear out this observation.

By the Court:

Q. What evidence is there to bear out the other?

A. The evidence to bear out the other, Your Honor, is [fol. 2347] that the dollar figures clearly indicate that small business got substantially less than large business.

Q. And from that fact they drew conclusions; is that it?

A. The conclusion was drawn, Your Honor, by whoever wrote this particular article, and his over-all conclusion is that the results suggest that tight money bore harder on small business than on large business.

Q. And he suggested that there might be another reason which he didn't explore, that small businesses may not have asked for more than 10 per cent additional credit; is that right?

A. This is the suggestion made. The additional data that I have here, which I will be glad to go into as we examine it, has examined the phenomenon.

Q. Who is this person that wrote that?

A. This particular article is written in the "Monthly Review" and there is no author given.

By Mr. Reycraft:

Q. Is that the Monthly Federal Reserve Review?

A. The Monthly Federal Reserve Review of the Third District.

By the Court:

Q. And what month is that, Doctor?

A. This is June, 1958.

[fol. 2348] By Mr. Reycraft:

Q. Is that an official publication of the Third Federal Reserve District?

A. Yes, I believe it is. I believe it is for informative purposes for those interested in the affairs of money and credit in the Third Federal Reserve District.

Q. You were about to refer to some other data on which you relied, Dr. Goodman.

A. If the subject is to be discussed of interest rates, we started out by examining whether there is a difference in interest rates, and we examined one statistic. There are a number of statistics dealing with the difference in interest rates, which I think would be desirable, and then to move to the subject of the question of discrimination.

Mr. Littleton: Before you do that, Doctor, I move to strike out everything that the doctor gave as an opinion with regard to discrimination against small banks, because

obviously he wasn't giving his opinion; he was reading from something published by some unknown person in the Federal Reserve.

The Court: He was giving what he considered. He didn't express that as his opinion. He said that this is part of [fol. 2349] the data which he considered. I don't believe he has expressed his opinion, or I, at least, haven't so understood it.

Proceed, Mr. Reycraft.

Mr. Reycraft: Yes, sir.

The Witness: What I would like to do, if we are going to study the question of discrimination of interest rate in general, is to continue to examine whether there is in fact a difference in interest rates between businesses of various sizes and in the amounts that they take, and then to consider the——

The Court: Unfortunately, Doctor, this does not happen to be a seminar. We are trying a law suit. The questions directed to you by Mr. Reycraft will guide the discussion.

Proceed, Mr. Reycraft.

By Mr. Reycraft:

Q. Dr. Goodman, in terms of numbers, do you have any data which indicates what types of borrowers accounts are the largest number of commercial loans?

A. Yes. The largest number of commercial loans are accounted for by loans to small business, the smaller sized businesses.

Q. What is the data on which you rely for that con- [fol. 2350] clusion?

A. Well, we can refer to the exhibit which we just looked at, and that is Table 1, the number of loans made by member banks in 1955 versus 1957, where it clearly indicates that the largest number of loans, 503.1 thousands were to businesses of less than $50,000 in total asset size, and that the number of loans to the very largest businesses were extremely less. For example, the number of loans to businesses of $100 million or more were 6000, and to $25 million or more were 4000, and to $5 million to $25 million were 11,000, and $1 million to $5 million, 38,000; and a quarter of a million to $1 million, 126,000; $50,000 to a quarter of a million, 415,000; and less than $50,000 in assets, 503,000.

These are the numbers in thousands of loans made in 1955.

We have also statistics in 1957, and, generally speaking, the same relationship exists—502,000 in number made to businesses of less than $50 thousand in asset size; 6,000 in number made to businesses of a hundred millon or more.

Q. Dr. Goodman, do you have any data with reference to the business population of the Philadelphia area?

A. Yes. The Philadelphia area is primarily made up of [fol. 2351] small businesses. Let me generally give the basis for this. The Department of Commerce of the City of Philadelphia publishes statistics on the nature of Philadelphia's economic activity, and they indicate that Philadelphia has 4200 manufacturing establishments, with 277,000 employees, but in retailing they suggest that there are 24,000 establishments with 112,000 employees. Retailing is primarily a small business field.

Wholesaling has 5000 establishments, and, generally speaking, the great majority of wholesaling would be classified in the small business field.

Service industries are all small business except for very, very few exceptions, and there are 13,000 service establishments in the Philadelphia area.

Philadelphia, therefore, is primarily an area which would be characterized that the great majority of businesses in this area are small business.

Q. Have you given any consideration to compensating balances and do you understand what that term means?

A. The term "compensating balances" ordinarily refers to the proportion of a business loan which the bank requires that the borrower keep on deposit. In other words, if a borrower were to $10,000 and the compensating balance requirement was 20 per cent, $2000 would be the minimum [fol. 2352] size of the average balance, or the daily balance in some cases that the bank would require of the borrower.

Now, banks are somewhat flexible in their compensating balances. They tend in times of easy money to ease up on compensating balance requirements, because this is one competitive way in which they can ease the burden of rates. Obviously, if one must keep $2000 on deposit of a $10,000

loan, he in fact is paying interest on $10,000, but only has use of $8000, and this, in fact, increases his rate.

We typically find that banks are much more insistent on compensating balances and being rigorous in the application of compensating balances in times of tight credit relative to easy credit, and we find that this is one of the ways in which banks can increase interest rates without increasing the contract rate itself, because they can ease up on compensating balances and require a much smaller proportion, and therefore the business gets a larger amount of money to use and pays relatively a smaller amount of money for the use of it, and subsequently if compensating balances are rigorously applied the cost of the money, the average cost of the money, would be increased.

[fol. 2353] Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 181 a one-page document headed "Number of Commercial and Industrial Loans of Philadelphia National Bank and Girard in Philadelphia, Bucks, Montgomery, and Delaware Counties, Pennsylvania, as of October 5, 1955.

(Document headed "Number of Commercial and Industrial Loans of Philadelphia National Bank and Girard in Philadelphia, Bucks, Montgomery, and Delaware Counties, Pennsylvania, as of October 5, 1955," was marked Exhibit G-181 for identification.)

Q. Dr. Goodman, referring to Government's Exhibit No. 181, what does that exhibit show with reference to your conclusion on the size of borrowers from banks in the four-county area?

A. The exhibit shows the following information, that for the Philadelphia National Bank the total number of borrowers who borrowed funds in the loan range of 1 to 50,000 were 2670 in the four-county area, were 300 borrowers from $50,000 to $100,000, were 240 borrowers from $100,000 to $250,000; were 78 borrowers from $250,000 to $500,000, were 66 borrowers from $500,000 to a million, and were 27 borrowers at a million and over.

[fol. 2354] Of the total number of borrowers in the four-county area lent to by the Philadelphia National Bank in their commercial and industrial loan category in 1955, a total of 3381 borrowers, 2670 were small borrowers who borrowed less than $50,000. I don't have the percentage

here, but the percentage looks to be very close to about 80 per cent, I would imagine.

For the Girard Bank we have in the four-county area a total number of borrowers of 1783, of which 1146 borrowed less than $50,000.

This is a substantial number. Probably around 60 per cent of the total number of borrowers from the Girard borrowed less than $50,000, and for the two banks combined, 3800 of a total of 5100 borrowers borrowed less than $50,000, bearing out the statistics that the overwhelming proportion of borrowers who borrow from each and both of these banks are fundamentally very small businesses or who need very small amounts, relatively smaller amounts of funds. These borrowers are the kinds of borrowers who are wholly restricted for all practical borrowing reasons to the local market.

Q. Dr. Goodman, have you given any consideration to the changes, if there were any, in the available sources of [fol. 2355] commercial borrowing to the small and medium sized businesses in the Philadelphia?

A. Let me refer to my information on Philadelphia here.

The 1955 analysis of the Federal Reserve Bank of Philadelphia, of the results of the loan survey—the analysis published in 1956 of the results of the loan survey of 1955—indicated that for Philadelphia for this area most of these borrowings are small, but that large business accounts for most of the dollar amount outstanding. This I believe bears out the same statistic that we looked at for the individual banks. This is representative of the area.

In addition in Philadelphia several studies of Philadelphia commented upon the relative availability of credit to small versus larger businesses, particularly as it applied to the relationship of a bank to the borrower or the relationship of banks to borrowers depending upon the nature of the banks in the market.

Now, one such study that I looked at was the so-called Keith report, which I looked at at the beginning of this study, of this over-all study, and evidently in the analysis in the Keith report the writers there seemed to feel that, on the basis of interviews, suggested that some small borrowers might be excluded from a branch office because of [fol. 2356] the more rigorous financial requirements of the

large city institution, that with higher credit standards some borrowers who could have received money from smaller banks would not be able to receive money from the larger and more efficient banks.

Along the same line of the differentiation in the Philadelphia area which would affect the availability of funds for small business vis-a-vis large, as the nature of the banks in an area change, is some information which is gleaned from some of the memoranda which I was able to look at, taken from bank records.

For example, I had a copy of a memorandum dated February 10, 1959, to Messrs. Geoffrey S. Smith, George H. Brown, Jr., and O. H. Beadle, from S. S. Gardner. It is in reference to an application by the Citizens and Southern Bank and Trust Company for permission to open a branch at the southeast corner of Spring Garden and Broad Street, and the question posed is, should the bank object to the application, and the writer, Mr. Gardner, says, "I do not recommend that we protest this application. The bank itself is very small and can hardly be considered a threat to our commercial business."

[fol. 2357] The implication that I draw from this is that small banks are more favorably inclined to smaller business, and in an area where the number of small banks disappears or is done away with rapidly, the availability of bank credit for small business is likely to suffer substantially.

In addition, I have a memorandum from Mr. J. J. Feeney, Jr., to R. R. Williams, vice president of the Girard Trust Company——

[fol. 2358] Q. Doctor, just a moment until I identify this for the record.

Will you mark for identification as 182 a memorandum dated February 10, 1959, from Mr. S. S. Gardner to Messrs. Geoffrey S. Smith, George H. Brown, Jr., and O. H. Beadle.

The Court: Wasn't that put in yesterday? The one that he has read was put in yesterday.

Mr. Price: 175.

Mr. Reycraft: You were then referring to Government's Exhibit 175. May I have Government's Exhibit 175?

By Mr. Reycraft:

Q. Now, what is the next document that you referred to, Dr. Goodman?

A. I referred to a memorandum from J. F. Feeney, Jr. to R. R. Williams, Vice-President of the Girard Corn Exchange Bank, dated April 1, 1957; and the subject is correspondent banking. The memo is asking for more information to be supplied to Girard representatives calling upon potential correspondents. The significance of the memo to me is that it says:

> "It is, of course, not practical to list every director of every bank where we are calling, but in many cases, [fol. 2359] particularly in the cases of smaller banks, the directors take such an important part in the operation of the bank that somehow we should know who the directors are and what their business is."

Again I draw the conclusion that in the opinion of the writer of this memo, as well as in my own opinion, backed up in this particular market by this memo, the directors of a small neighborhood bank take a much closer interest in the affairs of the bank and in the affairs of the borrowers of the bank, particularly their small borrowers, because the overwhelming proportion (I believe 92 per cent here)—I have a statistic here which we can find quickly—yes, 92 per cent of the number of business loans of banks with deposits of less than $10,000,000 were to firms with assets of less than $1,000,000.

This is as compared to the corresponding percentage for banks with deposits of $10,000,000 to $100,000,000, which was 74; and in the largest banks, those with deposits of $1,000,000,000 or over, the percentage is 12.

My conclusion is that in an area where the number of smaller banks is substantially reduced, the borrowing opportunity for small business is materially adversely affected.

[fol. 2360] By the Court:

Q. Doctor, before you go on, you have read two memoranda and you have drawn your own conclusions from them.

Have you taken the trouble to find out who these men are and what authority they had to speak for the bank?

A. I do not know these men.

Q. Are they men who might have a policy-making part in the bank; do you know that?

A. I do not.

Q. Might they be clerks?

A. I doubt that, Your Honor. It is unusual for a clerk——

Q. Well, might they be?

A. Sir?

Q. Might they be?

A. It would be most improbable.

Q. Might they be solicitors?

A. (No response.)

Q. And if they were, would that change your opinion?

A. Well, my opinion, Your Honor, is not based on these two documents. It is based upon an analysis of the statistics which indicates that the overwhelming proportion of borrowers, at least from small banks, are small businessmen; and the observations not only by myself but by others who have studied the problem, that relatively speak- [fol. 2361] ing small business is much more important to small banks than it is to large, by virtue of the fact that the lending limits of small banks (less than $10,000,000) preclude them from a substantial degree from lending to the very largest businesses.

Therefore, to them, small business is relatively much more important because they are excluded, for all practical purposes, from the large business market, except for those very few instances where they may be able to participate in either overlying loans or perhaps pool loans sent down by correspondents.

Q. They cultivate their own vegetable garden; is that it?

A. I think that very aptly describes it, Your Honor.

Q. I think that that is right and I think we can all agree. I don't think we will have any argument about that in this or any other case, that they have to keep within their limits as they have a certain area, certain fields to cultivate, and they cultivate them assiduously; is that it?

A. Yes, sir.

The Court: All right. I think that is a fact of life that doesn't need you as an economist or me as a lawyer or judge to belabor. I think we can all agree on that.

It is mid-afternoon. Let's take a ten-minute re-
[fol. 2362] cess.

(A recess was had.)

Mr. Reycraft: Will you mark as Government's Exhibit 182 a one-page table headed "Total Number of Loans and Proportion of All Loans of Philadelphia National Bank and Girard Made to Borrowers in Philadelphia, Bucks, Delaware & Montgomery Counties."

(Document entitled "Total Number of Loans and Proportion of All Loans of Philadelphia National Bank and Girard Made to Borrowers in Philadelphia, Bucks, Delaware & Montgomery Counties," was marked Exhibit G-182 for identification.)

The Court: These are compilations of the previous tables?

Mr. Reycraft: Yes, Your Honor. That's correct.

Will you mark as Government's Exhibit 183 a one-page table headed "Changes in the Number of Banks with Head Offices in Philadelphia Shown by Size of Bank."

(Document entitled "Changes in the Number of Banks with Head Offices in Philadelphia Shown by Size of Bank," was marked Exhibit G-183 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 184 a one-page table headed "Commercial Banks in the
[fol. 2363] Four County Area (December 1960)."

(Document entitled "Commercial Banks in the Four County Area (December 1960)" was marked Exhibit G-184 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 185 a nine-page document headed "Changes in Commercial Banking in Philadelphia Four County Area as Measured by Changes in the Number of Independent Banks with Head Office in the County."

The Court: That is nine pages, Mr. Reycraft?

Mr. Reycraft: Yes, Your Honor, nine pages.

(9-page document entitled "Changes in Commercial Banking in Philadelphia Four County Area as Measured by Changes in the Number of Independent Banks with

Head Office in the County," was marked Exhibit G-185 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 186 a one-page document headed "Table 3.—Relative importance of the largest commercial banks in Continental United States, Dec. 31, selected years, 1920-58."

(Document entitled "Table 3.—Relative importance of the largest commercial banks in Continental United States, Dec. 31, selected years, 1920-58" was marked Exhibit G-186 for identification.)

Mr. Reycraft: Will you mark as Government Exhibit 187 [fol. 2364] a four-page document headed "Commercial Banks with Head Offices in the Four-County Area and Location of their Offices Within the Four Counties (December 1960)."

(4-page document headed "Commercial Banks with Head Offices in the Four-County Area and Location of their Offices Within the Four Counties (December 1960)" was marked Exhibit G-187 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 188 a seven-page document, the first page of which is a letter from Frederic A. Potts to the Hon. Ray M. Gidney, Comptroller of the Currency, dated January 26, 1961.

(7-page document, the first page of which being a letter on the letterhead of the Philadelphia National Bank from Frederic A. Potts to The Honorable Ray M. Gidney, Comptroller of the Currency, dated January 26, 1961, was marked Exhibit G-188 for identification.)

By Mr. Reycraft:

Q. Now, Dr. Goodman, based on your study, have you reached any conclusion with reference to the effect on the availability of business financing to small and intermediate-sized borrowers in the Philadelphia area as a result of the proposed merger?

Mr. Price: May I have that question again, please?

(The pending question was repeated by the report-[fol. 2365] er.)

The Witness: Yes. I have.

I feel that the availability of bank credit to the small and intermediate-size business borrowers will be substantially affected as a result of this merger.

By Mr. Reycraft:

Q. Will you explain the basis for that conclusion?

A. My basis for that conclusion rests upon, Number 1, that small and intermediate-sized borrowers are restricted to the local market for their bank-loanable funds. Therefore, any change in the competitive availability of bank funds will be most felt by smaller and intermediate-sized business.

In this particular situation I examined the banking alternatives in Philadelphia and conclude that a substantial active competitor will be eliminated from the market. When a substantial active competitor of the competitive ability of the Girard Bank is eliminated from the market, there will be a decrease in competitive pressure in the market, and this pressure will most affect those borrowers who are limited to the local market.

Not only does the immediate merger have substantial anti-competitive effect, but these effects are aggravated because of what has preceded the immediate merger—actions taken by these two banks, as well as by others in the [fol. 2366] community, and I point out some of this effect when we examine the changes in commercial banking in the Philadelphia four-county area over the past—over, well, I have figures here from 1940 to 1960 in terms of total, and some summarizations from 1947 to 1960.

Q. What do those figures show with reference to the availability of alternatives for borrowers in the area?

A. Well, let us examine the situation over the immediate past ten years, during which there has been substantial merger activity on the part of both of these banks.

I look at this table and it says 1950 to 1960; it really should say 1940 to 1960, if you will make the correction.

Mr. Littleton: If Your Honor please, if the witness would refer when he speaks to these tables to their identification——

The Witness: I refer to a table headed up "Changes in

the Number of Banks with Head Offices in Philadelphia Shown by Size of Bank."

It is this table.

The Court: Exhibit 183.

The Witness: 1950 to 1960; it should be 1940 to 1960, with the Government exhibit numbers on them.

G-183, if you will change that from 1940 to 1960, this, [fol. 2367] I think, is the starting point. It gives us a perspective, a 20-year perspective in the change in banking alternatives in Philadelphia alone, which is the major part of the four-county area.

All of the four-county area is shown in G-185, which we can take a look at next to examine the detail which G-183 is based upon.

Now, G-183 shows clearly—it is designed to show the changes not only in the number of banks, but the changes in the number of banks by size of bank.

Going back to my original statement, it is not merely the number of banks that is important; it is the market that these banks serve that is also important.

The number of banks is a substantial indicator of the amount of competition in a particular area. It is not the only indicator. To get a complete picture we must look not only at the number, but their relative sizes and their competition within various levels.

You will notice that in G-183, in 1940, there were 24 small banks whose asset size was 0 to $10,000,000. Twenty years later these had been, for all practical purposes, wiped out. There are three left. I think one of them is the Marian Bank.

The names of the banks that are left we can find in G-185. [fol. 2368] If you will turn to the third page in G-185 you will see there listed the banks in Philadelphia and you will see the three banks to which I refer. One is Marian, one is the Sonsitaly, one is the Citizens' & Southern.

There were 24 banks of less than $10,000,000 in size in 1940, practically wiped out by 1960. No unit competition in this range.

In the bank size from $10,000,000 to $100,000,000, there were 15 in 1940. These, too, were substantially eliminated by 1960, there being three left in 1960, and you can see the names of the banks on the third page of G-185.

In the next size class, an effective size class of $100,000,000 to $300,000,000, you will note that competition was reduced somewhat if we measure it in terms of number—five banks in 1940 down to three by 1960; and the names of the banks are listed on page 3, but the degree of competition as measured by numbers is substantially less affected than the wiping out in the lower classes.

And the next class, $300,000,000 to $600,000,000, and we see there that the degree of competition has not been affected. There were no banks in this size class in 1940 and by 1960 there were two.

So one of the results of the wiping out of the small banks was to increase the banking alternatives at the larger [fol. 2369] range; and in 1960, $600,000,000 and over, there were three banks, whereupon there was one in 1940.

I, therefore, conclude this: That the number of banking alternatives for small business particularly were sharply reduced from 1940 to 1960. One effect of this sharp reduction was to increase the number of banking alternatives for the large businesses, the very large businesses in the area, because we can see that the number of banks serving the very large businesses did increase.

This, however, in my opinion, the price of this increase in competition at the very large levels was paid by the small businesses who found a substantial reduction in the smaller banks to whom they are the most important customers.

Now, the interesting thing to me, and again a very important point upon which I rely for the anti-competitive effects of this merger, is that having wiped out the small banks, in my opinion, we now see an effect where the banks are now going to reduce competition at the high level in addition to reducing competition among the branches which have, to a degree, attempted to replace some of the competitive opportunities that were afforded by unit banks.

We see that if this merger is to go through, we see the beginning of the reduction in competition at the high level, [fol. 2370] at the level of banks who now can concentrate on the very large businesses, because they would be reduced from three to two.

As I look at these statistics I can only conclude that based upon the moves which banks have made in the past

—we can only conclude that this merger trend will increase in the future and that the number of banks at the higher level will be reduced even further as the banks must realign their competitive pressures.

In other words, a bank that is to be the size of the resultant bank will exceed its closest competitor in terms of offices, deposits, loans, lending limits, and ability to attract new business to such a degree that an effective competitor could not, in my opinion, and would not, based upon the statistics in the past, stand still. He would have to realign his competitive opportunities in order to make himself more competitive for that part of the total business, the very large businesses with which banks at this level compete.

We will then find, based upon these statistics, a realignment again at the very large level and a further reduction, although the further reduction would merely aggravate what I would consider to be a very substantial lessening of competition based upon the reduction in substantial, com- [fol. 2371] petitive, virile banking opportunities at the high level.

I am most impressed with both of these two banks. They are very sound, in my opinion very good banks, and quite capable of affording substantial competition in the area.

The statistics upon which this table is based are in G-185 and here you can see the effect—what one of the effects has been of this substantial decrease in banking opportunities. If you will look at page 2 in G-185 you will see that from 1940 to 1960, during the time period when the small banks, for all practical purposes, were being wiped out, the concentration in Philadelphia bank resources as measured by the percentage of total Philadelphia bank assets controlled by the six largest banks increased from 73 per cent to 91 per cent. In other words, concomitant with the substantial reduction in number was a substantial increase in the concentration of bank resources into relatively few hands.

During this same period in which the bank resources in relatively few hands increased from 73 per cent to 91 per cent, the number of banks was reduced from 45 to 14, or a reduction of 69 per cent.

Now, here in the balance of the table you will see the

statistics from 1940 to 1960 indicating the numbers of [fol. 2372] banks, indicating their resources.

One point that I might make, and that is to explain why in the same exhibit page 2 shows 14 banks and page 1 shows 16 banks in Philadelphia. I did this because in Table 1 I wanted to indicate all banks with home offices in the county and I included the two who, in my opinion, were not fundamentally doing a commercial-banking operation today, but since they did have a charter could, if they so desired.

Therefore, I included them in the number in Philadelphia on the first page. However, from the point of view of banking resources, I left them off of the second page inasmuch as the application did not include them as competitors, their statistics did not indicate they were competitors, and I felt they simply were not effective commercial banks, but they could be.

That, then, is one of the bases for my conclusion that there would be a substantial reduction in competitive banking opportunities for small and intermediate-sized business in this area.

Now, G-187 indicates the commercial banks with head offices in the four-county area and the location of their offices within the four counties. G-187, it is, I beg your pardon.

[fol. 2373] You will notice that the banks that are involved in the proposed merger, the Girard Trust Corn Exchange and the Philadelphia National Bank, the Philadelphia National has a total of 27 offices in the four-county area—10 in Philadelphia, 5 in Delaware, 7 in Montgomery, and 5 in Bucks; and the Girard Trust Corn Exchange has 38—Philadelphia 20, Delaware 12, Montgomery 6, and none in Bucks County.

The combination results in 30 in Philadelphia, 17 in Delaware, 13 in Montgomery, 5 in Bucks County, for a total of 65.

We now can compare this substantial number of offices and this blanketing of the four-county area with their closest competitor, the First Pennsylvania Banking & Trust Company, with a total of 38 offices, with substantially lesser representation in the contiguous counties.

On the basis of the number of offices, relatively speaking,

and on the basis of the relative drawing power of the two banks in terms of their assets, lending limits, their ability to advertise, their prestige in terms of their size, it is, to my mind, almost inevitable, based upon what the banks have done in the past, that the First Pennsylvania Company could not afford to stand still. It would be my estimate, examining what has happened in the past, that the First Pennsylvania, within a few years, if it intends to [fol. 2374] be as vigorous a competitor as it has been in the past, must choose one of the remaining substantial banks to combine with in order to even out their ability to compete in all phases of commercial banking with the resultant bank.

Mr. Littleton: If Your Honor please, I move that that be stricken because we are not considering further mergers here; we are considering this merger. It is entirely speculative.

The Court: I would like to know what question he is answering. I have been wondering about that for the last ten minutes.

Mr. Reycraft: Would you read my question, please?

The Court: You asked him whether it would lessen competition; is that right?

Mr. Reycraft: Yes, sir.

The Court: He hasn't answered yes or no yet. He has delivered the oration. He didn't start out with a yes or no.

Mr. Reycraft: I apologize, Your Honor. That is my oversight.

The Court: You had better start asking some more questions.

The Witness: I thought I answered that it would, didn't [fol. 2375] I? And I was explaining why.

By Mr. Reycraft:

Q. Would you state whether it is your opinion that it would or would not?

A. Yes. I feel that it would have a substantial adverse effect on competition.

Q. And are the reasons you have been stating the basis for that conclusion?

A. I have tried to state the basis for my conclusion, based

upon an interpretation of the data in Government's Exhibits 183 and 185 and 1987.

Q. All right.

Now, do I understand that you have completed stating your bases for that conclusion?

A. Yes.

Mr. Reycraft: All right. That's all.

Cross-examination.

By Mr. Littleton:

Q. Doctor, you have been talking a great deal about small business in Philadelphia this morning and this afternoon.

How many small businesses did you say were in Philadelphia?

A. I said that the information provided by the Department of Commerce of the City of Philadelphia indicated [fol. 2376] that there were 24,000 retail establishments, 5,000 wholesale establishments, 13,000 service establishments, and 42 manufacturing establishments.

I said that since retailing is primarily a small-business industry and also is wholesaling, that the conclusion one would draw is that the great majority of businesses in this area are small.

In addition, I have again some quotations from the Third Federal Reserve District as to the nature of business in this area, and they draw the general conclusion that the overwhelming number of businesses in the area are small.

Q. And any one of those businesses which wanted to borrow, we will say, up to $25,000, how many choices would it have in commercial banks at the present time in Philadelphia?

A. Would you read that?

(The pending question was repeated by the reporter.)

The Witness: I will get my table.

It is my opinion that these businesses would have, of the size that you suggest, 15.

By Mr. Littleton:

Q. 15?

A. Yes, sir.

Q. Is that enough?

[fol. 2377] A. Sir?

Q. Is that enough choices for a business of this size to have?

A. It depends from whose point of view you are looking, Mr. Littleton. It is my opinion that a small businessman would be able to get more favorable terms, would be able to get money on more favorable opportune terms, the larger the number of alternatives that he had available to him.

It is also my opinion that although he does have the 14 or the 15, for all practical purposes most small businesses of the size that you suggest tend to do business with a particular local bank. They are quite inflexible in terms of leaving one bank for another, for one——

Q. Let me ask you right there, if that is so, then if one of the banks that they go to is not the Philadelphia National or the Girard, the merger of the Philadelphia and Girard wouldn't have any effect on that small business, would it?

A. I would not agree with that statement. The reason that I would not is that the number of banking alternatives and opportunities that this small business has depends upon the number of banks who wish to vigorously serve the local area from a mobility point of view, in which this small business is located; and, therefore, I conclude that it would have a substantial effect from the point of view of the small [fol. 2378] businessman.

Q. And from your study of Philadelphia, which of the 14 banks that you had in mind who could make this loan would not want to vigorously compete in that area?

A. On the basis of my study, I do not know of the policies of the individual banks. I could not answer that question.

Q. You are here to express an opinion.

A. I expressed the opinion that there are 14 alternatives for him.

I suggest the opinion that it is not merely the 14 that is important; it is not only the number, but it is the emphasis which the individual banks place, relatively speaking, upon the business of the small business relative to large and intermediate-size businesses.

I earlier expressed an opinion that a bank, as a bank becomes very large, has the opportunity of dealing in the national market as well as the opportunity of dealing with very large business, whose business is more profitable than the business of large business in the sense that their credit rating is much better, in the sense that there is less expense in granting a loan; and in the sense that there are a much broader spectrum of activities that could be engaged in in dealing with such businesses.

Q. You are talking theory now; you don't know anything [fol. 2379] about the facts so far as the banks in Philadelphia are concerned, do you?

A. Well, Mr. Littleton, I am talking from the point of view of a financial economist who considers the whole picture and considers the effect of changes in competition, changes in monetary availability upon a specific, particular economy.

This point of view is somewhat different, perhaps, than the point of view of an individual bank. You may call it theory, and that is, I suppose, a good term for it. I think theory is most important to our economy.

Q. What proportion of the profits of the biggest banks, we will say in Philadelphia, comes from the small businesses or small loans?

A. I would not know.

Q. You don't know?

A. No, sir.

Q. What proportion of the profit of the Philadelphia National Bank comes from its small loans?

A. I do not know.

Q. Nor of the Girard?

A. I do have a figure on the Girard as to the profitability of dealing with a local market in the sense that Mr. Hoffa, the comptroller of the Girard, built up some figures on the profits they derived from business in the home-office build- [fol. 2380] ing; so I do have some figures on that indicating profit. This, however, is not——

Q. I am asking you, isn't this important? Wasn't this an important fact for you to ascertain before you came here to express an opinion?

A. I don't think so, sir.

[fol. 2381] You haven't answered my question that I

asked you sometime ago as to whether or not 14 was sufficient choices for this small businessman that you have been talking about today.

A. My answer to that question would deal in relativity.

Q. Well, let's hear it in relativity.

A. And it would say this, that the alternatives available to the small business, in order to ascertain whether they were ample, one would have to compare them with the alternatives that were available to him at a previous period, and my conclusion is that the alternatives available to him today are less than the alternatives available to him previously, and would be more if the merger were to be consummated.

Q. Doctor, we are talking about the present merger.

A. Yes, sir.

Q. We are not talking about something in the past, and I am asking you a perfectly direct question, easy to understand, whether you are dealing in relativity or not. Are 14 choices for a small businessman who wants to borrow $25,000 sufficient?

A. And I answered to you that the question of sufficiency, particularly in banking, depends upon the attitude and the [fol. 2382] willingness of banks to meet small business demands. Since small business has much greater difficulty in securing credit relative to large business, it would have lesser opportunities under a situation of a substantial reduction in banking alternatives.

Now, as to the 14 specifically, my attention is directed to the result of a merger, and it is directed to the effect of a change in the alternatives available to him at Period 1 relative to the alternatives available to him at Period 2. I don't believe that I could express an opinion as to the relative degree of availability to him of the number 14 from my study without relating it to a previous number that was available to him, which I have tried to do.

Q. Well, the previous number would be one more, wouldn't it?

A. I have tried to indicate that it isn't that simple, I have tried to indicate that it isn't merely a matter of numbers. It is a matter of the ability of the particular bank that is being eliminated. I do not believe that all mergers are bad for a community. I do not believe that

all mergers have substantial anti-competitive effects. One must examine the specific banks that are involved, and in [fol. 2383] this particular case I suggest that the elimination of this particular one results in a substantial lessening of alternatives for the small businessman. It would not necessarily be the same if a different one of these banks were to be eliminated. One would have to examine the results, make a different analysis.

Q. You just said a minute ago that you did not examine either the Philadelphia National or the Girard so far as their small loans were concerned and their loans to small business?

A. No, I did not.

Q. Isn't that so?

A. Yes, that is so.

Q. Well, then, how can you talk about this particular merger?

A. My conclusion is based upon an observation as to the ability of these particular banks to compete in the particular market, and it is based upon an evaluation of many documents which I have examined, indicating the willingness of the banks to vigorously compete for business in the particular market, and it is based upon——

Q. Before you leave that, just tell us what those particular documents are that reflect the bank's willingness to [fol. 2384] compete in this particular market.

A. Yes, sir.

Q. By number.

A. Yes, sir.

You will have to excuse me while I get these documents.

Q. Doctor, maybe I can help you.

A. Yes, sir.

Q. Look at G-181, please.

A. Do you want me to put aside my documents and use yours?

Q. Do you have them there?

A. I have a number of them here. I am merely getting some more.

Q. Are these exhibits?

A. Yes. Let me just look, then, at the ones I presently have in front of me, and I have several others in this particular——

You will have to forgive me, but dealing with this tremendous problem I had to get all these existing figures.

The first document I would like to take a look at is GX245.

Q. What is the number of that in this proceeding?

[fol. 2385] A. GX245.

By the Court:

Q. Which translated into the present case means what?

A. This, as I understand, is Government's Exhibit 245.

The Court: Is it going to take you a little while, Doctor? If it is, I am going to recess.

The Witness: Well, I can go through these documents, and then I can go through the others after recess, if you would like. I have about five here that I could take a look at right now.

Mr. Reycraft: The document referred to is a two-page document headed "Major Task Force, Savings Accounts," and we will give it Government's Exhibit No. 189. The number 245 was the one we used for informal identification.

(Two-page document headed "Merger Task Force, Savings Accounts" was marked Exhibit G-189 for identification.)

By Mr. Littleton:

Q. We are talking about commercial loans, aren't we, Doctor?

A. All right.

Q. I was talking about borrowers who wanted to borrow up to $25,000.

[fols. 2386-2392] A. All right, sir. Then we will take GX 237 and 237-1.

The Court: I suggest, Doctor, that we get all the documents that you had in mind in shape and we will continue tomorrow morning at 10:00 o'clock.

(Recess taken at 3:50 P. M. until Thursday, June 22, 1961, at 10:00 o'clock A. M.)

[fols. 2393-2394] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

THIRTEENTH DAY

Philadelphia, Pa., June 22, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 2395] OSCAR GOODMAN, resumed.

Cross-examination (continued)

The Court: Proceed, Mr. Littleton.

By Mr. Littleton:

Q. Dr. Goodman, as we adjourned yesterday I had been endeavoring to get you to tell me whether the reduction by one man in the Philadelphia area would have this adverse effect on the small or intermediate sized business borrower to which you had referred in your opinion. You had given me figures for Philadelphia. You have selected the four-county area, Philadelphia, Bucks, Montgomery, and Delaware Counties. May I ask you, how many choices of banks would a small business borrower, who wanted to borrow, say, up to a hundred thousand dollars, have in the four-county area?

A. I have to get my figures. I have a table here of the number of banks in the four-county area. The figures that I put out here were in response to your last question indicating competition, but on this question I will have to get some different figures.

Q. I don't hear what you say.

A. I say the figures I put out here were in answer to what I thought was your last question, but the figures on the terms of the number of banks, I will have to get a different table.

[fol. 2396] Q. Would you agree with me that it is 28?

A. I have put in an exhibit yesterday indicating the number of banks in the four-county area by county and showing the sizes of each of the banks in the four-county area.

Mr. Reycraft: Mr. Littleton has agreed I can show you this table, if that is any help to you (handing to the witness).

The Witness: In the four-county area in 1960 there were 42 possible banking alternatives.

By Mr. Littleton:

Q. 42 possible what?

A. Banking alternatives, if one measures these in terms of those banks with home offices in the four-county area.

Q. How many, then, could lend to a businessman up to a hundred thousand dollars which, as I understand it, applies to a small or intermediate businessman that you are talking about?

A. How many of them could lend?

Q. How many choices would he have?

A. Well, when you speak of how many choices a businessman would have, we typically discover that the small businessman of this size is restricted in mobility to his immediate area, which would mean, in essence, that a businessman [fol. 2397] in the immediate area of a city in Bucks County or Montgomery County would be restricted, most of the smaller businesses would be restricted, to the number of banking alternatives in his immediate geographic area. As the business gets substantially larger, it might be possible to call upon resources by moving out of its area without affecting too seriously its reception at the other bank.

Q. Can you tell me before we go any further how many banks in the four-county area have a lending limit?

A. How many banks in the four-county area have a lending limit of being able to provide $100,000?

Q. $100,000.

A. I have a table showing loan limits of commercial banks with head offices in the four-county area. There are 11 banks with home offices in Philadelphia who could provide a loan of more than $100,000.

Q. Are you right in that? You are talking about home offices. I am talking about banks. I don't mean banking offices. First Camden National, for instance. I assume you didn't include that?

A. No, I didn't include that. This would go back to my original statement, that it is quite—it is most—in most instances a smaller business is restricted to a bank in its most immediate area, but businesses in the Camden area [fol. 2398] could get theoretically up to a loan limit of the Camden bank and that would be more than a hundred thousand dollars.

By the Court:

Q. Do I understand, then, that it is logical to conclude from your present statement that the merger in Philadelphia will have absolutely no effect on any business in the other three counties?

A. No, it is not.

The Court: All right, go ahead.

By Mr. Littleton:

Q. Will you look at Exhibit G-81.

The Witness: I said it is not. It is not logical to make that assumption.

The Court: You answered my question. I told Mr. Littleton to proceed.

By Mr. Littleton:

Q. Will you look at Exhibit G-81.

A. Yes.

Q. This was produced by the Department of Justice, and it is headed "Number of Commercial and Industrial Loans of Philadelphia National Bank and Girard in Philadelphia, Bucks, Montgomery, and Delaware Counties as of October 5, 1955." Will you tell me what is the number of loans up [fol. 2399] to $50,000 in the four-county area.

A. On this exhibit the number of loans in the four-county area for what category?

Q. Customers for loans up to $50,000 in the four-county area.

A. This doesn't show customers. This shows the number of loans granted, according to this table, as of October 5, and it indicates that in the Philadelphia——

Q. You mean you don't know whether this represents the same number of customers?

A. Well, by a customer, I would assume that a customer is one who might at any one time take his trade to a particular place. However, at any one instant of time not all the customers are borrowing or buying from a particular location; so these would indicate those who are trading, who had received funds as of that time.

Q. In other words, you are restricting it, then, to the number of loans up to $50,000? Is that what you are doing?

A. I am not doing it. I am just not quite sure what you were asking me a question of.

Q. How many were there in the Philadelphia National Bank from the four-county area?

A. There were 2670 listed in this table who had borrowed [fol. 2400] from $1 to $50,000.

Q. And how many from outside the four-county area?

A. There were 1000 from outside of the four-county area.

Q. 1032?

A. 1032.

Q. A total of 3700?

A. 3700 for a total.

Q. So there must have been a little less than half of the small businessmen, or as you call them, intermediate sized businessmen, from outside the four-county area who were borrowing from Philadelphia National Bank; is that correct?

A. Not necessarily. These are the number of loans that were made in that size category, and it is possible that a number of these refer to loans, participation loans, to correspondent banks. The Philadelphia National Bank is the largest bank correspondent in this area, I believe, and it would therefore have a substantial number of correspondent

banks to whom it might make overlying loans. I don't know how many of these represent overlying loans.

Q. Didn't you look it up? Didn't you study it? In this study you made of the Philadelphia situation in general and this merger in particular, didn't you look that up?

A. This particular table——

Q. Did you or didn't you?

[fol. 2401] A. I looked into the relative size of the correspondent bank business of the Philadelphia National Bank relative to the total correspondent bank business done in this area.

Q. How many of these 3702 loans of under $50,000, of loans of the types that you are suggesting now, participating?

A. I don't know.

Q. Would you give me the figures for loans up to a hundred thousand dollars. I am not saying between 50 and a hundred. I am saying up to a hundred thousand dollars.

A. Up to a hundred thousand, there were 3000—2970—in the four-county area, and there were 1260 outside, for a total of 4230.

Q. So that there are about a third that came from outside the four-county area, or a little more?

A. Yes, a quarter or so, between a quarter and a third.

Q. 2970 that came from within the four-county area. Now I ask you, how many choices—I will term it choices—the people who made those loans had in this four-county area which you have selected?

A. To answer your question as to how many alternative choices a small business has, we have to first make the statement that a small business, to a substantial degree, is restricted to the immediate banking alternatives in his relatively small area.

[fol. 2402] The Court: We will assume from here in, Doctor. That is the fourth time you said it. We will assume that is implicit in every answer from here in. I don't think you need to repeat that again.

The Witness: Well, then, I cannot answer your question, Mr. Littleton.

By Mr. Littleton:

Q. Well, if you haven't made this study, how can you say that this merger will have a substantial effect and an adverse effect on the small businessmen?

A. I base my conclusion on the amount of banking resources in a particular area and the proportions of these banking resources which are controlled by any one unit, and the relative activity of each of these units in the area; and then to come to a conclusion as to the effect of the merger, I examined the effect on the total picture of the disappearance of any one of these units. Every one unit is not equal. The Girard is one of the most important units in the area.

Q. Which area are you talking about?

A. In the four-county area. So also is the PNB. The disappearance of one of these, one I believe which controls approximately 20 per cent of all banking resources in the area, the other which controls approximately 17 per cent [fol. 2403] of all banking resources in the area, will materially affect the relative ability of a small business to secure funds, inasmuch as the disappearance of a very powerful, vigorous competitor, with the substantial resources of one of these banks, would affect him more substantially than the disappearance of another.

Q. If today, June 22, 1961, a small or an intermediate sized businessman wanted to borrow a hundred thousand dollars, he could go to any one of 28 banks in the area which you have selected, the four-county area, isn't that so?

A. I must answer——

Q. Isn't that so?

A. No, I cannot say yes to that answer.

Q. Why can't you?

A. I can't say yes to that answer, because most small businessmen are restricted to their immediate area, and they, in essence, are immobile. They could not, once having been turned down, or even not necessarily being turned down, they would find a relatively—they wouldn't find the same reception if they moved very far away from their home area.

Q. Well, let's assume somebody up in Yardley—do you know where Yardley is?

A. Yardley, Pennsylvania. I have a map, but I don't [fol. 2404] know offhand.

Q. That is in Bucks County. Suppose a small businessman up there were turned down by a bank in Yardley, Pennsylvania, what alternate choices would he have?

A. I would have to examine how many individual decision units are available in the immediate Yardley area and consider what kinds of banks these are. Banks vary in their receptions to loan requests.

[fol. 2405] Q. If you haven't made such a study, how can you give this opinion that such a small businessman would be disadvantageously affected?

A. My opinion is directed to the effect in a four-county area and it is based upon the disappearance of one of the primary competitors in the area and the consolidation of this competitor's resources with one of its foremost competitors.

Q. Do you know anything about Trenton, New Jersey?

A. Sir?

Q. Do you know anything about Trenton, New Jersey?

A. I know——

Q. Do you know anything about the banks in Trenton, New Jersey?

A. No, I don't.

Q. Do you know how much banking is done by businessmen in the Yardley area in Trenton, New Jersey?

A. No. I do not.

Q. Would that have any bearing at all here on your opinion?

A. The bearing that that would have ——

Q. Would it have any bearing on it?

A. In terms of my analysis, the answer is no.

Q. Yesterday you told me the number of choices which a small businessman wanting up to $50,000 in loans would have within the Philadelphia County area. I am not talking [fol. 2406] about the four-county area now.

I understood that you have said 15. Is that correct?

A. Yes. I said 15, I believe.

Q. And up to $100,000, how many choices would he have?

A. Let me look at the loan——

Q. Obviously, it is the same number, 15, unless you want to look it up and check me.

A. Well, go ahead. I will——

Q. Now, today, not ten years ago and not ten years from now, but today, June 22, 1961, that man has 15 choices where he can go to get a loan for $100,000?

A. My figures don't indicate that.

Q. I beg your pardon?

A. My figures do not indicate 15.

Q. What do they indicate. My figures included the First Camden National that you haven't included. I think that is the difference.

A. Well, if you include the First Camden National, that's another one. I have 14 banks listed here.

Q. Did you include Brown Brothers?

A. No. I did not include Brown Brothers. For the small businessman I do not include Brown Brothers.

Q. Don't you think Brown Brothers would be interested [fol. 2407] in a loan of $100,000 to a businessman?

A. If they didn't have to do much to get it, they would; but Brown Brothers is primarily a bank which deals with very, very large businesses and a substantial amount of foreign business and does a substantial amount of security business.

Q. Do you know whether Brown Brothers would be interested in lending a small businessman in Philadelphia $100,000?

Do you know, is my question.

A. No.

Q. You talked to Brown Brothers, didn't you?

A. Sir?

Q. They were one of the few people that you talked to, but you talked to them?

A. I did talk to them for one purpose and that was to ascertain if they would tell me the total amount of business that they have done or that they do in this area in total.

What I was interested in was what is the relative impact of Brown Brothers in the Philadelphia market.

Q. But you see, Doctor, you have given an opinion here that this proposed merger would have a substantial adverse effect on the small or intermediate-sized businessman.

A. Yes.

Q. I am wondering, when you talked to Brown Brothers,

whether you asked Brown Brothers whether or not they would be interested in making a loan up to $100,000 to a [fol. 2408] small or intermediate-sized businessman.

A. I did not, the reason being I was interested in my immediate conversation with this one aspect of the information that he would make available to me. He did not.

Q. Aren't you interested in the number of choices that a small or intermediate-sized businessman would have in Philadelphia?

A. Yes, I am.

Q. And if you add Brown Brothers I understand the number would be 15 as of this morning, as you and I are sitting here?

A. Yes.

Q. Now, if tomorrow there were 14 choices, to what extent would that small businessman be disadvantaged?

A. It would depend upon which of the 15 were eliminated from the market and the relative impact of that one which was eliminated from the market.

If it were one that had 10 to 20 per cent of the total banking resources in the area and the total banking business in the area, it would be much more harmful to the small businessman than if it were a different type of bank.

Q. What difference does that make to a businessman who wants $100,000?

A. It makes a difference, sir, in the ability of the bank [fol. 2409] and the willingness of the bank to actively compete for his business and to actively compete with other banks in the area for his business.

Q. And who isn't competing in this suppositious case that you and I are talking about, the Girard Trust Company?

A. The ability to compete would reflect individual bank's resources and assets and impact in an area. The larger, vigorously competing bank who wished to deal with small business (and my study indicates that the Girard is interested in dealing with small business and smaller types of loans, and very much so) the disappearance of such a bank which does business over a wide part of the area would be much, much more important and serious to a potential borrower than the disappearance of perhaps one of the other banks.

Q. Well, Doctor, didn't you tell us yesterday that small banks are more favorably inclined to smaller businesses than large banks?

A. I did so in explaining that the disappearance of the small banks was concomitant with the larger banks taking up these banks by merger and setting in their place a branch-banking system; and I suggested that the importance of this to me was that a branch-banking system would not be ordinarily—it would depend upon the individual bank, of course, but we typically find in our studies that the branch-banking system, with the relative limited [fol. 2410] authority of a branch manager in an area, is not as free, is not as able to adjust, or is not as interested in the business of a particular local area, a particular geographic area, that the unit bank was.

So, the implications of this were to me that it was extremely important to see that that bank which was able to, in essence, destroy the small-banking system of an area would not, in effect, aggravate this situation by once having done so remove itself as an effective competitor.

That was the significance of my analysis of the disappearance of the small banks.

Q. You are not suggesting, Doctor, are you, that the merger here sought would destroy small banks, would you?

A. I am suggesting that the banks were destroyed. The small banks were wiped out, in essence.

Q. Oh, you mean today the small businessman isn't being served properly by the banks in Philadelphia?

A. No. I have some figures indicating that the branches of the banks are in the range of small banks. In other words, they seem to range in the area of—well, there are a number around $10,000,000, $15,000,000. Some are $20,000,000, some are a little less. These are levels of assets at which small banks could live and could compete.

Now, both of the banks have units—have branches of [fol. 2411] this size. Small business presently in a particular area could have access to two branches of competing banks and would be able to, in essence, use the competitive advantage to perhaps better his position in getting a loan.

With the disappearance of the one effective branch sys-

tem and the effective large bank, I suggest that this materially affects his ability to get funds.

Q. Which would be more disadvantageous, in your opinion, to the small businessman—the disappearance of the Girard Trust Company, as you call it, the disappearance by this merger; or if, we will say, the Citizens' and Southern Bank of Philadelphia were merged, which is a small bank (I will tell you, in case you don't know that)?

A. Well, for the four-county area——

Q. For the what?

A. For the four-county area——

Q. No. I am confining myself right now to Philadelphia.

A. For the Philadelphia County area, for the Philadelphia geographic banking area, the disappearance of the Girard is much more serious.

Q. Do you remember saying yesterday with reference to a certain memorandum:

> "The implication that I draw from this is that small banks are more favorably inclined to smaller [fol. 2412] businesses and in an area where the number of small banks disappears or is done away with rapidly, the availability of bank credits for small business is likely to suffer substantially."

You said that, did you not?

A. Well, I will assume you are reading from the record.

Q. Do you agree with that this morning?

A. Let's have it back again.

Q. I will read it again:

> "The implication that I draw from this is that small banks are more favorably inclined to smaller businesses and in an area where the number of small banks disappears or is done away with rapidly, the availability of bank credits for small business is likely to suffer substantially."

Do you agree with that this morning?

A. Yes. I do agree with that.

Q. Then you think that if a small bank were merged that would be more disadvantageous to the small businessman wanting to borrow $100,000 than if the Girard Trust Company were merged; is that the case?

A. No, this is not so. I did not, in essence, go on. I made that statement and did not go on to point out, as I think we have this morning, that we now consider what [fol. 2413] happens after the small bank has been done away with.

Q. What small bank?

A. In this particular——

Q. What small bank?

A. I believe you just mentioned a quote. You were indicating that I felt that the disappearance of smaller banks from an area might or would have an adverse effect on small business.

Now, from that I may go on to say it could; and we now examine what did, in fact, happen.

In this particular area what happened was that the large banks bought up the small banks, paying them substantial premiums, and set up a profitable and active competing branch system; and the branch systems, to a substantial degree, attempted to substitute for the competition of the previous unit banks. In some areas the branches probably were able to bring in additional competition; in other areas, less competition.

The effect, however, was that instead of having a number of competing small banks we now had a few competing large branch-bank systems.

Q. All right.

Shall we come down to today? I am trying to get on down to June 22, 1961.

[fol. 2414] A. Yes, sir.

Q. Are the small businessmen in Philadelphia who want loans of up to $100,000 being served properly by the banks in Philadelphia at the present time, in your opinion, from the study which you have made?

A. My study was not directed——

Q. Are they?

A. My study, sir—I could not answer that question.

The Court: That is the answer.

Next question.

By Mr. Littleton:

Q. Then you don't know the answer to my question?

A. No.

Q. No.

Then you can't tell what the effect of the merger of the Girard Trust Company with the Philadelphia National Bank would have on such small businesses, can you?

A. Yes. I can.

Q. What, as an economist or as an expert in banking?

A. As one who has studied the marketing effect of the disappearance of banks in this area, bringing to it whatever all the education and experience that I have had.

Q. Don't you see, Doctor, that before you can get into that you will have to tell us, you would have to know whether [fol. 2415] the small businessmen are being properly served today. We are not talking about ten years ago; we are talking about this morning.

A. No. I do not have to know that. My assignment was to examine the relative change from whatever condition existed at a moment in time, the relative changes that would result if this present competitive balance were to be changed.

Q. Well, let's get back to my original question and ask you if the number of banks available to a small businessman who wants a loan of up to $100,000 is tomorrow 14 instead of 15 in the Philadelphia area, in what possible way does that disadvantage the small businessman?

A. It disadvantages the small businessman only after we examine the relative results of whatever particular bank disappears.

In this particular case he no longer can call on two banks, one of whom has over 20 per cent of the resources of the area, the other of which has somewhere between 15 and 20 per cent of the resources of the area, as alternative sources of bank services, including loans; and he can not rely upon their natural inclination to secure his business by perhaps changing their credit requirements or perhaps changing their compensating balance requirement, or perhaps offering him additional services.

[fol. 2416] In other words, he can not rely upon their eagerness, their competitive eagerness, to get his business.

Q. On the eagerness of how many other banks can he rely?

A. My point of view is——

Q. No. On the eagerness of how many other banks can he rely?

A. I have said before that I can not answer that question because for any one business we would have to find out where he is located, his relative size, his relative ability to command banking resources.

Q. Isn't the real reason that you can't answer that you don't know anything about these banks?

A. About the——

Q. About these banks in Philadelphia.

A. No, that is not the reason. I believe I know quite a bit about them.

Q. Do you know anything about their eagerness to serve small business?

A. Yes. They—I have seen statements in the deposition of Mr. Brown indicating that they were quite eager, I believe.

Q. Yes.

A. Sir?

Q. I say yes.

[fol. 2417] Do you know anything about their advertising program?

A. Yes. I have seen a statement indicating that they think they will save $130,000 in advertising expenses as a result of this merger.

Q. I am talking about all the banks in Philadelphia. We are talking about all of them now. We are talking about the alternate choices that a businessman has.

A. I thought you were talking about the two banks, but if you wish to talk about all of them, I have seen references to the advertising expenditures of the two banks and I have observed advertisements of the other banks here in the city.

I have seen advertisements of the small Citizens' and Southern Bank on cabs.

Q. Do you know anything about the growth of the smaller banks in this city in the last ten years?

A. Yes. I have some figures.

Q. It has been quite remarkable, hasn't it?

A. From my point of view, not necessarily.

Q. As an economist?

A. As an economist.

Q. As an economist?

A. As an economist, it is not necessarily spectacular.

Q. Now, what I want to know is the specific way in which this small businessman who wants a loan of $100,000 will be [fol. 2418] disadvantaged.

A. I am trying to indicate that he is disadvantaged by the elimination of a substantial unit which has between 15 and 20 per cent of the total banking resources in the area and is presently and has indicated by its actions and by its statements that it is most interested in actively competing with its existing competition in order to secure the busines of businessmen in the area.

Q. In other words, he couldn't shop around for better terms at 15; he could only shop around at 14 banks; is that correct?

A. It is not a matter of numbers. It is a matter of relative ability of the individual banks.

Q. Do you think to the businessman it is a matter of numbers?

A. To the businessman, the reception that he expects to find at the bank is most important. Size is not the most important thing that businessmen look for in banks.

The Court: Read the question back.

Mr. Littleton: I beg your pardon?

The Court: I directed the stenographer to read the question back.

(The pending question was repeated by the reporter as follows:

[fol. 2419] "Q. Do you think to the businessman it is a matter of numbers?")

The Witness: No.

By Mr. Littleton:

Q. Do you think he is interested in the size of the bank when he goes to make a loan for himself?

A. He is primarily interested in their relative ability, willingness and desire to seek his business.

Q. That is right.

Do you know anything about the relative desire and ability

to seek his business which is shown by the 15 or 14 banks if this merger is approved in Philadelphia?

A. The——

Q. You can answer that yes or no, Doctor.

A. For my purposes, yes.

Q. What are your purposes?

A. To establish the effect of the elimination of one specific and specified competitor from that area.

Q. Is your concept, then, of the businessman going to each of these 15 banks seeing which one will give him the best terms?

A. No. A businessman—there are a given amount of banking resources in an area and a businessman, in seeking a loan or seeking bank services, must call upon these resources.

The growth in these resources in this area has [fol. 2420] been primarily from the ability of the banks to plow back earnings and the growth in unit size has been (and to a very significant degree) based upon the ability of the banks to merge with smaller banks.

In other words, there has not been much growth in banking resources as a result of either the bringing in of new capital into banking, outside capital which is not in banking and bringing it into banking, or as a result of a rigorous program of plowing back earnings in order to build up banking resources in an area.

Therefore, I conclude that relatively speaking banking resources in this area are limited, and when the control of the available banking resources which is available to a businessman is substantially reduced, his alternatives, his ability to secure loan funds is materially affected.

Q. How about his alternatives?

A. His alternatives are materially affected.

Q. All you know, all you are talking about is relative size now, isn't it, Doctor?

A. No, sir. I am talking about the control of banking resources, banking capital, banking facilities, banking—physical, geographical locations.

I am talking about all of the things that a businessman can call upon in getting bank services.

[fol. 2421] Q. Do you really think that a businessman

ink about all of those things when he goes into a bank
make a loan?

A. A businessman going into a bank to make a loan is
ter ed in only getting what he thinks he needs.

Q. t's right; and if he can't get it there he goes some
ac e, doesn't he?

A. In many cases——

Q And if he doesn't get it there he goes some place
se, esn't he?

A In many cases, yes; in other cases, no.

Q. And if he doesn't get it at the second place he can
o the third, can't he?

A. obably not, for the small businessman. He finds
na he gets no reception to speak of after he has been
urn down by several banks.

fo [2423] Q. How many choices do you think he needs?

A. Again I must say that number is not a significant
act . Number is a rough indicator, and one *that* has to
xamine the individual banking alternatives that he has.

Q. That is what I say. What you are saying is that size
th significant thing?

A No, it is the ability, the willingness, the desire of
e individual units to compete for business.

Q. And about that you know nothing at all, do you,
ctor?

A. I have tried to indicate that I believe I know suffi-
nt to base my conclusions.

Q. Tell us about one, for instance. Tell us about the
dustrial Trust Company. Did you make any study of
at?

A My study of the Industrial Trust Company was related
its command of banking resources in the particular
ographic area as an indicator of its ability to compete
that geographic area.

Q. How about this desire or this eagerness to serve?

A. The desire to serve or the eagerness to compete is
stantially limited by the resources which a bank can
ng to bear upon the market.

Q. To a man who wants a hundred thousand dollars?

[2423] A. Yes, to a man that wants a hundred thou-
d dollars. To a man that wants a hundred thousand
lars there are two ways in which his contact and his

reception at a bank will be felt. One is the going out and actively seeking such business, and the other one is the bank actively seeking him out.

Q. Of course, I am addressing myself to your opinion expressed here yesterday that the reduction by one bank will have a substantially adverse effect on the small or intermediate sized business borrower.

A. I again say that the one bank depends upon which bank is to be eliminated and its relative effect on the banking market.

Q. And you say the elimination of a big bank will have a greater effect on the small businessman than the elimination of a small bank?

A. No, I say it depends upon the bank. If it is big, it depends upon the willingness, the desire, as well as the capacity of that big bank to serve small business. Some big banks simply do not wish to have accounts of perhaps less than $10,000.

Q. And as to that willingness or desire to serve small business you know nothing with reference to the particu- [fol. 2424] lar banks in Philadelphia, do you?

A. Yes, I do. I have figures as to the number of loans that they make to small business: I have figures as to the interest charges. I have figures as to their branching. I have figures as to the statements as to the areas in which these branches compete. I have examined figures as to the relative sizes of some of these smaller units which have replaced individual units, and on this I have based my conclusion.

Q. Would you look at G-181, Doctor.

A. Yes, sir.

Q. With reference to the Philadelphia National Bank.

A. Yes.

Q. What percentage of all their loans are within the $100,000 range, in the $100,000 range?

A. Are in the $100,000 range? In the four-county area or in total?

Q. Give us the four-county area and then anything else you want. 90 per cent of their loans are within the $100,000 range, aren't they?

A. I will accept your calculation, certainly.

Q. Have you made a similar study for each of the other banks in Philadelphia?

[fol. 2425] A. No.

Q. How can you then express the opinion as to the effect of this merger on the small businessman when you don't know what the eagerness or ability or intention of the other banks in Philadelphia is vis-a-vis small businessmen's loans within the $100,000 limit?

A. I know of their ability, sir. I have studied their ability as measured in their command of the banking resources in the area as compared to the command on the banking resources of the two banks in question.

Q. Yesterday, Doctor, you talked to us on the basis of this report of the Committee on Banking and Currency of the Federal Reserve System, entitled "Financing Small Business." Do you have it there with you?

A. Yes.

Q. Would you look at Page 426.

Mr. Littleton: Will you mark that D-3.

(Document headed "Financing Small Business, Table 10—Business Loans of Member Banks, October 1955 and October 1957, By Size of Bank and Relative Size of Borrower" was marked Exhibit D-3 for identification.)

Q. Doctor, on Page 426 of "Financing Small Business" [fol. 2426] there appears a table entitled "Table 10—Business Loans of Member Banks, October 1955 and October 1957 by Size of Bank and Relative Size of Borrower"; is that correct?

A. Yes.

Q. I have had an autostat copy of that table marked D-3.

A. Yes.

Q. The period October 1955 and October 1957, did I understand you to say that was the period of rather tight money?

A. I said 1957 would be considered a period of relatively tight money, yes.

Q. Would you look at the latter part of that Table 10 on D-3.

A. Yes.

Q. They talk about the small borrower and the number of loans made to small borrowers by banks of various sizes.

A. Yes.

Q. In the period October, 1955, and October 1957, banks under $20 million made how many loans? Well, first in 1955, how many loans did banks under $20 million make to small business—number of loans, I am talking about [fol. 2427] —in thousands.

A. 302,000.

Q. And in 1957?

A. 285,000.

Q. So in that period there was a percentage reduction in the number of loans which small banks made to small business of 5.7; isn't that correct?

A. Yes.

Q. In the same period what did banks in the area of $20 million to $100 million in assets do?

A. 151,000 in number and 162,000 in number.

Q. That is a percentage increase of what?

A. Of 8 per cent.

Q. And what did banks of the size of $100 million and over do in so far as number of loans to smaller businesses concern in that period?

A. 232,000 in number in 1955, 267,000 in number in 1957. The percentage is 15 per cent plus.

Q. And I assume that you agree with the statement made on Page 372 of the same "Financing Small Business" report? I direct your attention to that. Do you have it?

A. Yes.

Q. I assume you agree with the statement there made [fol. 2428] in the third full paragraph:

> "Loan expansion between 1955 and 1957 was greater at large than at smaller banks, and large banks generally expanded their loans to small and medium sized businesses more than smaller banks. Within most size classes of banks, loan expansion was greater for large than for smaller businesses. In general, growth in total business loans and in loans to smaller businesses was greatest in geographic areas experiencing the greatest economic expansion.
>
> "Smaller businesses paid higher interest rates on their bank loans than large businesses in both 1955 and

1957, but, in the intervening period, rates charged large businesses rose much more than rates charged smalle borrowers. Businesses of a given size generally paid about the same rate on their loans, whether they borrowed from a large or a small bank."

I take it that you would agree to that statement or those statements, would you?

A. These are the observations made by the Federal Reserve System of their study.

[fol. 2429] Q. And didn't you predicate a lot of what you had to say yesterday on this very report?

A. They have made their statements about this loan survey in which they divide the categories much more intensively than the reproduction in this particular study, so if we are going to talk about the study, I would prefer to get the original source and look at the table in the original source, which is in much greater detail than this particular table, and a comment on the categories there shown I believe would be more meaningful for our purposes.

Q. When you were giving us this excerpt from this "Financing Small Business" yesterday, did you go to the original sources there?

A. Yes, I have it here, and I just picked up a table. I happen to have a table that was reproduced from here, but I fundamentally rely upon the original source. It is the same table. This particular table is in there also, but there are other tables which break down the figures to greater detail.

Q. What are these original studies? That is the material supplied by the banks in the Federal Reserve?

A. Yes.

Q. You have all of them, do you?

[fol. 2430] A. I have the report of the Federal Reserve System in 1957, published in 1958, based upon their 1957 loan survey, and comparing it to 1955.

Q. Then you don't have the original source?

A. I would consider this the primary source of information on the significance of the 1957 loan survey. The article published by the Federal Reserve reporting to the public and to all interested parties their results of the 1957 loan survey.

Q. Well, do you know whether this has ever been broken down in greater detail?

A. Yes, it is broken down in the 1957 loan survey.

Q. I am talking now about the Chart D-3, Table 10.

A. Which one?

Q. Table 10.

A. Table 10 on Page 426?

Q. Yes.

A. Yes, this is broken down in greater detail.

Q. Would you produce it?

A. Yes.

The Court: Let us take our mid morning break at this time.

[fol. 2431] (A 10-minute recess was taken at 11:00 o'clock A.M.)

By Mr. Littleton:

Q. Doctor, you said you thought you should go to the original sources in discussing this Table 10, marked D-3, and while you don't have the original sources, you do have something, I understand, called "Members Banks Lending to Small Business."

A. I consider this the original source.

Q. You consider that the original source?

A. Of this information, yes.

Mr. Littleton: Could we have that marked? Shall I mark it, Mr. Reycraft?

Mr. Reycraft: Will you mark for identification as Government's Exhibit 190 a document headed "Member Bank Lending to Small Business, 1955 to 1957"—Page No. 393 appears at the bottom—reprinted from Federal Reserve Bulletin for April, 1958; and I also hand you another exhibit, Doctor, which I think I should mark.

Will you mark as Government's Exhibit 191 a three-page document headed "Loan Limits of Commercial Banks with Head Offices in Philadelphia, Montgomery, Delaware, and Bucks Counties, Pennsylvania, as of December 31, 1960.

[fol. 2432] (Document headed "Member Bank Lending to Small Business, 1955 to 1957" was marked Exhibit G-190 for identification.)

(Document headed "Loan Limits of Commercial Banks With Head Offices in Philadelphia, Montgomery, Delaware, and Bucks Counties, Pennsylvania, as of December 31, 1960," was marked Exhibit G-191 for identification.)

[fol. 2433] By Mr. Littleton:

Q. Doctor, do I understand that your thought is that G-190, which you consider as an original source, contradicts or casts some doubt on the figures you gave us from Table 10 which has been marked D-3?

A. I said in order to sufficiently understand the information one should look at the greatest detail with which it is made available.

Q. You don't quarrel with the figures, though, that are in Table 10, D-3?

A. No, no.

Q. Will you look at page 404 of G-190, the original source to which you referred?

A. Let me mark this so we know what we have.

Yes, sir, Table 4?

Q. Table 8 on page 404.

A. Yes.

Q. Would you tell us what that table is entitled?

A. "Relative Size of Business Borrowers at Member Banks, by Size of Bank."

Q. And as of what time?

A. Well, it is probably as of the fall of 1957; October 16, 1957.

Q. Looking at the last grouping in that table, will you tell [fol. 2434] us what the percentage increase is of the amount loaned to small borrowers by banks under $10,000,000 in the period covered?

A. The dollar amount——

Q. The percentage increase in the dollar amount.

A. The percentage increase in the dollar amount to small borrowers by banks with a size of less than $10,000,000 was 5 per cent.

Q. And by banks with $10,000,000 to $100,000,000, what was the percentage increase?

A. 11 per cent.

Q. And of banks $100,000,000 to $1,000,000,000, what was the percentage increase?

A. 10 per cent.

Q. And banks over $1,000,000,000, what was the percentage increase?

A. 13½ per cent.

Q. So that the larger banks increased their loans to small business by a considerably greater percentage or ratio than did the banks under $10,000,000; is that correct? In that period?

A. Yes, it is correct.

Q. Will you give us the same percentage or similar percentage increases to medium-sized borrowers, first by banks [fol. 2435] under $10,000,000?

A. The percentage reflecting the total dollar increase made available to medium-sized borrowers by banks under $10,000,000 in total size was 23 per cent; by banks $10,000,000 to $100,000,000, 26 per cent; $100,000,000 to $1,000,000,000, 25½ per cent; $1,000,000,000 and over, 32 per cent.

Q. I ask you, as a result of reading those figures and the figures in D-3 as to the number of loans, the figures you have just read to the amount of loans, do times of tight money create a greater disadvantage to small business in the small banks or in the large banks?

A. In order to answer that I think we should take a look at other tables. In other words, we will break down the sizes of business in different categories and we should examine the total amount of lending power in total that each of the banks has, vis-a-vis the other. We should examine the interest rates at which the loans are granted, and we should examine the relative ability of businesses of different sizes to get increases in the loans granted.

Q. Have you any conclusion in your own mind as to the answer to my question?

Do times of tight money create greater difficulties for small businesses in small banks or in large banks with regard to their ability to get loans?

[fol. 2436] A. I would say that smaller banks are more receptive than are larger banks, all other things being equal.

Q. Despite the figures on D-3 and the figures in G-190, Table 8?

A. My conclusion must be based upon all the information which is in this tabulation and my conclusion, after basing

it on all the information of the loan surveys, is as I have stated it.

Q. What other information are you referring to?

A. Well, for one thing, let me check my figures here. We are now talking about small banks versus large banks, and not by size of borrower?

Q. We are talking about small borrowers.

A. Small borrowers at small banks and large banks?

Q. Yes.

A. One basis of my conclusion is that the small banks typically have more loanable funds than do large banks relative to their total capacity to lend to whomever they typically lend to in periods of tight credit.

In other words, smaller banks tend to be less efficient in committing all of their funds to the loan market than do large banks.

Q. What is your authority for this statement?

A. My authority for this is the relative capital-to-loan— [fol. 2437] capital-to-total-loan ratio.

Q. Where did you get this?

A. Well, I have got the figures here. I have a table some place indicating the comparative capital ratios of small, medium, and large banks by various sizes. Perhaps I can find the information in the Federal Reserve Bulletin.

Q. Doctor, before you do that, would you look at Table 10 again, D-3, in view of your statement a few moments ago?

A. Table 10?

Q. Yes.

A. Yes, sir.

Q. That is at page 426.

A. 405? This interest rates by member-bank loans to business?

Q. No, no. D-3, which is the Autostat——

A. I don't have it.

Q. Page 426 of your "Financing Small Business."

Mr. Littleton: This is the one, if Your Honor please, headed "Business loans member banks, October 1955 and October 1957, by size of bank and relative size of borrower."

The Court: D-3.

The Witness: Yes.

By Mr. Littleton:

Q. Will you tell us what the percentage increase of loans [fol. 2438] (in number, I am talking about now, so it will be the last category down there) by banks under $20,000,000 to large borrowers was in that period?

A. I am sorry, Mr. Littleton. Would you give me that again?

Q. Certainly.

You will find it in the last category on Table 10, D-3, and I ask you what the percentage change, by number of loans in the period 1955 to 1957, by banks under $20,000,000, to large borrowers was.

A. 18.3 per cent.

Q. In other words, banks under $20,000,000 during that period increased the number of loans to large borrowers by 18.3 per cent, while at the same time they were reducing the number of loans to small borrowers by 5.7 per cent; is that correct?

A. Yes, sir.

Q. And going up just above, where we get into amounts, during that same period banks under $20,000,000 were increasing the dollar amount of their loans to large borrowers by 17.7 per cent while they were increasing their dollar amount to small borrowers by 5.9 per cent; isn't that correct?

A. This is now the amount figure; yes.

Q. That is the amount?

[fol. 2439] A. Yes.

Q. Now as to the number of loans it is significant, and I think you will agree with that.

Will you tell us how you could make the statement you made a few minutes ago in the fact of that statistic, and I am assuming the statistic is correct because it comes from the book that you have been using.

A. No, I assume that the statistics are correct. I have no quarrel with the accuracy of the dollar figures and the percentage calculation.

Q. Do you mean to say that that doesn't show that banks under $20,000,000 increased the number of their loans to large borrowers more than they did to small borrowers by a much greater ratio?

A. Yes, it does.

Q. Do you agree with it?

A. I agree with the statistics.

Q. All right.

A. Yes.

Q. Now will you look at 389 of the green book, "Financing Small Business," the report by the Federal Reserve System, the book that you were using yesterday?

You gave considerable testimony about interest rates to small borrowers, but you didn't read us this part. [fol. 2440] It is the second full paragraph on page 389.

I want to ask you if you agree with this:

> "Most borrowers pay about the same rate of interest on their loans regardless of the size of the bank from which they borrow, as shown in table 11. The major exception is that rates on loans to small businesses are slightly higher at large than at small banks, reflecting in part relatively more lending by these banks on longer term higher interest bearing installment loans. Between 1955 and 1957 all size classes of banks raised rates less on loans to small businesses than on loans to large businesses."

Do you agree with that?

A. This is an interpretation of Table 11. My interpretation of Table 11 would be different.

The table is immediately below the paragraph. The figures are here. If you would like, I will interpret the table.

Q. And is this the interpretation that was submitted by the Federal Reserve System to the Committees on Banking and Currency and the Select Committees on Small Business in the United States Congress on April 11, 1958?

A. Yes, sir.

[fol. 2441] Q. Now, Doctor, you have said that there are local markets for banking, a national market, and an international market.

Would you tell us what your definition of a market is?

A. A market is a geographic area within which people trade.

Q. Does that have to do with banks, too?

A. Yes. Banks also trade in markets.

Q. Can we agree that the geographical location of the bank itself doesn't determine the market, does it?

A. To a substantial degree, the geographical location of a bank determines the bank's market.

Q. Does the geographical location of the borrower have anything to do with it?

A. To a substantial degree, the geographic location of a borrower determines the bank market in which he trades.

Q. Really, it is the area in which the borrower is free or able to exercise his choice, isn't it?

A. It is the market within which he does exercise his choice, which indicates the area in which he is free to exercise his choice.

Q. And you have included Bucks County as one of the four-county area which you state comprises the market of the Philadelphia National Bank and Girard Trust Company; is that correct?

[fol. 2442] A. Yes, sir.

Q. Would you say that that hypothetical borrower that we spoke about in Yardley, Pennsylvania, was in the market area of the Trenton banks?

A. Could you give me some more information about your hypothetical borrower?

Q. Yardley is right across the river from Trenton.

A. The borrower, as well as—the market depends upon that area within which the borrower typically exercises his search for banking resources. In order to define the market for a specific one of many, many borrowers in a market, we would have to examine that one specific borrower.

Q. Have you done that in defining what you have stated here to be the market area of the Philadelphia National Bank?

A. I did it for all of the borrowers, in essence, of these banks.

Q. What do you mean by "all of the borrowers, in essence"?

I am not so sure I get the implication of the "in essence."

A. My figures were compiled indicating the location, the geographic location of the borrowers from these banks; and these figures indicated that the very substantial majority of all of the borrowers from the banks in number resided within this four-county area. The four-county area com-

[fol. 2443] prises less than 10th of 1 per cent of the geographic area of the United States, so it obviously indicates that

the great majority of these people do not operate in a national market.

I then considered the situation for Pennsylvania as a whole and relatively a small percentage of them resided in Pennsylvania outside of the four-county area. I therefore concluded that for a substantial number, a substantial majority of all of the borrowers of these banks, the relative local area was the four-county area in which the bank could legally establish branches and physically then carry on their business.

Q. And is that what you meant yesterday when you said that one of the anti-competitive effects of this merger that you apprehended was that where there were now three banks which could lend to very large businesses there would now be but two?

A. The three banks which I cited which would become two lend to all ranges of businesses, and, as we have looked earlier today, we have seen that the majority of their loans are to small business; and there would then be an elimination of one of the very substantial competitors and it was my problem to ascertain the relative impact upon the market of the elimination of that one.

Mr. Littleton: Mr. Reporter, would you read my [fol. 2444] question.

And, Doctor, would you answer it?

(The question was repeated by the reporter as follows:

"Q. And is this what you meant yesterday when you said that one of the anti-competitive effects of this merger that you apprehended was that where there were now three banks which could lend to very large businesses there would now be but two?")

By Mr. Littleton:

Q. What did you mean by "very large businesses"?

A. Very large businesses would be businesses of asset size—I will speak very generally now—as we pointed out before it depends to some degree upon the mobility of the business, but I would say probably over $50,000,000 in total asset size would be—we would be getting into the range of large; and when we get over $200,000,000 we are in the range

of very large; and, of course, there are those few companies who are close to $1,000,000,000 in assets.

Q. Well, you pick either $50,000,000 or $200,000,000; I don't care which. You pick it and tell me if you really meant what you said when you stated that this merger would result in there only being two banks in competition for very large business.

[fol. 2445] A. (No response.)

Q. I am quoting you correctly, am I not, Doctor?

A. Yes. I think you are.

Q. All right. All right.

A. Yes. The words that I was using is the qualitative term of "very large," relative to the large businesses in this area who do bank locally as opposed to banking in the national market.

Actually, very large businesses have much greater mobility than small and intermediate-sized business, and many of them, too, are actively solicited by the very largest banks in the national market and do often bank outside of their geographic area.

Q. And a business of $50,000,000 in Philadelphia, does it just use Philadelphia banks, from your study and experience?

A. Well, I would say that a business that size could very easily bank outside of the area. It would be in the national market. It would be of much greater mobility and would not be restricted to the Philadelphia area.

Q. In other words, there is plenty of competition in Philadelphia for business of that sort from all over, is there not?

A. I would say for a business $50,000,000 or more there is plenty of competition from all over for their business of their big loans.

[fol. 2446] For a substantial part of their business, however, that business involving convenience banking, pay-roll accounts, money, safekeeping—this would be local, but for a substantial part of their loan requirements they could go to the national market, restricted somewhat by the fact that the lender in the national market would want deposits as well, and the fact that they must use a local bank for a substantial amount of their services is quite a retarding factor in giving them complete mobility.

Q. So that competition for business of the $50,000,000

order, location of the customer doesn't mean anything at all, does it?

A. It does for that servicing part of banking.

Q. In determining the market, I am talking about.

A. In determining the market for businesses of that size, I say that for a part of their loan requirements they can and do have access to a wider geographical market, but I say for a part.

Q. Not only have access to it; it is actively solicited, isn't it?

A. I would say that an active, competitive bank would solicit them, yes.

Q. From a wide area?

A. Yes.

[fol. 2447] Q. So that the location of the borrower of such an order doesn't have much effect on market area, does it?

A. Yes, it does, in the sense that the location of this borrower—he needs a substantial amount of banking services in his local area. He simply can't dispense with banking services because banking services are essential to his business operation.

Q. And, Doctor, he should be provided with that substantial banking service within his area, then, shouldn't he?

A. I wouldn't say he should be provided. I would say that the forces of competition should, in seeking his business, make them available.

Q. But you wouldn't say that he then should be provided with such banking service within his area?

A. (No response.)

Q. It is you who has drawn the area, not I.

A. I would say that the services in a competitive economy make themselves available wherever there is a profitable opportunity for them, so such services will become available to him in his local area if he can buy them at a profit to the person who supplies them.

Q. So that a business of the order of $50,000,000 or more should have comparable banking service available within his own geographic area, shouldn't he, Doctor?

[fol. 2448] A. For those banking services which he must utilize his local market for, such services will be available for him.

Q. Such services will be available to him?

A. In the same sense——

[fol. 2449] Q. That is as far as you will go?

A. In a competitive economy, sir, that is as far as I will go.

Q. In other words, it is your idea that in Philadelphia it doesn't make any difference what the size of the business is, a small bank would be perfectly sufficient; is that correct?

A. No, that simply is not correct.

Q. Would any bank be necessary?

A. Banks in an area tend to reflect the character, the economic characteristics of the area.

Q. They try to grow along with the business and industry, don't they, so they can serve in this way you have been talking about; isn't that correct?

A. They do. As an area develops in terms of population, in terms of economic characteristics, all of the factors in the area grow also.

Q. Being quasi public in nature, banks should strive to be able to serve the business and industry in the areas, should they not?

A. Our competitive system——

Q. Will you answer that question.

A. Yes.

Mr. Littleton: That is all, Doctor.

[fol. 2450] By Mr. Price:

Q. Doctor, you have been directing most of your attention and your comments and observations to small business, and you said that small business was more dependent on bank financing than large business. Do you know how much of the financing requirements of small businesses banks provide?

A. Yes, some studies have been made of this. One figure usually indicates that 80 per cent of the total external financing of the smaller sized businesses is provided by commercial banks.

Q. What do you mean by external total?

A. These are the funds that it gets from the external market, from financial institutions or individuals outside of its own family, so to speak—in other words, of the capital market, the capital money market.

Q. How does that compare with all companies, approximately?

A. Well, one has to measure it by size. I have a table indicating that for the larger companies having access to the capital markets, a substantial part of their funds are secured in capital instruments, such as bonds and stocks, and from financial institutions other than banks, who can deal with them in much larger units.

[fol. 2451] Q. And what do the banks provide?

A. Some of their requirements.

Q. You said 80 per cent when you were speaking about small businesses. What was the percentage when you were speaking about large?

A. I don't have one figure. I can give you some figures by types of industry, for example. If we speak of large industry, such as utilities, large corporate utilities, they raise 50 per cent of their total long-term funds——

Q. Do you have the green book in front of you?

A. Yes.

Q. The report "Financing Small Business?"

A. Yes.

Q. Will you turn to Page 23 and look at Table 3.

A. Page 23, Table 3, yes.

Q. And tell me the percentage distribution of bank loans to the total requirements for other than large corporations.

A. Just give me a minute here.

Q. The last column.

A. Table 3, the percentage distribution? Where are we?

Q. Do you find Table 3?

A. Yes, I now have it in front of me.

Q. Do you find the last column?

[fol. 2452] A. "Other?"

Q. Yes, other than large corporations.

A. This is "Sources of Funds of Large and Other Non-Financial Corporations, 1946-55." It deals with the sources of funds for corporations, and I have the other corporations other than large.

Q. I am asking you how much of their financing is due to bank loans.

A. The figure shown here is 13 per cent.

Q. How much to trade payables?

A. 25 per cent.

Q. So that the bank loans are very substantially less than trade payables in the financing of these companies, are they not?

A. Yes.

Q. And how much for mortgages and bonds?

A. For corporations of the type that are reported in this particular study, mortgages and bonds total 28 per cent.

Q. So that the bank loans are the smallest of those three categories?

A. For corporations only, which are the only companies which are studied in this table, that is so.

Q. Those are related in terms of dollars in the section [fol. 2453] that you were reading. The percentage distribution is below. Bank loans are not 13.2 per cent; they are 6.7 per cent, are they not?

A. Oh. Let me go below that. Yes. For non-financial corporations other than those defined as large, bank loans are 7 per cent, 6.7 per cent.

Q. And trade payables are how much?

A. 12.5 per cent.

Q. Bonds and mortgages?

A. 20 per cent—19 per cent.

Q. It looks like 14.5. What are you adding to that to make 20?

A. I am adding the capital stock. I beg your pardon. 14.5.

Q. According to this, the external, total, is 44.6 per cent, is it not?

A. Yes. Well, I will take your addition.

Q. Now will you turn to Table 2, on the preceding page, Page 22.

A. Yes.

Q. It relates to businesses with assets under $250,000.

A. It relates only to manufacturing corporations with assets under $250,000

Q. And in respect to them, what is the percentage of [fol. 2454] short-term bank loans?

A. 4 per cent.

Q. And other notes and accounts payable?

A. For small manufacturing corporations other notes and accounts payable in 1955 were 22 per cent in the fourth quarter.

Q. And installments on long-term debt due in one year or less from banks, how much?

A. As reported by the SEC in their quarterly report on sources of funds for small manufacturing corporations, in the fourth quarter of 1955, long-term debt due in more than one year from a bank was, I think it says 1.7 per cent.

Q. Yes, and then immediately below that, from other sources, what?

A. For small manufacturing corporations in 1955, 9.3 per cent.

Q. You don't have to read it all again, Doctor. You are still talking about the same table, aren't you?

A. Yes. I have the figures here for 1960, if you want to look at them.

Q. Will you please read the figure as shown on this table.

A. Yes.

[fol. 2455] Q. What is it?

A. 9.3 per cent.

Q. That is from sources other than banks, is it not?

A. Yes.

Q. Now will you turn to Page 21.

A. Yes.

Q. Which gives the liabilities and net worth, all and small non-financial corporations.

A. Yes.

Q. You made this distinction between various classes of corporations. What does this table show?

A. This one is 1954.

Q. What does this table show as to the bank credit?

A. It shows that for such corporations the banks supplied —I don't see a bank category here.

Q. I can't hear you.

A. On Table 1 I don't see a specific category headed "Banks."

Q. Do you find one that might include that?

A. Well, let me look at it more carefully, then.

Q. I suggest you look at the second item, which is "Notes Payable."

A. Yes, I see the second item, but I also see the title, sir, [fol. 2456] and it says "Liabilities and Net Worth, All and Small Non-Financial Corporations, 1954," excluding banks and insurance carriers. That would be included in the table.

itself. I see. I was a little worried about the note. If that is the case, then, the bank liabilities would be part of the notes payable.

Q. Which is what?

A. 10.5 per cent.

Q. That is for assets under $250,000?

A. Yes, sir.

Q. For all sizes it is 4.9, is it not?

A. For all sizes, yes.

Q. Now, with reference to the companies with assets under $250,000 the bank credit is some portion of 10.5 per cent, but how much is the accounts payable item?

A. Well, according to Mr. Victor Andrews, who wrote this article, the accounts payable item for these particular companies was—let's say, we are in the percentage figure again?

Q. You are in the percent figure for companies with assets under $250,000.

A. The accounts payable show 15.4 per cent.

Q. And the bonds and mortgages payable?

A. The bonds and mortgages payable again show 16.1 per cent.

[fol. 2457] Q. So that so far as this table shows, the amount of bank credits furnished such companies as are described here is some portion of one-third of the three items of accounts payable, notes payable, and bonds and mortgages; is that so?

A. I would say that according to the author, Victor Andrews, for the type of company described here, that is so.

Q. You were talking exclusively of small businesses as being the subject of your concern. What about people? How many people borrow money from banks?

A. If you will excuse me for a moment, I will get the figure. If we define people as consumers——

Q. I don't define people as consumers. I am asking about people, whether they are consumers or whether they are spenders, or what they are—individuals borrowing money from banks—of all classes.

A. I do not know.

Q. Have you any idea of the proportion of the loans to people compared with the loans to small businesses?

A. Yes, we can find that information in terms of proportions.

Q. In terms of what?

A. You wish to know the proportion of the loans made [fol. 2458] to people as compared to the loans made to whom?

Q. Small businesses.

A. Well, when we talk of small business, obviously people represent small business, and I am not quite sure of the distinction you make between people and small business.

Q. I am talking about other than commercial loans.

A. If you are talking about other than commercial loans, we have figures on the proportion of a bank's loans that are other than commercial loans, and banks report that some of their loans are made to consumers; and if we think of those as people we do have figures.

Q. Do you know what the figures are for Philadelphia banks as a group?

A. Yes, I do.

Q. What are they?

A. Just a moment. I have an analysis of loans. This is Table 6. It has a Government Exhibit number.

Mr. Reycraft: G-6.

The Witness: And the Government's Exhibit number is also 6, and then I have a Table 6-A. Does this have a Government's Exhibit number?

Mr. Reycraft: Will you mark Table 6-A, which is a one-page document headed "Percentage Analysis of Loans [fol. 2459] and Discounts of Philadelphia National Bank, Girard Trust Corn Exchange Bank and All Commercial Banks with Head Offices in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of June 15, 1960" as Government's Exhibit 6-A.

(Document headed "Table 6-A, Percentage Analysis of Loans and Discounts of Philadelphia National Bank and Girard Trust Corn Exchange Bank and All Commercial Banks with Head Offices in Philadelphia, Delaware, Montgomery, and Bucks Counties, Pennsylvania, as of June 15, 1960," was marked Exhibit G-6-A for identification.)

The Witness: Table 6 indicates that the banks in question, the Philadelphia National Bank has total loans to in-

dividuals for household, family, and other personal expenditures for a total of $85,530,000, and that the Girard Trust Corn Exchange Bank has loans to individuals totaling $121,000,000, and that total commercial banks in Philadelphia alone have a total of $725,000,000, and that the total of such loans made to people in the four-county area is $789,000,000, that the percentage of the total of such business of banks in Philadelphia alone for the Philadelphia National Bank is 12 per cent, for the Girard Trust Corn Exchange Bank 16.7 per cent, and that the total of the four-
[fol. 2460] county business, the Philadelphia National Bank has 11 per cent of the four-county business, the Girard has 15 per cent of the four-county business, and the two combined have 26 per cent of the four-county business of total loans to individuals for household, family, and other personal expenditures.

In addition, the relative proportion of these loans to the total loans made by the banks is shown on Table 6-A. Both banks obviously appear on the surface of these figures to be quite competitive in this area, although Girard has the biggest impact. The PNB, Philadelphia National Bank, has 17 per cent of its total funds—that is total loans and discounts—committed to the area of loans to individuals; the Girard Bank has 31 per cent, indicating much more activity in that field; and the two combined—I don't have the two combined here.

These are the figures, then, indicating the activity in this area.

Q. Can you compare those loans to those to small businesses, which is the question I originally asked you?

A. I thought you wanted to know the loans to people.

Q. I wanted the loans to people compared to the loans
[fol. 2461] to small businesses, either in number or dollar amount, whichever way you like to do it, if you can.

A. I have figures on that also. I have figures, which I will get shortly, indicating the total number of loans in number to these individuals by each of the banks and the total loans in number to business. The numbers which come to my mind—well, perhaps I had better wait to look at the actual figure. Let me see if I can find the actual numbers, and then we won't have to speculate.

The Court: Read the question back, Mr. Schuman, so I will know what we are driving at.

(The last question was read by the reporter, as follows:)

"Q. I wanted the loans to people compared to the loans to small businesses, either in number or dollar amount, whichever way you like to do it, if you can."

A. The figures indicate——

By Mr. Price:

Q. What figures?

A. That I am about to get, that the personal loans are over a hundred thousand in number and business loans are perhaps 3000 in number.

[fol. 2462] Q. And in dollar amount?

A. Dollar amount——

Q. Were those business loans to the small businesses or to all business?

A. I am now looking at a table——

Q. Will you answer the question, then you can tell me what you want afterwards. Is it small businesses or all businesses?

A. I would say small.

Q. All right. Then what is the relative dollar amount of those loans to small businesses and to individuals?

A. I don't have the dollars; I have the numbers.

Q. So you don't know in dollars what the business done by these banks is with individuals?

A. If you will give me a few minutes to look at my figures, I may know this. I do not know it from memory, but we have collected a substantial number of data in order that one could analyze this, and I may have that figure.

Q. You look up the dollars over the lunch hour, and I will go on with something else now.

What choices have individual borrowers in Philadelphia when they want to make a personal loan, in addition to the banks which you have mentioned?

[fol. 2463] A. I would say that they certainly could go——

Q. I can't hear you, Doctor.

A. The individuals, for money, for dollars, if they not wish to go to a bank, typically go to a personal loan company, but individuals today, instead of borrowing dollars and then using these dollars to buy goods, can get credit from stores, can in essence shortcut one step. For retail purchasers, many stores will advance the merchandise without requiring the dollars. So then my conclusion is that individuals can go to consumer finance companies for dollars, but today have an increasing ability to get the merchandise directly without having to have the dollars first.

Q. So would this merger have any effect on their ability to get what financing needs they might have?

A. For that segment of the market which borrows from banks, it would have an effect. Banks typically charge a lower amount—banks definitely charge a substantially lower amount of money advanced from banks than do finance companies. The rates are such that a finance company would charge in excess of 25, 24 per cent to 36 per cent in most areas—I believe it is 3- per cent here in Pennsylvania—and a bank typically would charge around 11 per cent for the same money, although by shopping in [fol. 2464] banks one with a very good credit rating could get money somewhere closer to 6 per cent.

[fol. 2465] Q. What kind of loans are you talking about?

A. I am talking about personal loans. I am talking about an individual who perhaps wishes to buy a car.

An individual who wishes to buy a car, of which a large number of these loans are made up, when he goes to an automobile dealer to buy the car many automobile dealers will tell him that they can arrange his financing and they have contacts with three or four loan outlets, each of whom typically makes money available to them at different rates. The automobile company will get a commission for arranging the loan, so in many instances it would like to arrange a loan at the highest cost.

Where there is vigorous competition for loans of this type people are aware of the fact that banks might be able to advance them funds if their credit is sufficient at substantially lower figures than their salesman makes available to them; so, vigorous bank competition in this area has substantial benefits to people asking for such loans.

This is an example.

Q. Do you know what the facts are in Philadelphia as contrasted with theory?

A. Yes. I have a specific reference to bank competition with a loan company called the Ritter Finance Company, [fol. 2466] and this specific reference made by one of the banks officials says specifically that the Ritter Loan Company——

Q. What is this that you are referring to now? What specific reference? A document?

A. Yes.

Q. What is it? Let's see it.

A. I will get it for you.

Mr. Reycraft: Will you mark as Government Exhibit No. 192 a memorandum from S. S. Gardner to Mr. O. H. Beadle, dated March 8, 1960.

(Inter-office memorandum dated March 8, 1960, from S. S. Gardner to Mr. O. H. Beadle was marked Exhibit G-192 for identification.)

The Witness: I relied on this memo. It is a memo to O. H. Beadle from S. S. Gardner and says:

"I have discussed the proposed office of Ritter Finance at this location with M. H. Callender, who handles the account of Ritter, and J. K. Nealey in the absence of H. W. Ritter, Consumer Credit. Ritter Finance is a very good client of ours, as you know, and M. H. Callender feels we have more than a normal finance company relationship, since the principals bank with us and we have trust connections, etc. With the diversity of our consumer credit operations, we can [fol. 2467] offer any type of credit available from Ritter Finance (much of it at a lower rate), and I do not think we should lose much good business. Ritter Finance concentrates more on the high rate, small personal loans.

"I recommend that we tell Penn Fruit that we appreciate their inquiry and do not have any objection to their leasing to Ritter Finance. M. H. Callender will try to use this eventually to help us with Ritter, but without disclosing that Penn Fruit called."

This is an indication that the bank considers that a finance company loans to a different kind of customer.

I also have a quote from Mr. Brown in the deposition, in which he says that the finance companies fundamentally are really not competition, since they loan to a completely—to a substantially different kind of applicant at a substantially higher rate.

By Mr. Price:

Q. Can you give me a reference to that quote that you just mentioned of Mr. Brown?

A. Yes, sir. I will have to look for it.

Mr. Reycraft: Here is Mr. Brown's deposition.

The Witness: Well, that is on page 88 and the dis-
[fol. 2468] cussion is in reference to personal loan companies, and the question is,

> Q. With reference to personal loan companies, do you consider your bank to be in competition with personal loan companies?
>
> A. Yes, we are in competition with them.

By Mr. Price:

Q. Will you please read it all, if you are going to quote? Don't skip some.

> A. "A. With personal loan companies, yes, we are in competition with them.
>
> "Q. How do your interest rates compare with those of personal loan companies?
>
> "A. Our interest rates will be generally lower.
>
> "Q. In general, what would they be?
>
> "A. Well, they are governed—ours are governed by law and we can only charge $6 a hundred for the first $3500 of personal loans, and the same limitation does not apply to the personal loan companies.
>
> "Q. What is the legal limitation that applies to personal loan companies?
>
> "A. I am not sure what that is.
>
> "Q. It is substantially higher, is it not?
>
> "A. I believe it is.
>
> [fol. 2469] "Q. Do you know the reason for this?

"A. I think it's probably because the average size of the loan is smaller and perhaps requires a greater interest rate to recover.

"Q. Isn't it true also that the type of risk which a personal loan company takes frequently is different from what your bank would take?

"A. I don't know what they do.

"Q. Do you have any accounts, do any personal loan companies have accounts with your bank to borrow funds to use in their business?

"A. Yes, they do.

"Q. Do you know how many of these accounts you have?

"A. No, I do not.

"Q. Are these accounts primarily local accounts?

"A. I would say that our personal loan company accounts would be perhaps evenly divided between local and all over the country."

Well, let me see if there is anything more on the competition in this area.

Q. Now will you look at the top of page 92, which is an answer to a question beginning on the bottom of page 91?

A. Let me look at 91 first.

[fol. 2470] Q. Will you read that question and answer, please?

A. (No response.)

Q. Out loud.

A. Well, I have to see where we start.

Q. Start at the bottom of page 91, as I told you.

A. At the bottom of page 91 there is a question:

"Q. I understand.

"Now a few minutes ago I asked you about the relative degree of risk taken by your bank on personal loans and by personal loan companies. As Executive Vice President and President of your bank for a number of years, don't you have an opinion as to the relative degree of risks taken?

"A. Yes, I have an opinion. I would say that there is very little difference between the type of people that make personal loans at personal finance companies and make personal loans with our banks; and I think it's

just unfortunate for those people that they don't realize that we make the kind of loans that they make at the small loan companies.

"Q. You think it is a lack of information rather than the question of risk?

"A. There are many factors that enter into it, but I think there is a great lack of information on the part [fol. 2471] of a personal loan borrower as to what his qualifications are for personal loan; and he thinks because he has to walk upstairs that it must be better or something about it is more attractive than being seen in a bank."

Q. Is your conclusion from that that Mr. Brown thinks it is competition or not?

A. Yes, Mr. Brown thinks there is competition.

Q. And what about Mr. Gardner?

A. Sir?

Q. And what about Mr. Gardner? Do you think he considers it competition or not?

A. There is some competition. I take it from Mr. Gardner's memo that he thinks there is some competition, yes.

Q. Then yesterday, when you were discussing Mr. Gardner and this very same memo, you said on page 1743:

"—there was a document that had reference to the Ritter Finance Company, a local company here, and again an opinion by a bank officer that the competition of the loan company is simply insignificant. They are in a completely different market, as far as the bank is concerned, that they loan to a completely different kind of customer, they are not in competition."

[fol. 2472] Now, that is what you said yesterday. What is your opinion today?

A. My opinion is that for a substantial part of the business between personal-loan companies and the banks, they are not in competition. For a part of the business they are in competition.

Therefore, I would say that in general banks do compete with personal-loan companies for some of the loans made to consumers.

Q. Do you know of the relative volume of personal-loan

business through the small loan companies as compared with the banks?

A. I have figures from the Third Federal Reserve District Bank of Philadelphia indicating the proportion of loans to consumers made by banks as compared to the proportion of loans to consumers made by personal-finance companies.

Q. And how many of the personal-finance companies? What are included in that category?

A. Well, the Federal Reserve Bank includes in their discussion here companies making small personal loans to individuals who use the funds to buy consumer durable and nondurable goods, to meet household expenses, to consolidate prior debts, and for other purposes.

Personal-finance companies obtain their funds from the [fol. 2473] sale of securities and by borrowing from other financial institutions. Loan-size limitation and maximum interest rates are prescribed by state law.

That is the definition of personal-finance companies.

The Court: We will go on this afternoon.

(Recessed for luncheon at 12:27 o'clock P. M.)

[fol. 2474] [File endorsement omitted]

AFTERNOON SESSION

OSCAR GOODMAN, resumed.

Cross-Examination (continued)

By Mr. Price:

Q. Did you find that paper, Doctor, that you said you had as a basis for some statement you made before lunch, that you were going to look for during the lunch hour?

A. What statement do you have reference to?

Q. You had or said you had a document which would justify a statement which you made before lunch and that you were going to look for the document over the lunch hour. Did you look for it?

A. Well, I have a number of documents here. If it is the

80 per cent statement you are referring to, I have a document on that. If it is the number, I have a document on this which——

Q. I think it related to the dollar volume of loans to individuals as compared to the dollar volume of loans to small businesses. I asked you to compare those. You said you had a document which would give you the necessary information, which you couldn't lay your hands on at the moment, and since it then was about a quarter past 12:00, I asked you to look for it over the lunch hour.

[fol. 2475] A. The document that I have has reference to the number of loans, consumer loans, total number of loans of the Philadelphia National Bank and the Girard——

Q. You gave us the number, but I asked you about dollar amounts.

A. I believe I gave you my estimate of what the number was, and I said I would look to see what specific information I have. I now have the information upon which I based my estimate, and that is that the total number of consumer loans is approximately 127,000, as compared to 10,000 commercial and industrial loans for the combined banks.

Q. Does that include all commercial and industrial loans or only those under $50,000?

A. This is all commercial and industrial loans.

Q. Have you got the number of those under $50,000? Before lunch you said there were about 3000.

Mr. Reycraft: Do you mind if I give him the exhibit number?

Mr. Price: No.

Mr. Reycraft: G-181.

A. The number of commercial and industrial loans—what number are we looking for now?

Q. Under $50,000.

[fol. 2476] A. The number of commercial and industrial loans for the Girard Bank under $50,000 in 1955 was 1300, in all was 1300. In the four counties, 1150.

Q. How many all together?

A. Of all sizes now?

Q. Under $50,000 is what we are talking about. Well, it is 3702, isn't it, right in front of you on the table?

Mr. Reycraft: No. It is 5000.

A. Well, the figure for the Philadelphia National Bank on the table I have indicates 2670 and for the Girard, 1146 in the four-county area, and for the two combined, 3816 in the four-county area. I am not quite sure about the 5000 figure that you have reference to on the table.

Q. What is the figure that is comparable to the 120 some thousand that you mentioned a few minutes ago?

A. The figure that I mentioned a few minutes ago had reference to the total number of consumer loans for the Girard Bank—the figure for the total number of consumer loans for the Girard and the PNB was 127,000. For the Girard alone the total figure in the four-county and other area was 65,000. Now, the figure that I am now reading on G-181 refers to the number in 1955, and these two are not [fol. 2477] directly comparable.

However, in 1955 the total number of loans for the Girard Bank, which would be approximately comparable to the 1960 figure, is 1146 in the four counties, 210 outside, 1356 in total, so the 1356, therefore, is somewhat comparable to the 65,000 for total consumer loans in 1961. That is as close as I can come with the figures that I have in front of me.

Q. Can you give me the comparative figure in dollars of the commercial loans under $50,000 and the loans to individuals?

A. Well, I can give you the dollar figure for the loans to individuals, because we have, as we earlier looked at, the figure from the bank's records, which is on Table 6, which I believe is Government Exhibit 6, which indicates in dollars the total consumer loans, individual loans, for the Girard Trust Corn Exchange Bank, as of June 15, 1960, was $121,000,000. This would obviously reflect the dollars which correspond to 65,000 loans which are listed as the number of consumer loans on the compilation that I have. Now, the figure involving the dollars and the number of industrial and commercial loans——

Q. Under $50,000.

A. —under $50,000, I must refer to my table for 1960 and see what information I have. The data on G-181 refers

to 1955 and is not comparable directly, although it gives [fol 2478] us some general impression. The loans in 1960 could not be too much different.

Q. All I am asking you is the figure——

A. Let me look for that data and I will see if I can find it.

Mr. Reycraft: What figure?

Mr. Price: Commercial and industrial loans under $50,000, compared with the figure of 121,000 for loans to individuals.

(The witness looked through his papers.)

Mr. Reycraft: I refer you to Government's Exhibit No. 21 (handing).

The Witness: On Table 20 we have the data from the Girard, and we also have some data which will perhaps shed some more light on the 1955 report. In other words, I think if you will look at the Tables 9 and 10 and Tables 20 and 21, we might be able to get your question answered.

The commercial and industrial loans for the Girard Bank in the four-county area of under $50,000 were approximately——

Q. What exhibit is that, Doctor, you are reading from?

A. Table 20 now. I have previously given you a figure for the total consumer loans, in which the figures indicate [fol. 2479] that the total consumer loans for the Girard Bank in the four-county area were 44,000, in other areas were 21,000, for a total of around 65,000, and in dollars I refer to the Schedule A, the dollar amounts of consumer loans reported by the Girard Bank as of June 15, 1960, which I read a few moments ago.

Q. Schedule A of what? What is Schedule A?

A. Schedule A is part of the so-called Call Report, the statement of condition which is filed by commercial banks in response to a request by either the Comptroller of the Currency or by the State banking authorities. Such a call was asked as of June 15, 1960, and Schedule A is that part of the call report which details the information on the loan activities of the bank.

Q. Is there anything in the schedule which shows the loans under $50,000?

A. Mr. Price, you have asked me to give you data——

The Court: You can answer the questions, Doctor, without quibbling. Answer the question yes or no, and then we will have another question.

Read the question.

(The reporter read as follows:)

"Q. Is there anything in that schedule which shows [fol. 2480] the loans under $50,000?"

A. There is no category of loans given in the schedule.

Q. Then you don't know the amount and can't give us the amount in dollars of the loans under $50,000 which are comparable to the figure of $121,000 for the individual loans?

A. Yes, I can, Mr. Price.

Q. Well, why don't you give it to us? I have been asking you for that at least for half an hour.

A. Well, I will try again. On Table 21, for the Girard Bank, based upon information supplied by the bank, the number of commercial loans under $50,000 is approximately 3000, and in dollar volume $27 million.

Q. So that they are about a quarter less than the volume of loans to individuals, are they not?

A. Yes.

Q. What are the alternative choices that persons, individuals, have for personal credit in addition to the 15, 16, or 17 banks in Philadelphia?

A. I must correct that figure. No, that is right.

Give me your question again, will you, please.

(The reporter read as follows:)

[fol. 2481] "Q. What are the alternative choices that persons, individuals, have for personal credit in addition to the 15, 16, or 17 banks in Philadelphia?"

A. They have consumer finance companies, primarily consumer finance companies. That is the main competition, alternative source.

Q. Savings and loan associations?

A. Savings and loan associations loan on a secured basis and typically put the overwhelming proportion of their money into mortgage loans. We have statistics which indicate that this is almost 85 per cent of their total funds.

Q. Do they go in for any other kind of lending than mortgage loans?

A. To a very limited extent, as it is obviously indicated by the figures.

Q. Obviously what?

A. To a very limited extent, if any.

Q. You don't think that they solicit actively such loans? In Philadelphia, I am speaking of.

A. I do not think in Philadelphia that the proportion of the loans that they would make of their total lending capacity to consumers would be very large.

[fol. 2482] Q. Have you any actual information on that other than your own guess?

A. I do not have any statistics on this.

Q. Let me read you from an advertisement which has just been issued by the Quaker City Federal Savings and Loan Association and see if this has any effect on your opinion. This was issued within the week.

> "Did you know that you can borrow from $500 to $3500 from Quaker City Federal to improve your home? And you can repay your loan with monthly payments over a period of one to five years.
>
> "Yes, Quaker City Federal's FHA Property Improvement lending service has helped many families to build a new recreation room, modernize the kitchen, bathroom, paint, install a new roof and improve many other facilities.
>
> "Interest on amounts up to $2500 is five per cent, on the amount from $2500-$3500 four per cent.
>
> "If you want to modernize or repair your home an FHA Property Improvement Loan at Quaker City Federal is the solution."

[fol. 2483] Were you informed about such advertisements or such appeal to borrowers in Philadelphia before you reached your opinion in this case?

A. I am informed about the lending practices of savings——

Q. I couldn't hear your answer.

A. I am informed about the lending practices of savings and loan associations, and this again points out that savings and loan associations restrict their loans primarily to secure

the loans on real estate. The loans of the type that you have reference to are for a very narrow and restricted and particular purpose and would be secured, as opposed to the general range of loans made to consumers by commercial banks for various purposes.

[fol. 2484] Q. But to the extent that they make such loans they are in direct competition with commercial banks, are they not?

A. Oh, yes, yes.

Q. And they offer an alternate choice of source of money to prospective borrowers, do they not?

A. Yes.

Q. All right.

And both state and federal savings and loans are in that business, are they not?

A. Yes.

Q. What about credit unions?

A. Credit unions are an alternative source of funds for those consumers who belong to credit unions. They do not lend to all people and their rates are relatively high to banks, but relatively low compared to personal-finance companies; but would not be, in essence—would therefore service a quite limited market and I do not think, therefore, would be any substantial competition to commercial banks, although they definitely are a competitive alternative for those people.

Q. Have you finished?

A. Sir?

Q. Have you finished?

A. Yes, sir.

[fol. 2485] Q. What about commercial-finance companies?

A. Personal-finance companies would be in competition for consumer loans, for such purposes as buying an automobile, which is a rather substantial part of the business.

Q. That is in competition with banks?

A. (No response.)

Q. With commercial banks?

A. (No response.)

Q. Is that not so, Doctor?

A. They are in competition with commercial banks for that segment of the business.

Q. What about sales-finance and personal-loan companies?

A. Personal-loan companies we discussed earlier, in which we pointed out that their rates are so substantially higher than banks that for a very substantial part of their business they are non-competitive.

For part of the business, those people who perhaps are uninformed or through inertia, there is part of the business that goes to personal loan companies of the consumer loan nature that there is some competition.

Q. But they are right in direct competition with commercial banks, are they not?

A. For a very small part of their total business, yes.

Q. Do you know the range within which small loan com-
[fol. 2486] panies may operate in Pennsylvania?

A. The figure, I believe, is that up to $600 they can lend money at a rate of 3 per cent, and at over $600 the rate progressively drops to 1½ or less.

That being the case, the companies, of course, are most interested in getting those loans on which they can get the highest rates.

Q. Isn't it a fact that the variation in rate is under $600 and that they have no authority to lend over $600 at a rate in excess of 6 per cent?

A. If that is so, I am not so informed.

Q. Then what do you know about consumer discount companies and the range within which they may lend?

A. Consumer-discount companies? I am not sure what you mean by a consumer-discount company.

Q. Then you wouldn't know how many consumer-discount companies there are in Philadelphia, would you?

A. No, no.

Q. Or the number of small-loan companies?

A. Yes. I have statistics.

Q. How many are there in Philadelphia?

A. I have statistics on these figures.

Q. How many are there?

A. I must refer to my statistics. I do not know offhand
[fol. 2487] but if you will give me a moment I will give you the figures indicating the number of small-loan companies in Philadelphia.

I believe the information was in the application. I don't have a copy of it now. I will have it for you in a minute.

The Court: Hand him G-57 and let him look.

The Witness: It is in the record.

The Court: That is the application.

The Witness: What category did you ask me for?

The Court: Small-loan companies.

The Witness: There were 313 licensed small-loan companies included in the four-county area that we have.

By Mr. Price:

Q. And how many savings and building-and-loan associations were there?

A. Savings and building-and-loan associations?

Q. Yes, savings-and-loan and building-and-loan. They are essentially the same thing, but with different names.

A. Well, I will see if they are here in the application. If they are not I will have to find my other source.

Savings-building-and-loan associations in the four-county area are listed in the application, and in 1959—let's see. I have the total number of accounts—I don't locate the number here—here we are, savings and building-and-loan asso- [fol. 2488] ciations. In the four-county area there were 421, according to the application.

Q. And how many credit unions?

A. There were 270 credit unions in the Philadelphia area according to the application.

Q. And how many commercial-finance companies?

A. Are you referring to sales-finance companies or a category other than this?

Q. Commercial-finance companies.

A. I don't seem to locate it here. I will have to check my other data unless you know where it is in the application.

Do you know where it is in the application?

Q. I didn't think it was in the application and the figure that I had was 63, but if you have a different figure I will be glad to hear it.

A. If it isn't in the application I will be glad to check my other sources to see if I can check the figure.

Q. I think my figure of 63 was only the largest, and the

actual number is very much in excess of that, but perhaps you have an accurate figure.

A. I am willing to accept your figure, but I am using a secondary source here. I assume you know what the figures are.

Mr. Reycraft: We will accept the figure.

[fol. 2489] The Witness: I will take your figure.

By Mr. Price:

Q. Well, then, there are all these hundreds of different sources of individual credit for persons who need it in Philadelphia and the four-county area, are there not?

A. Those sources are available, yes.

Q. In addition to the department stores, which you say also finance purchases by their customers?

A. Yes.

Q. Now, you made the four-county area the boundary of your discussion and consideration?

A. Yes.

Q. Is there any logical reason why a political boundary should be accepted as the boundary of the extent of credit needs for banking services?

A. Yes.

A. Why?

Q. The four-county area is the only area within which these commercial banks can legally open offices out of which they can do business, and this fact typically restricts the major part of their business to this area.

Q. The tables to which you have referred recently show that a very large portion of their business is conducted outside of the four-county area, do they not?

[fol. 2490] A. My tables infer to me that in most categories approximately 80 per cent of the business is done within the four-county area and 20 to 25 per cent outside; and in many of the categories the figures run as high as 90 or 94 per cent within the four-county area.

This repetition is such in most of the categories and for the whole business as a whole that I conclude that the area is the four-county area.

Q. And you are speaking now exclusively of the market that is descriptive of the bank's activities, are you not?

A. I am speaking of the geographic market in which the banks operate, yes.

Q. All right.

So it is the banks' market and not the customers' market that is the four-county area, isn't it?

A. The decision—my conclusion on the four-county area was based on where the customers come from. The percentages deal with the customers, the geographic area from which the customers originate; and when these statistics running from 70 to 95 per cent in most of the categories come from that area within which the customers originate, this again buttresses the hypothesis that the banks' area should be that area within which they can legally maintain offices, and the statistics bear out that hypothesis.

[fol. 2491] Q. Then you are speaking of the market area of the banks as distinguished from that of their customers, are you not?

A. I am speaking of the market area within which the banks operate, yes, sir.

Q. Do you know whether these banks or either of them does more business in Bucks County than it does in Chester County or in Camden?

A. My analysis in terms of the percentage of business done, the figures that I have most readily available deal with Philadelphia and the rest of the four counties and all of the area outside of the four counties.

However, I may have some statistics on business done by some of the banks which were merged into the organizations in a particular part of the geographic area, but in general my answer would be that I do have statistics on that part of the business which is done in Philadelphia County and that part of the business which is done in all of the other three counties and that in part of their business which is done in all other places.

Mr. Price: That doesn't even remotely answer my question.

Will you read him the question, please?

(The pending question was repeated by the reporter as follows:

[fol. 2492] "Q. Do you know whether these banks or either of them does more business in Bucks County than it does in Chester County or in Camden?")

The Witness: No.

By Mr. Price:

Q. Do you know how much business New York banks do in Philadelphia?

A. I do have some figures on New York banks' activities in Philadelphia which were published by the Federal Reserve Bank of New York.

Do you want that dollar figure?

Q. I am asking you if you know how much they do in Philadelphia; and if you do know, please tell me.

A. I know how much of the business done by 18 banks in New York City in Philadelphia, Chicago, Dallas, San Francisco, and some other cities is, but this is only of the 18 central reserve banks in New York City.

Q. We are not interested here in Chicago, Dallas, San Francisco, or any place except Philadelphia; and my question is limited to the amount of business done by New York banks in Philadelphia.

Do you know that or don't you?

A. I know it for 18 banks in New York City.

Q. How much is it?

[fol. 2493] A. I will have to look.

Mr. Reycraft: This is D-1, I believe, Dr. Goodman.

The Witness: Oh, yes. This is one of your exhibits. It is the Monthly Review of the Federal Reserve Bank of New York for May, 1957, and it tells us New York City bank loans to non-local borrowers and the heading is "Commercial Loans Made By Second District Member Banks to Borrowers in Other Federal Reserve Districts, By the District of The Borrower, Outstanding as of October 5, 1955."

We have the total amount made by central reserve New York City banks, by other Second District member banks, and by all Second District member banks, and the location of the borrower is given by Federal Reserve District and not by the city itself.

By The Court:

Q. $348,000,000 for the Third District, or thereabouts?

A. The figure for the Philadelphia district is $308,000,000 by the central reserve, $29,000,000 by other Second District banks; and $337,000,000 by all Second District banks, the total loans made in the Third District.

Q. $337,000,000?

A. Yes, sir.

Q. Will you look at the footnote and see if it isn't $107,-
[fol. 2494] 000,000 in the city of Philadelphia?

A. Yes. Footnote 3 indicates that in the City of Philadelphia the figure is $113,000,000.

By Mr. Price:

Q. Have you any comparable figures for sources other than New York or the Second Reserve District?

How much business is done in Philadelphia by banks in Baltimore, Washington, Boston, Wilmington, and other places?

A. No.

Q. Have you any idea what the total value of banking business in Philadelphia is?

A. (No response.)

The Court: Is that all-inclusive now?

Mr. Price: Yes, sir.

The Witness: I don't have that figure.

By Mr. Price:

Q. Have you any idea what the total banking business done in the four-county area is?

A. I do not have that figure.

Q. Do you know what the banking needs of all the businesses in the four-county area are?

A. No.

Q. Or the banking needs of those in the Philadelphia area?

[fol. 2495] A. No.

Q. Do you know whether such needs have been adequately met in the past?

A. No.

Q. You were asked by Mr. Littleton to look at page 372 of this green book called "Financing Small Business" and that was in connection with the interest rates paid by small businesses.

A. Yes.

Q. I will ask you to look also at page 32 in connection with that subject and read the sentence at the top of page 32 which begins, "Also, the banks . . ."

A. Wait until I get my own copy of this.

Yes. Where do you want me to read?

Q. I beg your pardon?

A. What do you want me to do?

Q. At the top of page 32.

A. Yes.

Q. The first full sentence on that page.

A. The sentence starts:

"The reason given for this is the tendency of large banks to make small business loans . . ."

Q. In my copy it begins:

"Also, the banks . . ."

[fol. 2496] A. On page 32? The first word on page 32 in my book is "make."

Q. Yes, and I asked you to begin the first full sentence.

A. Oh.

"Also, the banks in large urban centers tend to make more of the specialized high-risk loans than do the small banks."

Q. Go ahead.

A. "These findings suggest that a certain kind of credit risk accommodated at high rates at large banks is virtually excluded at small banks at any rate."

Q. In other words, small banks won't take certain risks that are handled by large banks alone?

A. All banks, large or small, vary in the kinds of risks that they will accept.

Q. But doesn't this sentence or don't these two sentences that you just read indicate that the large banks take certain risks that the small banks won't touch?

A. Yes.

Q. Now will you turn to page 148 of the same book?

A. Yes.

Q. And read the first sentence under the paragraph which is headed "Conclusions."

A. "One measure of the adequacy of financing is the [fol. 2497] health and ability to grow of small businesses. By this test, financing appears to have been adequate for the sector as a whole in the postwar period."

Q. Have you any information that the financing was adequate in the Philadelphia sector as a whole?

A. The question of adequately was one that I did not address myself to.

Q. Will you read the paragraph which commences near the bottom of the page with the words, "A second measure . . ."

A. Where are we now?

Q. Will you read that paragraph, please?

A. I am sorry, Mr. Price, but I am not sure just what you want me to read.

Q. It is the last one on the page, beginning with the words, "A second measure . . ."

A. Yes.

"A second measure of the adequacy of financing is a fair and equitable distribution of funds. Although it is impossible to set up an absolute standard of fairness, a guide is furnished by trends in the availability and terms of financing. On this basis, it can be said that in the postwar period, credit has become more readily available to small-business, for more extended periods, [fol. 2498] and at a cost that has differed less and less from that of large businesses. In fact, the tremendous postwar increase in indebtedness of small businesses might raise the contrary question of whether credit had become too readily available and at too low a price relative to the cost of equity."

Q. Now, have you any information which would indicate that that statement does not apply equally well to Philadel-

phia and the four-county area as it does to the larger area referred to in this book?

A. I have some observations by the Third Federal Reserve District Bank relative to the study made of loans in the Third Federal Reserve District and I will refer to them if you so desire, which will give you my understanding of their interpretation of this same figure.

Q. That doesn't answer my question, Doctor.

Mr. Price: Will you read him the question, please?

The Witness: Read me the question.

(The question was repeated by the reporter as follows:

"Q. Now, have you any information which would indicate that that statement does no apply equally well to Philadelphia and the four-county area as it does [fol. 2499] to the larger area referred to in this book?")

The Witness: I will look at it very carefully. No.

By Mr. Price:

Q. Will you refer to Table I, which appears on page 375 of the green book, the green book being the "Financing Small Business" book that we have been talking about?

A. Yes.

Q. I call your attention——

The Court: Just a minute, Mr. Price.

Mr. Price: I beg your pardon?

The Court: Has this been marked?

Mr. Reycraft: No, Your Honor. I will mark it at this time.

The Court: Will you mark it now and give it an exhibit number?

Mr. Reycraft: Will you mark as Government's Exhibit 193——

The Court: Do I have this? May I keep this? That is 193?

Mr. Reycraft: 193, Your Honor, which is a Committee Print, Financing Small Business, 85th Congress, 2d Session. The title is "Financing Small Business, Report to the Committees on Banking and Currency and the Select Commit-

[fol. 2500] tees on Small Business, United States Congress, By the Federal Reserve System, Parts 1 and 2, April 11, 1958." It consists of 549 pages.

(Printed, bound document of 549 pages, being "Committee Print, Financing Small Business, Report to the Committees on Banking and Currency and the Select Committees on Small Business, United States Congress, By the Federal Reserve System, Parts 1 and 2, April 11, 1958," was marked Exhibit G-193 for identification.)

[fol. 2501] Q. I believe, Doctor, that this particular table to which I have called your attention was copied and is marked G-180. I will check that, and if I am wrong, I will ask the reporter for the right number, but in the meantime, I call your attention to the two columns under the general words "Number of Loans," more particularly "Thousands," and still more particularly "1955 to 1957."

Do you find it?

A. I think so.

Q. And were those the figures that led you to say yesterday that, in your opinion, small business was unable to get the loans that it needed or wanted?

A. These are not the figures that I based my conclusion on, but we can take a look at them.

Q. Well, did you say yesterday that, in your opinion, between 1955 and 1957 the amount that smaller businesses were able to get diminished in those years?

A. I don't think I said that.

Q. Do you believe it to be true?

A. My statement would be that the amount of loans which small business was able to get was increased substantially less than the amount of loans which larger businesses were able to get, and that therefore it was my conclusion that there was discrimination in the ability of small business [fol. 2502] to get loans relative to large business to get loans in periods of tight credit relative to periods of credit ease.

Now, these figures indicate that businesses whose asset size is less than $50,000 had a percentage change in the size of loan which they were able to get of minus 3 per cent from 1957 to 1955, and that businesses from the asset side of less than $50,000 to $5 million all received less in average size of loan from 1955 to 1957, but that large businesses,

and as we go up the scale, $5 million to $25 million, were able to get 3 per cent greater average sized loans, $25 million to $100 million were able to get 23 per cent increase in their average sized loan, and that the largest businesses, $100 million or more, were able to get 55 per cent increase in their average size of loans.

This is one of the statistics that I rely upon to indicate that the ability of smaller business to share, if you like, in bank funds made available to business in times of tight credit is severely restricted relative to that of large business, and I based my conclusion upon some observations which I think I made.

Q. What is the table to which you referred which indi- [fol. 2503] cates an ability or inability to get more than the borrower either wanted or asked for?

A. In the table this reports business loans of member banks from 1955 to 1957 by size of borrower, and it clearly indicates that the smallest borrowers got less than the largest borrowers, relatively speaking. I have no basis and I have seen no figures to back up an assumption that their demands were less than those of big business, relatively speaking, or that their share in the prosperity of the period was any less or could have been any less. Having no statistics to back up a conclusion that their demands were less, and having the statistics clearly indicate that their take was less, I come to the conclusion that their take was less because they were given less.

Q. And you have no information as to whether they asked for less or got any less than they needed during that period, have you?

A. Well, I have the observations of prominent economists made during the period itself. I have the observations of economists making these observations at that time, and I shall be glad to read them to you: Sumner Slichter, Elliott Bell, John Galbraith—economists from the various federal reserve districts—I believe I have about 15—all making the [fol. 2504] observation that, in their opinion, there is no basis to assume that small business demanded less but got less.

Q. Let me read you from Page 1768 of your testimony of yesterday, when you were discussing this subject, with particular reference to the same table.

"The statistics then clearly indicate that the amount of loans which smaller businesses were able to get was substantially restricted relative to the amount of bank loans which larger businesses were able to get in 1957 relative to 1955."

Do you rememer saying that?

A. I said quite a bit in the last day and a half, and I will assume that if it is there, I said it.

Q. Do you remember saying that?

A. Yes.

Q. Do you agree with it now today?

A. Read it to me again, and I will tell you if I agree with it or not.

Q. "The statistics then clearly indicate that the amount of loans which smaller businesses were able to get was substantially restricted relative to the amount of bank loans which larger usinesses were able to get in 1957 relative [fol. 2505] to 1955."

A. Yes, I agree with that.

Q. That is not quite consistent with what you said a few moments ago.

A. Read to me what I said a few minutes ago so I can compare them, and perhaps then I can elaborate.

Q. You mean you don't remember what you said only a few minutes ago?

Mr. Reycraft: Will you point out the inconsistency?

Mr. Price: Yes. Instead of referring to these statistics which were in the table, he want off on a long list of documents and legal statements and opinions of other people which weren't mentioned at all yesterday and which now he says apparently have some significance in his conclusion.

Mr. Reycraft: And what is your point?

By Mr. Price:

Q. Why did you say what I read you as having said yesterday and say something different today?

Mr. Reycraft: Will you point out where it is different. I am having trouble following myself.

Mr. Price: Well, I won't point it out any more. If he finds no difference, we will let it stand.

[fol. 2506] The Witness: I don't know what you have reference to, Mr. Price.

By Mr. Price:

Q. Do you see no difference?

A. You will have to indicate to me two statements which I can then consider and compare. Now you have indicated to me one. Give me the other one, and I shall then compare it.

Q. Well, I will pass on to the next subject.

This is a quotation from what you said yesterday, which appears on Page 1722:

> "Now, in terms of explaining the reason for this, their general statement is that the results of the survey suggest that tight money bore harder on small business than on large. However, they suggest that perhaps there were some other reasons, and one possible reason, although there is no evidence, is that perhaps there was a change in demand. Perhaps small business did not want as much money. There is no evidence to bear out this observation."

Is that what you said yesterday?

A. I think I would say it again today.

[fol. 2507] Q. And you were referring at that time, were you not, to the June, 1958, issue of the Federal Reserve Bank of Philadelphia "Business Review"?

A. Well, I don't remember, Mr. Price, what I was referring to at that time.

Q. On Page 1771 you said:

> "Now, then, the Federal Reserve Bank of Philadelphia in June of 1958 analyzed the results for the Third Federal Reserve District of the 1957 loan survey, and they suggest—I have the page here, Page 15——"

Do you recall now having referred to it?

A. Mr. Price, you have in front of you my statement. I do not. If I had it in front of me, perhaps I could recollect also.

(Mr. Reycraft handed a copy of the testimony to the witness.)

By Mr. Price:

Q. I will ask you to get a copy of the Federal Reserve Report which you had yesterday, and which you referred to. Perhaps Mr. Reycraft can supply you with it.

A. I don't think he can. I will look for it.

The Court: Gentlemen, due to the fact that I came in late, I am going to sit till 4:15 this afternoon. We will take our [fol. 2508] 10-minute break at this point.

(A 10-minute recess was taken at 3:15 P. M.)

By Mr. Price:

Q. Dr. Goodman, have you got a copy of the Federal Reserve Bulletin?

A. I have a copy of my notes from it. I do not have the bulletin itself, but I do have what I had yesterday.

Q. Well, I don't think I can rely on your notes. I will give you the bulletin to read in a moment, but let me call your attention to this statement of yours of yesterday which appeared at Page 1771 of the record. Discussing the Federal Reserve Bank:

> "They suggest that small banks, specialists in small business financing, did not do as much changing of their lending policies as did big banks. They say big banks did most of the changing of the standards of their lending policy, and they say that the results of the Federal Reserve survey suggests that tight money bore harder on small business than on large business."

And then you went to say that perhaps small business did not want that much money, but there was no evidence [fol. 2509] to bear out this observation. That was your statement on Page 1772.

Now I will ask you to read from Page 15 of this Federal Reserve Bulletin of June, 1958, the column on the right-hand side of the page, the paragraph beginning, "It looks as though tight money . . ." Will you read that, please.

A. "It looks as though tight money hit small business hardest. But let's take a closer look. Remember, there are two sides to every coin, and to every question. In business the sides are called supply and demand.' Monetary

policy works on the supply side. The comparatively smaller increase in loans to small business could be because the supply of small business credit was squeezed harder. Or it could be because the demand for loans from small business did not increase as much."

Q. Will you continue, please.

A. "There is evidence to indicate the latter was true. All industries did not participate equally in the recent boom. Those that expanded most rapidly had the greatest reason to borrow."

[fol. 2510] Q. Continue, please.

A. "The boom seemed to be concentrated in industries in which large firms are typical. Metals, petroleum, chemicals, rubber, and public utilities—all large-scale industries—scored some of the greatest gains in both sales and bank loans. Thus the relatively greater increase in loans to larger borrowers may be due in part to relatively greater expansion of large-firm industries rather than to an uneven impact of tight money."

Q. Go ahead.

A. "From 1955 to 1957, small banks experienced a relatively smaller loan increase than large banks. This also suggests a less hearty demand for loans from small firms as compared to the big corporations."

Q. Go ahead, please.

A. "The prime sources of short-term credit to small business were less affected by monetary restraint than were many other lenders. From 1954 to 1957, small banks had a relatively greater deposit growth and were consistently in a better lending position than large banks. Big corpora-

[fol. 2511] tions were heavy borrowers from large banks and, in addition, tapped the security markets for greatly increased sums. No doubt a significant portion of these proceeds was available to small firms in the form of trade credit. Factors and finance companies also were able to build up their funds for small-business lending."

Q. Now will you read the first two sentences of the conclusion on the opposite column beginning "Small business in general has been holding . . ."

A. Can I see what they are leading up to?

Q. If you will read this, you can do anything you want. I am just comparing this with your testimony yesterday.

A. "Small business in general has been holding its own in the postwar period. It has access to great quantities of short and intermediate credit. The supply of long-term credit and loans, however, seems somewhat less than adequate. In the words of Federal Reserve Chairman Martin, this gap 'may be inhibiting the prosperity and growth of the nation.'"

Q. Thank you.

[fol. 2512] A. May I just look at this?

Q. Yes.

A. You don't want me to read anything more from this?

Q. No, thank you.

Yesterday I think you testified that the merger would substantially affect the availability of small business credit. What information if any have you on the needs of small business for credit in excess of that which they actually obtained?

A. I did not address myself to the question of adequacy.

Q. Did you think that the existence of a larger bank formed by the merger of these two, the Girard and the Philadelphia National, would adversely affect small business because of a lack of credit?

A. No.

Q. Are you familiar, in general, with the English banking system?

A. I have not made a detailed study of it.

Q. But I presume you know there is a very large concentration—using that term in the same sense that you have heretofore—a very large concentration of banking re-[fol. 2513] sources in very few hands in England; is that not so?

A. Yes.

Q. About five banks control practically all of the available banking resources and credit facilities in Great Britain, do they not?

A. There are about 11 or 13 banks there, and I don't know the percentage, but I will accept that statement.

Q. Are you familiar with the Radcliffe report on the English banking system?

A. No.

Q. That was a report rendered by a royal commission on

the subject of English banking and was a general review of the entire system. You are not familiar with that?

A. I have read, I believe, some parts of it, but I am not familiar; I have not made a detailed study of it.

Q. Do you recall, in the portions that you did read, that in that report there was no suggestion at any time that the concentration of banking assets had any adverse effect on the financing of small business?

A. I do not recall that statement, but it may have been there. The English banking system is completely different [fol. 2514] from the United States——

Q. I couldn't hear that, Doctor. I am sorry.

A. The English banking system is completely different from that of the United States.

Q. And particularly so in the concentration of assets in very few hands, is that not so?

A. It is completely different in many aspects, but, as I say, I have not made a detailed study of the English banking system. I can merely say that it is completely different in many aspects. I have not compared it directly.

Q. But without any direct comparison you know, do you not, Doctor, that there is a very much larger concentration of banking resources and credit in England than——

Mr. Reycraft: Your Honor, I object to going into the English banking system at this time.

Mr. Price: This witness has been offered as an expert, and I am testing his knowledge of a perfectly simple fact.

Mr. Reycraft: He hasn't talked about the English banking system. He hasn't professed any knowledge.

[fol. 2515] The Court: You have made an objection. The objection is overruled. Proceed.

The Witness: I don't have your last question.

(The last question was read by the reporter, as follows:)

"Q. But without any direct comparison you know, do you not, Doctor, that there is a very much larger concentration of banking resources and credit in England than——".

By Mr. Price:

Q. —anywhere in this country?

A. I don't believe I could accept that statement. In this country there are some places where the concentration is very substantial.

Q. You are speaking of the one-bank towns of which there are some three thousand in this country; is that it?

A. No, I am speaking of some large cities where the concentration is quite substantial.

Q. I call your attention to Exhibit G-185 which was identified yesterday.

A. Yes, I have G-185.

Q. I notice that on Pages 3 and following of that exhibit [fol. 2516] the Finance Company of Pennsylvania, Pennsylvania Warehousing and Safe Deposit Company, and Brown Brothers Harriman were omitted from the totals of figures.

A. Yes.

[fol. 2517] Q. Is it not a fact that the Finance Company of Pennsylvania and the Pennsylvania Warehousing and Safe Deposit Company are banks?

A. They have bank charters, but I do not think that they are commercial banks as one usually uses the term.

Q. And they have the authority and capacity to receive demand deposits, have they not?

A. They have such authority.

Q. And likewise the power and authority to create credit by making commercial loans?

A. They have such authority.

Q. And those are the only two unique characteristics which you have described which are peculiar to commercial banks, are they not?

A. I think when I described commercial banks I described them in the sense of what they do. These two companies do not act as commercial banks act.

Q. I am addressing the question to the only two unique characteristics, not everything that commercial banks do in common with other institutions, but the only two unique characteristics on which you dwelt very considerably yesterday or the day before.

A. On these specific two characteristics, these two corporations do not act as commercial banks act.

[fol. 2518] Q. They don't have what?

A. They do not act as commercial banks typically act.

Q. I asked you whether they had the authority to do so.

A. I said yes, they do.

Q. All right.

So that they are potential competitors of every commercial bank in the City of Philadelphia, are they not?

A. I believe I so stated yesterday.

Q. All right, but still you left them out of this comparison that you made or on these sheets of Exhibit G-185 for Concentration of Philadelphia Bank Assets at Various Periods from 1940 to 1960?

A. I gave my reasons yesterday. I will repeat them, if you like.

Q. There is no necessity for that.

Is Brown Brothers likewise able to receive demand deposits and create credit in the same manner as commercial banks?

A. Yes.

Q. Now, on another page which is headed, "Concentration of Philadelphia Bank Assets 1940,"——

A. Yes?

[fol. 2519] Q. —the six largest banks are listed and then a number of others?

A. Yes.

Q. On the page headed "Concentration of Philadelphia Bank Assets 1945," the six largest banks are listed and likewise some others?

A. Yes.

Q. What was the change that took place between 1940 and 1945 that, in your opinion, was significant?

A. I can't stop to count, but there was a reduction, I believe, in the number of banks which would be a significant factor; and in addition there is evidently a growth in the middle section, a growth in the relative strength of the middle section, probably accompanying the reduction in the number of banks.

Q. Then that is merely an arithmetical change.

Was there any other change that you consider significant?

A. We are examining 1945 relative to 1940?

Q. Yes, sir.

A. I would have to refer to the relative degree of competition within each size group. I have a chart on this.

I tried to analyze this and one of the points that I think [fol. 2520] is significant in analyzing the number of banks and the relative concentration of assets in banks is also to consider the relative competition at each level of bank size; so without taking the time now to make such a table, I will refer to the one which I have prepared and I think I can make that statement as well.

Let me get my——

Q. Now, that likewise is merely an arithmetical fact, is it not?

A. Well, all figures are arithmetic. It's what you use them for.

Q. What does it show beyond mere volume of assets or volume of loans or amount of loans or amount of deposits?

A. This information is here so that one who wanted to see how I drew my conclusions could see it. In other words, I fundamentally used this to make the concluding table which I addressed myself to. This is the data, so that anyone else could see how I arrived at my conclusion and consider it.

Now I will have to get my other chart so that I can draw off the conclusions that I drew from these figures. [fol. 2521] These are my source, in essence, for my conclusions.

Let me get my tables.

Among others, there are two significant conclusions that one draws——

Q. I am not asking you for your conclusions. I am asking for factual differences that existed between 1940 and 1945.

A. I must get my other table or take the time now to make it anew. I introduced it yesterday, so it's already prepared.

If you will give me a moment I will address myself to these two periods.

Do you have the exhibit which we introduced yesterday showing the competition at various size levels over the years?

By Mr. Reycraft:

Q. G-183?

A. G-183.

By Mr. Price:

Q. What does G-183 show?

A. G-183 shows the number of changes in the number of banks with head offices in Philadelphia by size of banks from 1940 to 1960, and it is based upon the data—upon [fol. 2522] my analysis of this data that you wish me now to address myself to. In 19——

Q. Let's stick to 1940 and 1945 for the moment.

A. Yes, sir.

Q. We will come to 1960 later.

In 1940 and 1945—in 1940 the total number of banks was 24—no, was 45, and with the relative sizes I have shown and the relative degree of concentration as shown in the top six banks.

Q. What concentration is shown on G-183? Concentration of what?

A. G-183 shows competition by size of bank and how it changed over the years.

It is based upon the information in this table and if you wish me to analyze the changes from 1940 to 1945, which I would like to do, I must—these are part of the conclusions that I drew of these changes.

Q. Then you are correcting your statement that you first made that G-183 shows concentration?

A. Concentration is shown in G-185.

Q. All right.

Then G-183 does not show concentration, is that so?

A. G-183 shows relative competition within groups, with [fol. 2523] in five groups of banks.

Q. Do you understand that to be concentration or don't you?

A. (No response.)

Q. I am simply trying to find out what you mean by the terms you use. A few moments ago you said G-183 showed concentration and I am asking you now, do you mean it or don't you?

A. Well, I suppose—I could use the term "concentration" in G-183 to reflect the concentration of banks within any one size level.

Q. And that is what you mean by the term "concentration," is it?

A. No. I——

Q. Well, then, why do you apply it to G-183?

A. (No response.)

Q. If that isn't what G-183 shows?

A. G-183 shows changes in the number of banks competing at various size levels in Philadelphia from 1940 to 1960.

One could also use it to interpret concentration, but it would be a poor interpreter of concentration.

A much better interpreter of concentration is G-185. If I were to interpret concentration I would use G-185, which I used (G-185) for that purpose.

Q. Will you please answer yes or no—does G-183 show concentration?

[fol. 2524] A. I don't think so.

Q. All right.

Now, does it show competition?

A. Yes, I think so.

Q. How?

A. It shows competition by indicating the competing units by size level.

Q. That is simply an arithmetical list showing the number of banks of different sizes, is it not?

A. Yes.

Q. And it shows that between 1940 and 1945 there was a difference in the total number of two, does it not?

A. Yes.

Q. And that twelve of those in the zero-$10,000,000 bracket increased in size to the $10,000,000 to $100,000,000 bracket, did they not?

A. Yes.

Q. And that the next bracket increased in size by two?

A. Yes.

Q. And that a new bank arrived in the bracket of $300,000,000 to $600,000,000?

A. Yes.

Q. And in the $600,000,000 and over the number remained at one?

[fol. 2525] A. Yes.

Q. So that there was only a change of two in the total number?

A. That is one of the changes shown in this table.

Q. What other change is shown in that table aside from the fact that smaller banks grew bigger?

A. Well, I would interpret the table to indicate that the number of small banks, as measured in size of zero to $10,000,000 in total assets dropped in half from 1940 to 1945, and that the number of banks from $10,000,000 to $100,000,000 increased substantially, perhaps by 50 per cent; that the number of banks in the $100,000,000 to $300,000,000 increased; and that the competitive position in general, the general tone, I would suggest, of competition in Philadelphia from 1940 to 1945 was probably increased as shown in this—without a closer examination to actually get the real thing, one would have to make a specific examination of those two periods, but that is what these figures indicate.

Q. That it increased, did you say?

A. I say that the tone of competition—it appears that the tone of competition may have actually increased.

Q. Now, what effect, if any, did that have on borrowers? Have you any information on that subject?

A. I did not study 1945 versus 1940.

Q. Have you any information as to what effect, if any, [fol. 2526] it had on depositors?

A. I have no information.

Q. Have you any information as to what effect that had on the total business community?

A. I have no information.

Q. Have you any information as to whether or not borrowers or businessmen during that period had all of their financial and banking needs supplied or not?

A. No.

Q. I ask you the same questions with reference to the changes shown between 1945 and 1950 on the two corresponding sheets of this G-185.

A. 1945 to 1950?

Q. This is comparing 1945 with 1950.

A. Yes.

Q. Have you any more information aside from the number of banks and the amount of their resources than you had in respect of the banks that existed in 1940 as compared with those in 1945?

A. I have no other information on 1950, other than is in the tables.

Q. I am sorry, I can't hear you.

A. I have no information on 1950 other than is in the tables.

Q. And the same question with reference to 1950 and 1955?

[fol. 2527] A. I have some information on 1955 other than what is in this table.

Q. On the subjects which I asked you about for 1940 to 1955 or something else?

A. You will have to read that question to me.

Q. Well, if you can tell us what the information is, we can readily see whether it is within the scope of those questions or not.

A. I must have the questions in order to answer them.

Mr. Reycraft: Will you read the question, please?

(The testimony was repeated by the reporter as follows:

"Q. And the same question with reference to 1950 and 1955

"A. I have some information on 1955 other than what is in this table.

"Q. On the subjects which I asked you about for 1940 to 1955 or something else?

"A. You will have to read that question to me.")

Mr. Reycraft: Will you tell him what you asked him about 1940 and 1945?

Mr. Price: I will ask the reporter to go back and read all the questions and all the answers, if you want.

[fol. 2528] Mr. Reycraft: You had better ask him the questions.

By Mr. Price:

Q. Don't you remember, Doctor, what I asked you about between 1940 and 1945 with reference to change, if any, in the availability of credit, the conditions of borrowers, the rates of interest, and so on?

Don't you remember any of that?

A. Mr. Price, I am trying to answer your questions as well as I can, and in order to give you an answer I must

know specifically what subjects you wish me to address myself to.

I have so much information here that I can not remember precisely what you said, but I'd be delighted to answer, if you will just tell me specifically what you want me to answer.

Effects on depositors.

Mr. Reycraft: What about the effects on depositors? What do you want to know?

By Mr. Price:

Q. Was there any effect on depositors?

A. I do not know whether there was any effect on depositors.

Q. Any effect on borrowers?

A. I have no information as to the effect on borrowers.

Q. Any effect on the rates of interest charged during that [fol. 2529] period?

A. I have no information on the effect on the rates of interest charged.

Q. Any information on the total effect on the business community?

A. Yes. I have some information on the community for 1955, because there was a study made of 1955 of the Third Federal Reserve District; so, there is some information available in 1955.

Q. What was the effect on the business community as a result of the change in the number of banks as shown on these two pages of your Exhibit 185?

A. I have no information as to that effect.

Q. And any effect on the availability of credit or of loans for those who wished them during that period?

A. Not as a result of the change in the competitive situation. I have no information on that.

Q. And any effect on the ability of one bank to get business from another?

A. No. I have no information on that.

Q. Have you any such information in respect to the changes between 1955 and 1960?

A. No, if your question is directed to the changes on these attributes which resulted as a change in the number

[fol. 2530] and the character of the banks between 1955 and 1960.

Q. Then the only information that you have is quantitative, is it not?

A. The information on these characteristics that I have in front of me is completely quantitative.

Q. Have you any information other than quantitative information with respect to the banks and their changed positions?

A. Yes.

Q. Between 1945 and 1960?

A. Yes.

Q. What?

A. I have the results, qualitative statements, which are included in two studies made of this area which I have looked at—one by Mr. John Sienkiewicz and one called the Keith report. These both include some qualitative observations. The Sienkiewicz report indicates the results of conversations with people in the area, and the Keith report has some qualitative overtones.

In addition I have some qualitative statements that appeared occasionally in the monthly reviews of the Federal Reserve Bank in Philadelphia; but primarily my analysis is directed to those quantitative data.

Q. And during these years 1945 to 1960, can you tell me whether these changes in the number and size of the banks [fol. 2531] had any effect on interest rates?

A. I have no information on this, other than to suggest that my studies——

Q. If you have no information, that is all I asked you about, Doctor. I didn't ask you to guess on it.

A. I have no information on Philadelphia specifically. I have information which relates to a result on interest rates as a result of concentration, but not as it affects Philadelphia.

Q. Now, Doctor, will you pretend that you are a banker. I understand that you are not, but try to pretend that you are one and tell me what you would do in order to control interest rates in Philadelphia.

A. Well, if I wanted to affect the interest-rate level in Philadelphia I would address myself to getting as large a control as I possibly could over bank resources in Phila-

delphia, and all of this reduces the bank resources that are in the hands of others.

Q. What would you do yourself to control interest rates? How would you exercise the control?

A. Once I had achieved the position of having a control of as large a proportion of the available banking resources in Philadelphia, I would simply charge the highest rate that I could get away with, in essence, the highest rate that [fol. 2532] the traffic would bear, since the degree of competition would be such that I would not have to charge as low a rate as would be commensurate with a relatively small profit.

Q. And how many of the resources would you have to had in order to be able to dictate the interest rates for borrowers in Philadelphia, considering all the sources from which people can borrow in Philadelphia?

A. I would——

Q. Not just commercial banks, but all sources.

A. Yes.

If I were a banker in Philadelphia I would realize that I fundamentally merchandise and differentiate markets, and if I were a banker in Philadelphia and I would try probably to be a good banker in Philadelphia and try probably to make as large a profit as I could for my stockholders who pay my salary.

That being the case, I would consider each market separately and charge within each market an interest rate which would give me the maximum return.

Q. Can you say what volume of resources you would have to have in all of these various markets that you now study in order to achieve the result of being able to charge as high as interest rate as you wanted without regard to competition?

A. A perfect monopoly of banking resources would be [fol. 2533] impossible.

Q. Anywhere or just in Philadelphia?

A. Well, under our present law, a perfect monopoly would not be possible. Therefore I would——

Q. Anywhere or just in Philadelphia?

A. Perfect monopoly anywhere in the United States——

Q. All right.

A. —would not be possible——

Q. Go ahead.

A. —under our present laws.

Therefore, I would always be operating at my best in an oligopolistic situation where there would be a few competitors, and, therefore, I would have to consider that I might not be able to get the highest possible return, but I could cheerfully anticipate getting a much higher return than I could under competition because my competitors in an oligopolistic situation would also wish to achieve a maximum return.

Q. What would the concentration of assets have to be to enable you to control the interest rates in the particular fields you were operating in in Philadelphia?

A. (No response.)

Q. Bearing in mind all the other sources from which people might borrow money in Philadelphia.

[fol. 2534] A. If I were a banker, I would again have to address myself to the specific market that I wished to maximize my return, and there is no specific percentage that by degrees would indicate how I could raise my profit ratio.

I could anticipate that the higher my concentration, the greater would be my ability to achieve a maximum return.

Q. That is a matter of opinion. Have you had any personal experience in that line?

A. I have not been a banker, but as an economist I have studied competition, monopoly and oligopolistic competition, and the power to affect price and to affect supply can, in most instances, be so used as to maximize one's return relative to the return under competition.

Q. Have you any information to indicate that any of the mergers that have taken place in Philadelphia since 1945 have allowed any of the merging banks to increase their interest rates over what they charged before?

A. No.

Q. Have you any information to indicate how it would be possible for any bank, however large, to prevent some other bank from receiving deposits or making loans?

A. Yes.

Q. What?

[fol. 2535] A. I have information which indicates the power of banks in certain concentrated areas in the United

States to materially increase their return as measured by interest rates relative to areas where degree of concentration is substantially less.

Mr. Price: That doesn't answer my question, Doctor. Will you please read him the question?

(The testimony was repeated by the reporter as follows:

"Q. Have you any information to indicate how it would be possible for any bank, however large, to prevent some other bank from receiving deposits or making loans?

"A. Yes.

"Q. What?")

The Witness: Well, I thought I was being responsive, Mr. Price.

Mr. Price: I can't hear your answer.

The Witness: I thought I was being responsive.

By Mr. Price:

Q. Will you try again, please, because I didn't think so.

A. Well, I have information——

The Court: Are you limiting your question to Philadelphia?

[fol. 2536] Mr. Price: Yes, sir.

The Court: All right.

The Witness: In Philadelphia?

The Court: I think that was the problem there. He started across country, and you are trying to keep him around the city.

Mr. Price: I would like to bring him back to Philadelphia.

The Witness: In Philadelphia, I have no information.

By Mr. Price:

Q. Then you have no information which would indicate that this particular merger, making a larger bank out of two smaller banks, would enable the larger bank to prevent any other bank in Philadelphia from receiving deposits or making loans, have you?

A. No.

Q. And you have no information which would indicate that such a bank merged, as these two propose to do, would have any power to increase interest rates in Philadelphia, have you?

A. Yes, I do.

Q. What?

A. I have looked at the material produced from the banks and in a number of instances there is specific refer- [fol. 2537] erence to the fact that once the two banks are combined it will be possible to get higher interest rates.

Q. I am not speaking about getting higher interest rates, but imposing higher interest rates on borrowers in Philadelphia who didn't want to deal with that bank.

A. You will have to——

Mr. Reycraft: Will you mark as Government's Exhibit No. 194 a two-page memorandum dated February 20, 1961, from Robert B. Lowry to Henry Satterfield, The Philadelphia National Bank.

(Two-page memorandum, The Philadelphia National Bank, Robert B. Lowry to Henry Satterfield, dated February 20, 1961, was marked Exhibit G-194 for identification.)

The Court: Gentlemen, I think it is getting near quitting time. We will continue tomorrow morning at 10 o'clock.

(Recess taken at 4:12 o'clock P. M. until 10:00 o'clock A. M. on Friday, June 23, 1961.)

[fol. 2538] Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 7-A a table headed "Table 7-A, Analysis of Deposits of Philadelphia National Bank, Girard Trust Corn Exchange Bank and All Commercial Banks with Head Offices in Philadelphia, Delaware, Montgomery & Bucks Counties, Pennsylvania, as of June 15, 1960."

The last column of Government's Exhibit 7-A is the total for all commercial banks with head offices in Philadelphia, Delaware, Montgomery, and Bucks Counties; that is, the column shows the distribution of deposits for all

banks with head offices in the four counties—in the last column.

The banks included in the last column are those listed on Table 7, as indicated by the footnote at the bottom of the page.

(Document headed "Table 7A, Analysis of Deposits of Philadelphia National Bank, Girard Trust Corn Exchange Bank and All Commercial Banks with Head Offices in Philadelphia, Delaware, Montgomery & Bucks Counties, Pennsylvania, as of June 15, 1960," was marked Exhibit G7-A for identification.)

[fol. 2539] Will you mark for identification as Government's Exhibit No. 195 a one-page document headed "Proportion of Demand Deposit Accounts Under $10,000 of Philadelphia National Bank and Girard Trust Corn Exchange Bank Originating in Philadelphia, Bucks, Delaware, and Montgomery Counties as of April and May 1961."

(Document headed "Proportion of Demand Deposit Accounts Under $10,000 of Philadelphia National Bank and Girard Trust Corn Exchange Bank Originating in Philadelphia, Bucks, Delaware and Montgomery Counties as of April and May 1961" was marked Exhibit G-195 for identification.)

Will you mark for identification as Government's Exhibit No. 196 a one-page document headed "Concentration of Deposits Loans and Capital Funds of Commercial Banks in Philadelphia, Bucks, Delaware and Montgomery Counties As Shown by Relative Size of Six Largest Banks and Effect of Proposed Consolidation of Philadelphia National Bank and Girard Trust Corn Exchange Bank on Such Concentration as of October 3, 1960."

(Document entitled "Concentration of Deposits Loans and Capital Funds of Commercial Banks in Philadelphia, [fol. 2540] Bucks, Delaware and Montgomery Counties as Shown by Relative Size of Six Largest Banks and Effect of Proposed Consolidation of Philadelphia National Bank and Girard Trust Corn Exchange Bank on Such Concentration as of October 3, 1960," was marked Exhibit G-196 for identification.)

Will you mark for identification as Government's Exhibit 197 a one-page document headed "Comparison of Growth by Acquisitions With Other Growth of Philadelphia National Bank and Girard Trust Company"—which is Girard Trust Corn Exchange Bank—"December 31, 1949 to December 31, 1959."

Mr. Brennan: Excuse me. Did you read the full title of G-197?

Mr. Reycraft: I did, and I indicated it should be Girard Trust Corn Exchange Bank.

I would like to explain the title further. Since the exhibit starts in 1949, the name of what is now the Girard Trust Corn Exchange Bank changed, and therefore the phrase "Girard Trust Company" is intended to include the bank by its various names.

Will you mark as Government's Exhibit 198 a one-page document headed "Percentage Analysis of Growth of [fol. 2541] Philadelphia National Bank and Girard Trust Company, December 31, 1949 to December 31, 1959."

(Document entitled "Percentage Analysis of Growth of Philadelphia National Bank and Girard Trust Company, December 31, 1949 to December 31, 1959," was marked Exhibit G-198 for identification.)

Will you mark as Government's Exhibit 199 a one-page document, "Answer of Girard Trust Corn Exchange Bank to Questions 4 and 5 Submitted by Plaintiff."

(One-page document entitled "Answer of Girard Trust Corn Exchange Bank to Questions 4 and 5 Submitted by Plaintiff," was marked Exhibit G-199 for identification.)

Will you mark as Government's Exhibit No. 200 an eight-page document headed "Quest[illegible]" and the information is the answer of the Girard T[illegible] Corn Exchange Bank to Question No. 6 propounded by the Government.

(Eight-page document headed "Question 6" was marked Exhibit G-200 for identification.)

Will you mark for identification as Government's Exhibit 201 a two-page document. On the first page the [fol. 2542] heading is "Deposit Balances With Girard of 26 Corporations (All Demand Deposits, and Listed to

the Nearest $1000)" and the second page of the exhibit is headed "Answer of Girard Trust Corn Exchange Bank to Question 10 Submitted by Plaintiff."

The first page of Government's Exhibit 201 is Girard Trust Corn Exchange Bank's answer to Government's Question No. 9.

(Two-page document, the first page headed "Deposit Balances with Girard of 26 Corporations (All Demand Deposits, and Listed to the Nearest $1000)" and the second page headed "Answer of Girard Trust Corn Exchange Bank to Question 10 Submitted By Plaintiff" was marked Exhibit G-201 for identification.)

Mr. Blenko: Does the record show that those are excerpts from the answers you received from Girard?

Mr. Reycraft: Page 2 of Government's Exhibit No. 201 is an excerpt from the letter which is indicated on the exhibit and is the complete answer to Question 10 given by the Girard Trust Corn Exchange Bank.

Mr. Brennan: I understand that any prior comments or [fol. 2543] rulings by the Court about confidentiality will of course apply to the first page of 201.

Mr. Reycraft: We are agreeable, as I have indicated previously, to your substituting an exhibit with the names of borrowers deleted, except in those cases where we make a specific request— —

Mr. Brennan: We have no objection to having it marked so long as it is understood it is within the coverage of the Court's prior comments.

Mr. Blenko: In other words, this will not be disclosed except with leave of this Court.

Mr. Reycraft: Whatever the prior rulings are apply.

Will you mark as Government's Exhibit No. 202 a 15-page document which is the answer of the Philadelphia National Bank to Question 14 of questions propounded by plaintiff.

(15-page document headed "Answer of The Philadelphia National Bank to Question 14 of Questions Propounded By Plaintiff" was marked Exhibit G-202 for identification.)

Will you mark as Government's Exhibit No. 203 a two-page memorandum from S. S. Gardner to Mr. George H. Brown, Jr., dated August 4, 1959.

[fol. 2544] (Two-page memorandum from Mr. S. S. Gardner to Mr. George H. Brown, Jr., dated August 4, 1959, was marked Exhibit G-203 for identification.)

[fol. 2545] Mr. Reycraft: Will you mark as Government's Exhibit No. 204 a two-page memorandum dated November 17, 1959 from R. C. Allen; the subject matter is 69th Street Terminal Lease, Branch Banking Board Hearings.

(Two-page memorandum dated November 17, 1959, from R. C. Allen Re: 69th Street Terminal Lease, Branch Banking Board Hearings was marked Exhibit G-204 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 205 a two-page memorandum dated December 3, 1959, from 3rd & Arch Street Office to Mr. Stephen S. Gardner, vice president, main office.

(Two-page inter-office memorandum dated December 3, 1959, from 3rd & Arch Street Office to Mr. Stephen S. Gardner, vice president, main office, was marked Exhibit G-205 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 206 a five-page document, the first page of which is a memorandum dated July 7, 1960, from Mr. S. S. Gardner to Mr. G. H. Brown, Jr., president, and the second page is a memorandum dated July 7, 1960, which is signed on the fourth page by S. S. Gardner and R. C. Allen; and the last [fol. 2546] page of the exhibit is a memorandum dated June 2, 1960, from S. S. Gardner to G. H. Brown, Jr., and O. H. Beadle.

(Five-page document, consisting of memorandum dated July 7, 1960, from S. S. Gardner to G. H. Brown, Jr., a three-page memorandum from S. S. Gardner and R. C. Allen, dated July 7, 1960, re: Broad Street Trust Application—Drexel Line Shopping Center, and a memorandum dated June 2, 1960, from S. S. Gardner to G. H. Brown, Jr., and O. H. Beadle, was marked Exhibit G-206 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 207 a one-page letter dated July 26, 1960, from Hubert

J. Horan, Jr., Broad Street Trust Company, to Mr. George H. Brown, Jr.

(Letter dated July 26, 1960, from Hubert J. Horan, Jr., to George H. Brown, Jr., was marked Exhibit G-207 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 208 a one-page memorandum dated July 28, 1960, from S. S. Gardner to Branch Administration Files, subject competitive banks' locations—not protested.

[fol. 2547] (Inter-office memorandum dated July 28, 1960, from S. S. Gardner to Branch Administration Files Re: Competitive Banks' Locations—Not Protested, was marked Exhibit G-208 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 209 a one-page memorandum dated July 11, 1960, from R. C. Allen to Branch Administration Files, Subject: Competitive Banks' Branch Sites—Not Protested, P.S.F.S., Media, Delaware County Application.

(Memorandum dated July 11, 1960, from R. C. Allen to Branch Administration Files Re: Competitive Banks' Branch Sites—Not Protested, was marked Exhibit G-209 for identification.)

Mr. Flocken: Will you mark as Government's Exhibit 210 a two-page document, the first page of which is dated November 4, 1960, from William B. Carr, Secretary-Treasurer of the Philadelphia Clearing House Association, to members of the Clearing House Committee with reference to Industrial Trust Company's approval of a branch office at 142 Montgomery Avenue, Bala-Cynwyd, Montgomery County. The second page of the document is an inter-office memorandum signed S. S. Gardner, dated August 4, 1960, to Branch Administration Files on the subject of Competi-[fol. 2548] tive Banks' Branch Locations, reporting a discussion of the Industrial Trusts' application for a branch on Montgomery Avenue in Bala-Cynwyd.

(Letter dated November 4, 1960, William B. Carr, Secretary-Treasurer, the Philadelphia Clearing House Association, to Members of the Clearing House Committee and Members of the Bank Operations Committee, together with

an inter-office memorandum dated August 4, 1960, from S. S. Gardner to Branch Administration Files, Re: Competitive Banks' Branch Locations, was marked Exhibit G-210 for identification.)

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 211 a two-page document, the first page of which is an inter-office memorandum dated November 9, 1960, from S. S. Gardner to Competitive Banks' Branch Locations—Not Protested, Subject: Philadelphia National Bank; the second page of which is a letter from William B. Carr, Secretary-Treasurer of the Philadelphia Clearing House Association dated September 29, 1960.

(Inter-office memorandum dated November 9, 1960, from S. S. Gardner to Competitive Banks' Branch Locations—Not Protested, Re: Philadelphia National Bank, together [fol. 2549] with letter dated September 29, 1960, from William B. Carr, Secretary-Treasurer, the Philadelphia Clearing House Association, to members of the Clearing House Committee and members of the Bank Operations Committee, was marked Exhibit G-211 for identification.)

Mr. Reycraft: Will you please mark as Government's Exhibit No. 212 a one-page letter dated March 16, 1961, from William B. Carr, Secretary-Treasurer, Philadelphia Clearing House Association, to Members of the Clearing House Committee and Members of the Bank Operations Committee.

(Letter dated March 16, 1961, from William B. Carr, Secretary-Treasurer, the Philadelphia Clearing House Association, to Members of the Clearing House Committee and Members of the Bank Operations Committee was marked Exhibit G-212 for identification.)

Mr. Reycraft: Will you please mark as Government's Exhibit No. 213 a one-page letter from William B. Carr, Secretary-Treasurer, the Philadelphia Clearing House Association, dated October 19, 1960, to Members of the Clearing House Committee and Members of the Bank Opera- [fol. 2550] tions Committee.

(Letter dated October 19, 1960, from William B. Carr, Secretary-Treasurer, the Philadelphia Clearing House As-

sociation, to members of the Clearing House Committee and Members of the Bank Operations Committee was marked Exhibit G-213 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 214 a one-page memorandum from S. S. Gardner to Competitive Bank Sites, dated November 22, 1960.

(Memorandum dated November 22, 1960, from S. S. Gardner to Competitive Bank Sites was marked Exhibit G-214 for identification.)

Mr. Reycraft: Will you mark a- Government's Exhibit No. 215 a two-page exhibit, the first page of which is a memorandum dated December 19, 1960, from S. S. Gardner, to Mr. G. H. Brown, Jr., and Mr. O. H. Beadle; and the second page of which is a memorandum dated December 19, 1960, from S. S. Gardner, subject Competitive Bank Sites—Not Protested.

(Memorandum dated December 19, 1960, from S. S. [fol. 2551] Gardner, to Mr. G. H. Brown, Jr., and Mr. O. H. Beadle, together with memorandum dated December 19, 1960, from S. S. Gardner, to Branch Administration Files, re: Competitive Bank Sites—Not Protested, was marked Exhibit G-215 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 216 a one-page memorandum dated January 5, 1961, from G. H. Brown, Jr., to Mr. S. Gardner, subject Stenton Avenue.

(Inter-office memorandum dated January 5, 1961, from G. H. Brown, Jr., to Mr. S. S. Gardner, re: Stenton Avenue, was marked Exhibit G-216 for identification.)

[fol. 2552] Mr. Reycraft: Will you mark as Government's Exhibit 217 a one-page memorandum dated January 10, 1961, from S. S. Gardner to Mr. George H. Brown, Jr., subject: Proposed Broad Street Trust Branch, Stenton Avenue near Washington Lane.

(Memorandum dated January 10, 1961, from S. S. Gardner to Mr. George H. Brown, Jr., re: Proposed Broad Street Trust Branch, Stenton Avenue near Washington Lane, was marked Exhibit G-217 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 218 a one-page memorandum dated January 12, 1961, from S. S. Gardner, subject: Bank of Old York Road Application for a Branch at the Intersection of Routes 309 and 202 Montgomeryville, Montgomery County, to: Competitive Bank Sites—Not Protested—File.

(Memorandum dated January 12, 1961, from S. S. Gardner to Competitive Bank Sites—Not Protested—File, Bank of Old York Road Application for a Branch at the Intersection of Routes 309 and 202—Montgomeryville, Montgomery County, was marked Exhibit G-218 for identification.)

Mr. Reycraft: Will you please mark as Government's Exhibit No. 219 a one-page letter from William B. Carr, Secretary-Treasurer, The Philadelphia Clearing House Association, dated February 15, 1961, to: Members of the [fol. 2553] Clearing House Committee and Members of the Bank Operations Committee.

(Letter dated February 15, 1961, from William B. Carr, Secretary-Treasurer, The Philadelphia Clearing House Association, to: Members of the Clearing House Committee and Members of the Bank Operations Committee, was marked Exhibit G-219 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 220 a two-page memorandum dated December 15, 1959, from R. C. Allen to Mr. S. S. Gardner, Vice-President, subject: Beneficial Savings at Lawrence Park.

(Two-page memorandum dated December 15, 1959, from Robert C. Allen to Mr. S. S. Gardner, re: Beneficial Savings at Lawrence Park, was marked Exhibit G-220 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 221 a five-page exhibit, the first page of which is a memorandum dated December 9, 1959, from S. S. Gardner to Mr. G. H. Brown, Jr., President, subject: Beneficial Mutual Savings Bank Application at Lawrence Park; the attachments consisting of a memorandum dated November 18, 1959, from Robert C. Allen and three pages of handwritten notes.

(Documents of five pages, consisting of memorandum dated December 9, 1959, from S. S. Gardner to Mr. G. H. Brown, Jr., President, re: Beneficial Mutual Savings Bank [fol. 2554] Application at Lawrence Park, memorandum dated November 18, 1959, from Robert C. Allen, and three pages of handwritten notes, was marked Exhibit G-221 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 222 a one-page memorandum dated March 2, 1960, from S. S. Gardner to Mr. G. H. Brown, Jr. and Mr. O. H. Beadle, subject: Beneficial Mutual Savings Fund Branch in Lawrence Park.

(Inter-office memorandum dated March 2, 1960, from S. S. Gardner to Mr. G. H. Brown, Jr. and Mr. O. H. Beadle, re; Beneficial Mutual Savings Fund Branch in Lawrence Park, was marked Exhibit G-222 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 223 a two-page exhibit, the first page of which is a letter dated March 20, 1959, from Geoffrey S. Smith to Mr. Stanley H. Heist, President, Saving Fund Society of Germantown; the second page of which is a letter from Mr. Stanley H. Heist to Mr. Geoffrey S. Smith dated March 18, 1959.

(Letter dated March 20, 1959, from Geoffrey S. Smith to Mr. Stanley H. Heist, President, and letter dated March 18, 1959, from Stanley H. Heist to Mr. Geoffrey S. Smith, President, were marked as Exhibit G-223 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 224 a two-page memorandum from S. S. Gardner to [fol. 2555] Mr. Geoffrey S. Smith, President, dated April 7, 1959, re: Saving Fund Society of Germantown Proposed Wynnewood Location.

(Two-page memorandum dated April 7, 1959, from S. S. Gardner to Mr. Geoffrey S. Smith, President, re: Saving Fund Society of Germantown Proposed Wynnewood Location, was marked Exhibit G-224 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 225 a two-page exhibit, the first page of which is a memorandum dated April 8, 1959, from S. S. Gardner to

Mr. G. H. Brown, Jr. and Mr. O. H. Beadle, and the second page of which is headed "Advertising Division Diary," May 1, 1959.

(Inter-office memorandum dated April 8, 1959, from S. S. Gardner to Mr. G. H. Brown, Jr. and Mr. O. H. Beadle, re: Saving Fund Society of Germantown Proposed Wynnewood Location, and a sheet headed "Advertising Division Diary," dated May 1, 1959, were marked Exhibit G-225 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 226 a memorandum dated January 15, 1960, from S. S. Gardner to Competitive Banks Location—Not Protested File, subject: Savings Fund Society of Germantown Wynnewood Shopping Center Branch.

(Memorandum dated January 15, 1960, from S. S. [fol. 2556] Gardner to Competitive Banks' Branch Locations—Not Protested File, re: Savings Fund Society of Germantown Wynnewood Shopping Center Branch, was marked Exhibit G-226 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit No. 227 a one-page memorandum dated December 4, 1959, from R. C. Allen to Competitive Banks' Site—Not Protested, subject: Community Federal Savings & Loan—New Office State & Sproul Roads.

(Memorandum dated December 4, 1959, from R. C. Allen to Competitive Banks' Site—Not Protested, re: Community Federal Saving & Loan—New Office State & Sproul Roads, was marked Exhibit G-227 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 228 a three-page memorandum from R. F. McCannon to Mr. George H. Brown, Jr., dated March 23, 1961.

(Three-page memorandum from R. F. McCannon to Mr. George H. Brown, Jr., re: Operating Department Merger Projects, was marked Exhibit G-228 for identification.)

Mr. Reycraft: Will you mark as Government's Exhibit 229 a four-page document, the first page of which is a covering memorandum from Credit Authority Committee

to Mr. H. W. Ritter, dated January 16, 1961, to which is attached three pages of information relating to Credit Authority.

(Four-page document, consisting of memorandum dated [fols. 2557-2563] January 16, 1961, from Credit Authority Committee to Mr. H. W. Ritter, re: Credit Authority for Phila. Girard National Bank & Trust Co., together with three sheets pertaining to Credit Authority, was marked Exhibit G-229 for identification.)

Mr. Reycraft: I have a statement to make.

Government's Exhibit No. 61 is the oral deposition of George H. Brown, Jr., which was taken on April 20, 1961, and consists of two separate transcripts, one of the morning session and one of the afternoon session.

I would like to substitute for the copy which is now in the record the copy with corrections signed and sworn to by Mr. Brown.

(Two volumes of deposition of George H. Brown, Jr. taken on April 20, 1961, sworn and subscribed to by Mr. Brown, were substituted for original Exhibit G-61 and were marked Exhibit G-61(S) for identification.)

Mr. Reycraft: With reference to Government's Exhibit 191, I am informed by counsel that on the second page the figures after Elkins Park National Bank, which are "12," are transposed, and that the correct figure is "21." And if there is no objection I would ask the reporter to make the change in ink on the exhibit which is in evidence.

(Concluded at 5:12 o'clock P. M.)

[fols. 2564-2565] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

FOURTEENTH DAY

Philadelphia, Pa., June 23, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 2566] Mr. Littleton: If Your Honor please, before Mr. Price resumes the examination of the doctor, you will recall there was a trial subpoena served on Philadelphia National Bank to produce certain additional data in connection with the answer to Government's Question 6 propounded before the trial began, because the Government contended that what we had handed them did not contain all the information they desired to have. This had to do with lines of credit of certain customers of Philadelphia National Bank in banks other than Philadelphia National Bank. That material has been assembled, I have it here, and I should like to give it to Mr. Reycraft at this time.

Mr. Reycraft: I would like the opportunity to examine it, Your Honor. Perhaps if I could keep my case open to that extent and it didn't have to be closed, I would like to do that.

The Court: All right.

Proceed, Mr. Price.

OSCAR GOODMAN, resumed.

Cross-examination. (continued)

By Mr. Price:

Q. Doctor, we had gotten to the point yesterday after-
[fol. 2567] noon of my asking you how the merged bank could impose higher interest rates on borrowers in Philadelphia who didn't want to deal with that bank.

Then Mr. Reycraft marked Exhibit No. 194.

(The witness looked through papers.)

A. I address myself to the question of how a reduction of a substantial competitor——

Q. I can't hear you.

A. I address myself to the question of how a reduction of a substantial competitor in a competitive area will enable the remaining competitors to affect price and to affect the supply of bank credit. No. 1——

Q. That is not the question that I asked you, Doctor. I don't want a speech about something that you have been thinking about which has no relation to my question. I am asking you how the merged bank can impose its will, so far as interest rates are concerned, on borrowers who do not wish to to do business with the merged bank.

A. The exhibit which we were to start with last night is G-194, and G-194 is a memorandum from Mr. Robert Lowry, time credit manager of the Philadelphia National Bank. It is addressed to Mr. Henry Satterfield, and it is dated February 20, 1961, and the subject is "Sylvan Pools, Inc., and the discussion—I will read the memo in [fol. 2568] total.

"During 1960 we purchased time paper from Sylvan Pools at the following rates:

0—$3,500—5%
$3,501—$5,000—4½%
$5,001 and over—4%

There was no participating or loss reserve.

"Our competition for this dealer's paper has been with the folks from Girard Trust Corn Exchange Bank.

Mr. Clark and I visited this account early in February with the idea of discussing a possible 'raise in rate' which I felt could be accomplished if and when the merger became a reality, and competition between banks eliminated.

"During our conversations with Messrs. Herman and Ira Silverman, owners of this company, we were informed that Girard Trust had offered the following reduction in rate for the purchase of their paper.

0—$4,000—5%
$4,001—and over—4%

(A rate reduction to a mutual dealer seemed strange at this time, however, this was later verified)

[fol. 2569] "This is a firm offer and it has been accepted by the folks at Sylvan Pools along with the request that we match this offer pending the merger and for 1961.

"Dealer also informed us that Girard Trust purchased their paper originating anywhere in the State of New Jersey, two counties in Delaware, and parts of Maryland. The average balance financed is approximately $4,500.

"Under the circumstances, I recommend the following:

"1. We match the rate reduction

2. We purchase any or all of their New Jersey paper—extend our facilities as an exception here (No conflict with First Camden)

3. We refrain from extending our facilities into Delaware until a study has been made of the requirements set forth in the new law.

4. We refrain from extending our facilities into Maryland and recommend an alert correspondent bank in this state.

"Sylvan Pools, Inc., is today a nationally recognized leader in this industry and one of the finest accounts [fol. 2570] in our dealer portfolio. There is a volume potential here of approximately $500,000 in 1961, and I feel every effort should be extended to maintain and expand a profitable 'PNB-dealer' relationship."

That is the end of the typed memo.

I interpret this to indicate that, in the opinion of the loan officer of the Philadelphia National Bank, they will be able to increase rates, with the elimination of the Girard Corn Exchange Bank from the competitive market.

I address myself to what I have here—my number is GX-236. I don't know whether there is a Government exhibit on this or not.

Q. Before you pass away from G-194, will you read the rest of it.

A. The rest of G-194 is a penciled memorandum dated 2-24-61. It has no person to whom it is addressed, but it says in pencil:

> "I find it 'real hard' to get enthused over this deal. Average deal will run 4500 which means the paper will be going on the books at 4 per cent and in most cases will be set up for five years. This is low for non-[fol. 2571] recourse paper (We don't even go this low on most auto repurchase paper). Gross yield at 4 per cent over five years if $7.42 simple interest. I know that swimming pool paper has been good but even though we can get a volume I'm concerned with the profit. No mention is made of credit life insurance so I assume it's not to be included. I think performance-wise we wouldn't have to be concerned (if good credit judgment is used) but this paper in New Jersey won't generate additional business for our bank. In view of these facts I suggest we decline."

P. P. Strunce, I believe, dated 2-24-61.

This is the additional penciled memo.

Q. Now, referring to the second paragraph on the first page, where there is a reference to Mr. Clark, do you know who Mr. Clark is?

A. No, sir.

Q. And in the last full paragraph at the bottom of the page, before the indented portions, I note reference is made to this paper originating anywhere in the State of New Jersey, two counties in Delaware, and parts of Maryland.

A. Yes.

Q. Do you understand from that that that represents

[fol. 2572] the source of the paper and therefore the extent of the competition so far as the borrower is concerned?

A. I understand from this that this is—in the areas mentioned, the State of New Jersey, two counties in Delaware, and parts of Maryland, this is where Girard purchased their paper. However, I do not know whether they purchased paper in other areas. In other words, they evidently specified that they purchased their paper originating——

> "Dealer also informed us that Girard Trust purchased their paper originating anywhere in the State of New Jersey, two counties in Delaware, and parts of Maryland."

I assume, therefore, that either the paper that is purchased is restricted to this area or this area is specifically mentioned in addition to some other area.

[fol. 2573] Q. What becomes of your four-county area if the limits of competition, in the light of this exhibit, show that so far as Sylvan Pools are concerned the paper originates in New Jersey, two counties in Delaware, and parts of Maryland?

A. My four-county area determination, sir, is based upon that geographic area from which the great majority of all of the customers of the banks, each individual bank and the two banks, originate. My four-county area was based upon a conclusion that 70 to 80 per cent of all of the customers of the banks are originated within that area, and depending upon the individual line of business that was involved, some of the business was done out of the four-county area. For some lines 95 per cent was done within the four-county area. I assume that this is one of that percentage which is done, the business referred to here in New Jersey, Delaware, and Maryland, is part of that business that is done outside of the four-county area.

Q. How does this exhibit indicate that the merged bank would impose its will, so far as rates of interest are concerned, on a borrower who wished to go elsewhere?

A. This indicates that the elimination of a substantial competitor, evidently, in the opinion of a loan officer, gives [fol. 2574] him additional power to affect the price of money

or the rate of interest to a borrower. If he can do it with one borrower, he can do it with other borrowers.

Q. How can he do it with this borrower if he walks across the street to the Pennsylvania Company?

A. I have no information as to how he would be received at the Pennsylvania Company Bank.

Q. In other words, you are uninformed that the Pennsylvania likewise finances Sylvan Pools paper, are you?

A. My investigation of the Pennsylvania Company would be that it is at the present time the largest bank in Philadelphia, and an examination of its Schedule A, of its distribution of its loaning business, as indicated on the call report, indicates to me that it does a very broad and extensive commercial banking business, and that being the case, I have no doubt that the Pennsylvania Company would be interested in this kind of business. Whether it would be interested in this particular borrower, I do not know.

Q. But you don't know, then, that, as a matter of fact, the Pennsylvania Company does today finance Sylvan Pool paper, do you?

A. I do not know.

[fol. 2575] Q. Without knowing that, and without knowing anything more about how Sylvan Pools paper is financed, what makes you think that a rate fixed by the Philadelphia National Bank after the merger would have any effect on any other bank in the City of Philadelphia?

A. I address myself to another memorandum to indicate that a rate fixed by one bank may have substantial influence on prices charged by other banks in Philadelphia.

Q. In Philadelphia?

A. In Philadelphia.

I first address myself to what I call GX-241. I don't know what the Government exhibit number is.

Mr. Reycraft: That is Government's Exhibit No. 116. The number here referred to is the informal number we had been using.

Mr. Price: Exhibit 116.

Mr. Reycraft: Right.

The Witness: This is a discussion among Philadelphia banks of a price to charge for Dun & Bradstreet reports made available to commercial customers. The price of a Dun & Bradstreet report would affect the cost of a bank's

[fol. 2576] doing business, and all costs must be reflected in income charges, and the memorandum goes on as follows:

"As 1952 was the last time that any adjustment was made in our charge to customers for obtaining agency reports, and as our contract price with D & B has increased since then, the writer made a comparison between our costs in 1952 and the present time."

The present time is evidently 1958, because we now consider a comparison of prices in 1952 with 1958, and the statements says:

"Reports under base contracts, $2.25."

That is in 1952.

1958, $3.

Additional reports in 1952, $1.85; in 1958, $2.25.

Total contract costs in 1952, $7,715; in 1958, $11,796.

The number of reports in 1952 was 3400. The number of reports in 1958 was 3500.

The over-all cost per report, $2.27 in 1952, $3.38 in 1958.

I might say that the writer of this report is Edward G. Bentty, and it is dated 6-2-58.

[fol. 2577] By Mr. Price:

Q. May I ask you, before you go any further, whether the report relates in any degree to interest rates charged by anyone.

A. Yes, sir, it does, in my opinion.

Q. Where?

A. It affects the cost, sir. It affects the cost of a bank's doing business and this cost must be reflected in the charge which the banks make.

[fol. 2578] Q. My question is, does the memorandum, the exhibit itself, G-116, refer to interest rates at any point?

A. The memorandum refers to costs, one bank wishing to raise costs, the other bank objecting against raising costs, and costs must affect——

Q. Does the memorandum, the exhibit, refer in terms at any place to interest rates?

A. I do not believe the word "interest"—I will read it.

Q. Can't you answer that question, Doctor?

A. I must read it to be sure.

Q. You have read it before and you know that it doesn't don't you?

A. I read this three weeks ago, sir.

Q. Go ahead. If you have to read it again all the way through to answer that question, do whatever you think is necessary, but I request you to answer my question and not some other question that I didn't ask.

The Court: Don't read it out loud. Read it to yourself.

The Witness: Yes, certainly.

The report does not mention interest rate. The document does not mention interest rate.

By Mr. Price:

Q. Is this related exclusively to total contract costs of [fol. 2579] less than $12,000 and related simply to a matter of what banks were going to pay Dun & Bradstreet for services that they received and whether those costs should be passed on to customers who got copies of those reports from the banks? Wasn't that all the memorandum referred to?

A. I do not believe that, sir.

Q. All right. What's wrong with it?

A. It also relates to a question of profit on the reports. It is not merely a passing-on of costs. There is a discussion here of profit on the charge.

Q. Profit on the sale of copies of Dun & Bradstreet reports, isn't it?

A. Yes, sir.

Q. Now, have you any other basis for your statement that the merged bank might impose its rates of interest on borrowers who didn't want to deal with that bank?

A. Yes, sir.

Q. Go ahead. Tell us whatever else you have.

A. My next document I refer to in my notes as GX-228.

Mr. Reycraft: That is Government's Exhibit 132.

The Witness: This is a document dated November 30, 1960. It is from Richard——

Mr. Price: Will you excuse me a moment until I [fol. 2580] find it?

The Witness: Yes, sir.

Mr. Price: All right. I have it now.

The Witness: This is a document from Richard L. Cotter, assistant cashier. The subject is: Mutual Accounts—Girard Corn and PNB. And it says:

> "The attached memorandum from E. L. Worstall is self-explanatory. If you have any questions, however, please contact the Retail Division. Many thanks."

But what this document discusses is the mutual accounts in the two banks. There are customers—I have a number of them listed here. If you like, I will read them—who maintain mutual accounts in both banks, and it says let's contact these customers and try——

By Mr. Price:

Q. Where does it say that? What are you reading from now?

A. Well, I hoped that I wouldn't have to read the whole thing, but if you like, I shall read the whole thing.

Q. After yesterday I don't trust your memoranda of references to papers.

Will you please read the original?

The Court: Page 3 of the exhibit.

The Witness: I say that I have not read any memorandum any differently than it was in the original.

[fol. 2581] "Attached is a list of mutual accounts maintained with Girard-Corn and PNB. The N indicates Our Balances; the S indicates Theirs.

"Will you kindly review this quickly and take from it the names that fall into your Division. It would seem the part of good judgment now for us to contact the customers who have mutual relations in an effort to retain all balances in the merged institution. There is no doubt that our competitors will make every effort to obtain deposits from our mutual customers.

"In cases where our customers feel that they should like to make a new connection, please be sure to use the argument that, they should defer taking any action until the merger is definitely approved."

By Mr. Price:

Q. How does that indicate that the merged bank will be able to impose its will with reference to interest rates on other banks or borrowers who do not wish to deal with the merged bank?

A. I interpret this to mean that customers feel, customers such as those listed here, that in maintaining mutual accounts, by having the possibility of playing one bank against another, they have an opportunity to get better rates and better charges in all of this business and [fol. 2582] I——

Q. Does this memorandum refer at any point to interest rates?

A. No, sir.

Q. It refers entirely to demand-deposit balances, doesn't it?

A. Yes, sir.

Q. And the concern expressed by the writer of the memorandum was that the deposit balance would go to some other bank rather than stay with the merged bank, wasn't it?

A. That was the concern of the writer; yes, sir.

Q. And he was trying to keep the deposits in the merged bank against the freedom of action which the depositor might exercise of taking it elsewhere; isn't that all the memorandum relates to?

A. Yes, sir.

Q. All right.

Have you anything else which you think indicates that the merged bank might be able to impose its will on other banks and borrowers who did not wish to deal with it?

A. Yes, sir.

Q. What else have you got?

A. I now address myself to what I call GX-236.

Mr. Reycraft: Just a moment, please.

[fol. 2583] That is Government's Exhibit 115 and that is what you have, I believe.

The Court: Did you say 115?

Mr. Reycraft: 115, Your Honor, which is the one that he has been referring to.

The Court: 115?

The Witness: All right. GX-236——

Mr. Price: May I ask the exhibit number? Is there an exhibit number?

Mr. Reycraft: That is 115 and that is the same exhibit that he has been referring to, that he has before him.

Mr. Price: 115?

Mr. Reycraft: 115.

There are also some attachments to that exhibit, which have been marked separately, which I will hand you in a moment, Doctor.

The Witness: I am referring to what I will call GX-116.

Mr. Reycraft: I have handed the witness Government Exhibits 137 and 137-B, which were attachments to what is now in evidence as Government's Exhibit 115.

Mr. Price: 137 and 137-B?

Mr. Reycraft: Yes, sir.

The Court: 115 is Exhibit "I," Survey of Branch Area [fol. 2584] Competition?

Mr. Reycraft: That's right, Your Honor.

The Court: This has several sheets attached to it. Are there additional attachments?

Mr. Reycraft: Our notes indicate that G-115 was one of the exhibits attached to a report to Mr. Potts, which is Government's Exhibit 137-A, and that 137-B was also attached to the same report to Mr. Potts.

The Court: Wait until I check. 137-A?

Mr. Reycraft: A and B.

The Court: Yes. I have them here.

Mr. Reycraft: Now Government's Exhibit 137 was also attached and I will hand that exhibit to the witness, also.

The Witness: I need another exhibit, and that was a compilation of these figures with an indication of the numbers of pluses and the numbers of minuses.

By Mr. Reycraft:

Q. Are you referring to service charges?

A. Yes, sir.

Oh, I have that. I have my own material right here.

Q. May I see it so we can identify it for the record?

Mr. Reycraft: Government's Exhibit 45-A is the one he [fol. 2585] is referring to.

The Court: Is that one of the Gaffey data?

Mr. Reycraft: Yes, it is, sir, as revised after the examination.

Will you repeat the question, sir.

The Court: He asked what material he had that would indicate that the merged bank would impose its interest rates on an unwilling borrower who wanted to deal with another bank. He said he did, and he was asked what it was, and we are at that point.

The Witness: My next information deals with a difference in charges charged by the two competing banks, the Girard and the PNB, and a decision——

By Mr. Price:

Q. Charges for what?

A. Charges for services.

Q. All right.

A. Provided by the banks to their customers, and commercial as well as others.

This indicates that the two banks differ in their charges. One bank has lower charges in many categories than does the other bank; and the materials indicate that the combination of the two banks will result in substantially, in most categories, in taking the highest charge.

[fol. 2586] This will affect the interest rates which the banks will charge. I draw that conclusion because the exhibit also indicates that the banks have examined very carefully the charges made by other banks in the city and I have the information here which compares the like charges made by all banks in the city, indicating that the two banks feel that it is not only possible to change their prices without taking into careful consideration the actions of the other banks and the withdrawal of the one competitive opportunity given to these two banks results in their opinion and their ability to raise their own charges.

Q. Are you speaking now of service charges or interest rates?

A. Again I say that the costs must be reflected into the price charged.

Q. I asked you, when you spoke of raising their charges, whether you were speaking of interest charges or service charges.

A. Interest is one of the——

Q. Can't you answer that question yes or no or which it is you mean?

I want to know what terms you are meaning, Doctor. I don't want a speech.

A. I am referring to the costs, charges made by the [fol. 2587] banks to businesses for services rendered to the businesses, such as servicing checks, float, deposit items returned, maintenance charges, and other similar items.

I can give you a complete list, if you so desire.

Q. And to the extent that they would increase and the profits of the bank from that source likewise increased, the bank will be able to decrease its interest rates, won't it?

A. I do not so interpret it, sir.

Q. How would that, in any event, have any effect on interest rates charged by other banks to borrowers from them?

A. The information in the earlier memorandum and this memorandum indicate that this——

Q. What is the earlier memorandum?

A. The one I just mentioned.

Q. Please mention it by some designation which is intelligible to me, a G number, if it has one.

A. Yes, sir. I refer to the Dun & Bradstreet memorandum indicating——

Mr. Reycraft: Just a minute. I have taken that document back from you, Doctor. That is why you don't have it.

It is 116.

The Witness: This memorandum and the information [fol. 2588] in these——

By Mr. Price:

Q. Now, "this memorandum" is what, Doctor?

The Court: G-116.

By Mr. Price:

Q. Is that it?

A. GX-116.

Q. Thank you.

A. GX-116, taken together with——

Mr. Reycraft: I believe you are looking for 194, which I also took back.

The Witness:—taken together with 194 and taken together with an additional memorandum that I have here indicating that the banks found it necessary to consider the similar charges, all individual charges made by each individual bank in this area, and I will find that memorandum in a minute.

I have it here. Here it is. This is G-115, an analysis survey of Philadelphia banks, competitive-accounts analysis—competitive-accounts analysis, an indication of the necessity to examine charges made by competition, including such competition as the Central-Penn, First Penco, Provident Tradesmens, Girard Corn, Jenkintown, Byrn Mawr, Philadelphia, Fidelity-Philadelphia, Liberty Real Estate, Chal- [fol. 2589] font, Montgomery County Bank, and other banks —indicates to me quite clearly that the ability of a bank to effect its charges must take into consideration the degree of competition in the market, and in the opinion of these two banks the elimination of the one will enable the resultant bank to increase some of its charges.

By Mr. Price:

Q. And you conclude from that that every borrower who wants to borrow from some bank other than the merged bank will have to pay an interest rate fixed by the merged bank?

A. I go on with my analysis, sir,——

Q. Will you please answer that question?

A. Repeat it, specifically.

The Court: Read the question.

(The question was repeated by the reporter as follows:

"Q. And you conclude from that that every borrower who wants to borrow from some bank other than the merged bank will have to pay an interest rate fixed by the merged bank?")

The Witness: No.

By Mr. Price:

Q. These exhibits which you have referred to, the service-charge exhibit, 115, and the Dun & Bradstreet exhibit, [fol. 2590] 116, and the Sylvan Pools exhibit, 194—none of those mentions interest rates anywhere in them, do they?

A. None that I have referred so far to mentions interest rates.

The Court: 194 does, the Sylvan Pools certainly mentions interest, Mr. Price.

The Witness: Thank you, Your Honor.

Mr. Price: Yes, sir.

The Witness: That is so.

Mr. Price: You are quite right.

By Mr. Price:

Q. Those other than 194 do not mention interest rates, do they?

A. No. They only mention——

Q. And 194 refers to the interest rate of this paper of Sylvan Pools as a single borrower?

A. Yes.

Q. But does not relate to interest rates charged to or made by Sylvan Pools from any banks other than Girard or Philadelphia National?

A. That is correct.

Q. All right. Thank you.

Now, have you anything else?

A. Yes, sir.

[fol. 2591] Q. To support your conclusion that the merged bank might impose its will as to interest rates?

A. Yes, sir.

I now refer to what I will call GX-237-1 or 237-I.

Q. May I ask what it is?

A. I am trying to find the number.

Mr. Reycraft: I hand you Government Exhibit 102.

The Court: 102?

Mr. Reycraft: 102, sir.

The Witness: This is a memorandum—I shall read it—to G. Edward Cooper, senior vice-president, from Ellis B. Ridgway, Jr., vice-president, and it again refers to serv-

ice charges as proposed in the application for approval to merge by the PNB and the Girard, and it says—

I will read the whole thing—do you wish me to read the whole thing or do you wish me to give the points that I find in it?

By Mr. Price:

Q. As much as you think is pertinent.

A. Well, it says that the present lower charges of our two competitors has been a problem in regarding new business——.

Q. I am sorry, I haven't been able to find the place you [fol. 2592] are reading.

A. Oh.

Q. Will you indicate?

A. Let me read the whole thing and then we will have no difficulty between you and me and my reading of the memorandum.

"This group includes all areas where the Regular and Special Checking schedules differ from the central city one.

"The merger memorandum has been reviewed by the Managers of the following areas and branches:

"W. Bruce Fye—Bucks County
"George H. Renninger—Chester Area
"Frank R. Dwyer, Jr."——

Mr. Littleton: Dyer, D-y-e-r.
The Witness: "Dyer, Jr.—Northeast

"Frederick G. Erb—Citizens
"Alan Resendorph—Hatboro
"Harold K. Koch—Lansdale
"C. R. Gillam, Jr.—Montgomery

"This group includes all areas where the Regular and Special Checking schedules differ from the central city one. Each has prepared a memorandum listing his reactions, comments, and suggestions to the several changes listed in the proposal.

[fol. 2593] These memorandums are attached for your study.

"The reactions vary among the group depending largely on present and prospective competitive condi-

tions. There is little concern with respect to center city based competitors, because they may be expected to have similar operating costs and a similar inclination to set charges approximating ours. The independent banks, which generally have lower charges (because of lower operating costs, lack of knowledge of costs, or a desire to grow at the expense of current earnings), are a source of concern to those Managers who presently compete with them. Note that three Managers strongly recommend that the proposed charges not be installed in their areas (Pottstown—both Regular and Special; Chester—Regular; Norristown—Special)."

I can go on, but this, in essence, indicates to me that there is a substantial concern among the banks as to competitive changes or competitive moves made by competitors; and again I conclude that if a substantial competitor is withdrawn from the field the competitive pressure toward lower prices must obviously be reduced as well.

[fol. 2594] Q. Are you speaking now of the same prices that were referred to in this memorandum G-102 from which you just read?

A. I am referring to the specific charges indicated so far. If you would like, I will continue to read, and then perhaps the specific charges will become known.

Q. Well, they are all service charges as distinguished from interest charges, are they not?

A. Yes, sir.

The Court: We will take a 10-minute recess.

(A 10-minute recess was taken at 11:05 A.M.)

By Mr. Price:

Q. Doctor, had you finished your answer?

A. No. I was continuing to give you what I thought was my basis for assuming that the reduction of competition would have the effect of affecting price as well as supply. I continue now with a statement that the loss of a separate source of credit evaluation and a separate source of loan granting will affect considerably loan policy, and I refer

to this—in this instance I refer to what I call GX-116. I am not sure what the number of that is.

[fol. 2595] The Court: That is the Dun & Bradstreet report.

Mr. Reycraft: This is G-205.

The Witness: G-205—I will read it to you completely, Mr. Price—is an inter-office memorandum dated December 3, 1959. Would you like to look at it first?

Mr. Price: I haven't quite found it yet; I am sorry.

The Witness: I will wait. This is one of the more recent ones.

Mr. Price: Yes, I have a copy.

The Witness: It is a memorandum to Mr. Stephen S. Gardner, Vice President, Main Office, from Third and Arch Street office, regarding the Broad Street Trust Company branch at 4th and Market Streets. It says:

> "The addition of any new banking office in this area obviously will have some effect on the present banks, including our two offices. As far as our Arch Street Office is concerned we have, for several years, been serving some 50 Broad Street Trust Co. accounts, involving accepting deposits, cashing checks and preparing payrolls. However, this is a very minor part of [fol. 2596] our Branch activity, although the new office will relieve some of our payroll work on Fridays.
>
> "Competitively I understand Broad Street has a slightly lower service charge formula than ours which could appeal to a few of our customers who are constantly on a service charge basis. On Savings Accounts they are not competitive as their interest is lower than ours. A survey of the geographical distribution of accounts serviced by this office made several months ago indicated that the major part of our demand deposit liability is north of Market Street and I do not believe these would be attracted to a bank at 4th and Market, particularly as our parking lot is an inducement to use this office.
>
> "It is also my understanding that Broad Street has tightened up considerably on their loan policy and on the type of loans we service and consider satisfactory credit risks, it seems unlikely that inducements will be

made to cause a change. It is quite possible that we could lose a few Safe Deposit customers as that group seems to be most concerned with convenience.

[fol. 2597] "It may be egotistical thinking, but I don't expect another bank at that location will materially effect our business."

My conclusion from this is that banks—and this is borne out by additional evidence that I have—that banks differ in their loan policy and banks differ in the kinds of lines in which they specialize, for competitive reasons. The elimination of a substantial competitor of the strength of these competitors, who together are 35 per cent of the banking market, will eliminate substantial abilities to reflect changes in loan policy one against the other and to affect price and supply in various lines as well as at various levels.

Q. Have you any evidence that it ever occurred in Philadelphia?

A. This is my evidence in Philadelphia (indicating). That indicates to me that banks have different loan policies, change these policies at different times, and try to service when possible accounts other than other people service.

Q. Does that indicate a power on the part of the merged bank to impose its will on customers who want to go elsewhere and banks who want to charge different rates [fol 2598] either of interest or service charges?

A. Yes, it does, for the following reason: The two particular banks that are involved in this merger have a total—one, the Philadelphia Bank, has 21 per cent of the total deposits in the area, and the other, Girard, 14.5 per cent, for a total of 36. As a percentage of IPC deposits, the PNB has 17, the Girard 15½, or a total of 32. In loans one has 20, the other has 14½, the total 34½.

Capital: One has 19½, the other 15½, for a total of 35 per cent.

These two banks, then, are extremely substantial competitors in the area, and control between them a very substantial part of banking resources. The ability of these two banks to affect such factors as we have been talking about—charges, rates, willingness to loan to specific kinds of customers, willingness to change their interest rates in order to meet competitive pressure—is extremely larger

than any other bank competitor could possibly have after the consolidation.

I refer now to a table which indicates this relative strength.

Q. Before you do that, may I ask you what "in the area" means? You have used the term "in the area." What area are you referring to?

[fol. 2599] A. When I refer to the area, I am referring to the four-county area and to Philadelphia County and the other three counties.

Q. All right.

A. Now, I have given you these figures reflecting the substantial nature of their control over available bank resources, which, we pointed out previously, are not subject to increase in this area, based upon previous history, to any substantial degree other than out of the desire of the bank to plow back retained earnings. Fresh capital does not seem to flow into this market.

Now we take a look at a table called "Concentration of Deposits Loans and Capital Funds of Commercial Banks in Philadelphia, Bucks, Delaware, and Montgomery Counties, as Shown by Relative Size of Six Largest Banks and Effect of Proposed Consolidation of Philadelphia National Bank and Girard Trust Corn Exchange Bank of Such Concentration."

Mr. Reycraft: That is Exhibit 196.

The Witness: What I show here in this table is that the relative competitive strength of these two banks would be substantially increased. The relative ability of these two banks to effect changes such as we have been talking about—interest rates in the Sylvan Pools example—service [fol. 2600] charges, loan policy, directed to specific loans, as referred to in the Broad Street example, will be materially affected if this merger were to be consummated.

If you will refer to G-196, you will notice that the competitive strength of the six largest banks in this area are to a much more substantial degree now relatively aligned. In other words, their ability to compete one with the other, and their ability to exert their influence upon the other banks is substantially lessened now than it will be after the merger.

The reason is this, that the First Pennsylvania Bank and

Trust Company and the Philadelphia National Bank have approximately the same number of total deposits, have the same amount of capital. However, the Philadelphia National Bank is less successful in using its capital and deposits to get loans. It has 83 per cent of the loans of the First Pennsylvania Banking and Trust Company. You will notice, then, that the Philadelphia National Bank is practically the same competitive size as the First Pennsylvania and the Girard, although lower, is lower at a 65 per cent level, and again we see, if we examine total deposits, and compare the total deposits of the other six large banks, Philadelphia National Bank is 97 per cent of the [fol. 2601] total deposits of the First Pennsylvania; the Girard, 65 per cent; the Provident Tradesmens, 45 per cent; the Fidelity-Philadelphia, 42 per cent; and the Central Penn, 24 per cent, and so also is it with the loans. The figures there are First Pennsylvania, 100; Philadelphia National Bank, 83; Girard, 62; Provident, 43; Fidelity, 38; Central Penn, 25.

And in capital the figures are 100, 99, 79, 61, 46, and 26.

This relative competitive strength is substantially affected by the merger. The relative ability of the new largest bank in the city is substantially increased. Its ability to affect the prices and supply of bank business in this area is materially increased relative to its closest competitor. After the consolidation the closest competitor will be the First Pennsylvania, which will have 62 per cent of the deposits of the Philadelphia National Bank, 69 per cent of the loans, and 56 per cent of the total capital.

A very significant figure, obviously, is bank capital, and this figure indicates that the Philadelphia National and Girard will have almost twice as much capital in a relatively, what appears to be a market with fresh capital is [fol. 2602] not actively sought or brought into the market; and the Provident Tradesmens, the next competitor, No. 3, will drop substantially in its competitive size, going down now to 28. So we now have a new set. Instead of 100, 97, 65, 45, 42 and 24, we have 100, 62, 28, 26, 15, and 18 in the deposit section; 100, 69, 30, 26, 17, and 10 in the loan section; 100, 56, 34, 26, 15, and 7 in the capital section.

Therefore, the relative strength of these two banks when combined to effect these factors is substantially increased

and very, very materially overshadows its closest competitor and dwarfs the No. 3 and 4 people in the market.

It is therefore my conclusion that the consolidation of these two banks will materially affect their ability to be able to affect the price and the supply and the allocation of available bank credit in this area.

Q. To use your own illustration, the Sylvan Pools, do you know who they deal with besides Girard and Philadelphia National and possibly the Pennsylvania Company?

A. I do not know who Sylvan Pools deals with. I do know——

Q. I don't care about anybody else; I am just asking you about Sylvan Pools.

[fol. 2603] A. Yes, sir.

Q. Do you know who is actively soliciting the Sylvan Pools account?

A. My information on Sylvan Pools is specifically restricted to whatever information was in the memo that I gave you.

Q. Do you— where the Sylvan Pools paper originates and therefore in what competitive area?

A. I will address myself back to the memorandum and see if I can ascertain that. Offhand I can't answer that.

Q. I will try to refresh your memory. The reference to the New Jersey, Delaware, and Maryland——

A. May I get the memo, please?

Q. Certainly.

A. Yes, sir, I have it now.

Q. The competitive area there with the Sylvan Pool money was New Jersey, Delaware, and Maryland, in addition to the four-county area, was it not?

A. Yes.

Q. How could all these things, all these figures, that you read us a few minutes ago, give the merged bank the power to control the amount of interest that Sylvan Pools will pay or the purchasers of pools from Sylvan Pools will pay or where they will get their accommodation?

[fol. 2604] A. As far as Sylvan is concerned, in relating specifically to this one borrower——

Q. That was your illustration.

A. My illustration on Sylvan Pools, Mr. Price, is taken from this Exhibit G-194, and that is the sole information

I have on this one particular borrower, Sylvan Pools, and the information that I have on that particular borrower that you referred to, Sylvan Pools, is that in the opinion of the bankers who know this account best, the elimination of one of these banks will affect the ability of the banks to set the price at which Sylvan Pools can borrow from these banks.

Q. That is for the merged bank?

A. Yes, sir.

Q. But it doesn't say anything about the ability of Sylvan Pools to borrow from somebody else at any rate they are willing to pay?

A. This memorandum doesn't say anything about that.

Q. So it does not relate to that. Now, how do any of these figures that you read us a while ago give the merged bank the power to require borrowers from other banks, or other banks, to charge interest rates that they don't want to pay or charge?

[fol. 2605] If you were president of this merged bank, how would you impose your will on these other banks and these other borrowers?

A. I will address myself to your latter question.

Q. What would you do?

A. I will address myself to that question.

If I were the president of this merged bank and I wished to exert my will on the other borrowers in this area, I would have to, as I pointed out yesterday, take into consideration the market in which I operate, the available competition, the available effective competition which I will face, and the relative ability of the customers to pay me for my merchandise, so that I can maximize my return relative to the amount of bank resources that I have available to commit to this area.

I know that I would have 35—what is it, 35 to 40 per cent—I will get the exact figure—I would have 35 per cent of the total capital of the area, total bank available capital in the area, and I would have 36 per cent of the total deposits, 32 per cent of the IPC deposits.

This to me indicates that I have a substantial control to the extent that, if people in this area wished to continue to borrow the same amount of capital that they have [fol. 2606] been borrowing before, they must come to me for

at least a third of the total deposits, and they must come to me because I control a third or more of the total bank capital.

I can buttress that by referring to the table I referred to yesterday, and that is Table 6. This capital has given me fundamentally the capital and the managerial ability that I control, has given me the control in the commercial area of 43 per cent of the total commercial and industrial loans in the area. Therefore I know that people must come to me for money in this area. I make 43 per cent of all the loans. They can't possibly supply their loan requirements without coming to me for a substantial part of that business.

Q. What power have you got to retain those deposits from any depositor who wants to walk across the street, deposit them in the Pennsylvania Company, and make his loan there?

A. The Pennsylvania Company does not have the ability to take very much of my business away without——

Q. I asked you about deposits. Please answer that question.

A. I am talking about deposits.

Q. No, you didn't mention deposits.

A. I will address myself to deposits.

[fol. 2607] Q. What power have you got to prevent a depositor in merged bank from withdrawing his account and depositing the Pennsylvania Company or some other bank?

A. I have the power that I have over a third of the bank capital in the area, and that the Pennsylvania Company——

Q. Are you speaking now of deposits or something else?

A. You are asking me to address myself to deposits, and I am explaining to you——

Q. And you are talking about bank capital, which is not deposits.

A. Well, sir, I cannot increase my deposits or my loans to any substantial degree without having adequate bank capital, and this, then, is a restricting factor. Since I have over one-third of the bank capital in the area, the Pennsylvania Company is substantially limited in the sense of the business that it could take away from me without go-

ing out and getting new capital in order to have an adequate relationship of its capital to its deposits and to its loans.

Q. I want you to tell me how, as president of the merged bank, you could prevent all your depositors or any of them from withdrawing their deposits and putting them in other banks in this area or elsewhere.

[fol. 2608] A. I do not have the ability. I simply do not have the ability to prevent all of them from leaving me.

Q. Have you got the ability to prevent any of them from leaving you?

A. Yes, I do, sir.

Q. What control have you got over any depositor who wants to withdraw his deposits and go somewhere else?

A. My competitive strength.

Q. Your what?

A. My competitive strength.

Q. How do you exercise that to retain a depositor who wants to go somewhere else? What do you do?

The Court: Loan him some money and he will keep his deposit.

The Witness: I think that is a good answer, Judge.

I counter any competitive moves in the market with my superior ability to counter these moves because I have over 35 per cent of the available bank resources. I certainly am not going to sit still. I must deal in an oligopolistic situation.

[fol. 2609] By Mr. Price:

Q. What do you mean by an oligopolistic situation?

A. An oligopolistic situation is a situation where there are a few substantial competitors in an area.

Q. How few do there have to be to give one of them the power to control all the rest?

A. There is no power to control all the rest. They compete one with the other.

In an oligopoly one has much more substantial power to effect price and supply than in competition because of its substantial size relative to the size of the competitors and the fact that only a few of the competitors are of substantial size.

Q. Then you think that the merged bank would raise its interest rates with impunity?

A. No, sir.

Q. Do you——

A. No, sir.

Q. Do you think it could decrease them with impunity?

A. No, sir. I do not.

Q. That would be dependent upon competition both from banks in Philadelphia, the four-county area, and New York and other places, would it not?

A. No, sir. It would not. For that part of the business [fol. 2610] that is substantially done——

Q. What part?

A. —in the local area——

Q. What part?

A. Sir?

Q. What do you mean by that part of the business? What part of the business?

A. I wasn't talking about any particular part of the business. I was talking about their general power and their general competition.

In addressing a statement as to a bank's or any other business' competitive moves, one must consider the market in which he is operating, and I think I tried to point out yesterday, and I do again today, that these banks operate parts of their business in separate and distinct markets, althought there is some spillover in the markets at both large and very large borrower levels.

Now, for that part of their business, which is a most substantial part of their business, perhaps three quarters of their business that is substantially local, their only competitive problems are those that are restricted to the local market for most—from a most point of view; and therefore I must consider what my competition will do in this market. There was competition before, and there will [fol. 2611] be competition after.

Q. Then do you know what the available credit is in the aggregate from all sources in the four-county area?

A. Do I know what the available credit is from all sources? No.

Q. Do you think that banks are in the same position

as manufacturing companies or other such companies so far as their ability to control the competition is concerned?

A. They are in a better position.

Q. I couldn't hear the answer.

A. They are in a better position.

Q. I could not hear the answer.

A. —than manufacturing companies.

Q. I couldn't hear your answer.

A. Banks are in a better competitive position than are manufacturing companies to control prices.

Q. Prices of what?

A. Prices of the goods that they make available.

Q. What are they?

A. Primarily money and services, but the—money and services, I think, covers most of the activities.

Q. Are you familiar with the extent to which money has moved to and from New York, between Philadelphia and New York, depending on slight changes in interest rates?

[fol. 2612] A. No.

Q. Then you don't know the frequency of competition from New York on money rates in Philadelphia, do you?

A. Money rates in New York——

Q. Would you answer my question, please.

A. I know the—I do not know it for that part of the market that New York can compete in.

I do know it for that part of the market which is primarily local. New York, to a substantial degree, can not affect the local market.

Q. Do you know how much business is done by New York banks in this general area, including the four counties, and in Camden and in Delaware?

A. To the extent that I answered the same question yesterday, I do so know the same thing today.

Q. You said yesterday you didn't and I am asking you now how you can reach any conclusion on this subject without knowing those things.

A. I will have to give you the same answer, sir.

Q. All right.

A. I said yesterday——

Q. Is there any present evidence, have you any evidence, that any of these restraints that you suggested might be exercised by the merged bank have ever been exercised

[fol. 2613] before in Philadelphia as a result of any merger?

A. Oh, no.

Q. If you were in control of the merged bank, what would you do to exercise this control that you say you would have? What would you do? How would you demonstrate it?

A. Well, sir, if I were in control of the merged bank I would take cognizance of the fact that I now am in control of a combination of two very substantial, very successful, and very well-run financial institutions. I am most impressed with both of these banks. They are fine institutions, they are well run, they have done an excellent banking job.

Q. You haven't yet told me what you would do.

A. I must take this into consideration.

Q. I don't care what your will take into consideration. I am asking you what you would do.

Describe what you would do, not why you would do it. What would you do?

A. Having control over such resources and such managerial ability, I would probably maximize the profit that I would produce for the stockholders of this bank and I would try to run as successful a bank as I was running before and expect to make a higher return on my invested capital commensurate with the combination that I now have.

Q. Isn't that what every competent bank president would [fol. 2614] try to do?

A. I should hope so.

Q. And what would you do differently with the two banks merged than you would with the two separately?

A. I don't think I am that familiar with the bank operations to answer, other than to say generally that I would try to run them as efficiently as I possibly could, hoping for better performance than two successful banks were able to do separately.

Q. I am asking you whether you can tell me anything different that you would do with the banks merged than you would if you were president of each of the banks before the merger.

A. I am afraid I can't answer that, sir.

Q. You referred yesterday, Dr. Goodman, to a publication or a paper written by John C. Sienkiewicz as an au-

thority for some of your conclusions, and I would like you to read a few paragraphs from that book.

A. I did not refer to it as an authority.

Mr. Reycraft: Did he refer to it to support his conclusions?

Mr. Price: I have no idea why he referred to it.

Mr. Reycraft: I object unless you are referring to the [fol. 2615] paragraphs he relied on for his conclusions.

The Price: He didn't refer to any paragraphs; he referred to the document.

Mr. Reycraft: If you want him to indicate the paragraphs he relied on, I have no objection.

Mr. Price: I want him to refer to the paragraphs——

Mr. Reycraft: Do you want him to read the whole book or select parts?

I object. I don't see that it has anything to do with this case.

Mr. Price: I would like the witness to read a few paragraphs from this book.

Mr. Reycraft: If they are the paragraphs he relied on, I have no objection.

Mr. Price: If this book or this paper which the witness testified to yesterday or the day before that he considered in reaching his conclusions which he has expressed here——

Mr. Reycraft: To the extent that he has considered it, I have no objection.

The Court: Well, he has opened up the subject, Mr. Reycraft. Mr. Price is completely within his bounds on the basis of what this witness has testified.

[fol. 2616] You may proceed.

By Mr. Price:

Q. Now will you be good enough to read these paragraphs which I have marked with paper clips? There are not too many of them, that one and the next one.

A. Yes, sir.

"Chapter II

"The Growing Pains of the Area

"The Delaware Valley—from Trenton to the Atlantic Ocean, with the City of Philadelphia as its center—is undergoing a vast transformation from a relatively

steady and quiet course of economic life into a vigorous, industrial, commercial, and residential development. New factories, power plants, shopping centers, homes and extensive transportation facilities by land, water and air have been and are being constructed at rapid rates. Most of the counties in the Valley are losing their rural aspects gradually and are assuming industrial characteristics in population and physical features."

Q. The next paragraph, please.

A. "The impact of this expansion upon local banking is far-reaching. The rapid growth of industry and trade [fol. 2617] obviously requires efficient banking and credit facilities, if the expansion is to be adequately financed and sustained with local resources to the greatest extent possible. This trend presents a problem of financial capacity. The resources of many scattered banking units pooled together are large enough to meet the needs of business enterprises of substantial size, but it is questionable if such pooling is feasible, chiefly because of traditional attitudes of individual bankers, territorial distribution of banks and inadequacy of personnel to handle"——

Do you want me to continue?

—"large credit services competently. This seems to be one of the basic reasons for the accelerated extension of branch banking during recent years in the Philadelphia area."

Q. Now will you be good enough to turn to the next one on page 27, starting "Several"——

A. Page 27:

"Several inferences may be drawn from this analysis of bank capital structure and lending ability. In the first place, important as the increase in capital and surplus of banks in the four counties outside of Phila- [fol. 2618] delphia has been, the total and individual lending ability of these banks has continued small in proportion to business and individual needs of the ex-

panding economy in this area, thus restricting the scope of accommodation. Second, severe limitations of physical plant, personnel and resources, make it difficult for these banks to keep abreast of industrial expansion, particularly in view of the fact that its rate of growth seems to be increasing."

Q. The next paragraph.

A. "Third, business decentralization recognizes no political or county lines and is not restricted by state laws as to political boundaries. As a consequence, large department and specialty stores in Philadelphia—Wanamaker's, Strawbridge and Clothier's, Lit's, Snellenburg's, and Jacob Reed's, for example—have established and are establishing branches in key centers throughout the area. These branches are proving to be highly successful without any material effect on their parent stores in central Philadelphia."

Q. Next.

A. "Fourth, in this outward movement of business, banks in Philadelphia appear to be at a disadvantage in meeting the need and convenience of their old and [fol. 2619] prospective customers who are establishing new plants or branches in the adjoining counties. The effect of this trend thus creates competitive hardship both on the banks in Philadelphia and on the the ability of business to meet increasing financial requirements. As a result, many of the larger industrial units prefer to obtain their banking accommodation in New York City rather than deal with such banking conditions as now exist in this area. In this situation, both banks in Philadelphia and banks in the four counties stand to lose competitive advanages unless they get together."

Q. Now will you turn to page 80 and read the paragraph marked?

A. Page 80:

"*Responsibility of the Surviving Bank*

"Measure for measure, the merging banks stand to derive positive advantages from the combination. As

stated before, the absorbed banks benefit by increased equities and income. The absorbing banks enlarge their working resources and prospects for increased earnings through greater coverage of the lending market.

"While satisfactory data are lacking, there are strong indications that the absorbing banks have in- [fol. 2620] creased their efficiency of operations and control of their costs. In recent years, they have greatly mechanized their operating processes, involving substantial outlays of capital funds. Through careful selection and training, they have been able to increase the proficiency of their personnel. After each merger is digested and various factors coordinated, substantial economies have been effected to various branches of operations. Moreover, the normal turnover of personnel has helped to eliminate duplication of jobs. These are among the basic factors in increased efficiency and lower costs, resulting from mergers."

Q. Now one more, please.

A. Another paragraph?

Q. On page 111, just that one paragraph.

A. On page 111:

"Among the causes for the less favorable trend in earnings seems to be the fact that a noticeably larger portion of resources at smaller banks are employed in the form of investments in securities, whereas larger banks usually have a greater proportion of their assets used in loans. Obviously, income from loans is [fol. 2621] always higher than from investments, especially in government securities. It may also be stated that loans are likely to involve a greater degree of risk than investments, which a smaller bank cannot afford to take. Moreover, the availability of loans in less industrialized sections, where smaller banks are usually located, is more restricted. These banks frequently lend on mortgages and for other long-term capital purposes rather than for seasonal needs as in the case of larger banks. The need for liquidity, therefore, must be met through investment in high-grade securities."

Q. Thank you.

Mr. Reycraft: Would you mark that, Mr. Price?

Mr. Price: Would I what?

Mr. Reycraft: Would you mark that exhibit?

Mr. Price: If you want to mark it, you may. I have no need for it.

Mr. Reycraft: You have been reading from it.

Mr. Price: I have no further need for it.

Mr. Reycraft: We ought to have some identification for it in the record.

Mr. Price: I will identify it by the same way that the doctor identified it yesterday, as a paper entitled "Current Trend of Branch Banking in the Philadelphia Area" by [fol. 2622] John C. Sienkiewicz.

Mr. Reycraft: Can we give it an exhibit number, please?

Mr. Price: If you wish, if you want to mark it.

Mr. Reycraft: It is your exhibit.

Mr. Price: No, it isn't my exhibit. I have no interest in making it an exhibit.

Mr. Reycraft: I suggest that it be marked with an exhibit number of he wants to use it. I think he should identify it.

The Court: It should be identified, Mr. Price.

Mr. Reycraft: It should be identified.

Mr. Price: My number?

The Court: Your number.

Mr. Price: Will you mark this with my number, whatever the D-number would be?

(Bound document entitled "Current Trend of Branch Banking in the Philadelphia Area" by John C. Sienkiewicz was marked Exhibit D-4 for identification.)

The Court: Could I see counsel, Mr. Reycraft, and you, Mr. Littleton and Mr. Price, just the three of you, outside for just a moment?

(A short recess was had.)

Mr. Price: Will you mark this exhibit so that I [fol. 2623] can get it back to the Federal Reserve library again?

(Pamphlet entitled "Branch Banking, a Report of the Joint State Government Commission, 1957," was marked Exhibit D-5 for identification.)

The Court: Does that belong to the Federal Reserve?

Mr. Price: Yes, sir.

The Court: Will they be able to reproduce the whole thing or just the part you want?

Mr. Price: Oh, no. There are just two short references that I would like to have him read.

The Court: Couldn't that be reproduced by the Federal Reserve and be made a combined Exhibit 5?

I don't like to take books out of libraries.

Mr. Price: I don't either.

The Witness: If I may make a suggestion, Your Honor, that yellow book can be gotten from Harrisburg. That's where I got my copy.

Mr. Price: This is the only one I could find on short notice. There may be another one that I would be glad to substitute for it.

The Court: Well, it will be in good hands with the reporter for a while and then we will see.

Mr. Price: If I can find another one, may I substitute it [fol. 2624] for this and put this back in the Federal Reserve library?

The Court: Yes.

Mr. Reycraft: I haven't seen this book before myself and I would like the opportunity, if you are going to ask him some questions about it, to examine it before I consider whether I am going to use it in redirect.

Mr. Price: Sure. I am just going to ask him to read a few sentences out of it.

Mr. Reycraft: May I ask whether Prof. Goodman referred to this book?

By Mr. Reycraft:

Q. Did you rely on this book in your direct testimony?

A. I mentioned the book as one of the number of books that I had gotten.

Mr. Reycraft: All right.

By Mr. Price:

Q. I show you now, Dr. Goodman, this book entitled "Branch Banking, a Report of the Joint State Government Commission," and ask you if that is the document that you referred to yesterday as having been read and relied upon by you as source material.

A. It is one of the books that I received and looked at.

Q. Now will you be good enough to read just these few [fol. 2625] lines which I have marked on page 24.

A. The heading on the page is: "Factors Underlying the Expansion of Branch Banking," and the second paragraph reads——

Q. The first sentence.

A. The second paragraph, the first sentence:

"Over the past decade, commercial banks have been subject to greatly increased competition from other types of financial institutions."

Q. Now down here.

A. "In the competitive struggle to attract liquid funds, these other institutions have outpaced commercial banks."

Q. Now this one.

A. Now the third paragraph, the first sentence:

"It is apparent from an inspection of Table 7 that the relative position of commercial banks in the financial markets has declined since 1945."

Table 7 appears on page 25.

Q. Now this one here.

A. I continue to read on page 24 from the last paragraph:

"The extraordinary growth of savings and loan associations suggests that these institutions have provided the most effective competition to commercial banks."

Q. This one now.

[fol. 2626] A. "The $1.7 billion increase in assets of savings and loan association from 1945 to 1955 amounts to 50 percent of the increase in assets of all banks.

Moreover, savings and loan associations have apparently replaced commercial banks as the dominant factor in the real estate loan market. Such data as are available regarding the holdings of mortgage loans on property in Pennsylvania are presented in Table 8," which appears on page 26.

Q. Now just one more. Will you read that paragraph?
A. All right. I now read at the bottom of page 26, the last paragraph:

"In addition to meeting increased competition from other financial institutions, many banks, particularly those in central-city area, have found themselves at a locational disadvantage. The pronounced shift in population from the metropolitan centers to outlying areas not only drained deposits from the city banks but removed the loan business of depositors as well. These developments provided a strong incentive to city banks to establish suburban branches."

Q. Now this one.
A. I now move to the next paragraph on page 27, in the middle of the page:

[fol. 2627] "Commercial banks have sought to replace a relatively few large accounts with a much greater number of smaller accounts. In part, this is because business enterprises have become increasingly independent financially; greater reliance is now placed upon retained earnings as a source of capital funds, and temporarily excess funds are often invested in short-term government securities rather than deposited in bank accounts. The rise in levels of income has created a large middle-income group which represents a principal source of deposits for banks and a stable market for loans."

I read on page 29, in the first full paragraph, starting with the second sentence:

"Under existing statutes, the maximum unsecured loan which a bank may grant to one borrower is limited to 10 percent of the total capital and surplus of

the bank. To accommodate a large borrower, a bank may enlist the services of one or more correspondent banks, but this arrangement is more cumbersome for the banks and may be considered less desirable by the prospective borrower than a loan from a single bank."

I now move to the last sentence in the first full para-
[fol. 2628] graph on page 29:

"The increased lending limits which accompany increased capitalization provide an ancillary incentive for banks to merge or consolidate."

Q. Thank you very much.

A. You are quite welcome.

[fol. 2629] Q. Dr. Goodman, you made one statement which I would like you to explain, and that was that you thought that a bank had a greater competitive advantage than a manufacturing company so far as exercising control of others. Would you explain how that would be.

A. Yes. My statement was based upon the observation that the customers of banks are much more dependent upon the product of banks than the customers of manufacturing corporations are dependent upon the products of manufacturing corporations. In other words, the customers of banks, particularly, a substantial number of their depositors, their commercial depositors, cannot merchandise their businesses without the working capital provided by banks. In other words, their complete operation would be drastically changed.

This is not so for the customers of manufacturing corporations, to a substantial degree. The alternatives which customers of manufacturing corporations have are much greater and much broader than the customers of banks. Manufacturing corporation customers to a much more substantial degree are scattered over a broader geographical area than are the customers of banks. The customers of banks, as I have tried to analyze, using this particular market, a very substantial part of the customers come in
[fol. 2630] a relatively narrow geographic area, and the distribution of manufacturing corporation businesses would be over a much broader area. So I conclude that the banks in a given geographic area have a much greater control

over their ability to affect price and supply than do manufacturing corporations, and the relative rigidity of interest rates to small business are used to rely to some degree upon this conclusion.

Q. Unlike manufacturing companies, every bank in the United States has the same merchandise to dispose of, hasn't it?

A. Part of their line is identical. That part of their line which is bank services is not identical.

Q. You were talking about money, loans, deposits.

A. Well, deposits, then——

Q. They are handling precisely the same commodity whether they are in New York or San Francisco, aren't they?

A. No, sir; no, sir.

Q. Money differs in New York from San Francisco?

A. Well, in the sense that I am now talking about, yes, it does.

Q. What is the difference between money in New York and money in San Francisco?

[fol. 2631] A. Because money in New York and money in San Francisco is made available as part of banking services to businesses in an area, and a very substantial portion of customers who use money and other bank services in San Francisco could not use money and bank services in Philadelphia—or in New York, rather.

Q. They could in New York, Trenton, Baltimore, and Wilmington, could they not?

A. No, sir, they could not.

Q. You think they could not. That is all right.

Banks are dependent, for the money that they lend, to a very large extent, on deposits, aren't they?

A. Yes, sir.

Q. And deposits, whether they are made or not, are entirely within the control of the depositor; is that not so?

A. No, sir.

Q. What prevents a depositor from changing his deposit to one bank from another?

A. The willingness of one bank to lend as compared to another.

Q. You don't mean to suggest that every depositor is a [fol. 2632] borrower, do you?

A. No, sir, every borrower is not a depositor.

Q. And every depositor is equally free to withdraw his deposit, is he not?

A. No, sir, he is not.

Q. What is to prevent him?

A. Because a very substantial number of borrowers borrow as a result of their taking loans, of their getting loans, which are granted by the creation of a demand deposit, and for those borrowers which we have seen, banks differ substantially in their loaning policy in the lines in which they merchandise, in their relative willingness to lend. For many borrowers, they simply could not change.

Q. And you would think that a corresponding deposit in another bank would not produce an equally ood loan?

A. You say "corresponding" or "correspondent"?

Q. Corresponding deposit, corresponding as to amount. Would they not provide equal borrowing facilities for a borrower who wished to go elsewhere?

A. Only if the other bank would make him a loan, sir.

Q. That is right, and the borrower is free to go to that other bank, is he not?

A. He is free to go.

Q. Banks are regulated in the manner in which they sell [fol. 2633] their produce, their loans, are they not, the amounts which they charge, or the limits on the amounts which banks may charge?

A. At the high side, yes. Most states have usury laws.

Q. They can go as low as they choose, but there is a top limit on what they may charge?

A. Most states have usury laws, yes, sir.

Q. That is not the case with respect to manufacturing companies, is it?

A. Most of the time, no.

Q. Most what?

A. I say most of the time, no, sometimes.

Q. What legal regulation on the amount the manufacturer can charge can you think of?

A. Well, I am smiling because I am thinking of Philadelphia. At the present time, for example, large electrical companies——

Q. You are speaking of public utilities?

A. No, I am speaking of manufacturers of electrical products, such as General Motors, Westinghouse, etc., have

just very recently here in Philadelphia, a number of them have agreed that they will not charge less than a set price—not a fixed price, but a price which is "too low." Several [fol. 2634] feel that it is very difficult to find out how a price is too low.

Q. My question related to the top limit on the prices that a manufacturing company might charge.

A. Now, as to a top limit, I said that sometimes public policy sets a top limit on the prices that manufacturing people can charge, and we have had instances of price control instituted by public authorities at varying times. There are other instances where public authorities have limited the prices, but I say that this is not the usual thing. Usually manufacturing concerns can charge what the market will bear.

Q. But so far as banks are concerned, they are always under this limit imposed by law on the top amount that they can charge?

A. Yes, sir.

Mr. Price: That is all, Doctor.

Mr. Reycraft: Have you finished your examination?

Mr. Price: Yes.

Mr. Reycraft: May we have a short recess, Your Honor?

The Court: Five minutes?

Mr. Reycraft: Yes.

[fol. 2635] The Court: All right.

(A five-minute recess was taken at 12:20 P.M.)

Mr. Reycraft: Your Honor, I would like to request, in so far as the redirect examination goes into this D-5 and D-4, that I have an opportunity to examine them, and if it appears necessary, have the professor back Monday.

The Court: All right, you may.

Mr. Reycraft: I would like to call Mr. Sienkiewicz now.

The Court: All right.

The Witness: Before I leave, I have something I promised to give Mr. Price when I first came on.

The Court: You may go down and give it to him.

The Witness: This was that list of the bank holding company cases you asked me for.

Mr. Reycraft: Will you mark for identification as Government's Exhibit 230 a two-page list of bank-holding company

applications which were referred to in Dr. Goodman's direct testimony.

[fol. 2636] (Two-page list of bank holding company applications was marked Exhibit G-230 for identification.)

CASIMIR A. SIENKIEWICZ, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. Mr. Sienkiewicz, you are here under subpoena, are you not, sir?

A. I am under subpoena, sir.

Q. You and I have not discussed your testimony previously, have we?

A. Pardon me?

Q. You and I have not discussed your testimony?

A. No, sir, we did not.

Q. What is your position, Mr. Sienkiewicz?

A. I am a director and president of Central-Penn National Bank.

Q. Where is that bank located?

A. The head office at Broad and Walnut Street.

Q. Where is it located in relation to the Philadelphia National Bank?

A. Within one square.

[fol. 2637] Q. And the Girard Trust Corn Exchange Bank?

A. Girard, the same. They are at Broad and Chestnut.

Q. You are all within——

A. Within one square, about one block.

Q. How long have you held that position, Mr. Sienkiewicz?

A. Just about 14 years.

Q. And prior to that time?

A. Before that I was with the Federal Reserve Bank of Philadelphia.

Q. Can you tell me, sir, what the lending limit is your bank?

A. Exactly, I recall, $2,139,000. That is our capital and surplus.

Q. On the basis of your experience with that lending limit, has it been adequate to take care of all your borrowers at your bank?

A. Our bank, of our size, we have been able to accommodate customers. Now and then, of course, there may be a case where you couldn't go the whole line, but $2 million is our limit, and that is what we stick to.

Q. There have been cases where you haven't been able to go the whole line?

A. Yes, in one or two cases that I recall now that we [fol. 2638] could have gone more. The people would have been satisfied, the original borrowers, if we had more.

Q. In those one or two cases, sir, what did you do?

A. Well, we just gave them $2 million. That's the limit.

Q. Did you arrange for an overline?

A. In one case, as I recall, yes, we did.

Q. And did you have any difficulty doing that?

A. No, sir.

Q. Is it common practice, in your experience, for banks to arrange for participations under these circumstances?

A. Yes, I would say.

Q. Did the necessity that you arrange a participation in that case adversely affect your bank's relationship with the borrower?

A. No, sir.

Q. Do you, Mr. Sienkiewicz, know of any industries which have come to Philadelphia because of the loan limit of any commercial bank in Philadelphia?

A. Personally I don't recall.

Q. You don't know of any?

A. I don't know of any.

Q. Can you tell me in what geographic area most of the borrowers from your bank are located?

[fol. 2639] A. We primarily operate within the Philadelphia area and the four-county area that you described. We have an office in Montgomery and Lower Bucks County. There we have substantial business, but we also get some from Delaware.

Q. Based on your experience, why do you think that this is where most of your business is located?

A. Well, because we are concentrating our efforts right locally here. We see that our loans are pretty well represented in the city. We have no concentration in any one particular industry. I am pretty strong on that. We would like to have industry represented in our bank, and they are, but we are primarily local.

Q. You try to take care of the needs——

A. Of the needs of the locality, business in Philadelphia proper, and these three or four counties adjoining.

Q. When you refer to Delaware, I understand you to mean Delaware County?

A. Yes, Delaware County, not the state.

Q. Do you know of industry or any business which has not come to Philadelphia because of the inadequate lending limit of any bank in Philadelphia?

A. No, I do not.

[fol. 2640] Q. Can you tell me in what geographic area most of the depositors in your bank are located?

A. They are spread all over the city, all over Philadelphia and surrounding counties, like Bucks, especially.

Q. Bucks especially?

A. Yes.

Q. How about Delaware County?

A. I imagine we have some from Delaware, but that is a detail that I am not familiar with. I am sure we have that because we have something over a hundred thousand accounts.

Q. What percentage of your deposits would you say originate in the four-county area?

A. Four-county including Philadelphia?

Q. Philadelphia, Bucks, Montgomery, and Delaware Counties.

A. Well, most of it, of course, most of it, but percentage, I really haven't figured it out, because we have some substantial deposits from other cities, like large companies, national companies, who do borrow from us, do get the limit of $2 million.

Q. Why do they keep deposits in the City?

A. Because that is a custom. Of course, they draw checks on us, so they use the loans, the deposits, so that is one [fol. 2641] reason, and the other, they always keep deposits for customary use and are using the money.

Q. How many branches does your bank have?

A. 18 at the moment.

Q. On the basis of your experience, are branches an important factor in maintaining your over-all competitive position in commercial banks in the area?

A. I would certainly say so, yes.

Q. Why, sir?

A. Well, because the spread, the movement, of business borrowers, our own customers, to the suburbs outside, and the matter of convenience is very important, to have an office to service those customers, and for competitive reasons, too, so we move out and we go where our customers go, within the legal limits, of course.

Q. So is it an important factor in competition between your bank and other banks in the Philadelphia area that you have a well distributed branch system?

A. I should think so, especially now in the changing economy and urban conditions of life.

Q. Mr. Sienkiewicz, how do banks compete for deposits, based on your experience?

A. We try to give a good service. All banks in Philadelphia are good banks, they give good service, but [fol. 2642] some of them do better than others. We are strong on quality of service, and that, of course, gets around, and people think that the bank is good, and they like it, and they open an account there; and the borrowers the same way. There are 11 or 15 banks, for instance, in Philadelphia, and some like larger size, others like smaller size, still others, intermediate size, or probably the management, the officers. It is just one of those human things. There is always movement. Always there are changes, although there is considerable loyalty on the part of borrowers to stay in the same bank, and, of course, you get to know them. The case of risk appraisal is terribly important, and there are a great many factors that enter into the attracting of deposits and loans too—deposits, primarily.

Q. Would you say that you have to keep on your toes in order to stay competitive in the area?

A. You certainly do. I say in Philadelphia—elsewhere, too, but Philadelphia now, the competition is even keener than it used to be.

Q. Are service charges a factor in competition for deposits?

A. From what I understand from our officers and those who are in business development, I haven't heard any [fol. 2643] particular complaint against that. There are usually isolated cases of complaint on service charges.

Q. Are your services charges the same as those of other banks in the area?

A. No, I think they vary. We were one of the latest to increase our service charges, but I haven't made a comparison myself of our service charges against other banks, but I think there is quite a variation. I think probably we are too low.

Q. But your bank was one of the last to increase the service charges?

A. We were about the last one, yes.

[fol. 2644] Q. Do the service charges that other banks make have any bearing on the service charges which you are able to make?

A. Usually no. When they do, when you do know that is when the change is made; so for a week or two you notice movement of deposit population; but after that it all sort of smoothes itself out.

Q. You have found, however, that there are some accounts which move if the service charge changes?

A. Oh, yes. Yes, we had that experience and others, I am sure, had, because we got their customers and back because service charges were higher there and we found out that later on those very people who came to us went out because they were really—they were losing accounts, and I don't believe that the good accounts, profitable accounts, or those that bear their own way should pay the loss accounts, for the losing accounts that we had.

Mr. Reycraft: That's all.

Cross-examination.

By Mr. Littleton:

Q. Mr. Sienkiewicz, this one overline loan that you remember, do you remember what bank you suggested for the part that was over the line?

A. No, I don't. I really don't. It's a very exceptional case, so it really isn't typical at all.

[fol. 2645] Q. Do you remember whether it was another bank in Philadelphia?

A. Well, that, I, Mr. Littleton, am not so sure whether it's Philadelphia or New York. I kind of—I think it's New York, but I am not sure.

Q. Did you take a part of the loan to the full extent of your lending limit?

A. Yes, sir. We took——

Q. And the New York bank took the rest of the loan?

A. Yes, sir. We took $2,000,000 and the other bank took another million.

Q. Did your customer have to put a deposit in that New York bank?

A. I think he had a deposit there.

Q. He already had it?

A. I think he already had a deposit.

Q. Was it he that suggested the New York bank or did you suggest the New York bank?

A. I think it was mutual. He suggested that here is a bank that could do it, and it was our correspondent. I think he had dealings with that bank. There was nothing unusual on that score.

Q. In your competition, Mr. Sienkiewicz, you never compete for loans by charging a lower interest rate deliber-

[fol. 2646] ately, do you?

A. No, sir. That's one thing that's our policy, that we will not compete on anything of that sort. We appraise, we analyze each risk, we deal with it case by case; and regardless of what anybody else does we follow our own.

Q. This is usual with a well-run bank, isn't it, in this area?

A. I should hope so, sir, because I don't see how else a good sound bank would be run. I am speaking now of a bank that is well run, soundly, sound principles and sound practices, which I hope we follow, that our officers follow.

Q. In speaking of the area in which you operate, as you have said, Philadelphia and the three or four counties——

Mr. Reycraft: He said three counties.

Mr. Littleton: He said three or four counties around it.

The Witness: Yes, yes. We do draw from four counties, really.

By Mr. Littleton:

Q. Which is the fourth county? Philadelphia and the three, or four counties surrounding it; which would be the fourth county?

A. Well, the neighborhood would be Philadelphia, Bucks, Montgomery, Delaware, and some from even Chester; but [fol. 2647] also from Jersey, but not many, we do business.

Q. And the Jersey business comes from Camden County?

A. From Camden and Ocean.

Q. Do your branches in Bucks County get anything from other of the New Jersey counties?

A. I understand they do.

Q. From Burlington?

A. From Burlington.

Q. Mercer County in New Jersey?

A. That's right; that's right.

Q. Mr. Sienkiewicz, do you believe that this merger of the Philadelphia National and the Girard will adversely affect the small and medium-size businessman in Philadelphia?

Mr. Reycraft: I didn't ask him that, Your Honor.

I object.

If he wants to put him on for that purpose I think I am entitled to cross-examine.

The Court: I will sustain the objection at this time. It wasn't covered in direct.

Mr. Littleton: I just wanted to see if Mr. Reycraft wanted it. He didn't.

It's quite apparent that he doesn't.

Mr. Price?

[fol. 2648] By Mr. Price:

Q. You spoke about this competition for deposits.

Do you feel that competition from banks that are larger than you are as well as banks that are smaller than you are?

A. Competition for deposits?

Q. Competition for deposits.

A. It's pretty sharp among all.

Q. And the competition is sharp both from larger banks as well as from smaller banks, is it not?

A. Yes, indeed.

Q. And the size of a bank has nothing to do with its ability to compete for deposits, has it?

A. No, sir. They are all fine. They are all friends, and they are all bad in so far as we are concerned, because they are vigorous. I have never seen anything like it as the competition is in Philadelphia now. That is, I remember when there were 45 banks and now they are down really to 11, with the other smaller banks, but say 11 or 15 to be sure that do a commercial business, and every one of them is beating the sidewalks, and so do we.

Q. And there is much more competition now that there are fewer banks than there was when there was a very much larger number?

[fol. 2649] A. Oh, yes, much more, much more.

Q. And the mere size of a bank doesn't give it any advantage in competition for deposits, does it?

A. For deposits, on beating the sidewalks, going to people, no. That is as I see it, except that you may have more men going around, but that's our fault if we don't have enough men.

Q. If you have a larger staff you have more people.

A. Right. What we do is we send out our officers. Everyone goes out and interviews.

Q. And the competition comes not only from other banks in Philadelphia, but from banks in New York City, does it not?

A. Oh, yes, New York and even other—I think Boston and we have had repercussions there, a couple of them visit, and Buffalo.

Q. Solicitors from banks in those cities?

A. Yes. One, especially one or two cases that I recall.

Q. Buffalo, New York, Boston, and what other places do solicitors come from to solicit business in Philadelphia in competition?

A. Well, apparently there are some businesses in Philadelphia that have other branches. I can think of one in Chicago that visits here, but I haven't noticed any special

pressure from Chicago or Buffalo or Boston, as much as from New York.

[fol. 2650] Q. But the New York competition is very strong, is it not?

A. Yes. In one case that we have had, where really it went and visited our own customer and, of course, we protested immediately because we had an account there; so everything was fixed up, but that was evidence that they were soliciting.

Q. That was the case of a bank sending a representative to try to get one of your customers away from you to work with him in New York; is that it?

A. In this one instance, yes.

Q. Now with regard to service charges, you said they go up and down and they vary, but do they make very much difference in the long run?

A. I didn't say they go up and down. Once they are fixed, they sort of stay the same, but there is a variation. It would be terrible if they went up and down; we would have trouble all the time.

Q. Well, they get solidified up and down.

A. Yes, they are solid. As I say, I haven't made the comparison of charges as between, as among banks, but I don't think they are uniform.

Q. No.

A. Of course, you gentlemen have the records of that.

Q. Well, assuming that they are not uniform, they don't make very much difference so far as maintaining deposits are concerned, do they?

[fol. 2651] A. No, no. I think that people are being educated now and are being aware of the costs.

Of course, it depends on the activity, you know, the activity of the account. Some large firms pay very heavy service charges. You take any publishing company, for example. I mean by publishing, a magazine company or a paper like the Curtis. That's a very large activity in that account, so, some large companies, they really pay substantial service charges.

Q. Because of the great activity——

A. That's right.

Q. —in the account?

A. That's right.

Q. And the cost to you in the bank?

A. That's right.

Q. Of performing these services?

A. That's right.

Q. So in general these service charges are based upon the costs to the bank of rendering the service requested, are they not?

A. Yes, sir.

Q. That is the theory of them?

A. In practice.

[fol. 2652] Q. And in practice?

A. We allow so much credit for the balances because they earn something.

Q. Yes, and that is an offset against the service charges?

A. That's an offset; that's right.

Q. But the service charges themselves are based on the bank's own estimate of the cost of rendering the particular service for which the charge is made?

A. That's right.

Q. And those charges vary between banks to some extent, do they not?

A. They do, they do.

Q. But it used to be not too long ago that there were no service charges rendered by any bank; isn't that so?

A. That's right. Things have changed there.

Of course, you refer to the period when we had mostly wholesale banking, that is, no retail or consumer credit. Now, you see, it's a mixture, the wholesale and retail, commercial and business, commercial loans and consumer loans; and that's a mass of customers there.

Q. But this service charge is a new development to take care of the additional costs of rendering services that you were not called upon to render in the old days when there were no such charges?

[fol. 2653] A. I would say that's substantially so; true.

Q. Thank you.

In fact, there was a time when you paid depositors to put their money in your bank, wasn't there?

A. That is true.

Q. You don't do that any more?

A. No.

By the Court:

Q. Did you ever lose an account because of the service charges, that you know of, a good account?

A. No.

Q. Did you ever lose a good account because of service charges you made?

A. Not a good account, Judge, but some poorer, yes.

Q. Well, I would expect that. I am talking about a good account.

A. No, sir.

By Mr. Price:

Q. Do you compete also in the matter of interest rates on savings accounts? Is that part of your competition?

A. No. Of course, in savings accounts we are operating under a legal limit. At the present time it's 3 per cent, and that's it. That is what we are paying. I think that's what all Philadelphia banks with the exception of one, I [fol. 2654] think, pay 3 per cent.

Q. Commercial banks are not permitted by law to pay more than 3 per cent, are they?

A. No, sir. That's fixed by the—that is generally by the Federal Reserve and then in each state by the Secretary of Banking.

Q. And you now pay 3 per cent?

A. We pay 3 per cent.

Q. Have you been doing that as long as other banks?

A. Just about the same, although previous to that we were a little less than the other banks. That is, they were paying 2½, we were paying 2 per cent; but since we went to 3 we all went about the same time.

Q. And when you were not permitted to pay more than 2½ did you notice any loss of savings accounts or time accounts?

A. Yes. Toward the end, just between sort of 3 per cent and this 2 per cent that we were paying, at one point we noticed a seepage.

Q. Were did that go?

A. We don't know. It just—because people didn't change, except that the accounts began to diminish, and when, of course, we went back to 3 per cent, then there

was a real pickup, so much so that we have now quite a substantial increase in very costly money.

[fol. 2655] Q. And then in your competition for time deposits did you notice any change based upon the amount the Secretary of Banking allowed you to pay?

A. Time deposits are different. They fluctuate more with the short-term rates available to business corporations.

Q. But there was a time when you were restricted by the Secretary of Banking as to the amount that you could allow on time deposits; is that not so?

A. That's right. Well, that still applies, of course.

Q. Yes.

A. Depending on whether it's 30 days, 90 days, or 6 months.

Q. And then that wa- inc-eased was it not?

A. Yes.

Q. Because you lost so much money to New York?

A. Yes—no. Now let me get that question because I am not quite clear.

Q. Was not the rate increased by the Secretary of Banking of Pennsylvania because banks in Philadelphia were losing so much time money to New York?

A. That was the argument at the time, but I am——

By Mr. Reycraft:

Q. Your bank is a national bank, isn't it, Mr. Sienkiewicz?

A. Ours is a national bank, Central National, Central-Penn.

Mr. Littleton: Excuse me.

[fol. 2656] Mr. Price: Yes.

By Mr. Littleton:

Q. But a national bank has to follow the rules of the State Secretary of Banking, doesn't it?

A. The rates on that must conform to the state law.

By Mr. Price:

Q. Yes, so that made no difference as far as you were concerned?

A. No difference.

Mr. Price: I have nothing further.

Redirect examination.

By Mr. Reycraft:

Q. Mr. Sienkiewicz, how many deposit accounts have you lost to New York banks that you know of?

A. We haven't lost any to New York banks.

Q. How about Boston banks?

A. None, no, no. We haven't lost—we haven't lost any, but one went there—it's still with us, too, but that was under special arrangement, purely a borrowing arrangement which we could not meet and the Boston bank met; but we are back again, but not under that arrangement, on a different arrangement, so we really haven't lost any.

Q. And I think that goes for Chicago and San Francisco and Los Angeles?

[fol. 2657] A. No.

Q. You would give the same answer?

A. The same answer, yes.

Q. And if I asked you about loans, what would your answer be with reference to Boston?

A. Well, Boston and others don't affect us so much because we are primarily local, primarily within this area. I would say those counties and little more, although we do have loans, a few scattered loans elsewhere, but nothing like, for instance, Philadelphia National through their participation more or less nation-wide; and, of course, I am not familiar with that. That is a private affair.

Q. You don't know the details of that?

A. I don't know the details and I hope they don't know ours, although——

Q. I think after this case is over you may understand a little bit of that that is put in the record.

Have you lost any loans that you know of to New York banks?

A. No, I don't recall any. I don't recall.

In the case that I mentioned, where our customer was solicited, we got on the job quickly because the customer came to us and told us, and we talked to the bank and the officer was interviewed, and that was that.

[fol. 2658] Q. Was this customer located here in Philadelphia?

A. Right in Philadelphia, almost within half a block of our own office.

Q. Do you think that this gave you any advantage at all in trying to get his business or keep his business over the New York bank?

A. Well, we just wanted to keep that customer.

Q. You were able to give him better service, weren't you, than the New York bank?

A. Oh, I should hope that we give better service than any New York or any Philadelphia bank.

Q. Is the fact that you are one block away rather than 90 miles away any factor in that ability to serve the customer?

A. Well, there is an advantage being close.

Q. What is the advantage? How does that operate?

A. Well, he may be able to get next to the president, the customer.

Q. You also testified, Mr. Sienkiewicz, concerning interest-rate competition.

Is it considered to be unethical to compete with respect to interest rates among bankers?

A. I don't see anything unethical if anyone wants to give away or assume dubious risks. That's where my point is.

Q. You don't think there is much point to it?

[fol. 2659] A. No. Rates—you compete on cases.

Q. You evaluate the risk?

A. You evaluate.

Q. Has your evaluation of a risk ever differed from that of any other bank in Philadelphia that you know of?

A. Well, in general, I would say that all Philadelphia banks have very competent staffs. They all go to Robert Morris training, sometimes overtraining, so that they become so technical that really the poor borrower has difficulty; but I should like to think that our Credit Department is about the best.

Q. It is the best?

A. Yes.

Q. And therefore your credit evaluations and your risk

evaluations would be a little bit better than those of other banks?

A. Yes, yes; but other banks are pretty good, too.

Credit evaluation is very important, and then the servicing of that loan is very important. It's very costly if it is troublesome. Many loans develop into troublesome loans, so you take the risk, you take the servicing, the whole thing.

Several factors go into that interest rate and we believe [fol. 2660] that this particular risk should pay so much and we usually determine our own rate.

Q. Yes, sir.

Now, even among banks which have very good credit departments and excel in rating, are there occasional differences of judgment?

A. I should think there would be variations in judgment. Even within the same department experts will vary and somebody has to come in and pull the strands together and make a decision.

Q. So that no matter how good they are, there are differences of opinion?

A. You have to use judgment, yes.

Mr. Reycraft: That's all.

Mr. Littleton: I have nothing further.

Mr. Price: May I ask, Mr. Reycraft, would you object if I should ask Mr. Sienkiewicz about this particular merger?

Mr. Reycraft: Let me say, Mr. Price, that I have made a commitment that I will not ask Mr. Sienkiewicz any opinion about anything; so what you do, if you want to put him on as a direct witness at this time, I am agreeable.

Mr. Price: It is now 1 o'clock. I won't do it now, but you would object on cross-examination if I did that?

Mr. Reycraft: No. I would object to you asking any [fols 2661-2662] questions of the witness that I may say that I have not asked the witness concerning his opinion.

Mr. Price: You objected when Mr. Littleton asked him, so I didn't want to ask the same question.

The Court: The ruling will be the same as to you, so let the record show that.

Mr. Price: I just wanted it clear that I was in the same position as Mr. Littleton; that was all.

The Court: I will put you there.

Gentlemen, Monday morning.

(Recess taken at 10:00 o'clock P.M. until 10:00 o'clock A. M. on Monday, June 26, 1961.)

[fols. 2663-2664] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

FIFTEENTH DAY

Philadelphia, Pa., June 26, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * * *

[fol. 2665] HENRY D. SATTERFIELD, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Reycraft:

Q. Mr. Satterfield, what is your present position?

A. Assistant vice president of the Philadelphia National Bank. I am the manager of the Time Credit Department. We are responsible for the handling of direct and indirect installment loans.

Q. How long have you held that position?

A. I have been manager of this department since June, 1959.

Q. What was your position prior to that time?

A. At that time I was assistant cashier, and I was in charge of sales, retail sales and time credit sales.

Q. So that you have been involved in time credit sales at least since 1956?

A. I would say since 1955.

Q. Mr. Satterfield, can you describe the practice of the Time Credit Department of your bank in competing on interest rates?

A. Well, our practice as far as competing on interest rates, No. 1, our field men or myself, when we go out to make a call, the first thing we try to sell is service. We [fol. 2666] try to sell our bank, and we try to sell our service. We would like to be known as a bank that gives service, and we get business because we give that type of service.

Ratewise, we look at an account that has a rate—we try to judge the rate on the amount of retail business we are going to sell compared to the wholesale. You have got to look at the profitability of the account. Our policy is not to cut rate.

Q. Despite that fact, do you sometimes do so?

A. Well, going back on the accounts, maybe it has been occasions when our rate would have been a little lower than maybe at the present deal that the dealer had.

Q. Do you ever try to meet competition when the competition has a lower rate than yours?

A. Sometimes we do and sometimes we don't.

Q. Depending on what, sir?

A. It depends on the circumstances. In other words, as far as the amount of retail business we are going to receive. Usually we try not to lower our rates.

Q. Do you know Mr. R. Strunce?

A. Robert Strunce, he is my assistant manager. He is assistant cashier.

Q. How long has he been your assistant?

A. He has been my assistant manager since June of [fol. 2667] 1959, when I took over the Time Credit Department.

Q. Did you work with him prior to that time?

A. Yes, sir.

Mr. Reycraft: Will you mar as Government Exhibit No. 231 a two-page document which is a memorandum of

July 11, 1956, to R. Strunce, assistant cashier, subject, agents auto plan, from Don Breth.

(Two-page document, memorandum of July 11, 1956, to R. Strunce, Assistant Cashier, from Don Breth, was marked Exhibit G-231 for identification.)

Q. Mr. Satterfield, does Government's Exhibit 231 indicate to you that you were receiving rate competition from commercial banks in this area around the period of time it was written?

(Exhibit G-231 handed to the witness.)

A. Would you repeat your question again, sir.

Q. Yes, sir. My question is, does Government's Exhibit 231 indicate to you that your bank was receiving rate competition from other commercial banks in this area?

A. Yes, it does.

Q. Let me ask you first, who are the Allstate Agents? Can you describe their function?

A. Well, the Allstate Agents, as you know, is an insurance company, Sears Roebuck. They are agents that [fol. 2668] go out and generate paper. They try to get the insurance. The interest, No. 1, is selling the insurance, but they have a plan where they work where they bank, where they will sell a finance deal, with the idea that they have a rate that they can compete, and by competing they could secure the deal?

Q. Do these agents work with your bank?

A. At one time they used to. We get very little business at the present time from Allstate Insurance Company.

Q. At the time this memorandum was written, however, they did work with your bank; is that right?

A. Yes, that is correct.

Q. Does this memorandum indicate that your bank was losing any business because of rate at that time?

A. This memorandum would indicate we were losing some business because of rate, that is correct.

Q. And did your bank change its rates as a result of that competition?

A. Of course, this is 1954. I could not answer if we

changed our rate at that present time. I think the memorandum refers to a dealer that an Allstate agent was receiving business, and when our man contacted this dealer he found out that he had been offered a lower rate, I be-
[fol. 2669] lieve through the First Pennsylvania Company. We could not meet that rate.

Q. Your bank could not meet that rate?

A. We did not meet that rate.

Q. And the payments under your plan were higher at that time; is that correct?

A. Well, in some instances. You see, payments are broken down according to the number of months, like 24, 30, and 36 months.

Mr. Reycraft: Will you mark as Government's Exhibit No. 232 a two-page document which is a memorandum dated April 29, 1957, from Mr. Frederick G. Erb to Mr. E. Lawrence Worstall, to which is attached a memorandum from E. Lawrence Worstall to Mr. Ellis B. Ridgway, Jr., dated May 7, 1957.

(Two-page document, memorandum dated April 29, 1957, from Mr. Frederick G. Erb to Mr. E. Lawrence Worstall, with memorandum attached from E. Lawrence Worstall, to Mr. Ellis B. Ridgway, Jr., dated May 7, 1957, was marked Exhibit G-232 for identification.)

Q. Would you examine Exhibit G-232, Mr. Satterfield. What does this indicate to you with reference to the existence of rate competition with your bank at the time this memorandum was written?

[fol. 2670] A. Well, reading through this memorandum would indicate that evidently Security Trust Company had offered a lower rate on a personal loan than our rate.

Q. Will you refer to the handwritten notation at the bottom, which I interpret this way:

> "Earl says he pointed out that our rate was from the P/L chart and was a discount, not an add on rate. He also told Mr. Erb that he could charge any lessor rate that he wanted. (Is this the first knowledge Mr. Erb had of his competitor's rates?,"

What is your knowledge, sir, of the authority which Mr. Erb had to charge rates below the chart rates?

A. Well, the authority that Mr. Erb has as branch manager, when a customer of our bank would come in, maybe who has a deposit with our bank, a long relationship, in other words, when a personal loan would come in, he would have authority to lower the rate if he thought it was necessary.

Q. He does have the authority to change the rate to meet competition?

A. This is considered an exception.

Q. I assume you don't know in this particular case [fol. 2671] what action was taken as a result of this memorandum?

A. That I do not know. I know we did not change our personal loan rate.

Q. You do not know, however, whether you made an exception in this case?

A. That I cannot answer.

Q. Will you mark as Government's Exhibit No. 33 a two-page document which consists of a memorandum dated April 16, 1958, from Robert Lowry to W. E. Brown, and a memorandum dated May 19, 1958, from Robert Lowry to W. E. Brown.

(Two-page document, memorandum dated April 16, 1958, from Robert Lowry to W. E. Brown, and memorandum dated May 19, 1958, from Robert Lowry to W. E. Brown, was marked Exhibit G-233 for identification.)

Q. Mr. Satterfield, can you identify Robert Lowry?

A. Mr. Lowry at the present time is manager of our Time Credit Department in the Northeast. He is responsible for home modernization dealers.

Q. Can you identify Mr. W. E. Brown?

A. Mr. W. E. Brown at that time was assistant vice president in our Allegheny office.

Q. This memorandum comparies the rates charged on the type of business you described by First Pennsylvania [fol. 2672] and Girard Trust Corn Exchange Bank. Can you tell me, sir, how the Girard's rates compared to your bank's at this time?

A. Are you talking about this particular feature?

Q. Yes, sir.

A. This seems to have to do with a 90-day cash plan,

which, according to our recording, we do not see a great deal of; but according to my records I understand that our flat charge on a deal that is paid off within 30, 60, or 90 days is comparable to our competition.

Q. The memorandum indicates that your new bank policy at this time was definitely not competitive. What do you understand that to mean?

A. Well, I think what Mr. Lowry means there is that our plan on a 90-day cash deal was not competitive with the other banks. It has to do, to my interpretation, this memorandum has to do with a pay-off figure. At times a home modernization dealer would sell a deal, and it would be a 90-day cash deal, and he would send the dealer in, and it has to do with how much we would charge when the dealer pays it off within 90 days—the customer.

Q. So that aspect was not competitive?

A. At that time. We were a little higher than our competition.

[fol. 2673] Q. What does the phrase mean, "I feel we must be a little more realistic in our approach," which appears in the fourth paragraph of this exhibit, as far as you understand it?

A. Well, my interpretation of this, this is not the type of business we are seeking, because this is a business that is paid off in 30, 60, or 90 days, and I think Mr. Lowry—my understanding would be that Mr. Lowry would like us to take a more realistic approach to this type of deal.

Q. Which is to meet the competition?

A. Well, to meet the requirements of the dealer, the request of the dealer.

Q. To equalize your firm with those of your competitor; is that correct?

A. I would say yes.

Q. Now, on the next page of Government's Exhibit 233, which is a memorandum dated May 19, 1958, would you explain what is meant by the sentence, "I believe the reply indicate we copied Girard Trust Corn Exchange in this matter, and that we were not trying to be competitive with First Pennsylvania Company."

A. Mr. Reycraft, the only interpretation, what I think he probably means by "copied" evidently we used some [fol. 2674] of the figures that Girard had. Remember,

we are not old in this business. We have only been really active in this business in 1955. So I think probably what he means is maybe he saw the plan, the dealer gave him the plan of Girard, and we probably put through some of the plan that they had on this home modernization deal and this 90-day payoff deal.

Q. You were following Girard's rates and terms?

A. It is a possibility. Probably what this means is that we didn't use that closeout figure once again, the flat charge on the Girard dealer.

Q. Does he indicate that the First Pennsylvania terms would be more favorable?

A. I believe that is what he indicates, Pennsylvania Company's charge probably wond be lower than our charge. That would be my interpretation.

Q. Would you read the last paragraph, sir, and explain your understanding of that paragraph.

A. "This as we discussed, is an important part of our over-all time credit program as we continually take a non-competitive attitude in our thinking; I cannot help but feel we will hinder our bank's progress in this field. In view of this discrepancy between our bank and even Girard Trust Corn Exchange, I suggest we once again reconsider the above."

[fol. 2675] Q. Would I be correct in understanding that even though you followed the Girard rates at this time, you were even at that time above the Girard in some respects?

A. Well, you could probably consider that. I think it is getting back to Lowry writing to this officer in charge at that time with the idea to lower the particular flat charge once again to try to be competitive, because our flat charge on the deal was higher, and I think what he means there, we were not competitive as far as this particular 90-day cash deal or closeout deal was concerned. Once again we had to consider the amount of money we charged and how much time it cost us to handle the account, and so forth.

[fol. 2676] Mr. Reycraft: Will you mark as Government's Exhibit No. 234 a one-page document, which is a memorandum. The name Robert R. Strunce appears at the bottom, and it is dated 7/22/58.

(Document headed "Home Modernization—Girard Corn Plan" dated 7/22/58, with name, Robert R. Strunce, at the bottom, was marked Exhibit G-234 for identification.)

By Mr. Reycraft:

Q. Mr. Satterfield, referring to Government's Exhibit 234, do you know how the home modernization plan offered by your bank at this time compared with that of the Girard Corn described in this memorandum?

A. Do you mean at the present time?

Q. No, sir, at the time of this memorandum.

A. I could not answer that question definitely. I would say our plans were competitive, but to come right out and tell you what Girard's plan in 1958 was compared to our plan, I could not answer that.

Q. By "competitive," do you mean that the terms that you offered were comparable to those offered by the Girard?

A. I would say yes, but I would say I do not know for sure.

Mr. Reycraft: Would you mark as Government's Ex-
[fol. 2677] hibit 235 a one-page memorandum dated March 31, 1959, from Robert R. Strunce to Mr. Ellis B. Ridgway, subject, Home Modernization Plan—Reserve Bonus.

(One-page memorandum, the Philadelphia National Bank, dated March 31, 1959, from Robert R. Strunce to Mr. Ellis B. Ridgway, subject "Home Modernization Plan—Reserve Bonus," was marked Exhibit G-235 for identification.)

By Mr. Reycraft:

Q. Would you examine that document, Mr. Satterfield? Could you describe, Mr. Satterfield, a reserve bonus plan in relation to the home modernization plan?

A. Well, as stated in this memorandum, a bonus plan is where a dealer would charge a rate to a customer of so much. It referred in this memorandum to a 7½ per cent rate. The bank would retain a 6½ per cent rate. The bonus is for the dealer.

Q. Now, does this memorandum indicate to you that at this time your bank was not matching the Pennsylvania Company reserve bonus plan?

A. This memorandum would indicate that at the time our man in the field—the Pennsylvania Company offered the bonus plan and we did not have a plan at that time and that was the purpose of this memorandum.

[fol. 2678] Q. What was the recommendation of the memorandum? What effect would it have on your ability to match this plan?

A. Would you repeat that, please?

Q. Yes, sir.

What effect would the recommendation made in the memorandum have on your bank's ability to meet this bonus plan?

A. Well, at the time when the bonus plan was presented, in the time credit field, when a bank or a finance company or any other company offers a bonus deal, naturally, the dealer is interested in a bonus plan.

At that time we did not have what you call a bonus plan, so the purpose of this memorandum was the discussion to meet this plan. In other words, it was felt that we had to compete and we are going to get in the home modernization field.

As you realize, the Pennsylvania Company is one of the largest in the home modernization field.

Q. Did you thereafter change the bonus plan?

A. Yes, we did change the bonus plan to meet the competition.

Q. And you became competition in that period?

A. And we became competitive.

[fol. 2679] Mr. Reycraft: Will you mark as Government's Exhibit No. 236 a one-page memorandum from Robert R. Strunce, Assistant Cashier, to Mr. Ellis B. Ridgway, vice President, dated April 1, 1959.

(One-page memorandum, the Philadelphia National Bank, dated April, 1959, from Robert L. Strunce to Mr. Ellis B. Ridgway, re: "Consolidation Plan for Home Modernization Dealers," was marked Exhibit G-236 for identification.)

By Mr. Reycraft:

Q. Would you examine that document, sir?

A. All right.

Q. Can you explain, sir, the change which is recommended in this memorandum from what were then your existing terms?

A. Well, my interpretation of this memorandum to Mr. Ridgway from Mr. Strunce would be our home modernization branch was running into some competition on the Town & Country account. The Town & Country account is a very highly regarded account, with good retail volume, and they were approached with the idea of offering a consolidation deal.

So Mr. Strunce made the recommendation that we would go along with the Town & Country, and I ice he did mention several other accounts that he would like to offer this plan [fol. 2680] to, although we are not sold on this type of plan.

I understand that Town & Country had this particular deal with another bank. That's my understanding; that's what I understand back in 1959.

Q. And that is the reason that you offered this plan to Town & Country?

A. Well, that could be one of the reasons, but let me get back again. In selling time credit dealer paper, you have still got to base your experience, the quality of the dealer, the amount of retail that you receive, and the profitability of that account.

Q. Would you read the last paragraph in the memorandum, sir?

A. "The consolidation plan as mentioned by Bill Brown could serve in part as an answer to the Check Plan offered by Pennco. In addition, as we are trying to increase our home modernization portfolio, I am willing to give the plan a try and would appreciate your comments as this represents a deviation from our usual policy."

Q. Well, is it your understanding that by this deviation the writer thought that you could increase your portfolio in this fashion?

A. I think our writer meant if we went along with this [fol. 2681] particular plan it would increase our business.

In other words, since evidently the dealers had this type of plan, that probably we would meet competition and probably we could secure more business.

Q. And it was in part as an answer to the Check Plan offered by Penneo; isn't that right?

A. What's that, please?

I think that would be part of it.

Q. Yes. That is what the memorandum says, it says "serve in part as an answer to the Check Plan offered by Penneo."

Mr. Reycraft: Will you mark for identification as Government's Exhibit No. 237 a one-page memorandum from Robert R. Strunce, Assistant Cashier, to Mr. Ellis B. Ridgway, dated April 7, 1959?

(Memorandum, the Philadelphia National Bank, dated April 7, 1959, from Robert R. Strunce to Mr. Ellis B. Ridgway, subject "Bonus Plan," was marked Exhibit G-237 for identification.)

By Mr. Reycraft:

Q. Mr. Satterfield, would you read this full memorandum? It is rather short.

A. Mr. Ridgway from Robert R. Strunce, Bonus Plan.

"Enclosed is a list of dealers Bob Lowry sent to [fol. 2682] me which he states have been solicited by the Pennsylvania Company on their bonus plan.

"Checking back on the volume generated by these dealers in 1958 we find that they gave us about $1,112,000. The thing to remember is that a good many of these dealers, according to Bob Lowry, did not start to give us the bulk of their business until the latter part of the year. Bob Lowry estimates that without the bonus plan it would probably cost us about $2,000,000 to $2,500,000 of home modernization volume.

"I personally do not like the bonus plan idea but whether I like it or not, it's a reality. I believe that if we don't meet this competition we will lose the major portion of our home modernization volume. I also know this plan represents a radical departure from our thinking in not using a reserve just for losses which would have the effect of enabling us to

purchase a more marginal type of credit. Recognizing the reserve enables us to show fewer charge offs, which of course affects our net return, the gross rate to the bank would not be any different than our standard plan at 6½%. Needless to say, we would have to base our credit judgment on the fact that we would NOT have the extra reserve. I recommend, therefore, that we offer the bonus plan to those dealers who have [fol. 2683] been giving us a volume of business."

Q. Now, there is a handwritten note at the bottom of the page, Mr. Satterfield. Is this your handwriting or Mr. Ridgway's?

A. It looks like this is Mr. Strunce's handwriting.

Q. What does it indicate to you with reference to what Mr. Ridgway instructed him?

A. (There was no response.)

Q. I think I should read it.

A. This is not quite clear. Maybe——

Q. It is dated 4/7/59.

EBR—who I take it is Mr. Ridgway?

A. That's correct.

—agreed after discussing with J. W. D. that although distasteful we would offer bonus plan to all dealers.

Question to be resolved is amount retained for payoff. EBR—thinks $1000.

Do you know, sir, whether it was determined to offer the bonus plan to all dealers at this time?

A. I think at that time—I believe at that time that we started off with this bonus plan. We would not try to offer this type of deal to all dealers.

[fol. 2684] You are getting back to the fact again how much business you are going to receive from a dealer.

I think the memorandum indicates the amount of business we are receiving by a list that evidently is not attached—the enclosed list of dealers was giving us a good volume of business.

Now our competition was soliciting this type of business, trying to take the business away from us on a bonus plan.

I think the idea was are we going to lose this business or are we going to try to meet competition.

Q. What is your understanding of what you did?

A. Well, we came out with the bonus plan.

Q. And you met the competition?

A. We met the competition. In fact, we had to.

Q. So you think that although Mr. Ridgway agreed that you would offer the bonus plan to all dealers, you may not have actually done so?

A. I do not believe at the time that was our approach.

Q. Is there any change at this time?

A. Well, we have a bonus plan and once again, I repeat, we try to offer a deal to dealers, quality dealers, that give us a good amount of retail business and so forth.

Mr. Reycraft: Will you mark as Government's Exhibit [fol. 2685] No. 238 a one-page memorandum dated April 22, 1959, from Robert R. Strunce to Mr. Ellis B. Ridgway, subject "Special Home Modernization Plan" and there is attached to the memorandum a two-page outline.

(Memorandum, the Philadelphia National Bank, dated April 22, 1959, from Robert R. Strunce to Mr. Ellis B. Ridgway, subject "Special Home Modernization Plan," together with two-page outline of "Special Home Modernization Plan" was marked Exhibit G-238 for identification.)

By Mr. Reycraft:

Q. Mr. Satterfield, does this memorandum indicate to you that there was a change being considered in the reserve or bonus plan at the time?

A. This memorandum would indicate a special home modernization plan, as we referred to before, to go along with the bonus deal.

Q. And that this was being done in order to meet competition from Pennsylvania Company?

A. Pennsylvania Company and other companies who were in the field.

Q. All of your competitors in this field?

A. Well, we try to meet competition. I cannot say right offhand how many.

Q. Wherever it is raised?

[fol. 2686] A. I don't know how many people had the bonus at that time, or companies or banks.

Mr. Reycraft: Will you mark as Government's Exhibit No. 239 a two-page memorandum dated April 26, 1960, from Robert R. Strunce, Assistant Cashier, to Mr. H. D. Satterfield, Assistant Vice President.

(Two-page memorandum, the Philadelphia National Bank, dated April 26, 1960, from Robert R. Strunce, to Mr. H. D. Satterfield, subject, "Dealer Bonus Plan," was marked Exhibit G-239 for identification.)

By Mr. Reycraft:

Q. Mr. Satterfield, the dealer bonus plan referred to in this memorandum is the same bonus plan that you referred to earlier in your testimony; is that correct?

A. It does, but it has to do with one different thing—how you pay the reserves.

Q. Pardon me, sir?

A. How you pay the reserves is what is pointed out in this memorandum. It has to do with the same type of plan of the bonus.

Q. What does it indicate with reference to your terms as compared with Girard Trust Corn Exchange?

A. Well, I think what this has reference to is how they pay the bonus.

[fol. 2687] Q. It is different than the way you pay the bonus?

A. In this memorandum it was different, yes.

Q. Did your bank later change its method of paying the bonus?

A. We changed our method from the one we started off with originally.

Q. And the reason for this, sir, was to meet competition?

A. Well, the change would have to be competitive; that is correct.

Q. That is what the first sentence of the memorandum indicates, or the first paragraph of the memorandum indicates, isn't it?

A. That's correct.

Mr. Reycraft: Will you mark for identification as Government's Exhibit 240 a four-page exhibit consisting of

a memorandum from H. D. Satterfield to Mr. Ellis B. Ridgway dated May 18, 1959, to which is attached a memorandum from Mr. Dudley C. Buzby to Mr. Henry Satterfield, dated May 12, 1959; a memorandum dated May 4, 1959, from Mr. Buzby to Mr. Satterfield; and a memorandum dated January 2, 1959, from Mr. Buzby to Mr. Strunce.

(Four-page exhibit, consisting of memoranda, the Philadelphia National Bank, dated May 18, 1959, from Henry [fol. 2688] D. Satterfield to Mr. Ellis B. Ridgway; dated May 12, 1959, from Dudley C. Buzby to Mr. Henry Satterfield; dated May 4, 1959, from Dudley C. Buzby to Mr. Henry Satterfield; and dated January 2, 1959, from D. C. Buzby to Robert Strunce, was marked Exhibit G-240 for identification.)

By Mr. Reycraft:

Q. Mr. Satterfield, will you turn to the fourth page of Government's Exhibit 240, which is the January 2nd memorandum, and will you read that memorandum into the record, please.

A. To Robert Strunce from Doug Buzby, subject "Rates —Auto Agents Plan":

"Attached you will find a rate schedule issued by the 2nd National Bank of Philadelphia to Allstate Insurance Co.

"This schedule offers a 4% rate on 36 months as compared to our 5% rate. Our own agents are quite concerned about this matter and feel that they will have to offer the lower rates to their own customers. I have been told that Liberty Real Estate and Fidelity Philadelphia have also offered insurance agents the 4% rate for 36 months.

"In line with the reduced rates 2nd National had [fol. 2689] a contest in which cash prizes were offered to the agents for sending in new business. One of our better agents made an extra $40.00 before Christmas in this manner.

"I feel that competion has become quite stiff in this matter and would appear that a slight 'rate war' is going on. We have to be careful in our own area due to the relationship with the local banks. However,

most of our paper is coming from outside this area and should not present too much of a problem and particularly since this represents an insurance finance program."

Do you want me to read the bottom?

Q. Yes, the handwritten note at the bottom.

A. "4/17/59 HDS & RRS have decided not to reduce direct auto agent paper."

Q. Now, those initials refer to yourself and Mr. Strunce?

A. One is my initials and the other is Mr. Strunce's; that's correct.

Q. Can you tell me, sir, your reason for deciding not to reduce the auto agents' paper at that time?

A. Well, in the auto agents' paper, once again, you determine a rate and how to handle an account; and in the auto agents field there is a great deal of competition [fol. 2690] You can notice that several other banks in the auto agents field offered the lower rate. We felt at that time that we would not meet the lower rate, it would not be profitable enough to meet the lower rate, to handle and give the service as required.

Q. Now, what did you understand the sentence

"We have to be careful in our own area due to the relationship with the local banks,"

to mean?

A. Well, the writer is Mr. Buzby, but my interpretation of that would be, as far as lowering the rate is concerned, he did not want to start a rate war. In other words, if rates are lowered in the community other banks would lower them again. In other words, you start a rate war and we certainly did not want to start a rate war.

Q. So that is the relationship with the local banks that he is referring to?

A. Well, it would be where we would not want to lower the rate, then maybe if we lowered the rate the bank would lower it and you would start a rate war.

We did not want to cut rates.

Q. You did not want to do that?

A. That's right.

Q. Now, the next memorandum in this series in the point [fol. 2691] is that dated May 4, 1959.

What does this indicate to you, sir, with reference to the further competition you were receiving?

A. (There was no response.)

Q. That is a brief memorandum. Would you read that into the record also?

A. This is to myself from Mr. Buzby:

> "Hank, earlier in the year we requested procedure on our Allstate and State Farm Automobile Agent's Plan. As you remember, we are being undercut on rates by other banks in this area. We are not competitive with these rates and are currently making exceptions in order to secure good to excellent applications. Our agents have told us that they are required to offer the lower rates to their customers as policy holders and they are constantly giving us the choice between placing it through Second National Bank and ourselves. Sears recently opened a new store in Abington and we have the opportunity of picking up three additional agents, however, I feel that if we cannot offer them what they are presently securing through other banks, we will not be able to properly serve them. Would you please give this some thought and advise me if we are going to be able to offer rates that are equal to their other sources.

[fol. 2692] "Thank you very much."

Q. What did you do after you received this memorandum?

A. We——

Q. Did you and Mr. Strunce discuss it with Mr. Ridgway?

A. This was discussed, but once again I repeat we did not lower our rate. We think the rate on the agents' paper was a low rate. With one exception that was made, as pointed out in the other memorandum, that occasionally if it is a good credit, long-term employment, it was a good, high-quality account, a good credit account, we would probably make an exception to meet, because the other banks were securing most—a great deal of this auto agent paper, but there was an exception made once in a while on a good credit account to a lower rate.

Q. The memorandum indicates that you were currently making exceptions in order to secure good and excellent applications.

A. That's what I mean by my explanation.

Q. Now, will you refer to the memorandum of May 12, 1959, from Mr. Buzby to you?

Now, he continued to be concerned about your competitive position in rates, did he not?

A. Would you repeat your question on that memorandum?

Q. Yes.

Does the memorandum indicate to you that Mr. [fol. 2693] Buzby continued to be concerned about the competition you were speaking of on rates?

A. That would indicate that, yes.

Q. And that you were still making exceptions in order to meet the competition and that you were still trying to find some type of rate that will be in competition with Philadelphia banks?

A. Well, once again we were making exceptions to rates if the credit warranted.

Q. And he requested you, did he not, to endorse a different type of rate structure in order to give you the opportunity to meet this competition?

A. I think what he means here is that he would like for me to endorse a plan where he can make these exceptions.

Q. Would you repeat that?

A. I think what he meant—my interpretation of this memorandum would be that he wanted me to endorse a plan where he can make these exceptions.

Q. So that he could meet them as they came up; so that he could meet the competition as it arose?

A. If the credit warranted.

Q. And your recommendation to Mr. Ridgway on May 18, 1959, was that you continue this policy of making exceptions to meet the competition?

[fol. 2694] A. That is correct.

Q. Mr. Satterfield, Government's Exhibit 232, which is a memorandum we discussed earlier from Mr. Erb, indicates that Mr. Erb at that time could charge any lesser rate he wanted.

Is there any difference between the authority which he

had and the authority which is referred to in this memorandum as far as it affects Mr. Buzby?

The handwritten notation at the bottom indicates that he had authority to lower his rates, doesn't it?

A. Well, once again, getting back to an authority to lower a rate, once again, if a customer would come to the bank, the branch manager would have authority to offer a lower rate if he thinks it warrants the rate being lowered.

Of course, this is based on bank relationships, which I think you will find is a practice of all banks.

Mr. Reycraft: Will you mark as Government's Exhibit No. 241 a one-page memorandum which consists of two separate sections with different dates, and it is headed "Floor Plan Rate." The first two paragraphs are dated 8/3/59 and the second section is dated 8/6/59.

[fol. 2695] (One-sheet document headed "Floor Plan Rate," bearing dates 8/3/59 and 8/6/59, and bearing typewritten name, Robert R. Strunce, was marked Exhibit G-241 for identification.)

By Mr. Reycraft.

Q. Mr. Satterfield, what kind of rates are being referred to in Government's Exhibit No. 241?

A. Can I finish——

Q. Yes, sir. I thought you had finished reading.

A. Getting back to the first paragraph, John Galligan and Earl Caffrey—I think the rate they are referring to there is the wholesale rate.

Q. On what type of paper?

A. Automobile indirect paper.

Q. Do you recall whether you increased your wholesale rate at that time?

A. Well, I think at one time we increased our wholesale rate. When prime increased, I think that was at the time that this happened.

Q. Was there any loss in business? Did you lose some business to another commercial bank as a result of it; is that correct?

A. What's that, please?

[fol. 2696] Q. And you lost some business to another commercial bank as a result of it; is that correct?

A. I don't think so, no. This is a competitor who was trying to take the business away from us at a lower rate. I think you will find this memorandum will indicate that.

Q. Yes.

My understanding is that the competitor took some business away because of their lower rate. Is that right?

A. Not on this particular account, no, sir. They did not take the account away from us.

Q. What does this second sentence of the memorandum mean—"Both T. D. Keyser and Brenninger have gone into the Montgomery Trust because of the increase in our wholesale rate?"

A. I think what he meant by that, to clarify that, is that T. D. Keyser and Ralph Keyser went into the Montgomery Trust Company to talk about rates, but, T. D. Keyser and Ralph Keyser did not go with Montgomery Trust; they stayed with us.

Q. What did your bank do as a result of their talking with this other bank?

A. In talking with this other bank?

Q. Yes. Did you make any changes in your rates?

[fol. 2697] A. I don't remeber talking to the other bank. I did not talk to the other bank.

You see, in automobile paper you have competition every day calling on automobile dealers. In this instance we made a rate, an increased rate, in our wholesale.

Well, when you increase rates, naturally dealers get concerned. Another bank or finance company, whoever has solicited the business, may come in and say, "I will give you a lower rate."

This is a concern——

Q. You are concerned about that?

A. I say this was the dealer's concern about that and naturally they called my two road men in to discuss this account and he was concerned because we raised our rate and competition was offering a lower rate.

Q. Did you make any change in your rate to meet the competition?

A. On 8/3/59 we increased our rate and to the best of my knowledge no change was made.

Mr. Reycraft: Would you mark as Government's Exhibit No. 242 a one-page memorandum from Mr. Cliff Gillam to

Mr. Henry Satterfield, dated March 25, 1960, subject "Auto Agent Plan."

[fol. 2698] (Memorandum, the Philadelphia National Bank, dated March 25, 1960, from Cliff Gillam to Mr. Henry Satterfield, subject "Auto Agent Plan," was marked Exhibit G-242 for identification.)

By Mr. Reycraft:

Q. Would you read the paragraph, sir, beginning, "In view of the above——"

A. "In view of the above, we are not at all competitive with our schedule of $4.00 for 24 months, $4.50 for 30 months and $5.00 for 36 months. We are feeling this in our volume which has been down in recent months averaging around $50,000.00 for January and February whereas formerly it would be running $100,000.00 but with no increase in trend. We have lost all of our State Farm agents and our remaining loyal All State agents are finding it harder and harder to justify giving us paper. In addition, because of our higher rates, I know they do push our boys on unusual deals pretty hard.

"Accordingly, we feel that some serious consideration should be given to offering a plan competitive with Pennsylvania Co. as follows

[fol. 2699] $4.00 on New 24 months
$4.50 on New 30 and 36 months
$5.00 on Late Model Used
$6.00 on Older Model Used."

A. Would you like me to continue?
Q. Yes, you might as well complete it.

A. "It also seems to me that we would benefit by giving out imprinted literature as several of the other banks are. It seems to me this might be worthwhile of and by itself regardless of the attraction it should be to the agent in reducing his promotional expenditures."

Q. Do you know whether the change that was recommended was made?

A. I don't think this rate was changed when he wrote this in March of '60.

Q. All right.

[fol. 2700] Mr. Reycraft: Will you mark as Government's Exhibit No. 243 a three-page exhibit dated December 9, 1960, from H. D. Satterfield to Mr. E. B. Ridgway, subject T. D. Keyser, and there is attached as the third page a memorandum dated December 2, 1960, from John J. Plunkett to Edward A. Tobin.

(Three-page exhibit dated December 9, 1960, from H. D. Satterfield to Mr. E. B. Ridgway, the third page being memorandum dated December 2, 1960, from John J. Plunkett to Edward A. Tobin, was marked Exhibit G-243 for identification.)

Q. With reference to the first paragraph, the sentence, "T. A. also wanted to know if we would continue operating the way we are now after the merger"

Can you explain what you meant at the time you wrote that sentence?

A. Well, Mr. Keyser at that time wanted to know—the merger had been announced, and he wanted to know if we would continue operating the way the Philadelphia National Bank is now operating. We operate on a decentralized basis, and we handled a dealer in Lansdale, and Girard, I think their automobile paper is centralized, and he was wondering if he would be operating locally instead of coming——

Q. In other words, he didn't want to have to come downtown to do business?

[fol. 2701] A. That is what he meant, yes.

Q. It indicates, does it not, that Montgomery Trust was still active on a rate basis?

A. Montgomery Trust, that is correct.

Q. And on the second page of the memorandum it indicates that you felt that if you lost T. D. Keyser you would lose other dealers as well?

A. That's a possibility, yes. Other dealers in Lansdale.

The Court: Let's take our break at this time.

(A 10-minute recess was taken at 11:10 a.m.)

Mr. Reycraft: With reference to Government's Exhibit No. 239, Mr. Degnan's notes indicate—and Mr. Degnan is the Government attorney who has examined this document, the original of that—there appears on the original the following note: "To what extent is this plan used in out of county areas?"

And I would like to have the original checked——

Mr. Littleton: If Your Honor please, I know nothing about this note that Mr. Reycraft speaks about, because we processed exactly what the Government asked us to process and he made copies.

Mr. Reycraft: Well, the original shows whatever it shows.

Mr. Littleton: We will endeavor to get the original, but [fol. 2702] we made a copy of what the Government asked us to make.

Mr. Reycraft: Will you mark as Government's Exhibit No. 244 a one-page memorandum dated April 29, 1960, from Robert R. Strunce to Mr. Ellis B. Ridgway, subject Bonus Plan—Home Modernization.

(One-page memorandum dated April 29, 1960, from Robert R. Strunce to Mr. Ellis B. Ridgway, was marked Exhibit G-244 for identification.)

By Mr. Reycraft:

Q. Mr. Satterfield, will you read Government's Exhibit 244 in its entirety.

A. To Mr. Ellis B. Ridgway from Robert R. Strunce, subject Bonus Plan—Home Modernization.

> "This plan is not being used by any of the county officers with the exception of the Madison office. Madison has two dealers on the plan—Competition is Penco and Girard Trust.
>
> "The Montgomery Office has Peoples National Bank as competition. Their charge is $6.00 per $100 per year and they give the dealer 1% per year only on deals in excess of $500. Total reserve is returned to dealer once a year around Christmas.
>
> "The remaining county offices indicate that they [fol. 2703] have no dealers and there is no competition. However our offices have not promoted our Home Modernization Plan to any extent."

Q. Will you read the handwritten note.

A. I will try.

"Henry Shouldn't this be discussed and a deal worked out to increase volume of desirable Home Modernization business at adequate rates?"

Q. Ellis is Mr. Ridgway, is he not?

A. Yes.

Q. And Henry is yourself?

A. That's correct.

Q. I hand you Government's Exhibit 239, Mr. Satterfield. Will you refer to the second page and read the handwritten note and tell me what you meant by that.

A. You mean by the memorandum, "Taken care of 5/2/60"?

Q. Is that your initials?

A. That is my initials.

Q. Do you know what was taken care of? I might point out that that note was written after the memorandum of April 29, 1960, which contains a note from you to Mr. Ridgway. Can you tell me if there is any connection between the two?

A. I think, in reference to the two memorandums, as you know—well, maybe you don't know—but in Philadel- [fol. 2704] phia we have—and I mentioned this before—a Home Modernization Department which is handled by Robert Lowry, and in our branches we have a branch set up where we handle personal loans and indirect paper, but we have not done very much home modernization paper in our branches, and I think this memorandum, it looks like an inquiry, how many dealers in our branches are using this bonus plan.

Q. Will you indicate which memorandum you are referring to?

A. I am referring to April 29, 1960. You gave me two of them, by the way.

Q. Yes.

A. And it looks like Montgomery office was mentioned, and I know our Montgomery office does very little home modernization paper.

Q. All right, if you don't know.

A. I say, Montgomery office does very little home modernization paper. They have the Peoples National Bank as a competitor, with a $6 per hundred per year rate, with a one per cent reserve, and you asked me what I thought was meant by Mr. Ridgway's note; is that correct?

Q. Yes, what you said you took care of on May 2, 1960, on G-239.

Let me ask you, sir, whether, when Mr. Ridgway wrote the note to you which apepars on Government's Exhibit [fol. 2705] 244, saying, "Shouldn't this be discussed and a deal worked out to increase the volume of desirable Home Modernization business at adequate rates," was this a matter you took care of, do you remember?

A. No, this was not the matter taken care of. I think here the best I can remember the matter taken care of was a memorandum of April 26, 1960, and Mr. Ridgway, my interpretation meant, as you notice, Montgomery office, maybe some kind of plan can be worked out where he can secure more home modernization paper in our Montgomery office, because our paper had a lower rate, because in that particular territory we were receiving very little home modernization paper. That would be my interpretation of his memorandum.

Q. Will you examine Government's Exhibit 194, Mr. Satterfield. This memorandum was written to you, was it not?

A. That is correct.

Q. Would you read the paragraph beginning, "Our competition for this dealer's paper. . . ."

A. "Our competition"—this is Sylvan Pools—"Our competition for this dealer's paper has been with the folks from Girard Trust Corn Exchange. Mr. Clark and I visited this account early in February with the idea of discussing a possible 'raise in rate' which I felt could be accomplished if and when the merger became a reality, and competition [fol. 2706] between banks eliminated."

Q. You understood this reference to be to the merger between the Philadelphia National Bank and the Girard Trust Corn Exchange Bank?

A. That is correct.

Q. In the note which appears on the second page of this exhibit, the next to the last line, I will read the sentence:

"I think performance-wise we wouldn't have to be concerned (if good credit judgment is used) but this paper in N.J."—which I think you mean New Jersey—"won't generate additional business for our bank."

Can you tell me why you understood that this paper wouldn't generate additional business for your bank?

A. In New Jersey.

Q. Yes.

A. My interpretation of this would be, and I believe what Mr. Strunce meant, it could be checking accounts or deposit business for our bank.

Q. And you didn't think you would get much of this business from Jersey?

A. That type of business. In other words, they were services. I think that is what he meant. I am not sure, but that would be my interpretation.

Q. Do you know where the home office of Sylvan Pools is?

[fol. 2707] A. Yes, in Doylestown, Pennsylvania.

Q. What county is that in?

A. I believe that is in Montgomery County.

The Court: Bucks.

The Witness: Bucks County.

Mr. Reycraft: That is all I have, Mr. Satterfield.

Cross-examination.

By Mr. Littleton:

Q. Mr. Satterfield, you said at the beginning that you had direct and indirect loans in this personal and consumer loan field.

A. Yes, sir.

Q. What is the difference between direct and indirect?

A. Direct is direct to the public and indirect is dealer paper.

Q. And all these exhibits that Mr. Reycraft has been showing to you and getting you to read from and comment upon, beginning I think it is from 231 and going through 244, and G-194 have to do with indirect paper; is that correct?

A. Some had to do with indirect, but agent paper is direct paper. You would consider that as direct.

Q. You count that as direct?

A. That is correct.

[fol. 2708] Q. Which do you count as indirect?

A. That would be home modernization. I think some mention was made about particular automobile accounts. That would be also indirect paper.

Q. Dealer paper?

A. Dealer paper, dealer auto and dealer home modernization; an agent paper you would consider direct paper.

Q. Now let us talk about the home improvement loans first. Can you tell us what percentage of your volume, your dollar volume in your department, personal and consumer loans, is home modernization paper?

A. I would say approximately 10 per cent.

Q. Do you know what your volume is generally?

A. I know what my outstanding is, yes.

Q. What is your outstanding?

A. My outstanding is about 47 million 800 and some thousand dollars. That is not including floor plan or participation. That is retail outstanding; I believe we have about $4,700,000 outstanding home modernization paper.

Q. That is where you get your approximate 10 per cent figure?

A. Yes.

Q. Is that mostly dealer paper?

A. Home modernization. That $4,700,000 is dealer paper.

Q. All dealer paper?

[fol. 2709] A. That is correct. Of course, we have personal loans for home modernization, but I have no record of that because that is a direct loan.

Q. On these home improvement loans, what is your competition generally for home improvement loans?

A. Well, the home modernization field is a highly competitive field.

Q. What?

A. Highly competitive. You have your banks, your commercial banks, you have your finance companies, you have your mortgage service corporations, which include like Peoples National bond. You have your building and loan associations, your sales finance companies.

Q. And of the commercial banks in Philadelphia, what are your competition in home modernization loans?

A. Well, we have, I think you would know, one bank is vey highly competitive. We have about three banks, I would say.

Q. The First Pennsylvania Company?

A. The First Pennsylvania Company, I would say—

Q. That is the biggest?

A. That is our big competition.

Q. How about Liberty Real Estate?

A. Liberty Real Estate is competitive.

Q. Mr. Sienkiewicz was here the other day. How about [fol. 2710] Central-Penn?

A. Central-Penn I don't know for sure. I think they are in the field in a small way—dealer paper. Sure, they have a direct loan, but indirect I think they are very small, in home modernization dealer paper.

Q. Any of the other commercial banks in Philadelphia?

A. Well, they do on a direct basis. I don't know of any offhand on an indirect plan, but they do have other banks in the branches that have a dealer plan, in the suburban territory.

Q. I beg your pardon?

A. In the suburban territory, like Peoples National, and so forth.

Q. Peoples National where?

A. They are located in Montgomery. That is in Norristown.

Q. I understood you to say in answer to Mr. Reycraft's quesiton that in your county branches you didn't do much in home modernization loans; is that correct?

A. That is correct.

Q. But the competition is there in Montgomery County that you just gave us, Peoples?

A. Peoples is one of our competitors in Montgomery County.

Q. Referring to this G-194, this Sylvan Pools memorandum, what is your competition, for instance, with Sylvan [fol. 2711] Pools paper?

A. Well, I understand from our road man, or from the manager, Mr. Lowry, the competition there is Pennsylvania Company. New Jersey Bank and Trust Company is calling

on the account pretty regularly. Trenton Trust has approached the account. Industrial Credit Corporation in Chester, which is an individually owned finance company, has offered a deal, and also I understand Commercial Credit has also called on the account, and I know Sylvan Pools pool is being handled by Strawbridge and Clothier, and they have their own finance plan, and I think they do some type of financing with Fidelity-Philadelphia in the commercial loan department.

Q. In the Fidelity-Philadelphia?

A. Yes, sir.

Q. And did you mention the Commercial Credit Corporation?

A. I understand from my field man that Commercial Credit has contacted the account for business.

Q. Will you look at G-244. This is the one in which you mentioned the Peoples National Bank as competition with the Montgomery office of your bank.

A. Yes, sir.

Q. And you say, "The remaining county offices indicate that they have no dealers." What do you mean by that?

A. I think what that memorandum means, they do not [fol. 2712] have any home modernization dealers they are doing business with.

Q. Are they doing any direct business?

A. They would be doing direct, but this memorandum, I think, has to do with indirect paper.

Q. And as to that, this memorandum indicates there is no competition?

A. Well, I think this memorandum——

Q. Do you agree with that?

A. "The remaining county offices indicate that they have no dealers and there is no competition. However, our offices have not promoted our Home Modernization Plan to any extent."

Well, the reference to no dealers, naturally, they would mean they have no dealers on the indirect plan.

Q. And it is that competition that is referred to in the memorandum?

A. Sir?

Q. And it is that field of competition which is referred to in the memorandum? They do have direct?

A. They do have direct competition. I think what he means there—I am trying to think—my interpretation of this is the competition is not too keen as far as the indirect paper up there is concerned. That would be my interpretation of what Mr. Strunce meant in this memorandum, but they do have competition in direct.

[fol. 2713] Q. In the automobile financing what types of automobile financing do you do?

A. Well, we have the indirect plan, and, of course, we have our direct plan, and referring back to other memorandums, we did do some agent, auto agent paper.

Q. Tell us what you mean by that last.

A. That is the direct plan that we discussed this morning. The memorandums had to do with the other banks in the direct auto agent plan. This is a plan where auto agents, say, for example, for All State, would generate paper, as I mentioned this morning. They try to sell the insurance, but they feel that they can be more competitive in their insurance program if they had a finance plan, and they try to get the low type of plan so that they can sell the financing. That way they would get the insurance.

Q. What is your competition in the automobile financing?

A. Well, once again, automobile financing is highly competitive. You have your banks, commercial banks, you have your finance companies, your sales finance companies, and, of course, it is highly competitive as far as your agent auto plan is concerned. You have your personal loans. All banks, as you know, quite a few banks, are in the direct loan paper.

Q. In Philadelphia itself, among the Philadelphia commercial banks, which is your biggest competitor?

[fol. 2714] A. In Philadelphia itself I would say Pennsylvania, as far as a bank is concerned, is our largest competitor.

Q. Incidentally, have you any idea of the relationship between the volume in First Pennsylvania Company and the volume in the Philadelphia National and Girard Trust?

A. Well, I know Pennsylvania Company—of course, we have been in the field since 1955—Pennsylvania Company has a large outstanding. I don't know exactly what their outstanding is, but I know it is way over, I would say, a hundred million.

Q. As compared to yours of what?

A. Well, total, everything included, floor plan, right now would be about $52 million.

Q. Is Girard less than that?

A. I would say Girard, including everything, I think they are a little higher than that, but Pennsylvania Company, I don't know, but I think you will find they will be pretty close to $175 million. I am not too sure on that exact figure.

Q. In other words, it is more than you and the Girard put together?

A. Yes, that I know for sure, yes.

Q. And what other commercial banks in Philadelphia are competing in this?

A. Provident Tradesmens is competing on an indirect plan.

Q. They are larger than you in volume?

[fol. 2715] A. That I cannot answer. I do not know for sure what their outstanding is. Central-Penn is also another competitor in the indirect field.

Q. Fidelity-Philadelphia also?

A. Well, they are a competitor in personal and direct and agent paper. They do quite a bit of agent auto paper.

Q. This business you are doing in a great many of your branches too, are you not?

A. Yes, sir.

Q. Do most of the Philadelphia commercial banks having branches in the areas which you have branches compete in this line in the counties?

A. I would say quite a few of them, yes, sir.

Q. And in addition to that do you have local banks?

A. Yes, sir.

Q. Such as I think the Security Trust Company of Pottstown was mentioned in Mr. Erb's memorandum?

A. And Montgomery Trust Company also.

Q. And in New Jersey you have the New Jersey banks such as you mentioned before in connection with the Sylvan Pools?

A. And you also have competition, automobile indirect, from New Jersey.

Q. Aside from commercial banks, what is your competition in this automobile financing?

[fol. 2716] A. Well, your sales finance companies, like Commercial Credit, CIT, Associated Discount.

Q. Will you look at G-57, which the Government has marked, which has been referred to many times in this case. Look at the bottom of page 123. Will you read what it says there.

A. "A second important field of essentially local competition is consumer credit. Exhibit C shows the competition which commercial banks receive in this field from other kinds of institutions, such as credit unions, sales finance companies, and personal loan companies. Schedule 7 sets forth how the share of this market held by Philadelphia's commercial banks is divided. Philadelphia National has 10%. Girard has 15%."

Q. Go ahead.

A. On page 124: "The aggregate 25% share of the Resulting Bank is to be compared with 34% held by its largest local competitor. Again it is to be noted that these figures do not include commercial banks outside Philadelphia even though within the service area, nor the large number of other institutions treated in Exhibit C."

Q. Now will you turn to page 96, which is Exhibit C referred to in what you just read.

Incidentally, did you agree with that statement [fol. 2717] that you just read from page 123?

A. Yes.

Q. On page 96 will you read us Exhibit C which is referred to in what you just read. What is it headed?

A. "Sales Finance Companies."

Q. Read it.

A. "In October 1959 there were approximately 100 motor vehicle sales finance companies authorized to engage in business in the four Pennsylvania counties included within the resulting bank's service area. Equivalent statistics are not available for New Jersey or Delaware. The Pennsylvania figures do not include all sales finance companies, only those licensed under the state Motor Vehicle Sales Finance Act, although motor

vehicle financing undoubtedly comprises the bulk of all sales financing business.

"There are no published statistics on the dollar amount of sales financing business done by finance companies (motor vehicle or otherwise) as compared with the amount of such business done by commercial banks. If we assume that of the 52,634 new vehicle registrations in Philadelphia County alone in 1959, 65% were financed at an average amount of $2500, the total dollar amount of financing in that year in [fol. 2718] that county alone would exceed $85,000,000. On the same basis there would have been over $69,000,000 of new vehicle financing in 1959 in Delaware and Montgomery counties. It is believed that the major share of this business is probably handled by motor vehicle sales finance companies. Accordingly, the competition they furnish commercial banks in this field is active and substantial."

Q. Do you agree with those statements, Mr. Satterfield?

Mr. Reycraft: You haven't established that he has prepared this exhibit or he is familiar with any of these facts.

The Witness: I was going to say, as far as the exact figures are concerned or the total, a record was made of this, but I will say that sales finance companies are certainly competitive in the automobile field.

Mr. Reycraft: But you don't know about any of these figures?

The Witness: The figures, I did not arrive at the figures, no, sir.

By Mr. Littleton:

Q. Look on page 137. I believe this is also G-44. Will you read those figures. Read us what the schedule is.

[fol. 2719] A.

	"Consumer Credit (Millions)	% of Total
First Pennsylvania Banking and Trust Company	$180	34%
Philadelphia National Bank	54	10
Girard Trust Corn Exchange Bank	80	15
Provident Tradesmens Bank and Trust Company	70	13
Fidelity-Philadelphia Trust Company	25	5
Central-Penn National Bank	65	12
Other Philadelphia Commercial Banks	60	11
Total	$534	100%"

Mr. Littleton: Thank you very much, Mr. Satterfield. That is all I have.

[fol. 2720] By Mr. Price:

Q. Mr. Satterfield, will you turn to Exhibit 240.

A. May I have a copy?

Q. The last page, the last paragraph, where reference is made to our area, our whole area.

What is our whole area? Do you find that about the middle of the last paragraph?

A. We have to be careful in our whole area due to the relationship with the local banks.

Q. What is our own area?

A. Well, I figure in this particular memorandum he was considering the area of Montgomery—Montgomery County, Norristown; our bank in Norristown's area.

Q. So that was a reference to Montgomery County?

A. That was a reference to Montgomery County; that is correct.

Q. And the sentence immediately following:

"Most of our paper is coming from outside this area,"

means that it originated in New Jersey and Delaware and other counties of Pennsylvania?

A. Philadelphia County, yes, different parts.

Q. All right. Thank you.

Now will you look at G-194, the Sylvan Pools exhibit? [fol. 2721] Do you have it, Mr. Satterfield?

Do you know how much of Sylvan Pools' business is financed by this kind of an operation, through banks or otherwise?

A. Well, I was told by my field man—once again I do not call on the Sylvan Pools account, but I was told by my finance man that the retail financing of Sylvan Pools has been low; getting back to Girard and the Philadelphia National Bank doing business with Sylvan Pools, I understand that the percentage has been about 30 per cent. That is the understanding that I was told by my field man that he secured from the dealer.

Q. So if that figure is accurate, 70 per cent is handled either by the purchasers of the pools themselves by paying cash or by their own financing arrangements with their own banks somewhere else?

A. I would say yes.

Q. And when they finance through their own bank they may either give the bank a note or some other sort of a pledge at varying rates of interest, depending on what the bank charges?

A. That's correct.

Q. And all of that takes place in the States of New Jersey, Delaware, Maryland, and Pennsylvania, does it not? [fol. 2722] A. Well, yes. Of course——

Q. So that the competition for Sylvan Pools' financing of their product is over a very large area apart from these four states as I mentioned?

A. I would say so.

Q. And the banks and finance companies and other lending agencies in those areas?

A. I would say so.

Q. Then you mentioned Strawbridge & Clothier.

A. Yes.

Q. They also sell Sylvan Pools and finance them themselves at their own rates?

A. That's my understanding.

Mr. Price: Thank you. That's all I have, Mr. Satterfield.

Redirect examination.

By Mr. Reycraft:

Q. Mr. Satterfield, if you will refer to Government Exhibit No. 57, the Schedule 7, which is a schedule of figures indicating the consumer credit business of Philadelphia commercial banks, this exhibit, in your knowledge, also indicates, does it not, that your bank and Girard Trust Corn Exchange Bank and the other banks on this page are competitors of your bank in this field?

[fol. 2723] A. Oh, it would indicate that, yes.

Q. You don't have any doubt about this either, do you?

A. Well, no. The figures there will show that they are competitors.

Q. Do you know from your own knowledge that your bank is a competitor of Girard Trust Corn Exchange Bank for this type of business?

A. Yes. They would be a competitor.

Q. You also testified, I believe, that Philadelphia National Bank entered the consumer credit field in 1955?

A. Well, I would say, to clarify that, that we actively got into it in 1955. I came with the bank in '54, but we really went after installment business, I would say, early 1955.

Q. Do you know approximately what the volume of consumer credit business was which the Philadelphia Nation Bank had in 1955?

A. Gee, I couldn't give you an accurate figure on that.

Q. Was it substantially less than what is indicated on Schedule 7?

A. Oh, yes. It would be substantially less.

Q. So that you have increased your business from a minimal amount up to $54 million since 1955; is that correct?

[fol. 2724] Mr. Littleton: Objected to. He didn't say anything about a minimal amount.

By Mr. Reycraft:

Q. How much did you have? Was it less than $5 million?

A. That I increased our business since?

Q. No.

What was the amount of consumer credit business that you had in 1954 and 1955, whichever figure you can remember? Was it less than $5 million?

A. I don't remember any exact figure, exactly what it was. I would say it was less, but I don't know what the figure would be.

I just don't know offhand what our outstanding was at that time, but I would say it was less than $5 million.

Q. And you have increased from less than $5 million to $54 million as of December 31, 1959?

A. Well,——

Q. That is what the figures show?

A. That is what the figures show.

Mr. Reycraft: That's all.

By Mr. Littleton:

Q. Just one more question about this Schedule 7. Do you have it before you?

[fol. 2725] A. What page is that, sir?

Q. Page 137 in the application.

A. What page is that on?

Q. 137.

Is that direct or indirect?

A. The $54 million?

Q. Yes.

A. That's indirect and I would think that includes floor plan participation, and so on. That would be direct and indirect also.

Q. Direct and indirect?

A. Yes.

Mr. Littleton: All right. That's all. Thank you very much.

Mr. Reycraft: That's all, Mr. Satterfield.

[fol. 2726] Mr. Reycraft: I would like to mark at this time as Government's Exhibit 245 a set of lines of credit which were furnished to us by the Philadephia National Bank originally in response to Question No. 6 directed

to the Philadelphia National Bank; and thereafter the documents were furnished with the complete information contained in the credit reports, including the amounts of the lines of credit and by bank, except that the names of the companies involved have been omitted by agreement.

(Pamphlet of set of lines of credit furnished by the Philadelphia National Bank was marked Exhibit G-245 for identification.)

OFFERS IN EVIDENCE

Mr. Reycraft: I have no further witnesses, Your Honor, and I would like, if this is the appropriate time, to move the admision of documents which have been marked.

The Court: We can't get to it earlier than right now.

Mr. Reycraft: I move the admission of Government Exhibits 1 through 245 into evidence.

I wish to state that with reference to Government Exhibit No. 57, which is the application, there are a number of statements in the application which are in the nature of [fol. 2727] conclusionary statements with which we do not necessarily agree, but nevertheless I wish to offer the exhibit in the case.

With reference to Government's Exhibit No. 123-A, this is the complete letter of Mr. Bicks, as to which Exhibit 123 is an excerpt, and we wish to offer 123, but not 123-A.

Mr. Littleton: I object to it. If he wishes to offer part of Mr. Bicks' letter, if he is going to offer Mr. Bicks' letter, I think it must be in its entirety.

We have no objection to 123-A. We do object to 123.

If Your Honor please, I am addressing myself just to that at this moment, because Mr. Reycraft did. We have objections to certain others, which we will be ready to present.

The Court: Your point is that you only want to offer so much of the letter?

Mr. Reycraft: Yes, sir.

The Court: The whole letter, 123-A, which is not encompassed within your exhibit——

Mr. Littleton: Yes, sir. That's right.

[fol. 2728] The Court: And you object to it?

Mr. Littleton: I object to it.

Mr. Reycraft: They may offer the remaining part.

The Court: As to that, your objection is overruled. I will accept 123 in evidence.

(Exhibit G-123 admitted in evidence.)

The Court: Now, what objections do you have to certain others?

I am ready to take them up seriatim or any other way. I will give you a moment to get started.

Fundamentally, G-1 through G-45, is it, or thereabouts, are pretty much Gaffey tables, are they not?

Mr. Reycraft: Yes, sir.

Mr. Littleton: Our first objection, if Your Honor please, would go to G-7 revised because we think that the percentage which has been worked out on certified and officers' checks is not correct. We think it should be 29.; it is shown as 36.6.

Mr. Price: It is obvious from the face of the exhibit. The total for the Philadelpia National and Girard as stated on the exhibit adds up to 29 instead of 36.6.

Mr. Reycraft: We will check it, Your Honor; and if that [fol. 2729] shows we will change it on the record here.

The Court: G-7 revised; where is that percentage point?

Mr. Reycraft: I would like to check that and if it should be changed we will change it.

The Court: Are you talking about the IPC deposits?

Mr. Price: On G-7, the three columns on the right-hand side of the exhibit, and the line is No. 6, certified and officers' checks. It shows the percent of total as 17.4 for the Philadelphia National and 11.6 for the Girard.

Now, the sum of those two figures is 29, not 36.6.

Mr. Reycraft: That is correct. I agree with you, and it should be 29 per cent.

Mr. Littleton: With the correction, I withdraw my objection.

The Court: Very well.

Mr. Reycraft: May I ask the reporter to mark on the record or show on the record that Government's Exhibit No. 7, the figure six lines down at the far right-hand side, which is shown as 36.6 should be 29 per cent?

The Court: Very well.

[fol. 2730] What is next?

Mr. Littleton: G-11, "Number of Commercial Banks and Offices in the United States, 1900-1960."

We object to that on the ground of irrelevancy, and may I say, if Your Honor please, that we have the same objection as to G-12, which is, "Number of Commercial Banking Facilities in Pennsylvania as of December 31 of the Years 1945, 1950, 1955, and 1959;" and virtually the same objection to G-14, as revised, headed "Major Structural Changes Affecting the Number of Commercial Banks and Commercial Bank Offices in the United States," for certain years.

The ground of our objection in each of those three cases being the irrelevancy of the whole United States or the whole State of Pennsylvania with relation to the figures.

Mr. Reycraft: Your Honor, our purpose in offering these limited statistics with reference to commercial banks as a whole is to provide a background for the market setting in this particular area that we have been referring to.

The Court: I will overrule the objections. I will admit them.

(G-11, G-12, and G-14 admitted in evidence.)

[fol. 2731] Mr. Price: With reference to G-13, I point out that there are a number of "NA" designations, for which the Government has figures, or at least they could have been computed; and except for the fact that the table is incomplete and inadequate, therefore, to that extent misleading, I would have no objection to it.

But if I may supply the figures that are missing at a later time, then I would have no objection to the exhibit.

The Court: You may. You may.

I may say that because something is on a piece of paper and it doesn't add up right, the Court is not going to be impressed with wrong addition or the lack of information.

Mr. Price: I am not speaking of addition at this time, Your Honor, but a substitute for the letters "NA," which I assume mean not available.

The Court: All right. At any time you want to do it, you may, Mr. Price.

What is next?

Mr. Littleton: G-16-A, if Your Honor please, the so-called Keith report, the big Keith report.

We object to that on the ground that although you allowed the testimony from it, the report as a report is [fol. 2732] entirely irrelevant.

May I say that I am anticipating here that (copy illegible) 27 is the summary of the Keith report and I am going to object also to that when the time comes, but may I say at this point that if 127 should be admitted, then I withdraw my objection to 16-A and believe that it should also be admitted.

Mr. Reycraft: Your Honor, once again, I think that this report is quite important as showing the trend of concentration of commercial banking in the four-county area, that its reliability is indicated by the fact that the two defendant banks were two of the sponsors of the report, and it contains information which the banks relied upon in making their expansion plans, and it showed the increase in concentration which we believe contributed to some degree to the present merger.

Mr. Littleton: Your Honor, I am simply going to say that the real basis of my objection is overloading the record.

The Court: I will accept it. Overruled.

(Exhibit G-16-A admitted in evidence.)

Mr. Reycraft: With reference to Government's Exhibit No. 18, I understand that Mr. von Starek wishes to prepare a substitute, on the basis of additional figures.

[fol. 2733] Mr. von Starek: Yes, I would.

Mr. Littleton: To explain that, Your Honor, G-18 was incomplete in the form in which it was furnished. We are now furnishing the additional information.

What will you do, offer that as G-18 revised?

The Court: I have G-18 and G-18 revised. What is this?

Mr. Littleton: Second revision, I guess.

The Court: Third edition?

Mr. Reycraft: Mr. von Starek informed me this morning that the data which he gave us originally on which 18 and revised 18 were based were incomplete and that, therefore, he is furnishing a complete and recomputed exhibit, which I now offer.

The Court: All right. We will take it for a second revision.

(G-18 (second revision) admitted in evidence.)

The Court: Next? What is the next one?

Mr. Littleton: The next one as to which I comment is G-21-A, because it is the first exhibit in this group that gives names of customers, and I now ask that the names of customers, the confidentiality of the names of customers, be protected.

Mr. Reycraft: No objection.

[fol. 2734] The Court: Very well.

Mr. Littleton: I won't raise the question again because it will apply to all the other exhibits which contain names of customers.

Mr. Reycraft: As far as I know, I have no objection to that. If we do have them, I will let you know.

The Court: G-21-A, I don't think, has any names on it.

Mr. Reycraft: 21-A?

The Court: Oh, yes, it does. Therefore, I want the reporters, beginning with this one, to keep them separate and not put them in the general files.

Mr. Littleton: I am wondering if it would be possible, if Your Honor please, after the case is closed, if we could withdraw these and give the information in the exhibits without any names.

Mr. Reycraft: I have no objection to that.

The Court: All right. You may do that.

Mr. Littleton: That will save the reporters a burden.

Mr. Price: I ask that that be done as well for any copies of Girard exhibits.

The Court: That's right; exactly right.

Mr. Littleton: G-22, again, it is a matter of correct figures. [fol. 2735] In the very last line——

The Court: That has been revised on my copy. That is the corrected copy, is it not?

Mr. Reycraft: Yes, sir. That is corrected.

The Court: All right

Mr. Littleton: With the correction of the last line of the exhibit, we withdraw our objection.

The Court: The next exhibit?

Mr. Price: As to Exhibits 23 and 24, sir, the last two lines, percent of total, number of loans and dollar volume, the figures are fairly close to what is really accurate.

Practically all the other figures on those two exhibit

are off or inaccurate. The calculations were not properly made; but in due course we shall submit exhibits which cover this general material and, therefore, if I may make reference to that at that time,——

The Court: You may.

Mr. Price:—the two can be tied together, but I caution you while I have the exhibits here before me.

The Court: 23 and 24?

Mr. Price: 23 and 24, because of the general inaccuracy of the figures of the various items.

The Court: All right.

[fol. 2736] Mr. Littleton: If Your Honor please, G-25, we have checked and there are many errors in the last four lines and in the third line of it; and the same errors are perforce carried over to G-27, since it is an exhibit showing a combination of figures.

Mr. Reycraft: We will check those.

The Court: All right. 25 and 27 are to be rechecked.

Mr. Reycraft: Is that 25 and 27?

Mr. Littleton: 25 and 27.

The Court: What number are we up to now?

Mr. Reycraft: May I ask with respect to Exhibit 28, does Your Honor's copy show under "Total Four Counties" across from per cent of total, under $100 thousand to $500 thousand, the corrected figure, 59.5 rather than 39.5?

The Court: It does.

As a matter of fact, I had corrected the original one myself, so I have two corrected copies.

Mr. Littleton: My next objection, Your Honor, is to G-28-A.

Our objection there is that the category on the first line, "Time Deposits," does not include savings deposits figures.

[fol. 2737] Mr. Reycraft: As to these, I depend on the information you gave us.

Does it accurately reflect the category which you gave to us? I am happy to have it checked or corrected.

Mr. Littleton: It is such a broad statement of category, time deposits; and the exhibit does not include the savings deposits.

Mr. Reycraft: So that if we show, "Except Savings Deposits," that would be accurate?

Mr. Littleton: That would be accurate.

Mr. Reycraft: I think the memorandum is important to show completely the matters which Mr. Beadle testified about and the matters on which he based his testimony.

Mr. Price: He was only interrogated about a relatively small portion of it.

Mr. Reycraft: No, indeed. He was interrogated in considerable detail about the entire memorandum.

The Court: I will admit it. I will overrule your objection.

(Exhibit G-70 admitted in evidence.)

Mr. Price: My next, sir, is G-72 to G-78, inclusive, which are a number of branch applications of the Girard, which I consider quite irrelevant to any issue in this case.

The Court: Why do you need those? Why do we need to clutter the record with those, or any of these applications?

They are just formal documents, aren't they?

Mr. Reycraft; Your Honor, I am just merely concerned. I have shared your concern with having too voluminous documents in the record, but I do think that it may be [fol. 2742] important in order that the complete facts to the applications may be shown.

It is completely all right if Your Honor wants to examine them and come to the facts.

The Court: Frankly, they may have some relevancy somewhere along the line, so I am going to admit them, but I don't think that any record should be encumbered with other than whatever stated part you think is important to your case, Mr. Reycraft.

Mr. Reycraft: Let me suggest, Your Honor, that I go over these exhibit- and try to eliminate the excessive parts.

The Court: All right. I suggest that you do that, because they are public documents, anyway.

Mr. Reycraft: Yes, sir.

The Court: If there is any particular part of that application that you consider necessary for your particular record, I certainly will admit it; but I uge you strongly to cut down.

Mr. Reycraft: I will do that.

(Exhibits G-72-A to E inclusive, G-73, G-73-A G-74, G-75, G-76, G-76-A to W, inclusive, G-77, G-77-A to E, inclusive, G-78, and G-78-A, B, and C, inclusive, admitted in evidence.)

[fol. 2743] The Court: That affects the applications for both the Girard and the Philadelphia National Bank and, of course, as you gentlemen know, any overruling carries with it an automatic exception so your record is protected.

Mr. Price: I think I used the digits 78 but they would, of course, include the A, B, and C which were related to 78. They are all part of the same set.

The Court: Yes. I understand that.

Mr. Price: They were memos of Mr. Beadle relating to one of the applications that was referred to, I think, as 78.

The Court: Yes.

Mr. Littleton: If Your Honor please, the numbers of the Philadelphia Bank applications would be G-85 to G-99, inclusive, and I understand they are covered by Your Honor's ruling.

The Court: Yes.

Mr. Littleton: The same treatment by Mr. Reycraft?

The Court: I am going to admit them and we will work them out the same way.

(Exhibits G-85 to G-99, inclusive, admitted in evidence.)

Mr. Littleton: May I call attention to the fact that some [fol. 2744] of those applications are withdrawn, but they are nevertheless included?

Mr. Reycraft: They are indicated on the applications.

Mr. Littleton: That's right.

Mr. Price: It has just been called to my attention that I stopped at 78 inadvertently. Those exhibits go to G-82, relating to branch applications.

The Court: No, no. Beginning with G-81, Mr. Price, we start with a memo from Mr. Beadle to Mr. Smith.

Mr. Price: Yes, sir, and that related to the 23rd and Passyunk branch.

The Court: Oh, yes. That did relate to the branch.

I am only making my ruling on the applications themselves.

Mr. Price: Then that would include G-79 and G-80. G-79 and G-80 were also branch applications, 79 in the Suburban Station office, and 80 at 23rd and Passyunk.

The Court: Yes.

When we start at 81, which we shall do this afternoon, we are back on the memoranda in connection with them.

[fol. 2745] (Exhibits G-79 and G-80 admitted in evidence.)

Mr. Price: 81 and 82 related to 80.

The Court: Yes.

Mr. Price: I thought, therefore, it would be proper to include it.

The Court: I will overrule the objections through 82 and we will start with 83 this aftern on.

I will admit them, but I want them limited to the extent possible. Let's keep this record down somewhat.

(Exhibits G-81 and 82 admitted in evidence.)

The Court: It is 12:30 and we will start this afternoon.

(Recessed for luncheon at 12:30 o'clock P.M.)

[fol. 2746] AFTERNOON SESSION

The Court: We were up to 83, I believe. This G-83 also has some names.

Mr. Price: We had a lot of interlineations. We will have an accurate one that shows all that information in a more legible form. I haven't compared it to this to see whether there are any changes, but ours will be accurate.

The Court: You don't object to this, Mr. Littleton?

Mr. Littleton: Oh, no, not at all.

The Court: What is the next one that you gentlemen object to?

Mr. Littleton: G-85 to G-99, if Your Honor please, have to do with the Philadelphia National Bank applications for branches and mergers, some that are withdrawn. I understood that Your Honor's direction to Mr. Reycraft about the Girard Trust is the same as with regard to the Philadelphia National.

The Court: I will make the same ruling on the Philadelphia National as I did on the Girard Trust and again ask Mr. Reycraft that he kindly limit the record.

Mr. Littleton: We do object, if Your Honor please, to G-100, which appears to be a photostatic copy of a letter from the Philadelphia Clearing House Association to mem-
[fol. 2747] bers of the Clearing House Committee, with reference to some application of the First Pennsylvania Banking and Trust Company for an office in Glenolden.

Mr. Reycraft: I will withdraw that document.

(Exhibit G-100 withdrawn.)

Mr. Littleton: G-100 I am not raising any objection to, but I was talking to Mr. Reycraft during the recess. This is the one in which the ink or lead pencil corrections or overlay on the $2 service charge for returns and stop payments became three.

The Court: Yes.

Mr. Littleton: I am informed that some of the junior officers or clerks who had one of these things in charge recommended it to the merger group. The merger committee had recommended the three, and as Your Honor knows, in the application it went in as two, so these gentlemen apparently in their own notes kept a three over it, and the Government picked up this exhibit from us, and that is the explanation of the three. It means nothing.

The Court: All right, we will admit it.

(Exhibit G-101 admitted in evidence.)

Mr. Price: May I say in connection with this exhibit and a number of others, they were merely recommendations.
[fol. 2748] There is nothing to show whether they were ever adopted, and a number of them weren't, so they have very little significance, if any.

The Court: I will admit it anyway, Mr. Price.

Mr. Reycraft: The only point I had with G-101, Your Honor, is that this change was not made by us.

The Court: I thought that that was your purpose.

Mr. Littleton: My next is 126.

The Court: Do you have any in the interim, Mr. Price?

Mr. Price: (To Mr. Littleton) G-125 you object to also.

Mr. Littleton: G-125-A to G-125-C, we object to those.

Mr. Reycraft: Do you object to 125?

Mr. Littleton: We are going to change 125, as I understand it.

Mr. Reycraft: To eliminate the names.

Mr. Littleton: So as to eliminate the names.

The Court: I am a little behind you now, gentlemen. I have to look for it.

Mr. Reycraft: I will withdraw 125-A, B, and C.

[fol. 2749] (Exhibits G-125-A, B, and C withdrawn.)

The Court: G-125-A, B, and C. What are those?

Mr. Littleton: They were the Moody reports that, after our expression about coffidentiality, nevertheless went in, and it is all in the transcript. No need of having this exhibit.

The Court: All right, that takes care of those. You withdraw A, B, and C.

Mr. Reycraft: Yes, sir.

The Court: This, however, stays (indicating)?

Mr. Reycraft: That stays, and Mr. Littleton is going to offer an exhibit with the names of the borrowers omitted.

Mr. Littleton: I object to G-126 as being irrelevant to this issue. I don't see what it adds at all.

The Court: I will admit it. I overrule the objection.

(Exhibit G-126 admitted in evidence.)

Mr. Littleton: And the same as to G-126-A.

The Court: Is that the attachment?

Mr. Littleton: Well, it wasn't an attachment in the letter. It was something submitted by the Department of Justice during the course of the trial.

[fol. 2750] Mr. Reycraft: It is an official document of the Comptroller's office, a memorandum by the Deputy Comptroller of the Currency, reporting on a conversation in which Mr. Potts and Mr. Littleton were present in the Deputy Comptroller's office, and Mr. Potts testified about the conversation and stated that he recollected the conversation and the substance of it.

The Court: All right, I will admit it.

(Exhibit G-126-A admitted in evidence.)

Mr. Littleton: We object to G-127, which is the so-called summary of the Keith report. Since Your Honor had admitted the Keith report, I see no reason why the summary of the Keith report should be in evidence.

Mr. Reycraft: Dr. Keith testified from the summary to

some degree. I think it might be a convenience to all of us to have a shorthand reference.

The Court: Isn't it all in his complete report which has been admitted?

Mr. Reycraft: I think some of the specific references, Your Honor, the language is somewhat different in the summary.

The Court: All right, I will admit it.

(Exhibit G-127 admitted in evidence.)

Mr. Price: There is some confidential material which we [fol. 2751] can take care of, but I do object to 138, a memorandum about prospective or possible advance sites to be considered after the merger is completed. That certainly has nothing to do with this case.

Mr. Reycraft: This seems quite relevant to me. It shows what the expansion of the combined banks is going to be after the merger, how they are going to come to expand their trade areas, their percentages of the market, and how they are going to go into areas in which it was stated they are not in competition.

Mr. Price: It doesn't show any such thing, because it is merely a memorandum of what they call a task force, and it was not acted upon by any responsible official.

Mr. Reycraft: Consisting of officers of both banks. One man I know is a vice president, because he testified here, and it is in preparation for this particular merger, so I think it ought to be in evidence.

The Court: I will admit it.

(Exhibit G-138 admitted in evidence.)

Mr. Littleton: We object to G-144, if Your Honor please. It is not clear what it is. It speaks about numbers assigned. There was no explanation about what it is. I can't see the relevancy of it from the face of it.

[fol. 2752] Mr. Reycraft: Let me say that if you will furnish to me the numbers of the checking accounts by categories of the two banks, that that is all I want from this document. In other words, you show as to personal checking accounts the number for Girard and the number for PNB.

Mr. Littleton: As of today?

Mr. Reycraft: As of today.

The Court: What is MICR?

Mr. Reycraft: Magnetic Ink Check Recording.

Mr. Littleton: That is the first time that has been mentioned in this case. I didn't know what it was.

The Court: What is it?

Mr. Littleton: Mr. Reycraft says it is Magnetic Ink Check Recording.

Mr. Reycraft: It is a means of identifying checks which pass through the bank's Bookkeeping Department.

The Court: What particularly?

Mr. Reycraft: That has no relevance, Your Honor, as far as I can tell. As I say, my only purpose for using this document is to show the statistics as to the number of checking accounts in the respective banks, and if that can be [fol. 2753] furnished for the record, we could withdraw the exhibit.

The Court: For what it is worth, I will admit it.

(Exhibit G-144 admitted in evidence.)

Mr. Price: Sir, I am sorry, but I missed two. May I raise an objection to 140 and 141. 140 relates to a merger meeting. There is no explanation at all as to its significance to this case. G-141 is in the same category. The last lines indicates how remote it is by saying, "Guidance from your level would help in arriving at a decision for a new plan."

That is the last line of 141. There is nothing to indicate that these represent anything more than ideas that were floating around at sometime and never had been acted upon.

Mr. Reycraft: The second page of the memorandum says:

> "The question of raising objections to the branch applications of competitors was also mentioned, however, it was recognized that the objections of a $1.7 billion institution might not carry the same weight as those filed by a smaller competitor.
>
> "The whole area of branch philosophy, including [fol. 2754] mergers with smaller banks, was recognized as a topic worthy of discussion at future meetings, after the ground work for the divisional organization has been completed."

Mr. Price: That is just something that somebody was talking about at one time.

Mr. Reycraft: The vice presidents of the combining banks were talking about what they planned to do after the merger.

Mr. Price: The last paragraph of that on Page 3 shows that it was just passed off for further consideration at some other date. No action was taken on it.

Mr. Reycraft: It was not possible to take action on it until after the merger should take place.

The Court: I will admit it for what it is worth. Objection overruled.

(Exhibits G-140 and G-141 admitted in evidence.)

The Court: What is the next one?

Mr. Littleton: 150 will be next.

Mr. Price: 147 is a list of questions that the Government asked. I don't see any relevancy to the issues here.

[fol. 2755] Mr. Reycraft: The only purpose, Mr. Price, is so the answers may be understandable. I would think you would want them as well.

Mr. Price: Oh, the answers are in.

Mr. Reycraft: Not all of them. Some of these tables are based upon answers which you gave us to these questions, and I have identified not only the question but the modifications we agreed upon, so I think, really, in order to—

The Court: I will admit it. It is accurate, isn't it? It is an accurate reproduction?

Mr. Price: Oh, I think so. I have no question about its accuracy.

The Court: I got a copy of it originally, so I knew about it anyway, so we might as well leave it in.

(Exhibit G-147 admitted in evidence.)

Mr. Littleton: If Your Honor please, 150 through 160 have to do with applications for mergers or branches, some of which have been withdrawn, and we make the same objection as we did before.

The Court: The same ruling.

(Exhibits G-150 to G-160 inclusive admitted in evidence.)

[fol. 2756] Mr. Littleton: The next one we object to, if Your Honor please, is G-178, which is some handwritten notes that Dr. Goodman had with him.

The Court: That is not in my group here. Let me see it.

Mr. Littleton: It is a photostat of one page with Dr. Goodman's notes on.

Mr. Reycraft: I don't want it. I don't have it because you asked for it, and I did offer it in the blanket offer, but I withdraw it.

The Court: 178 withdrawn.

Mr. Reycraft: Yes, sir.

(Exhibit G-178 withdrawn.)

[fol. 2757] Mr. Littleton: G-179, if Your Honor please, which is the so-called Table 10 on page 388 of the volume "Financing Small Business," our objection to it is the same as that that was made earlier, namely, that it covers the entire United States.

The Court: I will admit it.

(Exhibit G-179 admitted in evidence.)

Mr. Littleton: And the same objection as to Table 1 on page 375 of the same volume, which is here G-180.

The Court: What is the page of the volume for 179?

Mr. Littleton: It is page 388.

The Court: And G-180?

Mr. Littleton: G-180 is Table 1 on page 375.

The Court: I will admit them, although they are part of G-193.

Mr. Littleton: That's right.

(Exhibit G-180 admitted in evidence.)

Mr. Littleton: G-182, we object to because it cites its sources as Tables 20, 21, 22, 23, 24, 25, 26, 27, which are G-20 and so forth; and our reason for objection to G-182 is that it is a composite exhibit built on other tables which we have already objected to as being incorrect.

Mr. Reycraft: We will review this also to see whether [fol. 2758] any changes will be made.

The Court: All right.

Mr. Littleton: G-183, we object to because it doesn't state what Government exhibits it is based on. It simply says as its source, "Government Exhibits."

If it is based on the same ones that I have just read, then we have the same objection that it is based on exhibits which are in themselves incorrect.

Mr. Reycraft: I also would like to check that.

Mr. Littleton: G-184 we object to because it doesn't show what Government exhibit is the source. It is blank there. The source, Government Exhibit (blank).

Mr. Reycraft: May I ask that Your Honor reserve ruling on that also?

The Court: All right.

(Ruling deferred on Exhibit G-184.)

Mr. Littleton: G-186, there is absolutely no testimony about. We have no idea what it is; nothing has been said about it. It was just handed to us along with 182, 183, and so on.

Mr. Reycraft: I will withdraw it.

The Court: Marked G-186 withdrawn.

(Exhibit G-186 withdrawn.)

Mr. Littleton: G-189 we object to on the ground that it [fol. 2759] has no relevancy whatsoever to this issue.

Mr. Reycraft: I withdraw it.

(Exhibit G-189 withdrawn.)

Mr. Littleton: G-190——

The Court: What is G-190?

Mr. Reycraft: G-190——

Mr. Price: I am sorry, sir, but may I raise a question about 187?

I have just been handed a memorandum which indicates that a number of the figures are inaccurate and I would ask Mr. Reycraft if he would check it.

Mr. Reycraft: What number?

Mr. Price: 187. I don't know how wrong these things are.

The Court: All right. I have 182, 183, 184, and 187. Mr. Reycraft is going to check them; and I will withhold a ruling.

Mr. Price: All right, sir, thank you.

(Ruling deferred on Exhibits G-182, G-183, G-184, and G-187.)

Mr. Littleton: G-190——

The Court: I don't seem to have a copy of that here. What is that?

Mr. Littleton: That is the printed document, "Member [fol. 2760] Bank Lending to Small Business, 1955-1957"; and at the foot it says reprinted from Federal Reserve Bulletin for April 1958, which Dr. Goodman referred to as the original sources for information to which he was testifying.

Our objection to it is that again it covers the entire United States and we are objecting, therefore, on the ground of relevancy.

The Court: I overrule the objection.

(Exhibit G-190 admitted in evidence.)

Mr. Littleton: The next one to which we object is 193, the green book, "Financing Small Business," on the ground that there has been testimony taken from it or predicated on certain parts of it; there have been certain tables put in, but that no one testified as to the contents of the entire book, and we see no reason why the book should be put in to swell the record.

The Court: I will let the book go in for my reading of the parts referred to; and that is all I will use it for.

(Exhibit G-193 admitted in evidence.)

Mr. Littleton: G-197 has simply been handed to us. There has been no testimony with respect to it, it has not been validated or confirmed in any way, and there are certain indications right within it that the figures are not realistic. [2761] For instance, it doesn't show loss of deposits at the time of mergers, it doesn't show how one acquires net operating earnings when there is a merger.

Mr. Reycraft: I will have to check on this one myself.

Mr. Price: I would point out in addition that it is misleading in suggesting that the merger between the Girard and the Corn Exchange represented a growth by acquisition.

It is hard to tell what these figures mean because there has been no explanation of them, but obviously that must have included, as indicated by the percentage figure which appears in the last column,——

Mr. Reycraft: This information appears in the application and my understanding is that it is a——

Mr. Littleton: No, this information doesn't appear in the application. For instance, if Your Honor please, they add together deposits of each bank; they do not show what deposits are lost at the time of the merger.

They add together net operating earnings; they don't show any lost net operating earnings.

This is something just created in the Department of Justice and it has nothing in back of it.

Mr. Reycraft: A mathematical putting together of the [fol. 2762] deposits, the loans, and the assets.

Mr. Price: In a most misleading fashion.

The Court: I will withhold ruling on that. I will not admit it and I won't exclude it at this point.

I will expect to hear further from you later about it.

Mr. Reycraft: All right.

(Ruling deferred on Exhibit G-197.)

Mr. Littleton: I have exactly the same objection to G-198, for the same reason.

The Court: I will withhold the ruling.

(Ruling on Exhibit G-198 deferred.)

The Court: What are we up to now? 200?

Mr. Littleton: The last I have is 198. I am just waiting to see what Mr. Price has. My next will be 210.

Mr. Price: 203, 204, 206, 207, and 209 relate to branches and for that reason I will object to them. They seem to have no relevancy to this issue.

They are memoranda related to branches, but no witness has testified to them or explained them and they don't really explain themselves.

Mr. Reycraft: One of the points we discussed before we marked these documents was whether you would require somebody to explain these documents and in the interest [fol. 2763] of conserving everyone's time I avoided calling witnesses on them.

The Court: I am going to overrule the objection and I will admit them.

(Exhibits G-203, G-204, G-206, G-207, and G-209 admitted in evidence.)

The Court: 210?

Mr. Littleton: 210, I object to/ on the ground of irrelevancy. It is a notice from the Philadelphia Clearing House Association that the Industrial Trust Company is purported to have received approval to establish a branch office in Bala-Cynwyd. Objected to on the ground of irrelevancy.

Mr. Reycraft. Just a minute. I will withdraw 210.

(Exhibit G-210 withdrawn.)

Mr. Littleton: 211, we are going to object to on the ground of irrelevancy. It is again a notice from the Philadelphia Clearing House that the Philadelphia National Bank has withdrawn its application to establish a branch on Frankford Avenue.

Mr. Reycraft: 211 refers to an application by the PNB and it is an admission by the Girard that it is a competitive location.

Mr. Littleton: I am sorry, that should be 212, not 211. [fol. 2764] The Court: What bearing does that have on this case?

Mr. Reycraft: Pardon me, Your Honor?

The Court: What bearing does 212 have, any more than 210 has on the case?

Mr. Reycraft: To indicate the exchange of information among the members of the Clearing House on what are supposed to be competitive branch applications.

The Court: Are you claiming that that is improper?

Mr. Reycraft: Not in itself.

The Court: That the Clearing House would disseminate information?

Mr. Reycraft: The lack of respect for this vigorous, competitive behavior.

The Court: I will sustain the objection to 212.

(Exhibit G-212 excluded.)

Mr. Littleton: The same objection to G-213, which is a notice from the Philadelphia Clearing House Association with reference to certain branches of The First Pennsylvania Banking and Trust Company.

Mr. Price: I am sorry, sir, I don't know whether 211 was included in that objection or not. I thought it was.

[fo. 2765] Mr. Reycraft: 211 is the one that we discussed

which contains an admission by the Girard that this particular location is competitive; and for that reason I think it has independent evidentiary value, and I will withdraw 213.

Mr. Price: You withdraw 211?

Mr. Reycraft: 213.

Mr. Price I don't find any admission in the statement by the secretary-treasurer of the Clearing House Association.

The Court: I am talking about 211.

Mr. Reycraft: That is an interoffice memorandum, signed, Your Honor, by S. S. Gardner or initialed by S. S. Gardner, with reference to competitive banks branch locations.

The Court: Yes, not protested.

Mr. Reycraft: An admission that this is a competitive bank and I think it has some evidentiary value in that respect.

The Court: All right. I will let 211 in. I will overrule the objection.

(Exhibit G-211 admitted in evidence.)

Mr. Reycraft: Now I will withdraw 213.

The Court: 213 withdrawn; all right.

(Exhibit G-213 withdrawn.)

[fol. 2766] Mr. Littleton: G-219 is a notice of the Clearing House with respect to the approval of a branch of The First Pennsylvania Company.

Mr. Reycraft: I will withdraw it. Withdrawn.

(Exhibit G-219 withdrawn.)

Mr. Price: I will object to 228 as being irrelevant. It relates to some kind of a computer or not. I don't see any connection whatsoever with this case.

Mr. Reycraft: I will withdraw it.

Mr. Price withdrawn.

(Exhibit G-228 withdrawn.)

The Court: We are about to cover today's exhibits, aren't we?

Mr. Price: I would point out that G-229 is mis-described as a recommended credit authority for the merged bank;

and the attachment indicates that it relates only to the consumer credit operation and not the entire operation.

Mr. Reycraft: Can you furnish the credit authority?

Mr. Price: Not for the entire bank.

Mr. Reycraft: Pardon me. I say, can you furnish the recommended credit authorities for the combined bank?

[fol. 2767] Mr. Price: I think it is in, but I am just speaking of this paper. It is somewhere else.

Mr. Reycraft: If it is in, we obviously don't need this and I withdraw it.

If it is, may we have it?

Mr. Price: This relates only to consumer credit.

Mr. Reycraft: I think we will all agree it ought to be in one way or another.

Mr. Price: We were going to have it for the Girard anyhow.

Mr. Reycraft: On the assumption that it is in the record and will be in the record, I will withdraw it.

(Exhibit No. G-229 withdrawn.)

Mr. Price: This only concerns a portion of it anyhow, so you wouldn't get it from this.

I am merely speaking about the mis-description of the title.

Mr. Littleton: That is all the objections we have.

The Court: How about you, Mr. Price; any additional?

Mr. Price: No, sir.

Mr. Reycraft: Your Honor, I have two things I would like to mention.

[fol. 2768] During direct examination of Mr. Potts we asked that certain information be supplied. I would like to ask that the record be kept open to that extent.

The Court: You asked for certain information from whom?

Mr. Reycraft: From Mr. Potts, during the direct examination.

I understand that counsel are going to supply it, but it has not yet been supplied.

Then, If I may ask Your Honor's permission to submit a memorandum on the question of the admissibility of the deposition, I may not have pointed out that Mr. Brown was the managing agent, and it was my under-

standing that the managing agent of the parties can be used for any purpose as submission against the parties involved; and if I may, I would like to submit a memorandum.

The Court: You may do it. Where the witness isn't available you very definitely have the right to use it.

I would very definitely like to see a memorandum on that because as of now it is excluded, but I can always be educated, however.

Mr. Reycraft: We rely on 26(d)(2), Your Honor.

The Court: I understand.

You may be able to convince me.

[fol. 2769] Mr. Price: Your Honor, with respect to Exhibit G-200, which was the answer of the Girard to Question 6, those were handed to me immediately before lunch and I have reproduced during the lunch hour a list of additional companies, which I will give to Mr. Reycraft as a supplement to the answer which was originally prepared to what was stated to be a partial answer.

Since then this is additional information which I will now hand you and I assume you would like to add it to G-200.

Mr. Reycraft: This is additional information to G-200?

Mr. Price: It is the answer to your Question 6 which, at the time it was given to you, was stated to be a partial answer. The man in charge suffered a heart attack and there was a delay.

Mr. Reycraft: So that this is to be substituted for G-200?

Mr. Price: Added to it.

Mr. Reycraft: Would you add this to G-200, as a supplement?

(Document of seven sheets, headed on the first sheet, "Borrower, Girard Lines and Loans, Banks Used in Other Cities," to be added to Exhibit G-200.)

[fol. 2770] Mr. Reycraft: Do I understand now that as supplemented the information you have furnished is a complete list of borrowers of Girard Trust Corn Exchange Bank who have borrowed from banks in other cities than Philadelphia in the last five years?

Mr. Price: So far as we have been able to ascertain on an additional search.

The Court: Does that conclude your case, except for such parts as you have kept open?

Mr. Reycraft: I think it does, Your Honor. Let me just consult for a moment.

That concludes our case, Your Honor.

The Court: Do you figure that you have made out a case under Section 1 of the Sherman Act?

Mr. Reycraft: Yes, sir.

The Court: You do?

Mr. Reycraft: Yes, sir.

The Court: All right.

How much time do you need? We have talked about two days.

If we come back Thursday and Friday, of course, we have been running short days; and on Friday at noon we will have a new United States Attorney sworn in in this room, so that is the situation there.

[fol. 2771] It looks as if we have only one effective day this week.

Mr. Littleton: I think we need two days.

I think it will shorten time in the end if we have the two days. Mr. Price suggests we take three, but I really think it will shorten it in the end because, of course, while we have a certain program in defense——

The Court: The point is if you take three days you won't be starting until 10:30 on Wednesday, the 5th.

Mr. Littleton: I don't think anyone would seriously suggest that. I think we are prepared to start Thursday morning and I say having a few days in between will probably shorten it in the end because, as I say, we will probably be able to shorten the defense as we had programmed it before to meet the situation as we find it in reviewing the record.

The Court: Yes, you may.

Mr. Price: I wasn't facetiously suggesting three, but I would think we would need at least two, and since the second day was to be only a half a day, and if that was to be because of the new United States Attorney, it might be more helpful to put things in in a way where they can start and continue rather than be interrupted after one day.

However, I am at Your Honor's service.

[fols. 2772-2775] The Court: I don't want to let you get too far away. Today is only Monday and Wednesday a week is a long time away without getting the defense in motion.

I think we can have at least an hour and a half on Friday morning.

Mr. Price: I didn't understand that we would have anything on Friday morning.

The Court: I would hope to get in possibly and run right through until somewhere between 11:15 and 11:30 and then I would have to close for the day to permit the room to be set up for the ceremony.

We will plan on Thursday and Friday morning for perhaps an hour and a quarter to an hour and a half.

Mr. Littleton: Thank you.

Mr. Price: Very well.

(Recess taken at 2:44 o'clock P.M. until Thursday morning, June 29, 1961.)

[fols. 2776-2777] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

SIXTEENTH DAY

Philadelphia, Pa., July 5, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 2778] DEFENDANTS' EVIDENCE

STEPHEN S. GARDNER, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Gardner, what is your occupation?

A. I am a vice president of the Girard Trust Corn Exchange Bank.

Q. And have been for how long?

A. I have been a vice president since 1958, sir.

Q. And in the course of your duties as such vice president did you make a study of the location of branches of the Girard Trust Corn Exchange, Philadelphia National Bank, and other banks in Philadelphia and surrounding areas?

A. I did.

Mr. Price: Will you mark this:

(Map of Philadelphia County showing locations of all offices of commercial banks in Philadelphia County was marked Exhibit D-6 for identification.)

Q. I show you a map which has been marked Exhibit D-6 and ask you if you will tell me what that is.

[fol. 2779] A. This is a map of Philadelphia County. It includes on the map the locations of all offices of commercial banks in Philadelphia. They are designated by circles. Within each circle is a number which refers to a key printed on the map, which indicates which bank the branch or the office belongs to. In addition, the offices of the Philadelphia National Bank are colored in blue and the offices of the Girard Trust Corn Exchange Bank are colored in orange.

Q. The blue circle in the upper left-hand corner under the map key is opposite an N. The N stands for what?

A. National bank.

Q. And the S opposite the orange stands for what?

A. State bank.

Q. So that the N banks are the national banks, Philadelphia National, and the S or state bank is Girard Trust?

A. That is correct.

Q. And the two circles underneath with the numbers 245 and 149 "Approved Not Open" mean that the two designations with those numbers on the key have been approved but not opened?

A. At the time the map was prepared, yes, sir.

Q. But all the others shown on the map in color were [fol. 2780] open and in operation at that time?

A. Yes, sir.

Q. The map key in the upper left-hand corner has under the heading "Key" a series of numbers. What do they represent?

A. Those numbers represent consecutive numbers for the offices of each bank listed in the key.

Q. And are those the same numbers which appear in the application beginning at Page 43 and continuing through to Page 71?

A. They are.

Q. So that wherever in these maps that I am handing you now, this one or the next one, those key numbers appear, they are the corresponding numbers which are

in the application itself opposite the names of the several banks?

A. Yes, sir.

Q. This map D-6 relates solely to the City of Philadelphia?

A. That is correct.

Q. And the central insert at the lower right-hand corner is simply a larger scale of the central city area which couldn't be shown adequately on the scale of the main map; is that correct?

[fol. 2781] A. Yes, sir.

Q. But the form of designation of branches is the same as is used on the larger map?

A. It is the same.

Q. Now, the circles that have numbers in them but are not colored represent what?

A. The offices of competing commercial banks.

Q. Well, they are commercial banks and nothing else; isn't that so?

A. Yes, sir.

Q. Just banks?

A. Yes, sir.

Q. And in the same insert what are the black dots?

A. They represent the exact location as near as it could be put on the map. Circles are drawn on that insert, and arrows point to the dots showing the location.

Q. So the dots themselves are the location and the circles with the numbers are wherever you could conveniently put them?

A. Yes, sir.

Q. Then together this D-6 shows the location of all main offices and branches in the City of Philadelphia of the Philadelphia National Bank, Girard Trust Corn Exchange Bank, and other commercial banks in that area?

[fol. 2782] A. Yes, sir.

Q. This D-6 is, in fact, one of the maps that was attached to the application itself when it was filed, is it not?

A. Yes, sir.

(Map of the Greater Philadelphia Area, showing Philadelphia County and all counties contiguous to Philadelphia County, was marked Exhibit D-7 for identification.)

Q. I show you another map marked D-7 and ask you what that is.

A. This is a map of the greater Philadelphia area, showing Philadelphia County and all counties continguous to Philadelphia County. It also designates the service areas, as requested in the application, of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank and the combined service areas of the two banks. In the case of the Philadelphia National the service area is designated by a heavy blue line. The Girard Trust Corn Exchange Bank service area is designated by a cross-hatched line.

Q. In black?

A. In black. The service areas of the combined banks are designated by a heavy black line. Further the map [fol. 2783] shows the locations of all the offices of other commercial banks within the service area outlined on the map.

Q. The blue and orange circles with numbers within them follow the same form as the earlier ones on Exhibit D-6?

A. Yes, sir.

Q. To designate both Philadelphia National Bank branches and Girard Trust branches?

A. Yes, sir.

Q. This contains no data for the County of Philadelphia except one or two at the western edge where the city adjoins Montgomery County; isn't that so?

A. Yes, sir.

Q. And the 69th Street area?

A. Yes, sir.

Q. So that is why the area designated "Philadelphia" on the map has no numbers in it?

A. That is correct.

Q. Now, the map key to commercial bank locations in the lower right-hand corner of the map likewise has a series of numbers. Are those the corresponding numbers for the other banks and their branches showing their designation in the same way as D-6 did for Philadelphia?

A. Yes, sir.

[fol. 2784] Q. And they are listed beginning at Page 43 of the application, as were those within the City of Philadelphia?

A. Yes, sir.

Q. How is the service area of the Philadelphia National Bank determined?

A. The instructions for completing the application required that an area be described as the service area, containing at least 75 per cent of the deposits of the bank, and this area was used because it was necessary to meet that requirement in the application, and this area does meet that requirement, containing more than 75 per cent of the deposits.

Q. So that the service area designations, the blue line, the cross-hatched black line, and the combined, the solid black line, follow the instructions of the application and designate the service areas in accordance with those instructions?

A. Yes, sir.

Q. And they are the service areas that were dscribed in the application itself, are they not?

A. Yes, sir.

Q. That relates to the IPC deposits, I believe, the question in the application.

A. That is correct.

[fol. 2785] Q. This map likewise was included as an exhibit in the application itself, was it not?

A. Yes, sir.

Q. You mentioned the combined service area as being designated by a black line, but within the outside perimeter there are also heavy black lines. Those are simply county lines separating Philadelphia from adjacent counties, for example, are they not?

A. That is correct.

Q. But the county lines are not carried in heavy black outside the combined service area, are they?

A. That is correct.

Q. The county lines are designed by the names of the two adjacent counties on opposite sides of a county line wherever they appear?

A. Yes, sir.

Q. You described how the Philadelphia National Bank service area was arrived at as designated on the map. I assume the Girard was done the same way?

A. Yes, sir.

Q. And it relates only to deposits and not to any other activity?

A. Yes, sir.

Q. I will ask you now to look at the map which is [fol. 2786] shown as the right-hand one on the easel, designated "Philadelphia National Bank-Girard Trust Corn Exchange Bank," with a blue square opposite the Philadelphia National Bank's name and a blue circle opposite the Girard Trust Corn Exchange Bank's name, and that will be marked D-8.

(Map showing four-county area and adjacent counties to Philadelphia, showing the location of all Girard Trust Corn Exchange Bank offices and all Philadelphia National Bank offices, was marked Exhibit D-8 for identification.)

By Mr. Price:

Q. Mr. Gardner, will you look at the map which has now been marked D-8, and tell me what that represents.

A. That represents again the four-county area and adjacent counties of Philadelphia and shows the location of all of the Girard Trust Corn Exchange Bank offices and all of the offices of the Philadelphia National Bank. The Philadelphia National Bank offices are designated by squares, the Girard Trust Corn Exchange Bank by circles, both the squares and the circles colored blue. The map shows the county lines of Bucks County, Montgomery County, Delaware County, Philadelphia County, Chester County, New Castle, Mercer, Burlington, Gloucester, [fol. 2787] Camden; and within the four-county area in Pennsylvania of Montgomery, Delaware, Bucks, and Philadelphia all of the dots are located.

[fol. 2788] Q. They show all of the branches within the four-county area, including Philadelphia, of the two banks?

A. Yes, sir.

Q. And those in the Central City are shown in the little insert in the upper right-hand corner, which is then a larger scale than the main map?

A. Yes, sir.

Q. Are they not?

A. Yes, sir.

Q. That is simply because of the scale it would be impossible to show them in any other way?

A. Yes, sir.

Q. Now referring to the insert, what area of the city does that cover?

A. That covers from the northern perimeter of Girard Avenue, south to South Street on the southern perimeter, and from the Schuylkill River—or, rather, the Delaware River on the east to about 21st Street on the west.

Q. Now, calling that for the moment the Central City area, that is blank on the main map, but throughout the rest of the City of Philadelphia, as designated by the county lines, the individual branches are shown on the smaller-scale map, are they not?

A. Yes, sir.

[fol. 2789] Q. Now, what are the red lines connecting some of the dots and squares?

A. The red lines are simply used to designate distances between the offices on either end of the line.

Q. How were those particular offices selected?

A. Those offices were selected because they were the closest offices of the two branch systems of the two banks.

Q. So that a red line then represents the shortest distance between any two branches of the respective banks?

A. Yes, sir.

Q. In various areas?

A. In various areas, yes, sir.

Q. And is there a distance marked on the map alongside the red line?

A. Each red line has a circle above it or beside it; this gives the distance in miles between the two offices joined by the red line.

Q. Now, there is one spot in the center of the city with no dot or circle, but two red lines lead to it, one from the south and one from the west.

What do those two lines represent?

A. They represent distances from the two offices designated on the further end of the red line to Broad and Chestnut Streets.

Q. That is the Center City?

[fol. 2790] A. The center of the city.

Q. Where both the Girard and the Philadelphia National have their offices across Broad Street?

A. Yes, sir.

Q. But except for that the other red lines are merely the shortest distances between the nearest branches of the two banks in other sections of the city?

A. Yes, sir.

Q. Now, in the insert there is a red line connecting two branches, one a dot and one a square, which does not represent the shortest distance between the two of them.

What is that supposed to indicate?

A. Well, that red line was put in to give the viewer a comparative idea of distance. It joins two offices, one of Girard and one of Philadelphia National, that are one half mile apart; and since some center-city offices are a good deal less than a half mile apart we drew that one line to give an indication of mileage between center-city offices.

Q. Then that is merely to represent a scale and was not inserted for the same purpose as the red lines on the smaller-scale map were?

A. That is correct.

Q. That central-city area from Girard Avenue to South Street and the Delaware River to 22nd Street was consid- [fol. 2791] ered as a central-city area and all within it were in the same category?

A. Yes, sir.

Q. So you didn't put any red lines for them?

A. Yes, sir.

Q. That is merely a convenient scale for that section of the map?

A. Yes, sir.

Q. And the same for the other, the small-scale map, is shown just under the designation in the upper left-hand corner, is it not?

A. That's correct.

Mr. Price: Will you mark D-9, please?

(Chart showing locations of offices of Philadelphia National Bank, Girard Trust Corn Exchange Bank, other commercial banks, mutual savings banks, and insured federal and state savings and loan associations in general trading area of Philadelphia National Bank and Girard Trust Corn Exchange Bank was marked Exhibit D-9 for identification.)

By Mr. Price:

Q. Mr. Gardner, I will now ask you to look at the map which has been marked D-9 and ask you to tell me what that is, first, as to the area that it covers, comparing it with D-8, and then as to what it shows.

A. It covers the same area as Exhibit D-8 and shows, by a series of colored dots and squares, the locations of all com- [fol. 2792] mercial banks in that area, the locations of all mutual savings banks, and the locations of all insured federal or state savings and loan associations.

Q. And how is each of those designated?

A. Philadelphia National offices are again shown with a blue square; the Girard Trust Corn Exchange offices in a blue circle; all other commercial banks are shown with a red circle; all mutual savings banks are shown with an orange circle; and all insured federal and state savings and loan associations are shown by green circles.

Q. And there is no designation for uninsured state savings and loan associations?

A: No, sir.

Q. Is there?

A. No, sir.

Q. And they show all banks and branches and institutions of that character within the four-county area and outside of it within the general service area which was shown on the two earlier maps marked D-6 and D-7?

A. Yes, sir.

Q. Now, the insert at the upper right-hand corner, does that cover the same area as the insert in D-8?

A. Yes, sir.

Q. And the designation, the pattern of the designation, [fol. 2793] is the same as that on the smaller-scale map, is it not?

A. Yes, sir.

Q. I see in the lower central area there a designation, "See Insert."

That is the central city?

A. Yes, sir.

Q. Which is represented in the upper right-hand corner, is it not?

A. Yes, sir.

Q. I will ask you to refer back again to D-8 for a moment, Mr. Gardner, with reference to the 69th Street area, where there are two or three dots or squares very close together.

Will you look closely, if you want to,——

A. Yes, sir.

Q. —if you can see it from where you are, will you just tell us what that represents and why they are so designated.

A. At 69th Street we have three blue circles for the three Girard offices, which represent our 6910-12 Market Street, and the drive-in office and terminal offices which are adjuncts to that 6910-12 Market.

The bank's drive-in office is an office across the street at the rear of the main office there on a parking lot.

Q. That is the Girard's drive-in office?

[fol. 2794] A. Yes, sir; and the Girard's terminal office is a small counter, teller's counter installation in the PTC Terminal at 69th Street directly across the street from the main 69th Street office.

Now, all three of those are represented by individual circles, and there is a square representing the office of the Philadelphia National Bank that was recently established at 6912-14 Market Street, which is next door to the main office of the Girard at 69th Street.

Q. And there is a little small piece of red covering all three of those?

A. Yes, sir.

Q. But they are so close together that no distance was designated on the map?

A. The circle showing distance has a zero in it, showing no appreciable distance.

Mr. Price: Will you mark that the next exhibit number, D-10?

(Document entitled "Distances From All Philadelphia National Offices To The Nearest Girard Trust Corn Exchange Office," was marked Exhibit D-10 for identification.)

By Mr. Price:

Q. Now I show you a paper marked D-10 and ask you what that is.

[fol. 2795] A. This is a list of all of the distances from

all Philadelphia National Bank offices to the nearest office of Girard Trust Corn Exchange Bank.

It simply lists all of the offices, the closest Girard office, and the actual distance in road miles between the two offices.

Q. Did you say in road miles?

A. No, sir, in map miles, I should have said

Q. That is, it is a straight line?

A. Yes, sir.

Q. And does not purport to indicate the actual distance one would have to travel over streets to get from one branch to the other?

A. No, sir.

Q. But it is the shortest airline distance between the two?

A. Yes, sir.

Q. Now, does this correspond with the map marked D-9?

A. Well, this will show—map D-9 will show all offices of the banks, the two banks involved, and this can be discovered on map D-9.

Q. But D-8 itself shows only a relatively few distances in red, but if I am correct in understanding this paper, D-10, that shows all the distances?

A. Yes, sir.

[fol. 2796] Q. From a Philadelphia National office to the nearest Girard office, wherever it may be?

A. Yes, sir.

Q. Now, obviously, the same would apply to D-9, but D-8 is the one that is restricted to the two banks alone?

A. Yes, sir.

Q. Now I show you a paper marked D-11——

(Document entitled "Distances From All Girard Trust Corn Exchange Offices To The Nearest Philadelphia National Office," was marked Exhibit D-11 for identification.)

By Mr. Price:

Q. —and ask you what that paper is.

A. That is a corresponding list showing the distances from all Girard Trust Corn Exchange offices to the nearest Philadelphia National office.

Q. So that complements the exhibit marked D-10 and gives the distances in the other direction now from the

Girard offices to the nearest Philadelphia National Bank offices?

A. Yes, sir.

Q. The offices being shown on these two maps, D-8 and D-9?

A. Yes.

Q. Now I show you a 13-page list entitled "The Philadelphia National Bank," marked D-12——

(13-page document entitled "The Philadelphia National [fol. 2797] Bank list of each of its offices, giving each office of a competing institution located within a radius of one mile from each Philadelphia National city office and within a radius of two miles for each Philadelphia National suburban office, was marked Exhibit D-12 for identification.)

By Mr. Price:

Q. —and I ask you what that exhibit represents.

A. That represents a list of each office of the Philadelphia National Bank and gives the names of each competing institution located within a radius of one mile of each city office of the Philadelphia National and within a radius of two miles for each suburban office of the Philadelphia National.

Q. And the competing institutions are those which are shown on the map marked D-9, are they not?

A. Yes, sir.

Q. So that this Exhibit D-12 supplements the information shown graphically on D-9 by name of institution and street address of each branch or office of that institution?

A. Yes, sir.

Q. And the location of each of these branches shown on D-12 can be identified on D-9 if reference is made to the colored dot designations and the legend in the upper left-hand corner and the type of institution as shown by D-12 is given correctly?

A. Yes, sir, yes, sir.

[fol. 2798] Q. Then am I correct in saying that D-12 covers all of the offices or lists all of the offices of the Philadelphia National Bank and all of the competing institutions as you have described them, which are within the respec-

tive distances of one mile within the city and two miles within the surrounding counties of that bank and its branches?

A. Yes, sir.

Q. Now I show you or hand you a 20-page list entitled "Girard Trust Corn Exchange Bank," marked D-13,——

(20-page document entitled "Girard Trust Corn Exchange Bank list of each of its offices, giving each office of a competing institution located within a radius of one mile for each Girard city office and within a radius of two miles for each Girard suburban office," was marked Exhibit D-13 for identification.)

By Mr. Price:

Q. —and I ask you what that exhibit represents.

A. This is a corresponding list for the offices of Girard Trust Corn Exchange Bank similar to Exhibit D-12. It lists each office of the Girard Trust and all competing institutions within a one-mile radius of each city office and within a two-mile radius of each suburban office.

Q. And the competing institutions are still the same competitors listed on D-9, are they not?

[fol. 2799] A. Yes, sir.

Q. So that gives the comparable information for Girard that D-12 gave for the Philadelphia National?

A. Yes, sir.

Mr. Price: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Gardner, you testified that in Exhibit D-9 no uninsured state savings and loan associations were included.

Can you tell me why, sir?

A. Well, it would have been a physical problem to show anything on the map to include that many institutions in addition to the ones we already have on the map.

Q. And that is the reason why they weren't included?

A. Yes. There are some 450 of them. To add to this

that map would have made the purpose of the map less available or less effective, I think.

Q. Can you tell me of what date the information contained in D-6 and D-7 is purported to be accurate?

A. D-6 and D-7?

Q. Yes, the two large maps which are included with the application.

A. I would——

Q. Is that October 25, 1960?

[fol. 2800] A. Yes, sir.

Q. That is the date that is included in the application.

A. That is the date the maps were prepared.

Q. Now will you refer to No. 141-A on D-7?

A. I don't have D-7.

Q. Now, that is in Levittown, Mr. Gardner, if that will help you.

A. Pardon me?

Q. That is at Levittown, if that will help you.

A. Yes, sir.

Q. Can you teh me whether that branch of the First Pennsylvania was opened as of October 25, 1960?

A. I can not tell you whether it was opened as of October.

Q. Does the exhibit purport to show offices which are open and in operation?

A. And approved but not opened.

Q. It does not necessarily indicate then that all of these offices are open; is that correct?

A. That is correct.

Q. Would you know whether the offices of the First Pennsylvania shown for Montgomery County were all open in October of 1960?

A. I can not tell you from the map code itself, from the map key itself.

[fol. 2801] Q. And you don't know either whether all of the branches indicated for Delaware County were open as of October 25, 1960, do you?

A. Delaware County what?

Q. Pardon me? First Pennsylvania.

A. First Pennsylvania?

Q. Yes.

A. I know one was not.

Q. You know one was not.

Do you know whether than branch is open as of this date?

A. It is not.

Q. But it is included in the map?

A. Yes.

Q. Now, do you know whether all of the offices shown for Provident Tradesmens were open as of October 25, 1960?

A. I can't tell from the map code.

Q. Now with reference to Industrial Trust and No. 195, my information is that Industrial Trust has no office at 195 location.

Do you have the information on that?

A. It had an approval to open an office at that location at the time the map was prepared.

Q. But so far as you know that office has not yet opened?

[fol. 2802] A. It has not opened.

Q. You know that it has not?

A. Yes, I do.

Q. It also doesn't show any office for Pennsylvania Warehousing & Safe Deposit Company.

Can you tell me why that was not included?

A. That was not included on the map when we originally made the map up.

Q. Can you tell me the reason for that, sir?

A. Well, I'd just rather say that it was not included; perhaps missed.

Q. How about the Finance Company of Pennsylvania?

A. That wouldn't show on this map.

Q. That is not shown on the map, either?

A. I would have to look at Exhibit—this was not included on the map.

Q. Now, can you locate for us, Mr. Gardner, No. 61? We can't, I might tell you.

A. No, I can not locate No. 61.

Q. Mr. Gardner, will you refer to——

The Court: You asked about 61?

Mr. Reycraft: Yes, sir.

The Court: There is a 161, which says Girard Trust Corn Exchange Bank, which is not marked up.

[fol. 2803] Mr. Price: May I interrupt, sir? I have the application here, G-57, and it shows on page 54 that No. 61 at 2620 Edgmont Avenue, Parkside, one of the Delaware County National Bank offices, had been recently closed.

I don't know whether it shows on that or not, but it was not in existence at the time that the application was dated.

The Court: I point up that 161, as I look at it here——

Mr. Price: 61, sir.

The Court: I understand.

Mr. Price: 61, not 161; but 61.

The Court: On your map wouldn't Girard Trust Corn Exchange Bank be circled with—I am looking at D-7 now. Shouldn't there be orange in the 161?

Mr. Gardner: Yes, sir. There should be.

The Court: Look at 254 of the Philadelphia National Bank right opposite there, in Upper Chichester Township. There is a 161.

The Witness: Your Honor, that, I believe, is a route sign that was on the original map before it was prepared.

The Court: It had nothing to do with the number of a bank?

The Witness: Yes, sir.

[fol. 2804] Mr. Price: With Mr. Reycraft's permission, I am going to hand the witness now a copy of the Exhibit G-57, the application, from which these numbers were taken.

This, I think, will enable him to clarify the corrections about what an "A" means and whether it was opened or not.

By Mr. Price:

Q. First, with reference to this 61, the application, on page 54, shows what?

A. It shows that the Parkside office of Delaware County National Bank at 2620 Edgmont Avenue was recently closed.

Q. Does the application page there show what "A" means on the maps D-6 and D-7?

A. (No response.)

Q. Take 141-A, for example.

A. No, sir.

Q. Look at 141-A of the exhibit and see what it says.

A. That was approved and not opened, Levittown Parkway and Bristol Pike, Levittown, Pennsylvania.

Q. And is that what the "A" designation means on the map in the circle opposite the numbers?

A. No, sir. That is not what the "A" designation means,

but this is an explanation that the Levittown and Parkway office was approved but not opened.

[fol. 2805] The "A" was used when the numbers had once been decided and it was necessary to show an additional office.

Q. The Exhibit 57 you have in front of you listed all of the offices that were approved but not opened?

A. Yes, sir.

Q. And they are shown on the map now?

A. Yes, sir.

Q. With the corresponding numbers?

A. Yes, sir.

Mr. Price: Thank you, Mr. Reycraft.

[fol. 2806] By Mr. Reycraft:

Q. Mr. Gardner, will you refer to D-12, Page 5.

A. Yes, sir.

Q. Will you refer to the category that has in the left-hand column "Philadelphia National," where "3131 Market Street Office" appears, and you list Broad Street Trust Company, First Pennsylvania, and Philadelphia Saving Fund Society. I understand that this list constitutes each office located within a radius of one mile; is that correct?

A. Yes, sir.

Q. Would that include one mile or be less than a mile?

A. It would be up to one mile.

Q. Wouldn't that include the Suburban Station office of the Girard, and would you refer to D-10, and if you will observe the fifth line down, it indicates that the Suburban Station office of the Girard is one mile from the Market Street office of the Philadelphia National.

A. Yes, sir.

Q. So that the Suburban Station should be included in D-12?

A. It could have been included in D-12.

Q. It should be by your criterion; isn't that right?

A. The measurements are the best we could make on the maps. It perhaps should have been included.

[fol. 2807] Q. If the figures are accurate, it should have been included; is that correct?

A. Yes.

Q. Will you refer to Page 6 of D-12. Referring to the

column "Philadelphia National Front Street Office," there is a branch of the Girard 1¼ miles away from that office, is there not, by referring to D-10?

A. Yes.

Q. So that while it is not within a mile, there is one a quarter of a mile farther away than the criterion you have?

A. Yes.

Q. And on Page 7, the Philadelphia National Erie office, Erie and Castor Avenues, D-10 indicates, does it not, that there is a branch of the Girard one mile away, which is not included in D-12?

A. Yes.

Q. And that also should have been included under criteria, should it not?

A. Again it is on the one-mile perimeter.

Q. On the assumption that your figures are accurate, it should have been included?

A. Yes.

[fol. 2808] Q. Now will you refer to the Front and Allegheny office of the Philadelphia National, also on Page 7.

A. Yes, sir.

Q. Isn't the Germantown and Lehigh office of Girard ⅞ of a mile away from that office?

A. Yes, sir.

Q. And that also should have been included in D-12, should it not?

A. Yes, sir.

Mr. Reycraft: That is all.

By Mr. Price:

Q. The first two that you mentioned, that you were asked about, 3131 Market Street and the Suburban Station, were just one mile apart, so that they were at the limit of the radius that you designated in D-12?

A. Yes, sir.

By Mr. Reycraft:

Q. Have you included a number of other offices which are exactely one mile, according to your measurements?

A. I would say yes to that.

WISTAR H. MACLAREN, having been duly sworn, was examined and testified as follows:

[fol. 2809] Direct examination.

By Mr. von Starck:

Q. Mr. MacLaren, what is your position in the Philadelphia National Bank?

A. I am vice president and comptroller.

Q. What are your duties as such?

A. My duties as such are to run the financial end of the general accounting, the cost accounting and statistics, the taxes, and to interpret the results of those functions to management.

Q. How long have you held this position?

A. I was appointed comptroller in 1954, vice president a couple of years later.

Q. Do you hold any positions on any committees of the bank?

A. Yes, I am on three committees in the bank.

Q. What are they?

A. The Administrative Committee, the Staff Committee, and the Forward Planning Committee.

Q. What are the duties of the Administrative Committee?

A. The Administrative Committee is composed of the president, the executive vice president, our three senior vice presidents, and myself as comptroller. Our duties are to advise and consult with the president on matters of [fol. 2810] major policy.

Q. What are the functions of the Staff Committee?

A. The Staff Committee, which is made up of a dozen or 15 of the major division heads within the bank, serves as an intermediate for passing information up and down from the top level of command down to the lower echelons and vice versa back on up, and also to make decisions within their areas.

Q. What functions did you play in the preparation of the application to the Comptroller for approval of the merger, which has been identified here as G-57?

A. In the preparation of the application I was responsible for the pulling together and the coordination of the

preparation in so far as Philadelphia National was concerned and also in so far as the general financial statistics were concerned for Philadelphia National, to prepare them.

(Letter dated February 28, 1961, from H. S. Haggard, Deputy Comptroller of the Currency, to Mr. Frederic A. Potts, president of the Philadelphia National Bank, was marked Exhibit D-14 for identification.)

Q. Is this letter dated February 28, from Mr. Haggard, Deputy Comptroller of the Currency, to Mr. Potts, president of the Philadelphia National Bank, a true and correct [fol. 2811] copy of a letter that is in the bank's files advising the Philadelphia National Bank of the approval by the Comptroller of the proposed merger?

A. It is.

Q. Will you please read the first paragraph of this Exhibit D-14.

A. "The Comptroller has considered the proposed consolidation in the light of the statutory factors enumerated in Section 18(c) of the Federal Deposit Insurance Act, as amended by P. L. 86-463, approved May 13, 1960. These factors are the financial history and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act, and the effect of the transaction on competition (including any tendency toward monopoly). After giving careful consideration to the proposed consolidation in the light of each of these factors, the Comptroller has found that the transaction will be in the public interest. Accordingly, on February 24, 1961, he gave his approval to the [fol. 2812] proposed consolidation on the following conditions:"

Q. Those conditions are merely the formal mechanical ones which usually accompany a merger approval, are they not?

A. That is my understanding, yes.

(Document headed "Commercial Banks With Head Office Located in Ten-County Area by Counties on December 31, 1960" was marked Exhibit D-15 for identification.)

Q. I show you four sheets which have been marked Defendant's Exhibit No. 15. Will you explain in general the information shown on D-15.

A. The information shown on D-15 covers all commercial banks with headquarters located in a ten-county area, breaking the banks down by counties and showing for each bank the total assets, the total deposits, the total loans, and their lending limit on December 31, 1960.

Q. What is the source of the information shown on D-15?

A. This information was all compiled from Polk's Bank Directory, the 133rd edition, dated March, 1961.

Q. And how have the banks been arranged within the counties as shown here on D-15?

A. The arrangement within the counties is in descending order of lending limit.

[fol. 2813] Q. So that in Philadelphia County the first bank appearing thereon has an $8 million lending limit and the last one is the Marian Bank, having a $9 thousand lending limit; is that correct?

A. That is correct.

Q. Have you included Brown Brothers on this exhibit in Philadelphia?

A. Brown Brothers is included on this exhibit in Philadelphia County, with a footnote (a) indicating that the figures are for the entire bank.

Q. Why have you included it for the entire bank?

A. It is impossible to get breakdowns as far as assets, deposits, and loans are concerned, to show what originates within the Philadelphia area; and as far as lending limit is concerned, in my opinion it is appropriate to include the entire lending limit because that whole amount is available for borrowers in Philadelphia.

Q. Why have you not included the First Camden National Bank, which has an office in Philadelphia?

A. The First Camden National Bank is not included under Philadelphia County because the arrangement here is by head office, and looking over into Camden County, on Page 4 of this exhibit, the figures for First Camden appear

[fol. 2814] Q. How many banks have you shown with there under Camden County.

head offices located in Philadelphia County?

A. We have shown 17.

Q. How many in Bucks County?

A. Nine in Bucks County.

Q. Of course, only one in Delaware County. How many in Montgomery County?

A. Fourteen in Montgomery County.

Q. How many in Chester County?

A. Nineteen in Chester County.

Q. How many in Burlington County?

A. Seventeen in Burlington County.

Q. Camden County?

A. Nine in Camden County.

Q. Gloucester County?

A. Thirteen in Gloucester County.

Q. In Mercer County?

A. Ten in Mercer County.

Q. And in New Castle County?

A. Eight in New Castle County, Delaware.

Q. Why have you included in this exhibit statistics as to banks within all of the ten-county area rather than the four-county area?

A. In the first place, we have business coming from the [fol. 2815] ten-county area. In the second place, as far as the four-county area is concerned, anybody that is, say, on the periphery or the outskirts of the four-county area may find an alternate choice closer in the ten counties than in other locations within the four counties.

Q. In your experience, do you know whether bank customers pay any attention to political boundaries as such?

A. In my experience, the political boundaries have no relation to bank customers, where they do their business.

Mr. Reycraft: I object unless he identifies the bank customers he has in mind.

Mr. von Starck: My question was bank customers in general.

By Mr. Reycraft:

Q. Do you have any particular bank customers in mind?

A. You mean an individual by name or a class of customers?

Q. An individual by name.

A. Could you reread the question, please?

(The reporter read as follows:)

"Q. In your experience, do you know whether bank customers pay any attention to political boundaries as such?"

By Mr. von Starck:

[fol. 2816] Q. I will reframe that question. In your experience, in general, do bank customers pay much attention or any attention to political boundaries in seeking out banks in which to do business?

Mr. Reycraft: I object unless we have the type of customer and a little more specific identification of where we are leading to.

The Court: Overruled. Proceed.

A. In my experience, they do not.

(Document entitled "Alternative Sources of Credit from Commercial Banks Located in Delaware Valley," was marked Exhibit D-16 for identification.)

Q. I ask you to look at this sheet which has been marked D-16. It is entitled "Alternative Sources of Credit from Commercial Banks Located in Delaware Valley," and I ask you to explain this exhibit.

A. The source of this exhibit is the previous exhibit, D-15, in which we have taken figures on the numbers of banks and arranged them as shown on the exhibit here. What this exhibit shows, in general, are the number of banks authorized to make loans within the limits stated. After the Philadelphia National-Girard merger the column of figures at the left shows various sized groups of loans, and the three columns of figures at the right, under "Num-[fol. 2817] ber of Commercial Banks," show the numbers that could make loans within the size groups indicated, separated between Philadelphia County, the four counties, and the ten-county area.

Q. Of course, this shows one that now can make loans up to $15 million or will be able to make loans up to $15 million by reason of the merger?

A. That is correct, because this is after the merger.

Q. For example, explain how many choices there are for a customer who wishes to borrow $10 thousand.

A. For the loans below $10 thousand there are 17 choices in Philadelphia County, 41 choices in the four-county area, and 116 choices in the ten-county area.

Q. And this will be the number after the merger if it is approved?

A. That is correct.

Q. The largest single decrease in the number of banks appears to occur between the lending limit of $250,000 and $500,000. Will you please explain the number of banks which have limits between $250,000 and $500,000?

A. There are 13 that have limits up to $250,000 in Philadelphia, 9 with limits up to $500,000 in Philadelphia, so in that area there is a decrease of 4. There is a decrease of 8 in the four-county area and of 9 in the ten-county area.

[fol. 2818] Q. Which are the four that drop out in Philadelphia?

A. Referring back to Exhibit D-15, the banks with lending limits in Philadelphia between $250,000 and $500,000 are the Finance Company of Pennsylvania, Industrial Trust Company, Frankford Trust Company, and Second National Bank.

Q. Those banks could loan respectively, as I read D-15, $417,000, $330,000, and $300,000; is that correct?

A. Except that the Finance Company you omitted, with $457,853 lending limit.

Q. So that between $250,000 and $500,000 we have these four banks of intermediate size?

A. That is correct.

Q. Why have you included in the number of banks available for making loans the Finance Company of Pennsylvania and Pennsylvania Warehousing?

A. As I understand it, they both do make loans in certain areas of banking, so that is one reason. A second reason is that they are a potential source of competition or of alternate choice.

Q. They already have charters and are in business; is that not so?

A. That is correct.

Q. Do these choices of commercial banks that are shown [fol. 2819] on Exhibit D-16 represent the full number of commercial banks available to customers in this area?

A. They do not.

Q. Why is that?

A. Some place in the size groups, I would say it was some place above $100,000 as far as the loan is concerned, the borrowers will have alternate choices of going to other cities outside of the ten-county area.

Q. So that above the limit of, let us say, $100,000 there should be added an indeterminate number of other commercial banks in other parts of the country which would be available to borrowers of such magnitude; is that correct?

A. That is correct.

Q. Do you have any idea of the number of banks in New York which are seeking this type of business in Philadelphia and elsewhere?

A. In very round numbers—I don't know—ten or fifteen.

Mr. Reycraft: I object unless he can be more specific than that.

The Court: Read the question.

(The last question was read.)

The Court: The objection is overruled. Proceed.

[fol. 2820] (The last answer was read.)

(One-page document headed "Number of PNB Loans to Customers Located Within the 4-County Area, Distributed by Size and Type of Loan" was marked Exhibit D-17 for identification.)

Q. I ask you to look at this single sheet which has been marked for identification as Defendant's Exhibit 17 and ask you to explain that.

A. Exhibit D-17 shows the number of Philadelphia National loans to customers located within the four-county area, distributed by the size of loan and the type of loan. The size of loan is in the same groupings as indicated and used on Exhibit D-16, and the types of loans are broken down into commercial and industrial, consumer installment, real estate, all other, and then the total is shown.

Q. What is the source of the information shown on D-17?

A. This information comes from Philadelphia National Bank's records.

Q. How was the number of loans under $50,000 determined?

A. For commercial and industrial loans under $50,000

[fol. 2821] the data are based on an actual count on September 21, 1960, to determine the total number. The breakdown of these into the three categories of size group is based on an analysis of sample figures submitted to the Justice Department. For consumer installment loans they are all under $10,000, and the "real estate" and "all other" loans are based on samples also given to the Justice Department.

Q. In your opinion, is this representative of the number of loans outstanding by PNB at a typical time?

A. Yes. We have used different dates here for the sample, but we are dealing with large numbers, in any event, and, in my opinion, this represents a typical number that would be expected, say, during the year 1960 or early 1961.

Q. What percentage of the total number of loans is represented by the number of loans under $10,000?

A. The total number under $10,000 is 58/60 in round numbers, so it is about 97 per cent.

Q. Referring back to Exhibit D-16, is it true that 96 per cent of Philadelphia National Bank's customers after the merger would have a choice of alternate banks numbering 41 in the four counties or 116 in the ten counties?

[fol. 2822] A. That is correct.

Q. Now, turning particularly to the commercial and industrial category, what percentage is there of the total number of commercial and industrial loans under $100,000?

A. Under $100,000 the percentage is somewhat in excess of 80 per cent.

Q. Isn't it approximately 90 per cent?

A. It is closer to 90, yes.

Q. And there are only 248 loans over $100,000, are there not?

A. In the commercial and industrial category, yes.

Q. So that 90 per cent of the customers for commercial and industrial loans of the Philadelphia National Bank would have how many choices? I refer you again to Exhibit D-16.

A. According to the Exhibit D-16 there would be fourteen choices in Philadelphia County, 27 choices in the four-county area, and 51 choices in the ten-county area.

Q. And that is after the merger, is it not?

A. That is correct.

(Booklet entitled "Comparison of Relative Growth of Deposits of Banks in the Delaware Valley with Deposit [fol. 2823] Growth of the Philadelphia National Bank and Girard Trust Corn Exchange Bank" was marked Exhibit D-18 for identification.)

Q. I show you a booklet entitled "Comparison of Relative Growth of Deposits of Banks in the Delaware Valley With Deposit Growth of the Philadelphia National Bank and Girard Trust Corn Exchange Bank, which has been marked as D-18, and ask you whether that was prepared under your supervision.

A. The basic information of this was prepared by the Girard Trust Corn Exchange Bank. I have followed the preparation of it, I spotchecked the results, I know the sources from which it came, and I am confident in the manner in which the figures were put together.

Q. What are the sources from which this information shown in this exhibit were obtained?

A. The information for this exhibit was taken from Polk's Directory.

[fol. 2824] Q. Now will you turn to the first chart shown there, which is entitled "Percentage Growth of Deposits of Banks with Main Office in Philadelphia County," and explain how that was prepared and what it shows.

A. This chart was prepared by taking the figures for December 1951 and for December 1960 for each of the banks shown and computing the percentage increase in deposits from those figures.

The figures——

Q. How were deposits acquired by merger treated in compiling these statistics?

A. The deposits acquired by merger were included in the base figures of each of the banks as shown here. The details in figures are in the back of the book.

Q. In order to understand clearly how mergers were treated here, will you take the statistics relating to the Philadelphia National Bank, which are on page 3 of the statistical data in the back, and explain that in some detail?

A. Page 3 shows the names of each of the banks that have merged with Philadelphia National during the period under discussion. It shows the dates the banks were acquired, it shows for each of those acquired banks their

deposits as of December 31, 1951, which then are added to deposits of Philadelphia National as of December 1951 in order to arrive at the total shown for that year, $920,712,000.

[fol. 2825] Q. And what do you call this type of growth after adjusting for mergers?

A. After adjusting for mergers in this way I would call this the natural growth of the Philadelphia National Bank as presently constituted.

Q. Now will you turn back to the chart showing the relative growth in Philadelphia County and explain that in a little more detail?

A. The first chart showing the relative growth of banks in Philadelphia County shows that on the average during the period 1951 to 1960 the banks have grown at the rate of 21.9 per cent.

For individual banks, Philadelphia National and Girard's growth is somewhat smaller. That can be seen; we can get the actual figures if you would care to have them in the record.

Q. Please do.

A. Philadelphia National's per cent was 13.9, and Girard Trust Corn Exchange 14.4.

Q. And that compares with the average of 21.9 per cent for all banks?

A. That's right.

Q. How many banks in Philadelphia grew at a faster pace than did Philadelphia National Bank and Girard?

A. There are eleven that grew at a faster pace.

[fol. 2826] Q. And how many less rapidly?

A. There are three in Philadelphia itself. Brown Brothers also grew less rapidly, though, of course, the figures here are representative of a wider area than merely Philadelphia.

Q. Now will you turn to page 2, which shows the relative growth of banks in Bucks County, and explain that?

A. This shows in the black bars the per-cent growth of all banks with headquarters in Bucks County and it compares their percentage growth with the percentage growth of Philadelphia National and Girard as indicated at the left of the chart; and these percentage growths are, of course, the same as appeared on the first chart.

Q. And all of the banks in Bucks County grew more than did either Philadelphia National Bank or Girard; is that correct?

A. That is correct.

Q. Now will you turn to page 3, Delaware County, and explain that?

A. This shows the same thing for the one bank in Delaware County, the Delaware County National Bank, located in Chester; and it shows that its percentage growth has been somewhat upward of 95 per cent compared with the same figures for Philadelphia National and Girard Trust as shown before.

Q. Now will you do the same for Montgomery County, at page 4?

A. In Montgomery County there are fourteen banks. [fol. 2827] Thirteen of them grew faster than either Philadelphia National or Girard Trust. One grew at a slower rate as far as deposits are concerned.

Q. What was the percentage growth of the Bank of Old York Road?

A. The percentage growth of the Bank of Old York Road was something over 1,116 per cent. That is measured from December 31, 1952.

Q. Now will you turn to Chester County?

I first of all ask you why you show Philadelphia National Bank's and Girard's growth as against Chester County banks, although neither one of them has nor is entitled to have branches in Chester County?

A. We show them in order to get the relative growth between us and the banks in the area; also the fact that despite the fact that we have no branches there we do have business coming from Chester County.

Q. What have been the results of banking in Chester County since 1951?

A. Seventeen of the banks showed a larger percentage increase in deposits than Philadelphia National or Girard Trust Corn Exchange. Two showed a smaller percentage growth.

Q. How about Burlington County on page 6?

A. In Burlington County, all seventeen banks showed a [fol. 2828] larger per-cent growth.

Q. And how about Camden County, page 7?

A. In Camden County, all nine banks showed a larger percentage growth.

Q. How about Gloucester County?

A. In Gloucester County twelve showed a large percentage growth; one showed a slower growth.

Q. And Mercer County on page 9

A. In Mercer County, all ten showed a larger percentage growth.

Q. And New Castle County in Delaware?

A. In New Castle County, Delaware, seven showed a larger percentage growth; one showed a smaller percentage growth.

Q. Summarizing this exhibit, how many banks are there shown on this exhibit?

A. There are 142 shown on the exhibit—excuse me. That is incorrect.

Q. How many are there?

A. There are 116 shown on the exhibit, including Philadelphia National and Girard Trust.

Q. And of the 116 shown on this exhibit, how many have grown at a faster rate than has either the Philadelphia National Bank or Girard?

A. 106 have grown at a faster rate, 8 at a smaller rate; and the other two, of course, are Philadelphia National [fol. 2829] and Girard.

Q. What conclusions do you draw from the information shown on this exhibit?

A. I would certainly conclude from this exhibit that as far as deposit growth is concerned, virtually every bank in the area has shown a healthy and a fine growth in relation to the way that our own two banks have grown.

I would also conclude that the dominance of relatively large banks has not prohibited the growth of the smaller ones since, if you look through these figures, you will see that the percentage increase is not limited to the big banks.

Q. While we are on this subject of growth, will you turn to page 80 of the application, which is G-57?

Do you have a copy?

A. No, I don't have that.

Q. Are you familiar with the figures shown on page 80 of the application?

A. I am.

Q. Did you have any part in the preparation of those figures?

A. Yes. I didn't actually prepare them myself. They were prepared partially under my supervision and I have checked them.

[fol. 2830] Q. It appears there that you have compared the deposit growth of the Philadelphia National Bank and the Girard by adjusting for mergers, and by adjusting all the commercial banks in Philadelphia for mergers. Is that not so?

A. That is correct.

Q. You have not done the same thing for member banks in the Third Federal Reserve District or for all commercial banks in the United States.

I ask you why you did not adjust the statistics of those other banks for mergers.

A. Let us take all active banks in the United States to start with.

No adjustment for merger is necessary because every bank in the country is in those figures. Whether or not they are under 13,000 managements or 14,000 or whatever number, the merger adjustment is not necessary.

Q. In other words, that 54.62-per cent increase in deposits for all active banks in the United States is the absolute percentage by which deposits of all banks have increased; is that not so?

A. That is correct.

Q. And the same is true for the Third Federal Reserve District, where 40.69 per cent is shown; is that not correct?

A. That is correct.

[fol. 2831] There would be a little variation there, but I don't believe there is, that a merger between districts might conceivably have a minor effect here.

I suspect there were no such mergers, though I can't say accurately that there were not.

Q. Do you believe that it is statistically valid to show the comparison between Philadelphia National Bank adjusted for mergers and all the member banks of the Third Federal Reserve District and all active banks in the United States without adjustments for merger?

A. Yes. I do.

Mr. von Starck: Will you mark this for identification, please?

(Bound document entitled "Loans, Deposits and Loan-Deposit Ratios, Before and After Merger, for Offices Acquired by the Philadelphia National Bank (1950-1960)," was marked Exhibit D-19 for identification.)

By Mr. von Starck:

Q. There has been marked and distributed the booklet entitled "Loans, Deposits and Loan-Deposit Ratios, Before and After Merger, for Offices Acquired by the Philadelphia National Bank."

I show you this exhibit and ask you if it was prepared under your supervision.

[fol. 2832] A. It was, yes.

Q. Will you please explain in general the nature of the information that is shown in this exhibit?

A. In general, this information shows for the period 1950 through 1960 the total deposits, the total loans, and loans as a per cent of deposits for each of the offices or groups of offices acquired by merger of the Philadelphia National Bank.

Q. What was the purpose of making this study?

A. The purpose of making this study was to compare the loan results after the merger with the pre-merger loan performance of the independent bank.

Q. Is this a measure of the nature of treatment that the bank has afforded the customers in the local community?

The Witness: Could you read the question? I am sorry.

(The pending question was repeated by the reporter.)

The Witness: I would say it was, yes.

By Mr. von Starck:

Q. Now will you turn to page 1 and explain what is shown in that table?

A. Page 1 shows in the top chart the total deposits and the total lines—total loans at the end of 1950, 1951, 1952, and 1953, and on the merger date, on February 19, 1954, [fol. 2833] and from there on shows post-merger figures on a daily-average basis.

Q. How many offices are there in the Chester area?

A. There are four offices in this area.

Q. How many were acquired by the merger in 1954?

A. Two were acquired by merger.

Q. Are all of those offices accounted for as a group?

A. All four offices are accounted for as a group, yes.

Q. What happened to deposits immediately after the merger?

A. Immediately after the merger, deposits fell off a bit.

Q. What happened to loans?

A. Loans went up.

Q. And what was the loan-deposit ratio prior to the merger and what was it a year after the merger?

A. Prior to the merger the loan-deposit ratio was between 23 and 24 per cent. The average for 1955, which was the first full year after the merger, was 35.7 per cent.

Q. And what was it for the year 1960?

A. For 1960, the loan-to-deposit ratio is 49.1 per cent.

Q. So that it has virtually doubled since the time of the merger; is that correct?

A. That is correct.

Q. Now will you take a look at page 2, Bucks County offices, and explain or point out the increase in the loan-deposit ratio since the time of the merger in 1956?

[fol. 2834] A. Immediately prior to the merger, or let's say on the merger date the loans-to-deposits ratio was 44 per cent. For the year 1960 it was 85.2 per cent.

Q. How many offices are there within this group?

A. There are five offices in this group.

Q. Were they all acquired by merger?

A. Yes, they were.

Q. How about the Lansdale office on page 3?

A. Lansdale is a single office acquired by merger. In 1950 the loan-to-deposit ratio was 32.6 per cent. On February 19, 1954, it had advanced to 38.9 per cent immediately preceding the merger. For the year 1960 as a whole it averaged 72.5 per cent.

Q. And how about the Citizens' office at Pottstown, page 4?

A. The Citizens' office in Pottstown in 1950 was 37.9 per cent. At merger date in 1955 it was 42.8 per cent. In 1960 it averaged 83.4 per cent.

Q. How about the Conshohocken office, page 5?

A. The Conshohocken office, on page 5, had a ratio of 13 per cent in 1950; 22.8 per cent on merger date in 1953; and 67.9 per cent average for 1960.

Q. How about the Hatboro office on page 6?

A. The Hatboro office had a ratio of 26.3 in 1950; 30.6 on [fol. 2835] merger date in 1955; and 45.8 on the average for the year 1960.

Q. That loan-deposit ratio seems to have dropped off in 1960.

Do you have any explanation for that?

A. If you look at the absolute figures on deposits and loans at the top of the chart, you will see that deposits kept going up during the years 1959 and 1960.

The actual loan demand leveled off somewhat during 1959 and actually, during 1960, declined a small amount.

In my opinion it was just a local situation of lack of loan demand or a slackening of loan demand, let's say, during the year 1960.

Q. Will you take a look at the absolute figures for the Hatboro office in the back of the booklet?

Does that help you in any of your information?

A. I could put quantities in. I think I was looking at these when I was explaining.

Q. I see.

And that shows that in the gross loans, actually, they were reduced between 1959 and 1960, does it not?

A. That is correct.

Q. Slightly?

A. Yes.

[fol. 2836] Q. Now will you take a look at the Northeast Philadelphia offices on page 7 and explain that?

A. The Northeast Philadelphia offices are a group of five offices all acquired by merger on September 20, 1951.

As far the actual growth in deposits is concerned, you can see that up through 1957 not very much happened. There has been an upturn since that time.

As far as loans are concerned, there was a low in 1952. There has been a steady increase in loans since that time with the exception of the year 1958, where there was a slight falling-off, and then a continued rise in 1959 and 1960.

As far as the ratio of loans to deposits is concerned, it was 13.1 per cent on the date of the merger and has increased to 32 per cent for the year 1960.

Q. Has the demand for loans in the Northeast Section in your offices developed in the way at which it had been hoped?

A. This is an old and relatively mature part of the city. We certainly have made satisfactory increases in the total amount of credit available. The total loans have increased 194 per cent during this period.

Q. Has there been a demand for loans in the Northeast Section equal to what you had anticipated?

A. I was not comptroller at the time this merger took place, so I wasn't anticipating in 1951.

[fol. 2837] Q. Now will you take a look at the pages——

The Court: Let's go on at 2 o'clock, Mr. von Starck.

(Recessed for luncheon at 12:25 o'clock P. M.)

[fol. 2838] AFTERNOON SESSION

WISTAR H. MACLAREN, resumed.

Direct examination (continued)

By Mr. von Starck:

Q. Mr. MacLaren, just before lunch break we were up to the Montgomery County office in Norristown, Exhibit D-19. Will you please explain that. It appears on Page 8.

A. Page 8 of the exhibit shows the same thing for Montgomery (Norristown) office, a rise in deposits that started in 1951, continuing almost uninterrupted throughout the period, a modest rise in loans from 1950 until the merger date, and then increasing sharply thereafter, and the ratio of deposits to loans picking up a little bit after the merger in the first year and then picking up sharply during 1956 and thereafter.

Q. Have you computed the average loan deposit ratio for all the suburban branches of Philadelphia National Bank?

A. Yes, I have.

Q. What is that ratio?

A. For 1960 it was 67.2 per cent.

Q. What is the average loan deposit ratio for the bank as a whole?

A. For 1960 58.1 per cent.

[fol. 2839] Q. So that the loan deposit ratio for the branches exceeded the loan deposit ratio for the bank as a whole?

A. That is correct.

Q. What conclusion, if any, do you draw from that?

A. I draw the conclusion from that that as a result of the mergers, the management of the combined bank has not been draining deposits out of the suburban areas for loaning elsewhere.

Q. Are the pages in the back of D-19 following the graph for the Montgomery office the statistical statements for the branch-itself?

A. They are, yes, sir.

(Single sheet entitled "Size of Banks Relative to Population, 1959-1960" was marked Exhibit D-20 for identification.)

Q. I ask you to look at a single sheet entitled "Size of Banks Relative to Population, 1959-1960," which has been marked as Exhibit D-20, and ask you to explain that.

A. This exhibit takes the ten largest metropolitan areas in the country, as indicated along the bottom, where the area and the population of the area is indicated. The scale on the left, in billions of dollars, shows total assets of the five largest banks within each such area. The scale on the right, of population in millions, shows the population of [fol. 2840] each area that is represented by the horizontal lines throughout the chart.

Q. What have you shown specifically for Philadelphia?

A. For Philadelphia the first bar, which is represented with cross-hatching, represents the pro forma figures for Philadelphia National-Girard combined. The second vertical bar, which is in heavy black, represents the First Pennsylvania Company. The other three are Provident Tradesmens, Fidelity, and Central-Penn respectively.

Q. The line showing the population coincides physically

with the top of the vertical bar showing the assets of the merged bank, does it not?

A. It does, yes.

Q. With regard to the other cities shown there, what are the sizes of the large banks in relation to the population of those cities?

A. The sizes and relation of the population, if you take New York, for example, the first bank with assets of close to 8½ billion compares with a population of 12 billion 9. The 12 billion 9 is represented by the horizontal line running through New York.

Q. Is it not true that with respect to New York there are two banks which exceed their proportionate population?

A. That is true, yes.

[fol. 2841] How about Chicago?

A. There is one such bank in Chicago, since the vertical bar sticks up above the horizontal line.

Q. How about Los Angeles?

A. In Los Angeles there are two.

Q. In Detroit there is one?

A. There is.

Q. The same is true of Boston. How about San Francisco?

A. In San Francisco there are four.

Q. Pittsburgh?

A. Pittsburgh 1. None in St. Louis and two in Cleveland.

Q. Now you turn to Exhibit G-57, which is the application for merger, and specifically turn to Page 127. What does Schedule 1 on Page 127 of Exhibit G-57 show with regard to Philadelphia?

A. Schedule 1 shows, with regard to Philadelphia, that in population for the city only in 1959 Philadelphia ranked fourth out of the twelve largest metropolitan areas in the country. In 1950, considering not only the city but the outside metropolitan area, Philadelphia likewise ranked fourth.

Q. Turn to Page 128. What does the information on that page disclose with regard to the relative rank of Philadelphia with respect to retail sales, number of production [fol. 2842] workers, wages, and value added by manufacture?

A. This schedule shows, in terms of retail sales, for the

total metropolitan area in 1954, which was the most recent available data we could find, Philadelphia ranked fourth; in average number of production workers for 1957 Philadelphia likewise ranked fourth; and in 1957 wages we ranked fifth; and in value added by manufacture we likewise ranked fifth.

Q. Will you turn to Page 132 of Exhibit G-57. Will you tell us what is the comparative rank of the leading bank in Philadelphia in relation to other metropolitan areas.

A. The comparative rank of the leading bank in Philadelphia in December, 1959, in relation to other areas was 9.

Q. And what was the leading bank's position with regard to national ranking of all banks?

A. The leading bank's national ranking was 20.

Q. So that, as I understand it, Philadelphia ranked 20th with regard to its leading bank nationally, and yet, as you have shown on these other sheets, it ranked fourth or fifth with regard to the indicators of production; is that correct?

A. That is correct.

Q. If the merger goes through, what will be the comparative rank of the new bank in relation to the leading banks [fol. 2843] of metropolitan areas?

A. The comparative rank will move up from 9 to 7.

Q. And how about its rank in relation to all banks?

A. It will move up from 20 to 15.

Q. So that the record is complete, what is the information shown on Pages 129 through 131 of G-57?

A. The information shown on those pages gives, for the five largest banks in each of the metropolitan areas we have mentioned before, as of December 31, 1959, the total loans of each bank, the total assets, the total deposits, the total capital and surplus, and total capital accounts.

Mr. von Starck: I would like to have marked at this time for identification as Defendant's Exhibit 21 a series of sheets showing statistical information with regard to banks in reserve cities. These sheets were supplied to the defendants, if Your Honor pleases, by the Department of Justice in response to a request for production of documents made to the Department by the defendants, and they were described at the time they were supplied as a study made in the Comptroller's office of banking concentration

in reserve cities, which study had been turned over to the Department of Justice. We will subsequently have a wit- [fol. 2844] ness who will testify in detail with regard to these, but I am asking that it now be marked for identification for the purposes of reference in the succeeding testimony of Mr. MacLaren.

(Series of sheets showing statistical information with regard to banks in reserve cities was marked Exhibit D-21 for identification.)

(Single sheet headed "Assets of Largest Commercial Bank as per cent of Total Assets of all Commercial Banks in Reserve Cities and Central Reserve Cities" was marked Exhibit D-22 for identification.)

Q. I show you a single sheet marked D-22 and entitled "Assets of Largest Commercial Bank as per cent of Total Assets of all Commercial Banks in Reserve Cities and Central Reserve Cities," and I ask you if you obtained the information shown thereon from the Exhibit D-21.

A. Yes, I did.

Q. Will you explain this exhibit.

A. I think the title of this exhibit might have read a little bit better "Assets of the Largest Commercial Bank," to give the connotation that this is comparing within each city the leading bank with the total bank resources within the city.

This shows as of December 30, 1956, the per cent of [fol. 2845] total assets within the cities held by the largest bank therein, and for Philadelphia it shows, for December 31, 1960, pro forma, giving effect to the merger, the same type of percentage.

Q. So that you are comparing Philadelphia after the merger with the actual facts which existed in reserve cities on June 30, 1956?

A. That is correct.

Q. What is a reserve city?

A. A reserve city is designated as such by the Federal Reserve Board, and it depends upon the proportion of correspondent bank business that is done within that city. If I recall, it has to a third of one per cent of the total correspondent bank business throughout the whole country to qualify a city as a reserve city.

Q. How many reserve cities are there?

A. There are 53 such reserve cities.

Q. What will be the concentration or the percentage of assets held in Philadelphia by the merged bank after the merger?

A. 36.16 per cent.

Q. And as among the 53 reserve cities, in how many such cities was there a bank in 1956 which held a larger percentage of total assets in that city?

[fol. 2846] A. There were 31.

Q. How many cities were there in which a lesser amount was held?

A. There would be 21.

Q. So that Philadelphia would rank 32nd in that list of 53; is that correct?

A. That is correct.

Q. After the merger?

A. Correct.

(Single sheet entitled "Assets of Five Largest Commercial Banks as per cent of Total Assets of Commercial Banks in Reserve Cities and Central Reserve Cities" was marked Exhibit D-23 for identification.)

Q. I ask you to look at a single sheet which has been marked D-23, and entitled "Assets of Five Largest Commercial Banks as per cent of Total Assets of Commercial Banks in Reserve Cities and Central Reserve Cities," and ask you if you obtained that information from D-21.

A. I did, yes.

Q. Will you please explain this.

A. This exhibit is a parallel piece to D-22, except that instead of showing the assets of the largest bank as a per cent of the total, it shows the assets of the five largest banks as a per cent of the total within each city.

[fol. 2847] Q. How does Philadelphia rank or how will Philadelphia rank after the merger in relation to all the other central reserve cities on this basis?

A. On this basis Philadelphia will rank 43 out of 53.

Q. There will be 42 reserve cities with a higher concentration than Philadelphia has?

A. That is correct, yes.

(Two-page document headed "Lending Limit Data, 12/31/60" was marked Exhibit D-24 for identification.)

Q. What is the source of the information with regard to lending limits on Exhibit D-24?

A. The lending limit data taken for Exhibit D-24 was derived from "Moody's Bank & Finance Manual 1961" or from "Polk's Bank Directory March 1961." We mentioned also a "Compilation of Capital Funds" by the Republic National Bank of Dallas. This is put in because they had a very handy, ready arrangements already set up in which they listed banks in descending order of lending limit. That provided us the basis for primary order of these, but we checked the sources against Moody's or Polk's.

Q. Looking at Page 2 of Exhibit D-24 will you tell the Court what the total of all the lending limits of the banks in Philadelphia is.

A. The total lending limit of all banks in Philadelphia as [fol. 2848] shown on this page, $38,097,831.

Q. What is the total of the lending limits of all banks in Philadelphia which have lending limits in excess of $1 million?

A. $35,642,978.

Q. By reference to Page 1 of D-24, how many banks are there in the United States which have individual lending limits in excess of the total for all banks in the City of Philadelphia?

A. There are four such banks.

Q. Are there the same number of banks which have individual lending limits in excess of $35,642,000?

A. Yes, there are.

Q. How many banks are there in the United States which have lending limits in excess of $15 million, which will be the lending limit of the merged bank?

A. There are 13 such banks.

Q. How many banks are there in the United States which have a lending limit in excess of the present lending limit of the Philadelphia National Bank, which is $8 million?

A. There are 20 such banks.

[fol. 2849] Q. Returning again to Exhibit D-24, will you please explain what the term "national rank" means, which appears on the left side of each of the two sheets?

A. National rank as used here means the rank of each bank nationally in terms of its total lending limit.

Mr. von Starck: D-25.

(Four-page document, first sheet of which is captioned "A Comparison of General Economic Growth with Bank Growth in the Delaware Valley (1940-1959, except as noted)," was marked Exhibit D-25 for identification.)

By Mr. von Starck:

Q. Now you have before you four sheets fastened together which have been marked as D-25, the top sheet of which is entitled "A Comparison of General Economic Growth with Bank Growth in the Delaware Valley."

I ask you if this was prepared under your supervision.

A. It was, yes.

Q. Will you please explain what that series of bars shows on the first page?

A. The series of bars on the first page is broken in two categories, one of general economic-growth indicators and one category of bank-growth indicators.

Under the general economic-growth indicators, the first [fol. 2850] vertical bar shows total sales of large corporations. The second shows value added by manufacture; and the third shows personal income.

Q. Where did you obtain the information as to total sales by large corporations?

A. The total sales by large corporations as shown on page 2——

Q. Isn't it on page 3?

A. I am just looking for the source.

No, it shows on page 2, I think, in the third paragraph, with the names of the companies that were selected from the 1960 directory of the 500 largest U. S. industrial corporations and the 50 largest banks, merchandising, transportation, life-insurance, and utility companies published by Fortune Magazine in August, 1960.

That provided us with the lists of names. The data on sales were taken from Moody's manuals.

Q. Well, you didn't use all 500 of the industrial corporations, did you?

A. No. We used only those whose head office—whose headquarters was nearer to Philadelphia than to any other major financial center.

Q. Are the figures with regard to growth of those corporations shown on page 3?

A. Yes, they are, as far as the industrials are concerned; [fol. 2851] and as far as the merchandising firms, the utilities, and the transportation companies, on page 4.

Q. What has been the composite growth of those 21 corporations in the Philadelphia area from 1940 through 1959?

A. The composite growth of the 21 largest industrials, using 1940 on an index basis as 100 has grown to an index of 427 by 1959.

Q. And what has been the growth in value added by manufacture?

A. The value added by manufacture, 472 on an index basis.

Q. Is that value added by manufacture related to this area?

A. That is related to the Philadelphia standard metropolitan area.

Q. What has been the growth in personal income from 1940 through 1957 for the Philadelphia area?

A. For the Philadelphia area, 405 on an index basis.

Q. And by comparison with those economic-growth indicators, what has been the growth of the total assets of all Philadelphia commercial banks?

A. All Philadelphia commercial banks have grown to 227 on an index during the period 1940 to 1959.

Q. Which appears to be less than half of the growth of the industrial, the value added by manufacture, and personal income?

[fol. 2852] A. Less than half the value added by manufacture, a little bit more than half on the personal income.

Q. And at the same time what has been the growth in the lending limit of the Philadelphia National Bank?

A. 229 on an index basis.

Q. What would have been the growth in the lending limit of the Philadelphia National Bank and Girard combined if the merger were to take place at this time?

A. We show two measures here—one, 386, which is the figure of 1959 pro forma; 429, which is the figure corre-

sponding to the $15,000,000 lending limit proposed for the combined bank.

Q. Will the lending limit of the merged bank be approximately equal to the growth in the other general economic indicators if the merger goes through?

A. Yes, during this period.

Q. What conclusions, if any, do you draw from the information shown on this exhibit?

A. I draw the conclusion that in so far as general bank growth is concerned and the growth in lending limit of any bank, or at least of the major bank at the present time, has lagged behind the economic growth since 1940.

Q. Incidentally, I don't think you explained what the white cap is on the third bar or the bank-growth indicators.

The Court: He has to me.

[fol. 2853] Mr. von Starck: D-26.

(Document entitled "Excess of Average Deposits Over Average Loans of All PNB Customers With Credit Lines of $8,000M, or More," was marked Exhibit D-26 for identification.)

By Mr. von Starck:

Q. I ask you to look at a single sheet which has been marked D-26, which is entitled, "Excess of Average Deposits Over Average Loans of All PNB Customers With Credit Lines of $8,000M or More," and tell us what the source of that information is.

A. The source of this information is from Philadelphia National Bank records.

Q. Now will you please explain the format of this exhibit?

A. This exhibit shows for customers which are numbered, not named, the total amount of the line of credit, the average deposits for 1960, the average loans for 1960, and the excess of deposits over loans.

Q. How were the average deposits and average loans determined?

A. These are determined on a daily basis by taking the deposits and the loans on each of the 365-day outstanding and dividing by 365.

Q. What is the total of the excess of deposits over loans for these 27 top-line customers?

[fol. 2854] A. $60,783,000.

Q. What is the relationship between the average deposit and the average loan?

A. The average deposits are 203.3 per cent of the average loan.

Q. There has been considerable talk in this case about banks needing deposits approximately equal to 20 per cent of loans.

Does this represent the fact that in the case of at least these top customers deposits far exceed the 20 per cent that has been spoken of?

A. Yes, it does.

Q. How do you account for that fact?

A. I think the 20 per cent figure is a limiting figure that was asked in relation to if you are looking for a new line of credit, what type of balance would you initially want against that or against the loan.

What is involved here is the fact that for these top customers there are many other services you perform, other than the mere loan service; and these other services carry with them very substantial deposit balances.

Q. In other words, once you obtain a customer you attempt to build up the deposits by rendering additional services besides making the loans?

A. That is correct, yes.

[fols. 2855-2858] Q. Now, this Exhibit D-26 represents the actual results of all the customers that the banks which have a lending limit——

The Court: We will take a ten-minute recess.

(A recess was had.)

The Court: Gentlemen, I am not going to sit down. I am recessing, calling off court, for the day. Judge Egan just had an attack.

(Recess taken at 2:47 o'clock P. M. until 10:00 o'clock A. M. on Thursday, July 6, 1961.)

[fol. 2859-2860] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

Philadelphia, Pa., July 6, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 2861] (The following took place in chambers:)

The Court: Gentlemen, there is no doubt that this case is not going forward today and that it is not going forward until after Judge Egan's funeral. That is the least we can do.

I want to do a little talking to you personally about when we are going to resume. I left you last week when we were supposed to have a recess of two days. I went to the shore, and I had a massive chill, and ran a temperature for three days of over 102 degrees, which wouldn't break. It finally broke, and, frankly, I am still extremely weak as of now. Yesterday I was able to continue by coming up here in chambers, and for the first time in my life used that couch and I rested for an hour and a quarter. That was the way I got back on the bench yesterday afternoon. I just am very weak.

Now, would it make that much difference to your case if we start a week from Monday and give me a chance to get back on my feet?

Mr. Littleton: We will be guided entirely by Your Honor.

The Court: The doctor was going to part my hair with an ax when I told him I was coming back. He was decidedly against it, and after the shock I had yesterday I have no [fol. 2862] desire to continue at this point.

Mr. Price: I can understand that perfectly well.

Mr. Littleton: Are you sure you want to continue Monday a week?

The Court: That will give me enough time. I am just going to do nothing in the meantime but follow the doctor's orders.

I figured out not too long ago that I have not been away from this office, except for illness, for seven consecutive days in a matter of ten years. That is going a little too hard.

Mr. Price: Yes.

The Court: But I think we ought to make the announcement in open court.

Mr. Price: Yes.

[fol. 2863] (The following took place in open court:)

The Court: Gentlemen, it is with a deep sense of personal loss that I must state of record that our beloved colleague, Judge Thomas C. Egan, died this morning at 2:45 A. M. He was stricken yesterday afternoon in the adjoining room, Courtroom No. 5, and, as you know, we immediately recessed this case.

At this time I will not go on and pay tribute to a wonderful person, a great judge, and a close personal friend. All that will be accomplished at a memorial session of the court which will be convened in due course, but out of respect for our colleague, this court will stand adjourned until after the funeral, which will be held on Monday next.

As to this case, for reasons which I have explained to trial counsel previously in chambers, the trial of this case will stand adjourned until a week from next Monday.

That is all, gentlemen.

Mr. Littleton: If Your Honor please, may I just say one word, and that is that one of our witnesses, the principal expert, Dr. W. Carlton Harris, of the University of Pennsylvania, whom we expected to call here in the case, is sailing for Europe Saturday a week. I have talked to Mr. Reycraft since we talked to Your Honor in chambers, and he very graciously agreed, subject to Your Honor's wishes, that we should take his deposition as a going wit-[fol. 2864] ness beginning next Wednesday morning in our offices.

The Court: It is perfectly satisfactory. I know Dr. Harris. I know his connection with the University, and so forth. I would appreciate it if you do it that way, because I would prefer not to resume the case until a week from next Monday, which would be the 17th.

Mr. Littleton: Thank you.

(Adjourned at 10:15 A. M.)

[fols. 2865-2866] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

Philadelphia, Pa., July 17, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 2867] Mr. Littleton: If Your Honor please, may I say that we are delighted to see you back again and hope you are feeling fine.

During Your Honor's enforced absence we took, with Your Honor's permission, the deposition of Dr. W. Carlton Harris, one of our experts, who had arranged to go to Europe on Saturday. We had to take his deposition, which we did last Wednesday and Thursday.

With Your Honor's permission I would like to begin by having that read into the record. Mr. Reycraft, I believe, has no objection to that. We had Mr. MacLaren, if you remember, on the stand, but by reason of the fact that there were three or four exhibits put in at the time that Dr. Harris was on the stand, this will keep the sequence of numbers better.

The Court: Who is going to impersonate Dr. Harris?

Mr. Littleton: I think Mr. von Starck would be a good actor.

The Court: All right.

Mr. Littleton: And may I say that except for these exhibits that were testified to by Dr. Harris, he testified entirely without notes or memoranda before him.

[fol. 2868] We sent the depositions to him the day before he sailed, which was Friday, and got back word from him that there were one or two errors, and I think when we reach that part of the record, if Your Honor will permit us, we will read into the record the notes which he has sent us with respect to such corrections.

The Court: Very well.

Mr. Littleton: I should add, of course, all objections, except to the form of the questions, were reserved to the time of trial, so one or the other of us may have objections.

(The deposition of W. Carlton Harris was read, as follows, with Mr. Littleton reading the questions and Mr. von Starck reading the answers:)

W. Carlton Harris, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Littleton:

Q. Dr. Harris, where do you live?

A. 3125 West Penn Street, Philadelphia.

Q. And your business or profession?

A. I am an emeritus professor of Finance at the University. I was a professor of Finance until June 30 of this year.

[fol. 2869] Q. How long have you been a professor of Finance at the University of Pennsylvania?

A. I received the rank of professor in 1930.

Q. What has been your education?

A. I have an LLB from the law school of the University of Pennsylvania, a Ph.D. from the Graduate School of the University of Pennsylvania.

Q. In what?

A. In Economics. My major was in Finance.

Q. Did that include banking?

A. It did.

Q. Your teaching experience has been what?

A. I started teaching in 1919 as an instructor. I taught for two years General Economic Theory in the Economics Department of the Wharton School.

In 1921 I transferred to the Finance Department and have taught various Finance courses including commercial banking, from 1921 to date.

Q. Now, in addition to your teaching, do you hold any other positions, particularly those having to do with banking or finance?

A. Yes. I am a member of the Pennsylvania State Banking Board. I am a director of the Broad Street Trust Company in Philadelphia.

[fol. 2870] Q. How long have you been a member of the State Banking Board of Pennsylvania?

A. Since 1955.

Q. Will you tell us briefly what the State Banking Board of Pennsylvania is, what its authority is, and what its functions are?

A. Yes. The State Banking Board consists of ten men named by the Governor, as follows: Four of the appointees are at large and within the discretion of the Governor as to appointment. Six of the members of the Board are appointed by the Governor from lists of nominations furnished by the Pennsylvania Bankers Association. The Pennsylvania Bankers Association in the southeastern portion of the state—I think it is one and two; I am not sure of the numbers—submit five nominees to the Governor, and from whom he is required to appoint two.

The representatives of the Pennsylvania Bankers Association in the central part of the state submit five nominees to the Governor, from whom he is required to appoint two.

Similarly from the Pennsylvania Bankers Association in the western part of the state, they submit five nominees to the Governor from which he appoints two.

That is how the Board is made up. Now, you asked me [fol. 2871] its functions?

Q. Yes. First tell us of which group you are.

A. I am appointee at large.

Q. By the Governor?

A. By the Governor.

Q. And you have been there since when?

A. 1955.

Q. Now its function, its authority. It derives its authority from the statute?

A. It derives its authority from a Pennsylvania statute, and it has the following functions: Its major function is to pass upon applications for branching by state banks in localities outside the political community in which the head office is located. It has the further function of discussing with and advising the Secretary of Banking in respect to changes in the reserve requirements for state banks. It has the additional function and power to remove officers and directors of state banks from office for managing their bank in an unsafe and unsound fashion, and it has a general power to give advice to the Secretary of Banking on such matters as he may call upon it for advice.

Q. Did you mention its function with regard to cross-county mergers?

[fol. 2872] A. My statement that it has a function of passing upon branching, of branches outside the community or political community in which the head office is located, includes cross-county banking.

Q. And you have been a member of that since 1955, did you say?

A. Since 1955. I think January 15. I am not sure of the exact day.

Q. Did you ever hold any position in the Department of Banking itself?

A. Yes, I was Deputy Secretary of Banking from 1935 to 1938.

Q. We are talking, of course, of the Commonwealth of Pennsylvania.

A. Of the Commonwealth of Pennsylvania.

Q. Did you have any particular duties in that department or were they the general duties of the Deputy Secretary of Banking?

A. Well, I was liaison officer, so to speak, between the Secretary of Banking and the Legislature in the matter of the passing of bills sponsored by the Department of Bank-

ing. Those bills were prepared under my supervision. I was in charge of trust examinations specifically. Generally speaking, I was acting as an advisor to Dr. Harr.

[fol. 2873] Q. That is Dr. Luther Harr?

A. Dr. Luther Harr, who was then Secretary of Banking, and with whom I had been long associated at the University of Pennsylvania.

Q. Who is now dead?

A. He is now dead.

Q. Before you were a director of Broad Street Trust Company were you a director of any other bank?

A. Yes, I was a director of the Mid City Bank and Trust Company from 1941 to 1946. When the Mid City merged with Broad Street Trust I became a director of Broad Street Trust and still hold that position.

Q. Are you a member of any committees of the Board at Broad Street Trust?

A. Yes, I am Chairman of the Audit Committee, Chairman of the Salary Committee, Chairman of the Trust Committee, a member of the Executive Committee, a member of the Finance Committee, and I sit by invitation at the weekly meetings of the branch loan officers.

Q. What are the respective functions of the Executive Committee and the Finance Committee? In my book they sound like almost the same thing.

A. Substantially the same functions. They meet alter-

[fol. 2874] nate weeks.

Q. Have you ever acted in any advisory capacity financially to any other municipal corporation?

A. Yes. In 1935 and 1936 I was financial advisor of the City of Camden, New Jersey. In 1936 and 1937 I was financial advisor of the County of Camden, New Jersey.

Q. How about the City of Philadelphia?

A. Well, I was Assistant Treasurer of the City of Philadelphia for four years, from 1938 to 1941 inclusive.

Q. In the course of your military experience, which you haven't touched on, did you get into any banking administrative position?

A. I was a finance officer in military government. When I was in Italy I was finance officer for the provinces of Avilleno and Benevento.

Q. I take it this is the United States Army?

A. Yes, this was the Army of the United States.

Q. And the years?

A. That was 1943 to 1946 inclusive, although I didn't spend all of that time in Italy. While finance officer to the provinces of Avilleno and Benevento I supervised the local banks, aided in providing the funds which enabled them to reopen after the occupancy.

[fol. 2875] Q. Are you a member of any learned societies, Doctor?

A. Yes, I am a member of the American Economic Association and the American Academy of Political and Social Sciences.

Q. What if anything have you written on this subject generally?

A. In conjunction with Dr. Harr I wrote a book on Banking Theory and Practice, published by McGraw-Hill in 1929, and without Dr. Harr's assistance I rewrote it for a second edition in 1936 to incorporate the numerous changes that had occurred in banking as a result of the New Deal legislation.

Q. In the field of research have you done any work, particularly for the Commonwealth?

A. Yes, I did some work for the Attorney General last year and made a brief research into the competitive aspect of national banking in competition with various other financial agencies, such as savings and loan associations.

Q. How about in the administration of Governor Leader?

A. When Governor Leader was elected but prior to his taking office he named a committee to investigate the various departments and make recommendations, and I was [fol. 2876] named to investigate the operations of the Department of Banking and make recommendations to Governor Leader.

Q. Have you had and do you have any position of responsibility with regard to research in this field at the University of Pennsylvania?

A. Well, I supervise student research.

Q. In this field?

A. In the general finance field, including commercial banking.

Q. Have you done any other writing, such as book reviews, Doctor?

A. I have reviewed a number of books. Some years ago the reviews were published in the Annals, the Annals of the American Academy of Political and Social Sciences. As I recall, one was Kilburn's text on money and banking. Another was Burgess' text on Federal Reserve and the Money Market. Another was Jesse Jones' History of the Reconstruction Finance Corporation. I reviewed Dr. Harr's book on branch banking in England. That is all I recall at the moment.

Q. Doctor, may I direct your attention to the commercial banks?

Will you describe for us your opinion of the nature and [fol. 2877] the function of the commercial banks?

A. The commercial banks in this country are those banks that have the power to receive and create demand deposits and to make those deposits available to their customers by honoring checks drawn thereon.

Arising out of their function, the banking system has the power to create a large proportion of our current circulating medium, demand-deposit credits.

Banks are also very important lenders to individuals, partnerships, corporations, municipalities, states, et cetra.

They are the two major functions, I would say, of commercial banks.

In addition to that, they have various other reasonably numerous functions. They receive and administer time and savings deposits. Many of them, though not all, engage in trust functions.

They engage in foreign-exchange activities, financing imports and exports, taking care of the transfer of capital funds into and out of the United States.

They also are the agency or medium whereby the individuals and business world acquire currency for currency [fol. 2878] transactions.

A few of our state banks, but very few, engage in title-insurance activities.

They engage in safe-deposit activities, renting safe-deposit boxes, rendering facilities for the storage of valuable papers and other valuables.

Those, I should say, are the major functions of the commercial banks.

Q. Which of the main functions of the banks compete with each other and with other financial institutions?

A. They compete with each other in the receipt, creation —not the creation, but the receipt and administration of demand deposits. In that respect they are unique, being the only financial institutions in the United States, private financial institutions, authorized to receive demand deposits and make them available for use by honoring checks drawn thereagainst.

They also compete with each other and with other financial institutions in the receipt and administration of time and savings deposits.

They compete with each other and with other institutions in their lending functions.

They compete with each other and with private individuals in certain trust functions.

[fol. 2879] They compete with each other and a few other institutions in the safe-deposit and foreign-exchange functions.

Q. Now, in the area of their attracting demand deposits, are they subject to any restrictions or governmental controls?

A. They are subject to restrictions in most of the activities that I have mentioned.

In respect to demand deposits, they are subject to the restriction that they are not permitted to pay, directly or indirectly, any interest on demand deposits.

Q. You have spoken earlier, Doctor, about their ability to create or increase money or credit.

Do they compete with each other in creating money?

A. I would say not. They compete with each other in the lending function, which, incidentally, creates deposits.

The competition is in the lending rather than in the deposit relation, which is a resultant of that lending activity.

Q. Do you consider that their power to create money gives them any possible cost advantage in competing with other non-bank lenders?

A. Some other bank lenders have, to my knowledge, claimed that the power of the commercial-banking system [fol. 2880] to create money gives them a cost advantage. I do not think that that claim, however, is substantiated by looking at the rates of growth of these institutions.

Q. Have you looked at the rates of growth?

A. Yes. I have.

(Document headed "Relative Growth of Assets of Selected Financial Institutions in the United States 1945-1959," was marked Exhibit D-27 for identification.)

By Mr. Littleton:

Q. Doctor, I show you this document marked D-27 and ask you what it is.

A. This is the "Relative Growth of Assets of Selected Financial Institutions in the United States," from 1945 to 1959.

Q. Was this prepared by you or under your supervision?

A. It was.

Q. And what was the source of the information which appears on D-27?

A. It varies. The source for insured commercial banks, savings and loan associations, and mutual-savings banks was obtained from the Federal Reserve Bulletins. The growth figures and assets are reported every month in the various issues of the Federal Reserve Bulletin, either April or May, I forget, which was the then last available issue [fol. 2881] for these figures.

Q. And from those figures——

A. I haven't quite finished.

Q. I am sorry.

A. The Credit Union Yearbook was the source of our information on credit unions, and for open-end investment companies the source of our figures was Wiesenberger, *Investment Companies*, 1960.

Q. From the information which you have collated on this chart, D-27, what conclusions do you draw?

A. The conclusion that these other competing institutions do not suffer in their competition by their claim or the claim of some of them that banks have a competitive advantage by reason of their ability to create deposits, the rates of growth in the other institutions in all cases substantially exceeding the rates of growth of the commercial banks during that period from 1945 to 1959.

Q. Is that something which is continuing, so far as you know?

A. So far as I know, that is continuing.

Q. Now, you have spoken of competition and we have heard a lot about competition in this case to date.

What do you mean by competition in this area?

[fol. 2882] A. Well, the general concept of competition is the active rivalry of suppliers of commodities or services in seeking to sell their commodities or services to the general public. That is one form of competition which exists in practically all fields of business to a greater or a lesser extent.

Another aspect of competition is cited from the consumer's or buyer's point of view, and I might describe that as being the existence of alternative sources of supply to which or through which buyers may seek either commodities or services.

In that sense the competition may be described as latent.

Q. In your opinion is the latent competition or rivalry as important as the active in the banking field that I am talking about?

A. I think both of them are relatively important. There is a substantial amount of active rivalry among banks in seeking customer business. There is also a latent rivalry in the sense of customers having available to them a very substantial number of alternative sources for the services or commodities that they may desire to obtain.

Q. In the sense in which you have used the terms, does active rivalry and active competition and latent competition or rivalry exist in the Philadelphia area?

[fol. 2883] A. Both of them exist in the Philadelphia area.

Q. In the banking field, I am talking about.

A. In the banking field.

Q. And also in the Delaware Valley?

A. Yes.

Q. What is the character of the competition in banking? Is it of a price character?

A. According to my observation and experience there is comparatively little price competition in banking.

Competition is more likely to take other forms—conveniences, various other services, advice, credit information, physical surroundings, personal relationships, advertising, et cetra. It is rare, I think, that price competition enters

the field, although there are some few instances in which it may.

Q. Are banks permitted to engage in unrestricted competition?

A. They are not. Banks are subject to all sorts of limitations imposed by statute and regulatory decisions for a large number of the services which they render.

Would you like me to enumerate some of them?

Q. Yes, I would, the principal ones, certainly.

A. Well, we can start at the beginning and look at entrance into banking, which is under regulation.

[fol. 2884] Turning to the national system, no bank can be organized unless it meets certain minimum capital requirements set up by the National Banking Act. The same thing is true in practically all states for state banks, although the minimum capital requirements do not necessarily coincide in dollar volume with the capital requirements imposed upon national banks.

Furthermore, even if the capital requirements are met, the Comptroller of the Currency and the state authorities are authorized to decline or refuse the granting of a charter if, in their opinion, it will give rise to destructive competition in the area in which the new bank is to be established. The Comptroller of the Currency or the secretaries of banking, as the case may be, have to be assured that there is adequate business in that area to support the activities of an additional bank without unduly weakening the bank or banks already in existence in that community.

In that sense, although the supervising authorities are not opposed to some competition, both the law and the policies of supervising authorities are strictly opposed to destructive competition.

The safety of banks is an important and major factor from supervising authorities' point of view primarily because they hold the deposits of the general public, which [fol. 2885] constitutes the life blood of our economic enterprise. It is the desire of supervising agencies and the legislatures to prevent banks from failing so far as possible. The supervising agencies would rather have two strong banks than three weak ones in a given community. In that sense the competition between banks is definitely limited.

I have already mentioned in respect to demand deposits that laws prohibit price competition in that field by prohibiting the payment of any interest, directly or indirectly, on demand deposits.

Turning to time and savings deposits, competition is limited to some extent by regulatory maxima, the laws fixing maximum rates of interest which may be paid on time and savings deposits.

Turning to the lending activities, they are subject to various and sundry governmental regulations which, to some extent, limit competition in that field.

There are extensive limitations imposed upon banks in making real-estate loans, both as to the aggregate volume of such loans as they are permitted to make and as to the characteristics of the individual mortgages or liens on the real estate, limited to the percentage that they can lend as to the appraised value of the real estate, the maximum maturity of the loan and so forth.

[fol. 2886] As far as the general business loans are concerned, under the national system the banks are not permitted, with some exceptions, to make loans in excess of 10 per cent of their capital and surplus to any one borrower. Similar laws exist in many, if not most, of the states.

Interest rates chargeable on various types of loans are subject to legislative and administrative limitations.

The general state usury laws and variations of that in respect to certain types of lending—in consumer lending, the maximum interest rates permissible to be charged by banks are limited by law.

Q. How about low rates? You are speaking of the maxima; how about the minima?

A. The loan interest?

Q. The low point.

A. What?

Q. The low limits on loan interest.

A. Well, I don't know that there is any legislative low limit on loans. Practically, in the commercial-lending field, for larger borrowers at any rate, the lower limit is fixed in the main by the prime rate.

Q. What are the earning assets of a bank?

A. The earning assets of a bank?

[fol. 2887] Q. The earning assets of a bank.

A. The earning assets of a bank are primarily its loans and investments. It also has income from other services and other sources.

Would you like me to enumerate them?

Q. Yes, if you would.

A. Well, it has income from service charges. It has income from the safe-deposit department, it has income from its trust activities.

Q. And what is the commodity in which a commercial bank deals? What is it that it has to sell?

A. Well, very shortly, it has to sell credit, sometimes referred to as money.

Q. That comes from the deposits of its depositors?

A. That is true.

Q. Is there anything to prevent them——

A. Of course, a little bit of its money comes from capital and surplus originally subscribed and from annual earnings plowed back into the business.

The vast bulk of the funds, however, which it lends and invests is derived from its depositors.

Q. Is there any control or regulation as to the distribution of a bank's earning assets?

A. Yes, in this sense, that banks are required to keep cer-
[fol. 2888] tain percentages of their demand and time deposits as a reserve, the reserve being for national banks in a non-income-producing form—deposits with the Federal Reserve Bank of their district and/or cash in their vaults.

Q. What is meant by "prime rate" in the matter of charging interest rates on loans?

A. Well, the prime rate is that rate fixed generally by the larger banks in respect to loans made to larger customers with high-class or national credit ratings.

Q. Has that any relation to the requirements of the Federal Reserve Banks?

A. The prime rate?

Q. Yes.

A. The prime rate may be affected by Federal Reserve activity. The Federal Reserve, of course, has the power to influence the volume of funds in excess reserves in the possession of banks. If the banks have large excess re-

serves relative to the current demand for loans, the prime rate is likely to fall somewhat.

If, on the other hand, there is a substantial demand for loans relative to the volume of excess reserves possessed by the banks, the prime rate is likely to rise.

As the Federal Reserve can influence the volume of excess reserves it can, therefore, bring some influence upon [fol. 2889] the prime rate.

Q. And it does?

A. And it does.

Q. And what is meant by the rediscount rate in connection with that subject?

A. The rediscount rate is the rate charged by the Federal Reserve for rediscounting commercial paper or making direct loans to member banks secured by Government bonds or eligible commercial paper.

Q. Does that have any effect on prime rate?

A. Yes, it may. Generally speaking, a lowering of the rediscount rate is indicative of or is intended, on the part of Federal, to ease the monetary situation by not only making it possible for banks to borrow from them to obtain excess reserves at a cheaper rate, but there is also another general effect of a lowering of the rediscount rate by Federal.

It influences other rates, including the rate on long-term securities and as they fall the value of those securities rises, which makes it again feasible for the banks to sell those securities if they wish to acquire more excess reserves without substantial loss.

Q. And from your experience and observation does the rediscount rate set by the Federal Reserve and the reserve requirements set by the Federal Reserve have any direct [fol. 2890] effect upon the prime rate which banks charge for loans?

A. Yes.

Q. It does?

A. It does.

Q. What is the area between the lower limit, which I will consider for the moment the prime discount rate, and the usual usury rate charging interest on loans?—

A. That varies from state to state. Assuming that the prime rate is 4½ per cent, which I think it is today, in

Pennsylvania the usury rate for ordinary loans of a commercial type is 6 per cent; so they have a range in there of 1½ per cent for competitive variation in rates.

Of course, in some states the usury statute is higher than 6 per cent; it may be 7.

As far as the national law is concerned, the usury rate applicable to national banks is the usury statute of the state in which the national bank is located. In the absence of such a usury statute in that state the national usury limit is 7 per cent; but I don't know of any state that doesn't have a rate.

Q. Is the narrowness of this range one of the reasons why you say the competition among banks in the making of loans is not in the area, not to any great extent in the area of the charge for the loan, to wit, the interest rate? [fol. 2891] A. That is one of the reasons, yes.

My experience in banking goes a little further than that. I don't think the average banker thinks it is good banking to cut loan rates for the purpose of attracting business.

Q. Why not, Doctor?

A. Well, in the first place, their profits are affected by so doing. In the second place, it may stimulate similar action on the part of other banks to the detriment of the banking system as a whole.

Q. If one bank cut rates, what would be the effect?

A. Well, if they cut them sufficiently to attract a large amount of new business, they would very speedily run out of excess reserves.

Q. In other words, they would be overloaned?

A. Yes.

Q. Now, you have spoken about the restrictions or the regulations on entry into the banking field by an organization. Do I infer from what you said that that regulation is frequently exercised to maintain or even create what is sometimes called a monopoly?

A. Yes, although I don't think the purpose of it is to create a monopoly in that sense. In accordance with the 1960 annual report of the Federal Deposit Insurance [fol. 2892] Corporation, there are 7073 political communities in the United States which have today only a single bank. In a sense, that bank is monopolistic in those communities.

Q. You are speaking of unit banks now?

A. I am speaking of unit banks.

[fol. 2893] Q. And the regulations which prevent other banks from going into those respective areas, in your opinion, would that be an exercise of power to protect those banks from competition? For a benign purpose, I am talking about.

A. For a benign purpose, yes, to protect them against destructive competition which might lead to a serious weakening of their financial structure to the detriment of depositors and other customers of that bank.

Q. This is something as to which I assume you have seen some history made?

A. That is true. I have been a party to it, so to speak, when I was in the Banking Department, and it also applies to the opening of branches, and that is part of my regular activity.

Q. Tell us about regulation as to the opening of branches and the effect of that.

A. In Pennsylvania a bank meeting certain minimum capital requirements is permitted to open a branch in the political community in which the head office is located. It is permitted to open a branch in communities outside of the political community in which the head office is located, but within the county. It is also permitted to open branches in abutting counties, counties abutting to the county in which [fol. 2894] the head office is located. In respect to opening of branches within the same political community in which the head office is located, that is a discretionary matter with the Secretary of Banking and does not come before the Banking Board. In respect to the opening of branches outside of the political community in which the head office is located, whether within the same county or in abutting counties, those applications come before the Banking Board. If the application is originally declined or turned down by the Secretary of Banking, the Board has no jurisdiction. The action of the Secretary of Banking is final, subject to the possibility of court review. If the Secretary of Banking approves the application for a branch under those conditions, it is submitted to the Banking Board and passed upon by the Banking Board, who may confirm the decision of the Secretary of Banking or reverse it. The decision of

the Banking Board is binding on the Secretary of Banking.

The factors considered by the Banking Board are derived from the statutory law, which says that the applicant for opening such a branch must establish a need for that branch in the community in which it is to be located. The Board devotes most of its attention in determining to the best of [fol. 2895] its ability the need for additional banking facilities in the areas for which application for branches have been filed. The Banking Board, therefore, takes into consideration and listens to a great deal of evidence pro and con in the matter of competition. The Board again will decline a branch application if it considered that the result of that would be the undue weakening, from a competitive standpoint, of the existing institutions already in that location.

Q. The history to which you and I referred a few moments ago and which you observed or experienced, is that something that was created in part by unrestricted competition?

A. If you are referring to the era of bank failures in this country, in my opinion, some portion, at any rate, of those failures were due to the fact that there had not been sufficient restriction upon the organization of new unit banks in many sections of the country. I believe that in many sections of the country we were then somewhat overbanked, to the detriment of the health of the banking system. It has been the general trend of both law and administrative policy since that time not to bring that situation about again.

Q. Doctor, what in your opinion is the relationship [fol. 2896] between the degree of competition and the scope of the market for banking services?

A. Well, when you are talking about competition, you must of necessity relate that competition to the market or markets in which the bank carries on its activities and furnishes its services. The concept of a market is an area in which the sources of supply and demand are in operation. As far as banks are concerned, it is a rather difficult concept to accurately define and is certainly impossible to accurately draw a specific line around specific markets.

Q. Why is that?

A. Banks do business over a wide area, over an area substantially exceeding or beyond the areas in which, from

a geographic point of view, the banks are immediately located. For example, the situation in the Philadelphia area is that our banks operate in Philadelphia, and also many of them have branches in one or more of the three contiguous counties around Philadelphia. That, however, is by no means the limit of the markets in which they furnish their services. Figures which I believe have been submitted by the banks in question indicate that a substantial amount of the deposit business of both the Philadelphia [fol. 2897] National Bank and the Girard Trust originated in areas beyond the four-county area, and similar figures in respect to loans indicate that a substantial volume of loans of those institutions are made in geographic areas outside the four-county district.

Looked at from the bank's point of view, therefore, some of the market areas of these banks might be described as international. They receive deposits and perhaps make some loans abroad. They may be described as national in respect to business originating from larger corporations over areas extending throughout the eastern part of the United States and possibly substantially to the west.

There is another concept of markets, however, looked at from the consumer's point of view. From a consumer's point of view, the size of his market is somewhat dependent upon his own size, how well he is known, and so on. For example, for small business concerns known primarily locally, they may consider that their market is a strictly local one, and they may be forced by circumstances to do business with banks in a nearby geographic relationship to them. On the other hand, as businesses increase in size, the scope of their business activities, their national reputation, [fol. 2898] the alternatives they have available to them will be spread again over a very large area, possibly as large as the entire United States.

That shows that the market picture is rather complex.

Q. Well, irrespective of large or small as respects the customer or borrower, does the fact that these two banks are limited to branches in the so-called four-county area have any bearing on the borrower's choices or ability to get a loan?

A. Not necessarily. As I have just indicated, borrowers in the four-county area are not compelled to borrow in the

four-county area. Borrowers located in the periphery of the four counties can readily and no doubt many of them do cross county lines for borrowing or deposit purposes.

As far as large institutions are concerned, unfortunately, some of the largest institutions in the United States located here do most of their borrowing and depositing in New York, I regret to say. I might mention some of the big oil companies.

Q. From what you say do I understand that there is a distinction or a difference between the bank's market and the customer's market?

[fol. 2899] A. Yes, there may be. From the customer's market point of view, I am looking primarily at the number of alternatives available and open to that customer.

Q. What in your opinion is the better way to determine market, therefore, for commercial loans, if there is any good way?

A. Well, looked at from the bank standpoint, one way to determine it is to analyze the sources of their loans, where they come from and the percentages. If you are looking at it from the borrower's point of view, you would have to put yourself in the position of that borrower and see what alternative sources he could go to, to obtain such accommodation, and I may say that the scope of markets has been somewhat widened in recent years from the customer's point of view by improvements in transportation—the existence of the automobile, and factors of that type.

Q. Let me ask you specifically: If 60 per cent, say, of a bank's lending business should be drawn from this four-county area, does it necessarily follow that 60 per cent of all the loan business generated in the four counties goes to the banks in that area?

A. Oh, no.

Q. Well, discuss that, will you.

A. The bank derives 60 per cent of its business, let us [fol. 2900] say, from the four-county area, but we do not know—I don't know how we could find out—how many businesses and customers located in the four-county area go outside the four-county area to obtain their financial accommodations. There is no necessary relationship.

Q. What does determine alternative choices of the customer?

A. The thing which determines alternative choices of the customer is dependent upon the number of institutions within reach of the customer who might have sufficient knowledge of the customer's credit standing. Those number of choices that he may have, as I say, extend and may well extend far beyond the four-county area. I have no doubt whatever that business houses located along the Delaware River in Bucks County, if they don't get what they want in Bucks County, can step across the river and get it in New Jersey. The figures do not disclose the extent to which that may be done.

Q. During the course of this case Professor Smith argued against the possibility that the adequacy of local banking facilities may be a factor affecting industrial location, on the ground, I think his language was, that banking services, and particularly lending facilities, have a transportation cost that is practically zero. Would you comment [fol. 2901] on that view.

A. Well, that would seem to indicate, that transportation costs of the funds are zero, the existence of a very much wider market for those funds than some of his previous statements seem to indicate. There is another factor other than transportation costs involved, however, and that is the borrower's credit standing and knowledge. If you say no transportation costs for the cost of money, you are assuming also full information and full knowledge. Physically, of course, there is no cost. Moneys can be transferred all over the country by operations of the Federal Reserve Bank without cost. To that extent the statement is true. I think Mr. Smith was bringing out the point that existing banking facilities are not an important factor in determining the decision of a business concern in locating at a given site. He cited some studies in which banking facilities were not mentioned.

Just by luck I happened to discover a few days ago a study which Mr. Smith had not seen, no doubt, in which banking facilities were given some attention as one of the factors causing the possible selection of a site for a business concern. It was a study made by the Chamber of Commerce in 1957 of Philadelphia. I have it in my bag there. [fol. 2902] Mr. Reycraft: May we get a copy?

The Witness: "Industrial Plant Location Data, Philadelphia; 1957," by the Industrial Development Division, Department of Commerce, City of Philadelphia.

Mr. Littleton: Perhaps we better have the stenographer mark that D-28, so we know what you are referring to by consecutive number.

(Book headed "Industrial Plant Location Data, Philadelphia, 1957," was marked Exhibit D-28 for identification.)

By Mr. Littleton:

Q. I show you document D-28, which you have produced from your papers, which is headed "Industrial Plant Location Data, Philadelphia, 1957," and seems to be a publication of the Industrial Development Division of the Department of Commerce of the City of Philadelphia.

A. That is correct.

Q. Will you now proceed with what you were about to tell us, Doctor.

A. I simply said that in listing the factors considered by or which should be considered by plants in determining upon a location, they have a heading in Chapter 10 called "Other Community Facilities," among which they mention banking.

[fol. 2903] I don't wish to lay too much emphasis upon it. I am very far from saying that the banks constitute a major factor in determining industrial plant location.

Q. Doctor, may I direct your attention particularly to the Philadelphia area and ask you about competition in banking in the Philadelphia area. I would like to ask you first about competition in the area of demand deposits. Will you describe what are sometimes known as special checking accounts or personalized accounts?

A. Yes. Practically all banks furnish a service which has different names in different banks. For lack of a better name we can call it specialized accounts. They are accounts which are furnished for checking facilities only. The depositors are not required to maintain any particular balance other than a sufficient collected balance to meet checks drawn against it. Generally the banks sell to the depositors a book of checks, 10 or 20 as the case may be, and charge them customarily 10 cents per check. In addition to that

there may be a 25 or 50 cent a month maintenance charge.

Q. What is the usual type or size of customer for that service?

A. The customers who make use of this service are customarily individuals of limited or moderate income who [fol. 2904] would not ordinarily be able to maintain a large enough ordinary checking account to avoid service charges.

Q. What is the nature of competition in that field?

A. There is very little price competition in that field. I think that the banks are charging in Philadelphia substantially the same for that service. The competition takes the form primarily of advertising, personal relationships. The quality of the service is the same, I think, in all of the banks. The scope of the market is largely local.

Q. What is it? A matter of convenience?

A. Convenience is certainly the major factor.

Q. Among what institutions does competition exist in the Philadelphia area?

A. Among the commercial banks. The commercial banks are the only institutions, strictly speaking, that can furnish this service, but there is also competition with postal money orders and mutual savings bank money orders. Some people may choose to use those methods of paying bills rather than having a special checking account with the bank.

Q. What would you say the scope of the market for this type of service is?

A. The scope is primarily local, on the part of individuals [fol. 2905] living within a reasonable distance from the bank. There you run into this possibility, of course, that the finances of a family may be carried on by the wife or by the husband. If by the wife, presumably they will pick out a bank within a short distance from their home. If the finances are handled by the husband, the selection of a bank may be one which is very convenient to his place of employment.

Q. Is there any of this done by mail?

A. There may be. Banks offer facilities for deposit by mail, yes.

Q. Now, coming right down to this case, what in your opinion would be the effect of the merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank on this particular type of service, if any?

A. I think the effect of the merger will be very slight. There will be, of course, a reduction of one bank in the City of Philadelphia.

Q. In your opinion, is that adequate competition?

A. In my opinion, adequate competition remains.

Q. Any monopoly?

A. No.

Q. How about the suburban areas?

A. As far as the suburban areas are concerned, I think [fol. 2906] the effect on competition will be even less, because most of the branches, practically all of the branches of the Philadelphia National Bank and the Girard Trust are at a distance apart, which would make the alternative choices of the local people the same in each particular case. It would only be the change of the name of the bank over the door.

Q. What effect, if any, would such merger have in this particular on other banks?

A. Some other banks might hope to get a little business, more than they had before, from a comparatively few of the customers of the Girard Trust and Philadelphia National who might be disgruntled by the merger. I may say that my experience in merging has been that in practically every case there are a few people, at any rate, or customers of the merged banks who don't like it. I am of the opinion that other banks in Philadelphia are rather looking forward to getting slight accession or increase of their business as a result of this merger.

Q. Would either of the constituent banks have any more power merged to increase the service charges generally for this type of service in Philadelphia than either one of them has today?

A. No. Size has no relationship, generally, with this type [fol. 2907] of business, which is done as effectively by small banks as by large. Of course, the merged bank can if it sees fit increase the prices for this service. If it does, it will simply lose business to the other banks, in my opinion.

Q. In other words, the Broad Street Trust Company will pick up some?

A. We think so.

Q. Now, if you will, please, Doctor, move to another

service, that is, the moderately sized deposits for checking convenience, non-borrowing customers, generally speaking.

A. Yes. Deposits are carried in our commercial banks by individuals, partnerships, and corporations, small partnerships and corporations of moderate size, primarily for checking convenience and for reasonable liquidity in carrying on their daily activities. They may or may not borrow. I am assuming at the moment the deposits by non-borrowing customers or customers who borrow very infrequently, such as my own account with the bank, for example.

Q. What is the type or kind of competition in this service?

A. Well, there may be a small degree of price competi-
[fol. 2908] tion in this service, because again it is in this area that we have the possibility of service charges. Of course, many of these accounts will have a sufficiently large balance relative to their activity to avoid service charges entirely, but in the field of moderate demand deposits the question of service charges may arise. Service charges in Philadelphia are not entirely uniform among all of the banks. My impression is that they do not differ very materially. They may be higher in some respects and lower in others.

From time to time the comptroller of the Broad Street Trust Company makes a survey of service charges of competing institutions in Philadelphia and makes a report on it to the Board of Directors of Broad Street Trust, as a basis for making perhaps some slight modifications in our own service charge level. I may say that in the past ten years or so the service charges have gone up somewhat in all of our banks as a result of the substantial increase in operating costs. I consider that quite justified. Banks, in general, try to remain competitive, as we sometimes say, in the service charge field.

Q. How about the customers? In your experience, is there very much shopping around by customers?

[fol. 2909] A. No. Occasionally a customer will individually object to the imposition of a service charge on his account. I don't know of any instances, no instances have ever come to my attention, at any rate, whereby customers shop around and try each of a number of banks to see in which one they are getting the lowest service charge. I think that would be surprising.

Q. What factor does influence a depositor?

A. Primarily convenience, personal relationship, other services performed by that bank. He may have a safe deposit box there. He may be a beneficiary of a trust estate.

Q. How about competition in this area from other institutions, non-bank institutions?

A. Well, again we are talking about demand deposits subject to check and there are no other institutions, as such, which receive demand deposits subject to check.

But just as in the case previously mentioned, occasionally there are other facilities for making payments by something analogous to checks, namely, postal money orders and savings-bank money orders.

Q. And I assume competition from other commercial banks?

A. Oh, yes; competition among commercial banks. I thought you meant competition with agencies other than commercial banks.

[fol. 2910] Q. I did.

What do you consider the scope or area of the market for this type of competition?

A. Well, again, very largely local for the smaller depositor, but facilities of deposits by mail enlarge the scope somewhat; and also the transportation facilities (automobiles and highways) enlarge the scope somewhat for this type of business.

But referring to these moderate-sized deposits, I would say the market was primarily a local market.

Q. Now addressing yourself to this particular proposed merger, what, in your opinion, will be the effect of this merger, if any, on this area of medium-sized, non-borrowing depositors?

A. I think the effect will be negligible again.

Q. Why is that?

A. The deposits are maintained in banks of all different sizes. Specifically, in Philadelphia, there will be a reduction of one bank within the City of Philadelphia. There will be remaining seventeen other banks if you include the branch of the Camden National available to depositors in this category.

[fol. 2911] Similarly, the effect will be as negligible, in my opinion, in the surrounding four-county area.

Q. Would the increase in size permit the merged bank to exercise any controls over depositors or over other banks?

A. No. In this field, if they step out of line in too high service charges or other impositions on depositors, the only effect will be a loss of business to other banks, in my opinion.

Q. When you spoke about convenience as being one of the things which influenced depositors to select a particular bank, did you mean convenience of geographical location or some other type of convenience?

A. It may be of several types. Convenience of geographical location is, of course, one.

Another is doing all your business under one roof, that is to say, the convenience of utilizing the bank for other services, as well as that particular one. The customer may be a customer of a bank in other respects. It is convenient to carry on all of your banking activities under one roof, so it is widely alleged and widely used in advertising, as you know.

Q. Doctor, will you address yourself to medium-sized and large demand deposits for the moment and tell me what, in your experience, is the type of customer——

[fol. 2912] A. Of course, the larger demand deposits, coming primarily from wealthy individuals, partnerships, business partnerships, corporations, coming from municipalities, states, federal agencies, state agencies.

Q. Are these usually just for checking convenience or for other purposes besides checking?

A. They are frequently for purposes other than mere checking convenience. They are frequently maintained as a basis for other services performed by the banks and they are maintained as compensating balances for loans.

They are, in a sense, many of them, thus related, marketwise and other, to loans.

Q. What services——

A. Many of them are not. I mean, large deposits are maintained——

Q. What kind of services did you mean when you suggested that these are maintained in some instances for other services rendered?

A. All sorts of services—credit advice, the handling of

security transactions, check clearing and collection, the transfer of substantial funds from one area of the country to another are among the services that banks render to their customers.

Q. Of what does competition, if any, consist in this field? [fol. 2913] A. Very largely the quality of the services rendered and these deposits being related to loans they are, therefore, to some extent related to the legal loan limits imposed upon banks in relation to their capital and surplus.

Q. Is there any price competition?

A. Probably very little price competition in this. Being demand deposits, no interest can be paid upon them and the size of these deposits generally precludes the likelihood of specific service charges against them.

Q. Now, aside from the competition with the other commercial banks in this area, is there competition from other institutions that I might call non-bank institutions?

A. It depends on the scope of the word "institution."

What really happens is this: There are no other incorporated or banking institutions that can receive demand deposits, but again excess demand deposits on the part of these depositors will be frequently withdrawn from banks where interest rates are favorable and invested in short-term Government obligations, short-term municipal, tax-free obligations, open-market paper, bankers' acceptances, repurchase agreements, et cetera.

There is that type of competition.

Q. What would you say the scope of the market here in this field is?

[fol. 2914] A. Regional, national. As the depositors are bigger in size they may (and many of them do) deal with banks in large centers, geographically far removed from their head offices, for example.

Q. Do you consider the competition from alternative sources of investment substantial in this area?

A. It has been at various times.

Q. It depends on what the interest rate is on the United States bills?

A. In Broad Street we got quite a jolt in this field when the "golden fives" came out.

Q. Corporate treasurers removed their balances; is that it?

A. That is correct.

Q. Or drew them down?

A. They didn't remove them. They drew them down.

They invested excess amounts in the four-year nine-month 5-per-cent United States notes.

Q. That is real competition, is it not?

A. In that sense, yes.

Q. Now addressing yourself to this particular merger, what, in your opinion, will be the effect of this merger, if consummated, upon this field of deposit activity or services?

A. Well, for very large deposits, the size of the bank is a factor of significance and I am of the opinion that if [fol. 2915] the merger is approved and goes through the resulting bank will be in a better competitive position in respect to the large banks in other financial centers, such as New York.

So far as its effect on local banks, I consider it will be negligible.

Q. Do I understand from that that you considered that there are numerous alternative choices open to depositors in the city.

A. Exactly so. As a matter of fact, for big depositors, the alternative choices are the big banks all over the United States.

Q. Doctor, will you address yourself for a moment to United States Government deposits?

A. The Treasurer of the United States deposits demand funds with most of the banks in the United States. I am under the impression that the volume of those deposits will be related to the bank's size, the larger banks receiving larger Treasury deposits; the smaller banks, a smaller volume.

Q. Is there any important competition there among banks for those funds?

A. No. I am of the opinion that there is no aspect of competition involved in the receipt of United States Government deposits.

Q. Would this merger, if it becomes effective, have any [fol. 2916] effect on that situation?

A. It may have a slight effect in this sense, that I believe that an increase in the capital and surplus involved will give to this bank a somewhat greater underwriting poten-

tial in the purchase of new issues of the United States Treasury.

Q. How about state——

A. I don't think the other banks will be affected in any way.

Q. This is in the national market?

A. In respect to United States governments?

Q. Yes.

A. The United States Treasury deposits all over the United States.

Q. All over the United States?

A. In that sense, it is a national market.

Q. Would the merger have any effect locally?

A. In my opinion, no.

[fol. 2917] Q. Now will you address yourself to state and municipal demand deposits?

A. Well, banks receive, of course, demand deposits from the State of Pennsylvania, from municipalities, cities, townships, boroughs, school districts.

Q. What is the competition here? What is the kind of competition here?

A. The kind of competition there, again there is no price competition. These are demand deposits and no interest is paid upon them. Normally no service charges will be imposed upon accounts of this character.

The competition is largely in respect to the furnishing of the services to municipalities in question.

Banks quite frequently serve as treasurer of small municipalities, as fiscal agent in respect to the bond issues of the municipalities, the banks lend to municipalities and bid on municipal bond issues, and services rendered by a bank to a municipality in one or the other of those fields will frequently result in obtaining the bulk of the municipality's demand-deposits account.

So the banks compete in that sense, in the offering of services to municipalities.

Q. How about competition from any non-bank sources or institutions in this area?

[fol. 2918] A. Well, here again the municipalities in question may and do shift what they might consider excess demand balances with the banks into the types of short-term investment that I have previously mentioned—short-

term governments, bank acceptances, open-market paper, et cetera.

Q. What is the scope of the market here, Doctor?

A. Well, the local banks here deal with practically all the municipalities in the four-county area and with some municipalities beyond it.

I should say it was a regional market. It might conceivably, in some cases, be national. I don't know how far afield the municipalities would be likely to go.

There might be legislation there limiting deposits to within their own state. I am not sure, but I think there is in some states.

Q. Addressing yourself to this particular merger, what will be the effect of this merger, if consummated, upon this particular activity or service?

A. I think the effect will be negligible. I take it that the Girard and Philadelphia National will retain the deposits they have.

I can see no way in which the other banks seeking and obtaining such deposits will be affected, the merged bank [fol. 2919] being unable to control price or any other aspect of this type of business.

Q. What do you mean by a correspondent balance, Doctor?

A. Correspondent balances are balances maintained in a given bank by other banks, commercial banks.

Q. And what is the competition or the kind of competition for correspondent balances?

A. There, too, it is a competition in respect to services rendered. Here the size of the bank becomes of some significance. As a rule, banks in municipalities such as Philadelphia only of larger size are likely to receive correspondent balances from smaller and other banks located elsewhere.

The competition again is not a price competition, there being no interest paid on these balances and no service charges imposed thereon.

The city banks perform certain well-defined services for the country correspondents—advice, credit, security dealing, custody and purchase and sale of securities, monetary transfers, and so on, out-of-town check collections.

Q. How about competition from other non-bank sources or non-bank institutions for this type of depositor?

A. Going back to competitive factors, I might mention [fol. 2920] also Federal Reserve as a kind of competitor in this field, not that correspondent balances will be entrusted to Federal, but Federal is, of course, soliciting non-member banks for membership constantly; and to the extent that that solicitation results in a non-member bank joining Federal, that has the effect of reducing the non-member bank's correspondent balances with other banks because of their requirement to maintain reserves at Federal, and because a substantial number of the services previously furnished by their correspondents will now be furnished by the Federal Reserve banks.

So you might introduce Federal Reserve as a potential competitor in this field.

Q. Are there any other sources of competition?

A. Well, again, excess correspondent balances, if maintained by a bank, may be put into short-term Treasury bills if interest rates are attractive, or the other types of open-market investments which I have previously mentioned.

Q. Government obligations?

A. Government obligations, municipal obligations, open-market paper, bankers' acceptances, repurchase agreements.

Q. What is the scope of the market for this type of deposit?

A. National.

Q. And what, in your opinion, will be the effect of this [fol. 2921] merger, if consummated, on this particular type of business?

A. Well, looking first to the increase in size of the merged bank, I think that it will put them in a position to solicit and possibly obtain more correspondent balances from banks which may now be using quite large banks in other financial centers. I think it will improve the competitive position of the merged bank with large banks in other financial centers.

I do not think it will have any material effect on the other banks, larger banks in Philadelphia, that now have the correspondent balances.

Q. How about balances of foreign banks, foreign governments, and agencies? What is the kind of competition which commercial banks have in that field?

A. Well, it's somewhat limited. It's competition with banks in other large financial centers primarily.

Comparatively few of the American banks receive deposits from foreign sources, which are primarily foreign banks, foreign governments, foreign governmental agencies.

I believe that possibly in this country, by the Bank for International Settlements and the World Bank, they are listed as foreign deposits and the business is primarily [fol. 2922] concentrated in the larger banks.

There may be three or four of the Philadelphia banks with substantial foreign deposits; not more, I think.

Q. What kind of competition is there? Of what does it consist?

Is there any price competition?

A. Not on demand deposits. There is price competition when we come to time deposits of foreign banks and foreign governmental agencies.

Q. Tell us about that.

A. The competition there is with other available investments on the one hand and on the other hand with rates prevailing in foreign centers.

The foreign deposit is a rather highly competitive matter. Personal relationships are perhaps at a minimum. Foreign depositors are relatively cold-blooded and shift their funds to markets where interest rates are at higher levels without much hesitancy; so there is price competition there.

This is on time deposits, however. Again, no interest rate is paid on foreign demand balances in this country.

Q. Is there competition from any other institution, any [fol. 2923] other type of institution or any other source, for foreign time deposits?

A. Yes, of course. Again, you have Treasury obligations. Current reports of the demand liabilities of the United States to the rest of the world, which has been receiving much attention in the last three or four years because of our adverse balance position and net export of gold, indicate that there is some $16,000,000,000 or $17,000,000,000 of demand liabilities of American institutions to foreign owners, of which somewhere in the neighborhood of $6,000,000,000 is in the form of deposits in banks and the rest is primarily in the form of United States Government short-term securities.

Q. And the scope of the market for foreign balances, demand deposits?

A. International.

Q. And the same for time deposits?

A. Yes.

Q. What effect will this merger, if consummated, have on this business of foreign demand deposits?

A. Well, as size is a factor in this picture, it will improve, in my opinion, the competitive position of our local bank here relative to large banks in other financial centers.

[fol. 2924] Q. And how about locally, if any?

A. I think it will have no or a negligible effect.

Q. Is your answer the same for foreign time deposits?

A. Just the same.

Q. Will you direct your attention to multiple-line borrower depositors and tell us the type of customer for this service?

A. First of all, the customer is a large enterprise, generally operating over a wide geographic area. Our largest industries, businesses, finance companies, and so on are likely to have multiple lines, that is to say, deposits in a number of different banks scattered throughout the country.

Those deposits are maintained in part as compensating balances for loans; also maintained in large part in respect to local services rendered by the banks to those large corporations, very substantial balances being held by businesses which are non-borrowers or infrequent borrowers from the bank, in exchange for a multiple group of services which the banks render in respect to those accounts.

Q. Similar to the services that you described before?

A. Yes.

Q. And what kind of competition is there for this business

[fol. 2925] A. Well, again we are still talking about demand deposits, so price competition does not enter in the picture, no interest being paid on these balances and no service charge being imposed thereon in the normal case.

The competition is one primarily of services rendered, personal relationships, and related in some cases to lending activities.

Q. How about competition from other non-bank sources, for instances?

A. Well, again excess demand balances of the multiple

line depositors may be withdrawn for attractive investment opportunities in short-term investment obligations.

Q. What in your opinion will be the effect of this merger on this business?

A. I think the increased size of the Philadelphia bank would improve its competitive position with large banks located elsewhere.

Q. Anything locally? Any effect locally?

A. I don't think it will have any substantial effect locally. I do not believe that the mere increase of size will attract from local banks their share of multiple line deposits.

Q. Now may we turn to time and saving deposits. Will you tell us the type of customer.

[fol. 2926] A. Well, starting with savings deposits, savings deposits as defined by the Federal Reserve represent deposits of individuals for savings purposes, generally individuals of moderate income and moderate means. All of the commercial banks in Philadelphia, I believe receive savings deposits from their customers. The scope of the market is largely local, but facilities are offered to savings depositors for deposit by mail, which to some extent enlarges the potential scope of the market.

There may be in this field some price competition. On these savings accounts interest is paid, and within the four-county district the rates of interest paid currently on savings deposits range from 1 per cent at the bottom to 3 per cent, which is the maximum limit permitted by Federal Reserve and FDIC regulation and also the regulation of the Secretary of Banking in Pennsylvania.

Q. From your experience, is it your opinion that price competition is significant in this area?

A. I must confess that I am somewhat surprised in this field to discover that price competition is relatively minor, that is to say, people do not appear to readily remove their savings from one institution to another to take advantage of a somewhat higher rate of interest. We have had in [fol. 2927] Philadelphia for 50 years or more the mutual savings banks offering ½ per cent and in some instances more than ½ per cent higher interest than the commercial banks. Nevertheless, the rate of increase in savings accounts in commercial banks has kept pace with and in

many of the banks exceeded the rate of increase of the mutual banks paying 3½ per cent. It has always been, as I say, somewhat a surprise to me.

I have made some inquiries. There are four banks on the corner of Broad and Chestnut. Three of them are commercial banks all offering 3 per cent, and one is a mutual savings bank offering 3½. As far as I have been able to discover, there isn't anybody in Philadelphia who will take the trouble to walk across Broad Street to get ½ of 1 per cent more interest. If you ask me why, I will say I do not know. Habit, custom, personal relationships, convenience, doing all your banking under one roof appear to be factors superior to changes in the interest rate level.

Q. You mentioned other commercial banks maintaining savings deposit accounts and mutual savings banks. How many mutual savings banks are there in Philadelphia?

A. We have four in Philadelphia operating I believe 63 offices. They are all paying 3½ per cent. You are now [fol. 2928] talking about competition with institutions other than commercial banks. There is very extensive competition in this field. There is an enormous competitive effort to obtain the saver's dollar. I would mention the mutual savings banks, the number I have given paying 3½ per cent. We have federal and state-chartered building and savings and loan associations who are advertising for and receiving the saver's dollar in very large volume. There are some 421 such institutions in the four-county area. They are currently paying dividends ranging from 3½ to 4½ per cent. The prevailing rate in the Philadelphia district today is 4 per cent. That is to say, more associations are paying that rate of dividend than the other rates. Their savings have grown somewhat more rapidly than have the savings in commercial banks and in the mutual savings banks. They are an active and apparently reasonably successful competitor.

We have credit unions——

Q. Is that competition limited to savings and loans within the four-county area?

A. No. The competition extends to savings and loans in California. All you have to do is pick up the daily paper and you will discover that they are advertising 4½ or better [fol. 2929] rates, and you have to cut a little slip out of

the paper and sign your name on it and send a check and you have opened an account in a saving fund society in California, and some people are doing it.

Q. How about mutual saving funds? Is the competition there limited to four in Philadelphia County?

A. No. Well, that depends on what you mean. The mutual saving fund societies receive deposits from individuals outside of the four-county area.

Q. Do any mutual saving-fund societies outside the four-county area seek deposits within it?

A. My impression is that there is one in Media, I am not sure—Chester. There is practically no other competition in this local area except the four big savings banks of that nature. There are only seven mutual savings banks in the whole State of Pennsylvania.

Q. What other source of competition is there from other institutions or other sources?

A. The postal savings system, a trifle, not very significant, but a number of post offices in Philadelphia receive postal savings deposits, and a few people deposit in them. They are not a significant competitive factor. The total deposits in the postal savings system in the United States today aggregates only about a billion dollars. I could not discover [fol. 2930] what portion of that was definitely tied in with the four-county area. Those figures were not available—to me, at any rate.

We have credit unions, of which there are some hundreds in the four-county area, which receive savings from their members. According to the Credit Union Yearbook, they are paying dividend rates which range from 2½ per cent at the bottom to 5½ at the top. Again I was unable to discover the prevailing rate of dividends for the credit unions in the four-county area. They constitute another competitive factor.

Q. Will you describe briefly for the record just what a credit union is.

A. A credit union is a corporation incorporated under either state or federal law which offers its services to an integrated group of individuals who have some relationship to one another, either of geographic location, common employment chiefly, and their activities are limited to dealings with their members.

For illustration, one of the largest credit unions in Philadelphia is the Public School Teachers Credit Union, the members being public school teachers in the public school system of Philadelphia. There is another credit union in the public school system consisting of employees of the [fol. 2931] public school system other than teachers. Large corporations like the Pennsylvania Railroad and others will have a credit union open to employees of that company. There is a credit union in Harrisburg open to employees at the State Capital, on Capital Hill, and so on. These credit unions receive the savings of their members in form of the members buying stock in the credit union and the members receiving dividends as and when declared by the Board of Directors of the credit union. The credit union in turn makes loans to its members.

Q. Does it have any particular tax treatment?

A. Yes. Being a mutual institution it has certain tax benefits, as, in fact, do some of these other institutions that I have named.

Q. Such as savings and loans?

A. Such as savings and loans, yes.

Q. And mutuals?

A. And mutual savings banks, which don't pay as high a tax as commercial banks in Pennsylvania.

Q. What other areas of competition are there?

A. Well, we have, of course, the competition with the United States Savings Bond, both E and H, currently paying 3¾ per cent, if held to maturity. We have competition [fol. 2932] with mutual funds, who offer their shares at unit prices sufficiently low to appeal to the moderate saver. We have competition with life insurance annuity plans. We have competition with the installment purchase plans recently introduced by stock brokers to enable small savers to speculate in the stock market. All of those institutions or quasi institutions are today in competition with each other for the saver's dollar.

Q. And in competition with commercial banks also?

A. And in competition with commercial banks.

Q. What in your opinion will the effect of this merger be on this particular type of business?

A. I don't think it will have any effect at all except, as I say, the reduction of one bank in Philadelphia by name.

There are adequate and more than adequate alternatives open to savers in this area.

Q. Now will you address yourself to time deposits. What is the type of customer for time deposits?

A. Well, time deposits are generally made in larger dollar volume than the savings deposits. The depositors may be individuals, partnerships, corporations, municipalities, states, federal and state agencies of one kind or another. They may all and do all deposit on time with the commercial banks. There may be some price competition [fol. 2933] in the field of such time deposits, but I think it is very slight. My impression is that most of the larger banks are paying at the moment the maximum permitted rates under federal and FDIC regulation.

Q. Well, what would happen if banks in another state were permitted to pay more interest or a higher rate of interest?

A. There would probably be a shift of some of those deposits to areas of higher rate. At the present time, however, the Federal Reserve and FDIC regulations are national in scope.

Q. Is there competition from other institutions or other sources for this type of deposit?

A. Yes. Again, and perhaps more significantly than in the case of demand deposits, the depositors may and do shift time deposits to short-term investments where interest rates are favorable, and if the bill rate or rate for open-market paper or short-term tax-free municipals goes above the bank rate there is likely to be a substantial shift of time deposits into those alternative investment opportunities.

Q. Anything else? Would the other categories which you gave us, such as bankers acceptances, repurchase agreements, and so on, be competition here?

A. Well, I could go over the list of of them. I don't [fol. 2934] recall any other type of competition than those potential investments.

Q. Again, if this merger becomes effective, what in your opinion will be the effect of it on this type of business, if any?

A. Well, the increased size of the bank will again, I think, improve somewhat the competitive status of the

bank in relation to large banking institutions located elsewhere. So far as the local picture is concerned, I think the effect will be negligible.

Q. In other words, there are enough alternative choices, in your opinion?

A. Yes.

Q. Returning to loans, Dr. Harris, which we talked first about—consumer loans, installment loans, personal loans—tell us about the type of customer for this type of loan.

A. Most banks, in their Consumer Loan Department, make what are frequently called personal loans for emergency purposes, largely and primarily unsecured, although they may in some cases ask for a co-maker or co-endorser. These loans are customarily made on the installment repayment plan. They are made directly to individuals. They are made at rates of interest concerning which there is [fol. 2935] special legislation in Pennsylvania, the banks being permitted to charge on loans of this kind $6 per hundred per year on a discount basis, which results in a rate just slightly under 1 per cent per month. In addition to that, a number of the banks have recently instituted an expansion of the concept of personal lending by revolving credit plans. It started some years ago by a bank in Boston and has since spread to other centers, taken up in Philadelphia two or three years ago, whereby individuals receive a type of revolving credit, being authorized to draw checks up to a stated amount when doing so. When they have done so, interest is charged at the rate of, in Philadelphia today, 1 per cent per month on unpaid balances, and they are required to repay that on the installment basis in accordance with the initial provision at the time of application as to how much per month they could afford to pay. I believe four or five of the Philadelphia banks have introduced such plans for the expansion of their personal loan activities. I believe there is no price competition in it, all of the banks charging the same for that type of service. It is a highly competitive aspect among the commercial banks themselves, and not only that, but there are non-commercial bank competitive institutions operating in this field.

[fol. 2936] Q. Well, among the commercial banks themselves what would you say would be the primary factor?

A. Convenience, personal relationships, advertising,

receiving other services from the bank, having a safe deposit box there, and so on and so forth, not price.

Q. Not in price. And competition from other institutions you were about to speak of.

A. Yes, it is considerable. In the field of such personal lending we have in Pennsylvania the small loan licensees, some of which are very large companies operating nationally—Household Finance, Beneficial, and so on. There are hundreds of such companies and branches within the four-county area. They are primarily under the Pennsylvania law and charge rates above the customary usury rates for loans up to $600. T e rates which they charge are already in evidence. Dr. Smith correctly stated them.

Q. Any other institutions?

A. Yes, consumer discount companies in Pennsylvania. They may be somewhat peculiar to Pennsylvania. I don't know how extensive they are elsewhere. They were authorized in Pennsylvania for the purpose of taking care of personal borrowers who wished to go above the $600 level furnished by the small loan licensees. They are permitted [fol. 2937] to lend up to $2000 under present state legislation and charge interest at 6 per cent per annum on a discount basis, which makes it the same as the permissible interest charged by banks on loans of that type.

There are 97 such consumer discount companies operating in the four-county area. I consider that they are a little more competitive with banks than the small loan licensees. Their rates are the same as banks, and they go up to larger levels. They can lend up to $2000. A substantial number of the small loan licensees, in order to cover that field, have organized affiliated corporations as consumer discount companies doing business at the same location as the small loan licensees. For example, you can walk down Chestnut Street and see the Beneficial and the Beneficial Consumer Discount Company on the same window, two organizations.

Q. Are there any other institutions which compete in this?

A. In this particular field? Unsecured lending? I think they are the main ones.

Q. How about these credit unions you were speaking about before?

A. Oh, yes, credit unions do it. They may be secured or unsecured. Thank you for reminding me.

[fol. 2938] Q. What is the scope of the market for this type of business?

A. The scope of the market is very largely local. Most of these individual customers deal with institutions not too far removed from their places of either work or residence.

Q. What would the effect of this merger be on this?

A. I believe that after the merger there will still be more than ample sources available to potential borrowers in this field.

Q. Do I understand that this is no significant factor?

A. No significant factor.

Q. Can we direct our attention to installment loans and consider them, both direct and indirect? What type of customer applies for these?

A. The consumer loans on the installment basis primarily relate to the financing of consumers in the purchase of hard consumer goods and paying for them over an extended period of time, and the lending institution taking security in the form of a lien on the commodity purchased. The financing of automobiles represents the great bulk of this business, but it also includes the financing of television sets, washers, dryers, refrigerators, etc., etc. The banks go into this business in at least two ways. They make direct [fol. 2939] loans to borrowers who wish to finance their purchase of an automobile or other commodity by making use of the facilities of the bank. Again the bank can charge a rate of $6 per hundred per annum discount under the Pennsylvania law for loans up to $3500. Also the banks do a good deal of indirect business in this field by buying or rediscounting dealer paper where the original obligation of the buyer of the commodity is to the dealer, who then sells or discounts that paper to the bank.

In respect to the direct applications, the market is largely local, the customers dealing with, as a rule, nearby institutions. When we come to the indirect portion of the business, dealer contact and handling of dealer paper, the scope of the market is very much greater and may well be regional, extending substantially beyond the four-county area.

Q. Does it make any difference whether that indirect is with or without recourse?

A. Banks do both businesses. Frequently it is on a full recourse basis, sometimes on a non-recourse basis, but in the latter case generally with a requirement on the part of the dealer to maintain adequate reserves with the bank against which delinquent loans can be charged.

[fol. 2940] Q. What kind of competition do commercial banks have in this area?

A. They not only compete with each other, but they have very extensive competition from other lenders. Here we come into the field of the sales finance companies, of which there are some very large national companies, such as General Motors Acceptance Corporation, Commercial Credit, and so on, as well as substantially large companies doing business on a regional basis and on down to relatively small finance companies in our various financial centers.

There are some hundred finance companies operating in the four-county area who compete actively with banks financing automobiles and other equipment in substantially the same way that banks do, also on a direct and largely on an indirect basis here. Most of their contact is with dealers. In addition to that, the credit unions again do some volume of business. The Federal and state savings and loan associations are authorized and do to a limited extent lend money to home owners for home installations. That is the limit to which they can go, and consumer discount companies and even small loan licensees do a limited and small volume of this type of business, the major com-

[fol. 2941] petitor being the sales finance companies.

Q. Of what does the competition consist? What are the factors of competition here? Is it price?

A. No, I don't think there is very much price difference here, not as much as in the personal loan with the personal loan licensees. The sales finance companies are charging rates which are competitive, rather strictly competitive, with bank rates in this field. Competition is partly convenience, partly personal relationships, advertising, and again, so far as the banks are concerned, other services rendered by the banks which will induce their customers perhaps to finance their car through that bank.

Q. And if this merger is consummated, what in your opinion will be the effect of that merger, if any, on this business?

A. I don't think it will have any effect on direct lending. Again there are more than adequate alternative choices open to borrowers in this area. The increased size of the bank may enable it to compete a little more effectively on those aspects of dealer relationships which may be of national or wide regional scope. I think the effect on the other banks will be negligible.

[fol. 2942] Q. Now will you address yourself to commercial loans. Let us talk about smaller commercial loans. First of all, do you have any definition or concept of a small commercial loan?

A. The breakdown is quite arbitrary. A breakdown was made in a number of different categories by the Federal Government or the Federal Reserve in their report on small loan financing. I don't think there is much significance to the figures actually used in determining what is or is not a small loan. I consider it somewhat arbitrary. I would put in the category of small loans, let us say, as far as commercial banks are concerned, loans in the category of up to say $50 thousand, but I will admit that that is arbitrary.

Q. What type of customers would they be?

A. They may be individuals, partnerships, or corporations. So far as partnerships or corporations are concerned, they would fall into the category of relatively small business.

Q. How about the scope of the market for this?

A. The scope of the market is primarily local, but also to some degree regional. Looking at it from the bank's point of view, a small proportion of loans in that category may come from outside the four-county area, and I think [fol. 2943] it probably would. Some specific figures along that line have been submitted by the banks. I don't carry those figures in my memory. I would say it was a local and a regional market to a limited degree.

Q. What kind of competition exists for this type of business?

A. Again I do not think that there is much price competition here. There may be differences in the weight given by loan officers to the credit standing of borrowers. The competition will largely be one of personal relationship, personal solicitation, advertising, but rarely, I think, shav-

ing interest rates for the purpose of attracting business. I think that would be somewhat unusual.

Q. And the competition here, in addition to coming from the other commercial banks, would come from what institution?

A. Well, of course, depending upon the type of loans. If these loans happened to be secured by accounts receivable, for example, you would find competition with the sales finance companies, who lend to businesses of moderate size. Factors will buy accounts of businesses of moderate size in competition with commercial banks. I think that would be the main element. Some people might put in Small Business Administration, but I don't know whether [fol. 2944] it would be fair to say that they compete because the banks have to refuse the loans initially before the SBA can enter the picture; but certainly Factors as well as finance companies would be competition in certain types of lending of this character.

Q. Is that part of the regulation of the Small Business Administration?

A. Yes.

Q. Is there any number of banks that have to refuse before a borrower is eligible?

A. My recollection is that it is three, but I may be in error on that point. I think that it is three.

Q. What in your opinion would be the effect of this merger, if it is consummated, on this type of business?

A. There would, of course, be one less bank in the City of Philadelphia. My opinion is that the remaining 17 banks would constitute adequate alternatives within the city.

The same thing is true to a greater extent in the suburbs, and also I recognize the fact that borrowers in Philadelphia are not necessarily limited to Philadelphia. They may borrow in Camden and other areas. I don't consider that there will be any substantial reduction in competition from the customer's point of view. The question has been raised [fol. 2945] as to whether the increased size of the merged bank would lead it to paying greater attention to large customers and hence reduce its lending to the smaller businessman. I am of the opinion that the increase in the size of the bank, resulting, as it will, in increased economies of operation, diversification, and the attraction of larger

deposits, will make it feasible and possible for the merged bank to enlarge the scope of its lending to big borrowers without reducing the scope of its lending to the small business borrower.

Q. Would it have any advantageous or beneficent effect on the ability to lend to small borrowers?

A. It might very well have. One effect of size is the ability to acquire a personnel and build up an organization which is skillful in meeting the advisory needs of small business. The increased size of the bank, and hence its increased financial strength, will enable it, in certain cases, to take greater risks than many small banks feel able to take in lending in the small-business field.

A larger proportion of loans to new businesses, which are, from the very nature of the case, somewhat more risky than loans to businesses that had had established standing and past record of successful management and earnings, can well be handled more effectively by a large than by a [fol. 2946] very small bank; so I think that there are some definite benefits that may accrue to the small-business borrower as a result of this merger.

Q. Doctor, will you direct your attention now to larger commercial loans and lines of credit?

What is the type of customer for this type of loan?

A. The larger, of course, manufacturing businesses and financial institutions in the country. Here the matter is quite clear. We are getting into a range now where legal limitations on the size of the loan may enter the picture.

As I have mentioned before, national banks and most of the state banks, certain state banks in Pennsylvania where the act in Pennsylvania is the same as the national, are limited in the size of the loan they may make to one borrower to 10 per cent of their capital and surplus.

One obvious effect of this merger, plus the announced intention of the banks making a transfer from undivided profits to capital; in addition to combining the capital of the two institutions, will increase their lending limit roughly to $15,000,000, as against the $8,000,000 now prevailing for the Philadelphia National Bank, and I believe it's $6,000,000 for the Girard Trust, or in that neighborhood. That [fol. 2947] will enable them to make loans of larger size to larger institutions, hitherto being limited, with some

exceptions, to the $8,000,000 to $6,000,000 levels previously existing prior to the merger.

This will, therefore, improve the competitive position of the merged bank in respect to large institutions now in Philadelphia, which are largely likely to finance a part of their needs elsewhere, as well as to large institutions located outside of Philadelphia, which may under these circumstances find themselves able to get accommodations in Philadelphia which they were unable previously to obtain.

Q. Would there be any other effects of the merger, particularly locally, on this type of borrowing?

A. I don't think it will have any adverse effect on the remaining banks in the City of Philadelphia. It will enable this bank to perform more effective services for a larger variety of large, as well as small, customers than they were previously able to do as separate institutions.

Q. How about a borrower's alternative choices in Philadelphia?

A. Well, the borrower's alternative choices in Philadelphia—we are talking now about the big borrower—are affected as follows:

[fol. 2948] First of all, I don't know whether I can give this by memory or not. There are a certain number of banks in Philadelphia which can lend up to certain stated amounts——

Q. Excuse me, but would you want to look at D-16?

A. The effects would be that one additional bank in the city now (the merged bank) would be able to lend up to $15,000,000, as contrasted with no such bank existing in Philadelphia before.

The number of banks that can make loans legally up to $8,000,000 would be one in Philadelphia and one all the way through. No change in that category would result from the merger, there being one now and there would be one after the merger.

Up to $7,000,000, two banks in Philadelphia County and two banks (the same two) in the four-county area.

Up to $5,000,000, three banks in Philadelphia County and three banks right straight through.

Up to $2,500,000, four in Philadelphia County and five in the ten-county area. We have one large bank; I forget which one at the moment.

Up to $1,000,000, seven banks in Philadelphia County, seven in the four-county area, and eleven in the ten-county area.

The effect of the merger in most of these categories would [fol. 2949] be the reduction of one bank as we get down into the lower-level categories and the addition of one bank at the top.

Q. As to the first part of your sentence, in your opinion, would that be a lessening of competition which would be disadvantageous to a borrower?

A. I think that the borrowers still have adequate alternatives. When you talk about borrowers in this top class, their alternatives are almost nation-wide, big borrowers.

I am inclined to think that competition may be even made somewhat keener on the part of other banks now seeking to maintain their position in the fact of this merged institution.

Q. Now, what is the nature of the kind of competition for this type of loan? Is it price competition?

A. No, there would be very little price competition in this field. It would largely be again services rendered and personal relationships.

Q. How about competition with other institutions? Is there much competition with other institutions for this type of business?

A. There may be in this field. There may be competition with life-insurance companies on term loans. In fact, pension trusts are entering this field of term-lending in large [fol. 2950] dollar volume; they would represent competition with the commercial banks.

Q. How about finance companies?

A. Yes. On certain of the larger loans secured by accounts receivable, let's say, the big finance companies would enter this picture.

Q. Doctor, in connection with this it has been suggested two or three times during the course of this trial that this question of lending limit doesn't mean anything because if you have an over-line loan all you have to do is take it to some other bank and get the additional loan over the bank's lending limit.

Would you comment on that and tell us about participations and how they work?

A. Yes. There are various types of participations.

A common type is, in a sense, a participation downward. One of the services rendered by city banks to their country correspondents is occasionally the permission to the country correspondents to share on a participating basis with certain of the loans made by the large city bank.

It is by no means unusual for a country correspondent maintaining a substantial balance with the large city bank to suggest that the local demands for loans are not as great as they would like and could they add to their loan portfolio [fol. 2951] by the cooperation of their city correspondent; and under those circumstances the loans are occasionally, in part, shared. The business concern knows nothing about this and the borrowing, as far as the business customer is concerned, is made entirely with the large city bank.

The compensation for that to the large city bank is in the form of the deposit maintained by the country correspondent.

Then there are participations upward, again largely originating in the country correspondent's point of view. It is possible (and quite frequently does happen) that in a community where the local bank does not have sufficient capital to enable it to meet the needs of a reasonably large local business firm they may, nevertheless, ask their city correspondent to participate in that loan. Again, the city correspondent will, quite frequently, do that in consideration of a substantial balance maintained by the country bank with the correspondent.

Then there are participations by very large concerns who do business with quite a number of banks in different parts of the country, and the large concern itself arranges the participating arrangement and picks out the particular banks which are to share in it.

[fol. 2952] I may say that participations upward at the request of large city banks would be a rather rare and extremely difficult procedure. While it is perfectly true that a small bank in a small town in Pennsylvania could take care of an over-line by asking participation from a Philadelphia bank, it would be very doubtful as to whether a large Philadelphia bank could as readily obtain an over-line participation from, let us say, its New York correspondent. The Philadelphia banks, all being members of

Fed and having a substantial amount of their funds tied up in that way, keep correspondent balances in New York or perhaps elsewhere in relationship to certain services a correspondent is expected to render in the field of security operations, out-of-town check collections, and so on; but normally not in an amount sufficient to justify that correspondent taking a share of the loan at the request of the Philadelphia bank.

The participations upward, according to my observation, are largely, if not entirely, confined to participations negotiated by smaller banks with their big-city correspondents and not participations of big-city banks with other city correspondents.

Now, of course, then we have still another class of large finance companies where they may have lines with thirty, [fol. 2953] forty, or fifty banks located all over the country, primarily for rotational pay-off purposes. They determine (not the banks) the banks involved and the size of the line.

Q. Suppose a bank had a lending limit of $8,000,000 and were asked for a $12,000,000 loan and went to its New York correspondent which you have described, what would be the requirement of the New York correspondent?

A. The New York correspondent undoubtedly would either require the bank in question to increase substantially its deposit in New York or would insist upon a fair deposit account with the borrower.

Q. In your opinion is that practicable or feasible?

A. Well, I think it is somewhat impractical, and certainly not desirable from the Philadelphia bank's point of view. It would, among other things, perhaps introduce this New York bank to this particular customer, let him get his foot in the door, and perhaps take away the entire business at a later date. If makes that possibility.

I consider that the average banker would greatly prefer handling the entire thing himself than participating with another bank.

Q. Doctor, will you direct your attention to loans on the security of real estate as such loans are made by commer- [fol. 2954] cial banks. What type of customer usually is in the market for this type of loan?

A. The customers may be individuals who wish to obtain mortgage loans for the acquisition of homes. The customers

may be business concerns who wish to acquire real estate for business purposes. The customers may be building operators who wish funds for building operations.

Q. What would you say the scope of the market for this type of loan is?

A. Well, so far as individual applications of home owners for the financing of home purchases, the scope of the market is likely to be local if they apply directly to the banks. On the other hand, it is a well-known fact that many loans of that kind are arranged by developers, and where that is the case, the scope of the market may be somewhat enlarged.

Q. What is the nature of competition? That is, of what does competition consist in loans on real estate mortgages?

A. Well, the competition there is affected to some extent by legal regulations imposed upon banks in regard to the type and kind of mortgages which they are permitted to take relative to the type and kind of mortgages which might be acceptable to other institutions, lending institu- [fol. 2955] tions other than banks. I don't think that there is very much price competition. The maximum or the actual loan rates for a substantial percentage of such mortgage loans which are insured by the Federal Housing Administration or the Veterans Administration, as the case may be, are fixed by those agencies rather than by the banks.

Q. And the proportion of the value of the security——

A. Yes. If you would like me to outline the nature of those regulations, I would be very happy to do so. National banks—and I might say that the state law parallels the national law in Pennsylvania almost exactly word for word—the national banks can make mortgages only under the following circumstances and conditions:

First, they must obtain a first lien; secondly, the property must be improved; thirdly, the size of the mortgage can not exceed 10 per cent of the capital and surplus of the bank; fourthly, the percentage that they can borrow relative to the appraised value of the property varies with the term of the mortgage and the mode of amortization repayment. On a straight mortgage loan with the full principal payable at maturity, they can not lend over 50 per cent of the appraised value of the property. If the mortgage is amortized [fol. 2956] in such a way that 40 per cent, at least 40 per

cent of the mortgage is repaid during the term, with a balloon payment at the end, they can go up to 66⅔ per cent. If the mortgage is fully amortized over a period of not more than 20 years, they may lend up to 75 per cent of the value of the property—talking about the national law as it currently exists.

There are also aggregate limitations imposed upon the banks. They may not hold in the aggregate uninsured mortgages in excess of the amount of their capital and surplus or 50 per cent of their time deposits, whichever is greater. I believe that that is the provision.

I had occasion to look into the situation for the State of Pennsylvania, and I took the mortgage loans of national banks in the entire state and contrasted that with their time deposits and their capital structure in the aggregate again and found as of 1959 that they were not far below their aggregate limitations. That was the banks as a whole. It led me to the conclusion that quite a number of individual banks were probably up to their aggregate limitations at the moment and could not under those circumstances take more mortgage loans even if they desired them. My general impression is that national banks succeed in getting as [fol. 2957] many mortgage loans as they want.

Q. In addition to commercial banks what institutions compete in this field?

A. The most active competitors in the field of residential mortgages are unquestionably the federal and state chartered savings and loan associations, who do a very large business in the field. In the matter of both large and small mortgages one of the big competitors would be life insurance companies, who do a very large mortgage loan business. Another very large competitor in this part of the state would be the mutual savings banks, some 40 per cent of their assets being today in mortgage form. They are perhaps the most important. Pension trusts, pension funds, have also gone of recent years, recently, into mortgage lending activities.

As far as agricultural mortgages are concerned, with which I take it the four-county banks are not too intensively interested, they have as a competitor the federal land banks.

Q. Are there any other sources of competition?

A. Individuals, of course. In fact, individuals, I think, hold more mortgages than any single one of the institutional agencies in question.

[fol. 2958] Q. How about pension funds?

A. I think I mentioned pension funds.

Q. You mentioned mutual savings banks and savings and loan associations. Are they the mutual savings banks and savings and loan associations which are geographically located in the Philadelphia area?

A. They are the ones I was referring to, but, of course, the big mutuals buy mortgages, and our bank sold, I think, a million dollars worth of mortgages to the Bowery. I think so.

Q. How are those serviced?

A. They are serviced by the selling bank, who receives a commission for servicing the mortgage from the final holder.

Q. Are there any companies in Philadelphia that do a mortgage service?

A. Oh, yes, mortgage companies do a very extensive mortgage servicing business. They really are intermediaries bringing together the applicant for mortgage funds and the ultimate lender.

Q. And are they mostly for out-of-town lending institutions?

A. Very largely, but also in town, too, both in- and out-

[fol. 2959] of-town institutions.

Now, a great many of our apartment houses, and so on, that have been built in Philadelphia in the last ten years have had the financing arranged by our local mortgage companies. They arranged the mortgage, and the ultimate mortgage will be placed to a very large extent with life insurance companies operating anywhere in the United States or Canada, for that matter, and quite frequently large savings banks located elsewhere who buy mortgages as well as receive applications directly to lend.

Q. Are all these alternative sources of mortgage money, if I may use the expression, regulated and limited to the same extent that the commercial banks are in making mortgage loans?

A. There are special regulations and limitations imposed upon certain of these institutions, yes. The savings and

loan associations have legal requirements that must be met. In the federal field, except for 15 per cent of their share accounts, they are limited to residential properties of one to four families of moderate priced scale. They have wider lending facilities open to them in respect to either 15 per cent or 20 per cent of their share accounts.

Q. How about insurance companies?

[fol. 2960] A. Insurance companies are regulated by state law. I know of no aggregate limitation imposed upon insurance companies, and I do not know of any 10 per cent of capital or surplus limitation, but some state laws relating to insurance companies do place a limit on the percentage of the value of the property that they may lend, and it will vary from state to state.

Q. How about pension funds? Is there any kind of regulation on them in so far as mortgage investments?

A. I am not familiar with any.

Q. I assume there is no regulation of individuals when they lend money?

A. There is no regulation on individuals.

Q. Doctor, assuming this merger is consummated, what in your opinion will be the effect of that, if any, on the making of mortgage loans?

[fol. 2961] A. Well, when you take into consideration that, as far as home owners in the area are concerned, they have 421 savings and loan associations, four mutual savings banks, 100 life insurance companies, as well as—what is it—17 remaining banks, I would consider that the source of supply for mortgages of that group would be very more than adequately taken care of in the Philadelphia four-county district.

So far as the rather exceptional case of individuals needing mortgages on the level of 8, 10, 12, or 15 million dollars, of course, this bank does add a bank to the community which is capable of making an individual mortage loan higher than any other bank currently located in the community could make. I do not believe that it will have any adverse effect on the real estate lending business of other commercial banks in this area.

Q. Doctor, in answer to my questions you have given us the effect of the merger, in your opinion, on competition in each type of service and type of customer. In your opin-

ion, is that the proper way in which to give an opinion as to the effect of this merger?

A. I think it is. I would not know how to go about expressing an opinion of competitive status which attempted to group all of the varying activities of the bank [fol. 2962] into one lump, because the degree of competition, the nature and scope of it, of course, is dependent on the nature and character of the service rendered, type of loan made, etc.

Mr. Littleton: Will you mark this, please, Mr. Reporter.

(Document headed "Ratio of Loans to Assets for Insured Commercial Banks in the U.S., June 10, 1959," was marked Exhibit D-29 for identification.)

Q. Doctor, I show you this paper which the stenographer has marked D-29 for the purposes of identification and ask you if you will tell me what it is. First, was it prepared by you or under your direction?

A. It was.

Q. What is it?

A. It is the ratio of loans to assets for insured commercial banks in the United States as of June 10, 1959, the banks being grouped by deposit size. The material was obtained from the annual report of the Federal Deposit Insurance Corporation for December 31, 1959, the table appearing therein being Table 21 on Pages 54 to 56. [fol. 2963] It indicates, briefly, that as banks increase in size they not only are able to lend more money, of course, but the percentage of their total assets that they can and do lend tends regularly to increase with the increasing size of the bank. I draw the conclusion from that that with the increased size of the proposed merged bank they may be able to expand not only larger loans but also smaller loans. That is to say, the expansion of larger loans will not necessarily reduce in any way their capacity to make smaller loans to local small business enterprises.

Q. Now, Doctor, you were in the court room, were you not, while Professor Smith was testifying for the Department of Justice?

A. I was.

Q. And you heard him expound his formula and you have

seen his formula, which is marked in this case for identification and has been offered as G-60?

A. The answer is yes, I have seen it.

Q. Will you give us your opinion as to the thrust of that formula and as to its general validity?

A. I think the substitution in the formula of figures will be subject to criticism. For example, Dr. Smith assumed [fol. 2964] that the deposits arising out of the opening of credit lines would be 20 per cent, whereas a study of the credit lines of the banks in question indicates a very much larger percentage of deposits to outstanding lines than that.

He made the further assumption that 50 per cent, I think 51.8 or something he started with, and then reduced it to 50 for simplicity of numbers, concerning which I have no criticism—that 50 per cent of the outstanding credit lines would be in use, which again I think is contradicted by figure facts showing the average ratio of lines in use of the banks in question for the year 1960 showing a lower percentage figure.

He made the further assumption that the proceeds of all of such loans would leave the Philadelphia district, which seems to me to be open to question.

He made the further assumption that with the deposits arising out of the opening of the lines, the banks would make local loans, and assumed that 97 per cent of those proceeds of those local loans would leave the Philadelphia area, which I think is very highly open to question.

I have those specific comments about the formula itself, that is to say, the application of figure facts in place of the [fol. 2965] alphabetical designations in the formula.

It would seem to me that if the proceeds of the loans made out of the city all left the city and 97 per cent of the proceeds of the local loans left the city, that the moral that you might draw from that is that it is a bad thing for banks to lend at all.

It seems to me that it is equivalent to putting a protective tariff around the local areas and saying, "Keep your money at home," which I think is contrary to the philosophy of our national economic system and national welfare.

I think this factor is overlooked, that even though some of the proceeds of loans made in Philadelphia undoubtedly

leave the community, that similar loans are being made in all the other cities—New York, Chicago, and everywhere else—to individuals who will use some portion of that money to pay obligations incurred in Philadelphia; in other words, that there are inflowing funds from similar activities elsewhere corresponding to any theoretic outflow that may exist from Philadelphia expansion; and I think it leads to a form of localism of "Keep the money at home," which is a little startling and disconcerting to me and contrary, in my opinion, to economic welfare in the United States as a [fol. 2966] whole.

Q. I think Prof. Smith stated the fact that deposits in Philadelphia have not been growing as fast as the national average suggests to me that one factor of this development may well be that Philadelphia banks are directing a considerable amount of their energies toward financing economic activities outside the City of Philadelphia; and further (I think at Page 618 and 619 of the transcript) that slow growth of deposits, according to Dr. Smith, is due to the fact that Philadelphia is exporting capital to the outside.

Will you comment on that?

A. Yes.

I think that the slow growth of the deposits in Philadelphia, which is also true, I may say, at the time of the City of New York, is unrelated to the lending activities of the banks located in those areas.

I think that the slow growth of deposits is a direct result of the ratio of total economic activities carried on in those particular areas.

Now, it is, of course, a fact that the more settled and older areas of the country are growing less rapidly than some of the newer areas in the South and the West; and that factor has resulted in an increase in deposits in banking institutions in the South and West at a more rapid rate [fol. 2967] than has occurred for deposits in the older and more settled portions of the country, such as Boston, New York, and Philadelphia.

It is also true that with the rapid rate of growth of the economies of certain of the western and southern areas of the country very large banks have been developed or have arisen in those areas which have attracted a good many

of the correspondent balances which previously went to some of the larger eastern centers.

I think it is also along that line that we get an explanation of the relatively slower growth of deposits in Philadelphia and in New York, I may say, than in certain other areas.

Q. In your opinion, Doctor, should Philadelphia have a larger bank than it has presently?

A. I think it would be beneficial to Philadelphia to have a substantially larger bank than it has at present.

Q. Why?

A. Do you want me to say why?

Q. Why, please?

A. Because I think the population of Philadelphia, the volume and size of industries currently located in Philadelphia relative to population, volume size of industries located elsewhere justify, and, in fact, necessitate, if you [fol. 2968] would like to put it that way, Philadelphia having a larger bank in order to serve more adequately the needs of a community as large and active industrially and in other ways as the City of Philadelphia is.

Q. If this merger is consummated, Doctor, in your opinion could the merged bank control or otherwise adversely affect the total lendable money supply, bearing in mind the number of sources that exist in Philadelphia?

A. I am of the opinion that the merged bank could not control—I forget the exact wording of that question, but I will answer the question "no."

Q. Could it prevent prospective depositors from making deposits in other banks?

A. Certainly not.

Q. Could it prevent prospective borrowers from having their borrowing needs adequately supplied by other banks?

A. No, it couldn't prevent it.

It is true that the different sized banks have an effect upon the ability of borrowers to obtain large loans from them because of the 10 per cent limitation, but the mere fact that this merged bank can now make bigger loans would not reduce in any respect the loan limits of any of the other banks.

[fol. 2969] Q. Could the merged bank fix the rates of interest imposed by other banks?

A. No. They could fix the rate of interest on their own loans and if they stepped out of line they would probably lose some of them from the merged bank.

Q. Could the merged bank prevent other banks from performing banking services?

A. No.

Q. Is there any present evidence of such restrains in Philadelphia?

A. Not to my knowledge.

Q. Has there ever been within your experience?

A. No.

Q. Is there any evidence that any of the mergers heretofore accomplished in Philadelphia have created any such restraint?

Mr. Reycraft: Your Honor, I object to his asking him about restraint. He is asking for a legal conclusion in that respect.

The Court: Overruled. I will hear it.

A. As far as my observations and readings go, no.

Q. Incidentally, Doctor, in your opinion are the other [fol. 2970] banks in Philadelphia strong, vigorous institutions?

A. Yes. They are. I don't profess to have a hundred-per-cent knowledge of every little bank, Marian, Sonsitaly. I have intimate contact with practically all of the larger Philadelphia banks. All of the state banks have appeared before me from time to time with branch applications, and I may say that one of the factors that we take into consideration there is the type of management and quality of management of the applicant bank.

Q. Is the management of most of them strong?

A. Yes.

Q. Vigorous?

A. And I would say that the majority of all of those banks which have come before me and also the three national banks in town (which have not come before me) are strong and vigorous.

Q. If this merger is effected would you expect the competition among banks in Philadelphia or in the Philadelphia area to be greater or less or the same?

A. I would expect that this would sharpen and in all

probability increase competition among the Philadelphia banks.

I believe that that has been the effect of prior mergers. I believe that competition today is more keen among the [fol. 2971] seventeen banks in the city than it was fifteen years ago among the thirty-four banks in the city.

Within limits, I believe that a reduction in the total number of banks increases rather than diminishes competition.

I am further of the opinion that that has been the effect in England, for example, where it has gone very much farther than it has here.

Mr. Littleton: Mr. Price?

By Mr. Price:

Q. What would you say of the concentration of commercial banking in the Philadelphia areas, as to whether it will be either substantially or unreasonably increased?

A. Concentration will be slightly increased, of course, by this merger; but even after that Philadelphia comes rather low down on the line of banking concentration in reference to other large cities, notably reserve and central-reserve cities, in the country.

I believe that there will be no undue concentration of banking resources in the city resulting from this merger.

Q. What would you consider as to the effect, either beneficial or adverse, of whatever concentration there may be? [fol. 2972] A. I consider that the over-all effect will be beneficial.

Q. What can you say about existing and potential competition in commerce and industry served by the commercial banks in the Philadelphia area as a result of the proposed merger?

A. I consider that commerce and industry have more than adequate alternative sources of meeting their financial needs and will have completely adequate alternative sources for meeting their financial needs after this merger takes place.

Q. And as to the increased size of the merged bank, would that have a beneficial or non-beneficial effect on commerce and industry in the service area?

A. I think it would have a beneficial effect, particularly, of course, in the field of larger industry, which will create facilities in this city which do not at present exist.

Mr. Littleton: Cross-examine, Mr. Reycraft.

Mr. Reycraft: Do you have any objection to Mr. Degnan reading the cross-examination?

Mr. Littleton: Oh, certainly not.

The Court: Gentlemen, is this the beginning of cross-examination?

[fol. 2973] Mr. Littleton: Yes.

The Court: Let us start at 2:00 o'clock.

(Recess taken at 12:20 P.M. until 2:00 o'clock P.M.)

[fol. 2974] AFTERNOON SESSION

Present: Counsel as before noted.

The Court: Very well, Mr. Degnan.

Cross-examination.

(The examination conducted by Mr. Reycraft was read by Mr. Degnan.)

By Mr. Reycraft:

Q. Dr. Harris, when did you begin your study of the proposed merger?

A. Do you mean specifically this matter?

Q. Yes.

A. About ten days prior to June 5th, where I think this case opened in court. I believe that was about the time that I was consulted by the attorneys for the banks, but I had previously considered it.

Q. You were first consulted about ten days prior to June 5th?

A. Just about.

Q. And you began your study at that time?

A. I didn't hear that.

Q. And you began your study at that time?

[fol. 2975] A. I began my specific studies, yes.

Q. Who made the request of you, sir, to testify?

A. The attorneys for the Philadelphia National Bank.

Q. Mr. Littleton?

A. And also for the Girard. I'd say Mr. Price and Mr. Littleton.

Q. And you were acquainted with these gentlemen before; is that correct?

A. Yes.

Q. What did you do, sir, beginning about May 25th, in your study?

A. I first obtained the application of the two banks to the Comptroller of the Currency and studied it.

I then obtained copies of the—I don't know what you call them—letters or opinions to the Comptroller of the Currency submitted by the Department of Justice, the Federal Reserve Board, and the FDIC.

I read the complaint of the Department of Justice in this case, and the answers filed by the banks.

I was told that the Keith report would be involved in it, so I reviewed the Keith report, although I had previously been familiar with the material, because Dr. Keith, when he was making it up, submitted to me for my comments sections of the Keith report as it was prepared, because at [fol. 2976] the same time the Secretary of Banking of Pennsylvania was making a study of banking concentration in this area and I was acting as technical adviser to the Secretary of Banking in that study. Consequently, Gordon Keith and I compared notes, so to speak.

I then read certain sections of the Federal Reserve report to Congress on the "Financing of Small Business," and a number of other articles in various publications, which seemed to me to bear upon the question.

I received from the two banks a great deal of statistical material which they were proposing in one form or other to introduce into evidence.

Q. And whom did you discuss——

A. And I attended the meetings here and studied the exhibits of the Department of Justice.

Q. Did you interview any people in the Philadelphia area in connection with your study?

A. Not after the ten days prior to the meeting. Prior to that time I had discussed this matter with a number of people.

Q. Prior to what time, sir? Prior to the time that you began your formal study?

A. That's right.

Q. Yes. Whom had you discussed the matter with prior to that time?

[fol. 2977] A. I discussed the matter with Mr. De Haven Devlin, president of the Bryn Mawr Trust Company. I had discussed the matter with Mr. Samuel Weinrott, then president of the Industrial Trust Company. I discussed the matter with Hubert Horan, Jr., then chairman of the Board of the Broad Street Trust Company, and Harrison Jones, president of the Broad Street Trust Company.

I discussed the matter with Graeme Lorimer, one of the directors of the Girard Trust Company, and I discussed the matter with Bob Myers, then Secretary of Banking of the Commonwealth of Pennsylvania.

All of those discussions were informal in nature and at the time of the discussion I had no knowledge of the fact that I would be asked to testify.

Q. Did you discuss the merger at any time with any of the Trustees of the University?

A. Of Pennsylvania?

Q. Yes, sir.

A. No.

Q. Are there any trustees who are officers or directors of either of the banks?

A. Yes, I think so. I would have to get the list of Trustees to answer that question in detail.

[fol. 2978] I am not sure whether Mr. Day is a trustee or not.

Q. But you did not not discuss the merger with him?

A. What?

Q. You did not discuss the merger with him?

A. I did not discuss the merger with any member of the University Board of Trustees.

Q. Now, you say, sir, that you have examined the Federal Reserve Board opinion on this merger?

A. Yes.

Q. And I take it that you disagree with that opinion?

A. Yes—I disagree with the conclusion. I am not quarreling with some of the statistical facts alleged therein.

Q. But you do disagree with the conclusion?

A. Yes.

Q. All right.

Did you make a study, sir, or give any consideration to the location of the branches of the two banks in reaching your conclusion?

A. I am not sure that I know exactly what you mean. I was shown a map, showing the location of the branches of these banks, and prior to that I had some knowledge of it because, as far as the Girard Trust Company branches are concerned, the opening of those branches normally came before the Banking Board.

[fol. 2979] Q. I believe I have some recollection that in your testimony in chief you indicated that you had an opinion as to the degree of competition among these two banks' branch systems?

A. Yes.

Q. Is that correct?

A. That's correct.

Q. Would you summarize your opinion for us in that regard?

A. Well, this is my feeling in the matter:

With the exception of the branches in Upper Darby, which are, I believe, side by side, and the merged bank is proposing to close one of them, I believe that no other of their branches in the outlying counties are nearer together than approximately two miles. There may be some individual exceptions to that, a mile and a half, perhaps; but there is a substantial—there is that much difference between their locations.

Now, when banks apply for the opening of branches and it appears before the Banking Board, they invariably submit to the Board, substantiated by maps and so on, what they call the particular local area from which they expect to draw the bulk of their business; and in practically every case which has appeared before the Board that area has a diameter of not more than a mile and a half or so.

[fol. 2980] Consequently, I do not think that so far as the county branches are concerned they are in the main actively in competition with one another; I mean speaking of the Girard and the Philadelphia National branches.

Consequently, the merging of the two institutions will not, in those locations at any rate, change the local picture.

Here is a location which now does business with a choice among, let us say, the Girard, the Provident, and the Broad Street Trust. After the merger, what will the local choices be in that area? The Philadelphia National Bank-Girard, the Provident, and the Broad Street Trust.

Q. So I take it that it is your opinion then that banks which are further than a mile and a half or two miles from each other are not in competition with each other?

A. Well, there may be overlappings of competition, yes; and in fact, that's admitted before the Board.

I am not talking about the bulk of their business. I think the bulk of their business, I think the bulk of their branch business would not be in strict competition with one another; that is from the active-competition standpoint, but from the latent-competition standpoint customers would have a choice, which I think would be unaffected by the [fol. 2981] merger.

Q. There is potential competition, then, in other words?

A. Yes.

Q. But so far as your study is concerned and your knowledge of the way banks operate, you would say that banks which are a mile and a half to two miles away from each other are not in substantial direct competition?

A. Well, they form alternative choices for customers.

Q. Is the answer to my question——

A. Potential.

Q. Can you answer my question?

A. I don't think they seek each other's business actively.

Q. Would you say they are not in substantial direct competition?

A. I should say that the direct competition was limited to larger loans dealing with bigger industrial establishments; and so far as the types of business which I have referred to, such as personalized accounts, small-deposit accounts, safe-deposit facilities, consumer loans, that they were not in direct competition.

Q. So that over-all you would say they are not in substantial direct competition; is that correct?

A. I don't know what you mean by "substantial."

[fol. 2982] Q. Well, you used the term in your direct testimony, so I assume you know what it means.

Mr. Littleton: What do you mean by "over-all"?

By Mr. Reycraft:

Q. The banking business in which they engage, are they in substantial direct competition?

A. They are in some competition, yes.

Q. Is it substantial in the same sense in which you used the word?

A. It is substantial in certain of the larger areas that I mentioned; not substantial with respect to certain of the smaller areas.

Q. In which areas is it substantial?

A. It's substantial in the areas of larger business borrowers who can go and cover larger territory to obtain loans.

Q. Now, as you pointed out in your direct testimony large and small are arbitrary concepts.

Will you indicate the sense in which you are using them, then?

A. What I had in mind by large and small?

Q. Yes.

A. $50,000 is the breaking point.

Q. So that for $50,000 and more, loans of that size, you would say they are in substantial direct competition?

[fol. 2983] A. I would think so.

Q. All right.

Now, does it make any difference whether the banks we are referring to are branches or whether they are head offices?

A. Well, it's a little difference of technique involved in it. There are loan limitations imposed upon branch managers, so that for loans above certain sizes branch managers would have to have contact with the central office, perhaps, in order to get ability to grant loans. There are those differences.

Furthermore, larger loans, I think, are normally discussed and taken up initially at the home office rather than at the branches.

Q. On the basis of your study of the applications which were made to the State of Pennsylvania while you were there and on the basis of your knowledge of banking, if there were two banks with head offices two or three miles apart, would you say that there was substantial direct competition?

A. Yes.

Q. Again in the same size loans, $50,000 and above?

A. You are talking about two banks a few miles apart, their head offices?

Q. Yes.

[fol. 2984] A. Yes. We have that in Philadelphia, where our banks are possibly a square apart. The competition is very substantial.

Q. That is between the Philadelphia National and the Girard?

A. Yes. At the present time there is competition in Philadelphia between the Philadelphia National and Girard.

Q. And you say that is substantial direct competition?

A. Yes, and it will be eliminated by the merger. I will go as far as that.

Q. Thank you.

Dr. Harris, will you refer to D-10 and tell me whether, in your opinion, all of the branches of the Girard Trust Corn Exchange Bank which are shown for Philadelphia are in competition with one or more branches of the Philadelphia National Bank?

A. Yes. I would say that there was some competition in Philadelphia between the main office and the branch offices of the Philadelphia National and Girard Trust Company.

Q. All eleven of them?

A. What's that?

Q. All eleven of the branches of the Girard which are indicated on the exhibit?

A. I would say so. I might have some question as to the [fol. 2985] Roosevelt Boulevard and Holme Avenue, Frankford, two miles separate.

Q. Now, have you made any specific study of the area from which these branches or offices draw their banking business?

A. Within Philadelphia?

Q. Yes, sir.

A. No, I have not.

Q. You have not had occasion to look at the type of evidence you would examine in a state-banking matter where maps showing the origin of deposits, for example, are submitted?

A. Within the City of Philadelphia?

Q. Yes.

A. No, I haven't made that study.

Q. So if it is two miles away you don't know whether there is business within the area with both banks or not, do you?

A. There may be some overlapping of that market, I am perfectly willing to agree.

Q. But you haven't made any specific study of it?

A. I haven't made any specific study of the branches within the City of Philadelphia.

Incidentally, they don't come before the Board. The Board has no jurisdiction over branches within the City of Philadelphia.

Q. Yes, but I am referring to your general experience in [fol. 2986] examining branch applications where you would consider the origin of the deposits and loans of the applicant bank.

A. I have not made a similar study within the City of Philadelphia. My studies have been confined to the surrounding areas.

Q. All right.

In Delaware County would you say that any of the branches of the Girard indicated on D-10 are in competition with any office of the Philadelphia National Bank?

A. I should say there was no active competition there, but potential competition, except for the Market Street—PTC Terminal branches, which are side by side, and one, I think, is going to be eliminated.

Q. Now, have you examined any figures to determine the source of deposits and loans of any of these banking offices in Delaware County?

A. As far as the individual offices are concerned?

Q. Yes, sir.

A. The only figures I have seen are the figures that were made up by the bank as to the source of their business within the city and within the four-county area; but so far as the individual offices are concerned, the answer is no, I have not made such a study.

Q. And you are referring now to exhibits which are in [fol. 2987] evidence in the case or which have been marked?

A. I think they are in evidence. I am not sure.

They are not in evidence?

Mr. Littleton: They are not.

The Witness: They were figures that I have seen that were shown to me by the banks, but apparently have not yet been introduced.

By Mr. Reycraft:

Q. There are figures on which you relied that are not now marked; is that correct?

A. On which I partially relied, not entirely.

Mr. Reycraft: May we have those?

The Witness: Even there, I don't think it breaks it down between specific branches. I don't think it does.

Mr. Littleton: Will you mark this D-30?

(Document consisting of three pages, the first page being entitled, "Amount of Time and Savings Deposits—Daily Average for June 1960 Distributed According to Location of Customers," was marked Exhibit D-30 for identification.)

Mr. Littleton: Mr. Reycraft, I have handed to the witness a document marked D-30, a copy of which I have given to you.

[fol. 2988] By Mr. Reycraft:

Q. Now, have you relied on any other figures in reaching the conclusions that you testified to with respect to competition among banks in the four-county area?

A. Figures?

Q. Statistics.

A. I will have to give that some thought because I have looked at an enormous volume of statistical figures, but I do not think in the main I relied upon specific sets of statistical figures to reach my conclusions as to the existence of competition among these banks.

Q. You did not rely on them?

A. I did not. I was relying more upon my own relationship to the banking community and my knowledge arising out of my association with the Pennsylvania Department of Banking for twenty years.

Q. But you have not seen at any time as far as you recall

any figures which would show the origin of deposits or loans for any particular offices of either of the defendant banks?

A. Not beyond these. This gives the origin of loans and deposits within——

Q. This being D-30?

A. —the four-county area, outside the four-county area and so on.

[fol. 2989] But as between the origin of loans of the Fifth and Market Streets, Chester, office, compared to the Eleventh and Madison Streets, Chester, office,——

Q. Yes.

A. —if that is what you are referring to, I have seen no such figures.

Q. In drawing your conclusions as to the amount of existing direct competition betwen any of these banking offices, you are relying on your general background?

A. Yes, primarily.

Q. And as to the offices indicated on D-10 in Delaware County, it is your testimony, is it not, that they are all in potential competition with each other?

A. That is right. They would be available and potential borrowers if they wished to use one as contrasted to another office, taking into consideration automobile and travel facilities there.

Q. And the distinction that you draw that they are not in direct active competition is based on the assumption that people do not make these choices; is that correct?

A. It is based upon the testimony that the banks have presented to the Board, because in every one of these cases they did come before the Board, and in the Delaware County situation, except the 6914 Market Street case, and [fol. 2990] there the banks showed the Board the surrounding territory from which they expected to draw the bulk of their business, and that surrounding territory did not embrace these other branches.

Q. None of that evidence is in this record, is it?

A. No.

Q. Now, as an economist, you say that borrowers have a choice of banks which are about two miles apart? Do I understand that that is your testimony?

A. Yes, they do have a choice.

Q. Does this indicate to you that they are in competition with one another?

A. Potential competition, yes.

Q. But not actual competition?

A. It may not be.

Q. What is actual competition?

A. The active rivalry and solicitation of business looked at from the bank's standpoint.

Q. And is it your testimony that banks two miles apart are not in active rivalry and solicitation for business of customers located more than a mile or two from them?

A. Their active rivalry and solicitation will be concentrated very heavily in the immediate area surrounding them.

Q. About a mile away?

[fol. 2991] A. Roughly that. It is very difficult to be too precise. My answer there is based upon testimony which the banks themselves give to the Board as to where the major business is going to come from a concentrated effort they are going to make to develop it in their area.

Q. It is based on a statement of their intentions?

A. That is right.

Q. But it is not based on any fact that you can point to in this record?

A. Statistical facts, no.

Q. Any other facts?

A. No.

Q. Will you refer to the offices that are indicated in Montgomery County on Exhibit D-10, Dr. Harris.

A. I see them.

Q. With reference to those offices, is it your opinion that any of the Girard offices are in competition with those of the Philadelphia National Bank?

A. Well, that one at 75 St. James Place, Ardmore.

Q. I can't hear you; I am sorry.

A. I say the one at 75 St. James Place, Ardmore, and 18 East Wynnewood Road, Wynnewood, one mile apart, may be said to be in competition with one another. The other distances are so great that the active competition that I have previously referred to probably does not exist [fol. 2992] to any degree in respect to those others. Nevertheless, potential competition places them within the reach

of prospective borrowers if the borrowers wish to change.

Q. So it is your conclusion that except for the St. James and East Wynnewood offices there is no active rivalry between the offices indicated for the business of borrowers?

A. That is my opinion.

Q. Now, with reference to the offices in Bucks County, what is your opinion?

A. The same as I have expressed for Montgomery County.

Q. That they are not in active rivalry for the business of borrowers in the area?

A. Yes, but again they constitute available sources of funds for borrowers in the area if they wish to shift. In other words, there is potential competition.

Q. And will you explain the difference between potential and active competition.

A. I have in mind there that active competition originates with the banks themselves, potential competition being the available sources to borrowers of funds or places for deposits as the case may be. After all, if a borrower becomes dissatisfied with Bank A, he may, within consider-[fol. 2993] able limits, shift to Bank B or C, even though Banks B and C are not actively seeking his custom. That would represent a distinction between potential and active competition.

Q. How do banks actively seek checking accounts?

A. Advertising, some personal visiting and solicitation.

Q. Where do they advertise?

A. Well, they may advertise in local papers, signboards, an attractive banking site.

Q. Are they actively soliciting accounts throughout the area where they advertise?

A. They are hoping for the best.

Q. Well, can you answer my question?

A. Yes.

Q. And they are actively soliciting business throughout the area in which they are advertising?

A. Yes.

Q. So that a bank, although it is five miles from another bank, is actively soliciting checking accounts of the persons——

A. So far as it is advertising, it is actively soliciting

checking accounts. Its expectation is that the advertising will have different effects upon the distance away that it [fol. 2994] is from the bank. Undoubtedly banks like to obtain deposits from anyone.

Q. Will you refer to D-11, which is the next exhibit in that compilation you have.

Referring to the branches of the Philadelphia National Bank set forth in Philadelphia, will you tell me whether, in your opinion, and based on your study, any of them are in competition with any office of the Girard Trust Corn Exchange Bank?

A. Yes, I think quite a number of them are.

Q. Will you tell me which ones.

A. Well, picking out some of the closest together, there might be some geographic handicap of transportation of one to the other which I could not be able to state, but I see some are 1¼ miles, 1¾; 1¼, 1 mile, 1 mile, 1½, 1¼. They are relatively short distances. They are, I take it, airline distances, and there may be some transportation obstacles in going from one to the other. I wouldn't know without an investigation in each case. I would say that there was a substantial amount of competition between those offices, in all probability.

Q. Among all of these offices?

A. Most of them.

Q. And with reference to Montgomery County, what is [fol. 2995] your opinion?

A. The degree of competition of an active nature will be substantially less.

Q. And as to the Haverford and St. James office, I believe you have already indicated you believe they are in competition. How about the Bala and City Line office and St. James, which is 3¼ miles?

A. Well, putting it on the basis of distance, there would be somewhat more competition with respect to Haverford Avenue and Essex Road and 75 St. James Place than there would be in the Bala and City Line Avenues.

Q. But you think they are in competition?

A. Very little direct competition for institutions that are here in the, say, 3½, 7½, 5½, 6½ miles apart, but again potential competition in the sense that they do represent locations to which borrowers may turn if they so desire.

Q. How about Delaware County?

A. Well, my answer would be substantially the same in respect to the Delaware County ones as I have just given in respect to Montgomery County.

Q. Dr. Harris, you testified, I believe, that, in your opinion, there are sufficient alternatives available to borrowers in the four-county area; is that correct?

[fol. 2996] A. That is.

Q. How many alternatives do you think are necessary in order to have an adequate number?

A. I have no opinion as to the exact number without a study of the size of the area, its activity, economic resources, and so on.

Q. I assume you have made such a study?

A. You mean just of Philadelphia?

Q. Yes, sir, the four-county area.

A. Oh, I see, the four-county area. Well, we have, I forget how many banks in the four-county area now. It is in evidence.

Q. Well, you may refer to any exhibit you like.

A. (Referring to Exhibit D-16.) 41 commercial banks now existing in the four-county area.

And you want me to say how many I think would still retain a competitive aspect of the area?

Would you mind repeating your question?

Q. You have done it very well. How many would be necessary to retain a sufficient number of alternatives for borrowers in the area?

A. Of course, I can pull any figure out of a hat. I don't think the question is susceptible of an accurate answer.

[fol. 2997] Q. You don't have an opinion?

A. I have an opinion that the number of banks which will remain after the merger constitute adequate alternatives. Now, if you ask me whether one more merger will adversely affect the situation, I would say probably not. You ask me if one more after that will, and I will say probably not. Pretty soon you will reach a point where the concentration may become too great.

Q. What point is that, Dr. Harris?

A. Do you want me to say something? Three banks in the area would probably be too great a concentration.

Q. How about four?

A. Well, taking the basis of five in Great Britain, I would say that five would leave adequate competition.

Q. So it would be your opinion, then, if the two defendant banks merged and then merged with the First Pennsylvania, that there would be sufficient alternatives available after that merger?

A. That is a purely speculative question, but my answer would be yes, I think there would.

Q. In your opinion, does the nature of the alternatives in terms of the supply of funds they have available have any bearing on your conclusion?

A. It has a bearing in this sense, of course, that I am [fol. 2998] assuming that the alternatives can meet the ordinary demand for funds made on the part of their customers. Now, if the supply of money in the banking world in Philadelphia is inadequate to meet the business demands upon it, they couldn't meet it except by borrowing from outside. I am not sure I see the point of your question.

[fol. 2999] Q. So as far as you are concerned, it has no important bearing on the competitive effect if 50 per cent of the available funds are held by one institution and smaller percentage is held by the remaining alternatives?

A. I think the only significant effect would have to do with very large borrowers who would now be able to borrow from the large bank but not from the smaller ones.

Q. So, in general, it is your opinion that the relative size of the bank has nothing to do with its competitive ability?

A. I won't go so far as to say that, but up to 50 per cent I think it has little to do with it. That was the figure you gave. Of course, you can get a position where you have only one bank left, and that is a hundred per cent, and that has a little to do with the competitive situation.

Q. You think the type of banking system that exists in England is a pretty good one and a pretty competitive one?

A. I think it is very competitive in England, and they have five large commercial banks blanketing the entire country.

[fol. 3000] Q. You think the same kind of banking system would be good for this country?

A. No. The answer is no. We have too many complications here, including 50 different states with 50 different

laws, and the geographic area is so much greater. I wouldn't be in favor of seeing the entire banking business of the United States in the hands of five banks with national branches spread over the country.

Q. But you don't have any problem with a smaller area than the United States?

A. The problem is different with smaller areas. I think there are numerous areas where three banks will be entirely adequate to keep competition keen, which opinion is shared by the FDIC in their 1960 report.

Q. Dr. Harris, in your opinion, would there be an undue concentration of banking assets in the four-county area if, after the Philadelphia National Bank and the Girard Trust Corn Exchange Bank merged, they then merged with the First Pennsylvania and then merged with the Provident Tradesmens?

Mr. Littleton: Objection.

Mr. Degnan: Your Honor, I think this question simply further explores the limits which Dr. Harris earlier testified [fol. 3001] that he thought were permissible in bank mergers and in concentration of bank assets in the Philadelphia area. He explained that there were limits. We think the question is proper to determine what those limits are.

The Court: I sustain the objection.

Mr. Degnan: Your Honor, may we read into the record the questions and answers which follow the objection which has been sustained?

The Court: You may copy them, yes, and submit them as an offer of proof so that your record will be protected, but they can't be read into this record.

(By direction of the Court, the following proceedings were copied and submitted as an offer of proof but were not read into the record:)

"A. Are you talking about it as an immediate thing occurring right now, with all these other banks in the same relative size position?

"Q. Right now.

"A. I am trying to think what percentage of assets those four banks would have. It is mental arithmetic in my mind and it is somewhat difficult.

"I am inclined to think there would still be adequate

competition, assuming the existence of the other banks [fol. 3002] in their same state of vigor and size.

"Q. Suppose they then merged with the Fidelity-Philadelphia?

"Mr. Littleton: I object again. This is the type of thing the Court sustained our objection to before.

"The Witness: Do you want me to answer it?

"Mr. Reycraft: What is your objection?

"Mr. Littleton: My objection is not only to the form of the question, but my objection is to the substance. Of course, I reserve it to the time of trial.

"Mr. Reycraft: Will you answer the question, Doctor.

"A. It is hypothetical. Ultimately a point will be reached, no doubt, where too much concentration is possible, and the point may be about at that level.

"By Mr. Reycraft:

"Q. At about what percentage of the assets would the combined bank have at that point?

"Mr. Littleton: Objected to.

"A. Well, we have active competition in various areas of the United States where the lead bank has 69 [fol. 3003] per cent, for example, of the assets.

"Q. And, in your opinion, this is not an undue amount of concentration?

"A. A little larger than I would like, perhaps, but not undue and still leading to active competition with the remaining banks.

"Q. You would think there would then be sufficient alternate sources of credit available so that a satisfactory competitive situation would remain?

"A. As applied to Philadelphia, yes, where there are a lot of other banks."

(End of proceedings not read into the record.)

Q. So that you think, in Philadelphia, if one bank had 69 per cent of the bank assets, and there were 14 remaining alternatives, that this would be sufficient so that you would not have an undue effect on competition?

A. That is my opinion.

Q. Do you think if it went beyond that that you would have an undue effect on competition?

A. You can always reach a danger point in pursuing that. It is quite impossible to fix accurately a given percentage which will be safe on one side and unsafe on the other.

Q. But there is some point in your opinion where there would be an undue concentration of banking assets?

[fol. 3004] A. Undoubtedly we can have a situation of undue concentration of banking assets, yes, that's a possibility.

Q. Yes.

What do you consider the competitive disadvantages of an undue concentration of banking assets?

A. A reduction of alternative choices to individuals who wish to use the services, and an undue reduction. I consider that more significant than the mere factor of size.

Q. So that then if the percentage did go up to 70 or 80 per cent, if there were ten or twelve alternatives left, you would not think there was an undue reduction in competition?

A. You are getting up pretty high.

Q. Pardon me?

A. I say you are getting up pretty high. I am inclined to think that that would be too much concentration, 80 per cent.

Q. Why?

A. Because when you visualize 14 other sources, they must be too small; otherwise you wouldn't have 80 per cent in this single large bank in order to accommodate a large percentage of the borrowers of the community who are limited from dealing with the small bank by reason of a loan limitation.

[fol. 3005] Q. How small is "too small"?

A. I can't answer that question, how small is "too small."

By Mr. Reycraft:

Q. Well, you do have an opinion as to how large the alternative has to be in order to be a sufficient alternative, do you not?

A. To accommodate a very substantial percentage of the borrowers who may need reasonable sums for conducting their business activities in that community.

Now, if you put 80 per cent of the assets in one bank and have 14 other banks containing 20 per cent of the assets, they

must, in the nature of the case, be too small to entirely accommodate people who need accommodations.

Q. But they are still existing alternatives, are they not?

A. For the lower, very small businessman and individuals, yes.

Q. And the larger businesses have alternatives in other cities, don't they?

A. If they are very big, yes; but there is an intermediate group that would be adversely affected there, medium-[fol. 3006] sized businesses who do not have sufficient credit standing to readily accommodate their needs in distant points.

We are now talking about an 80 per cent concentration and you asked me some of the disadvantages of it and I think I have mentioned that I think there would be some.

Q. And medium-sized businesses rely primarily on the banks in their own local areas?

A. To a very large extent. They could go across the river and things of that kind.

Q. Are you referring to medium-sized in terms of their assets or in terms of the loans they are seeking?

A. I used the word "medium-sized" in reference to businesses, and I had in mind the loan accommodations that they would probably need.

Q. Can you give me a figure or a range of figures as to medium size that you have in mind?

A. $50,000.

Q. To what? Is that the lower limit or the upper limit?

A. For medium size?

Q. Yes.

A. $50,000 to $250,000; something in that neighborhood. [fol. 3007] I don't think you can place accurately lines of demarkation.

Q. Now, assuming that there are other financial institutions in the area, do you still think that 80 per cent concentration would be undue among commercial banks?

A. 80 per cent concentration in a single bank?

Q. Yes.

A. I think that's going too far.

Q. Couldn't the other financial institutions supply the needs of these businesses?

Mr. Littleton: May I ask what you mean by "other financial institutions"? Do you mean other commercial banks or do you mean other financial institutions other than commercial banks?

The Witness: I think they could supply a lot of the needs.

Mr. Reycraft: Other than commercial banks?

The Witness: They could supply retail needs, they could supply consumer credit needs.

They could not supply the needs of the larger businessman wishing to make commercial loans.

By Mr. Reycraft:

[fol. 3008] Q. Now, in your opinion do businesses require the services of commercial banks in order to engage in business services?

A. Do businesses require the services of commercial banks? Was that your question?

Q. Yes.

A. Normally, yes.

Q. And for the services which the businesses require from the commercial banks, is there any adequate substitute?

A. For some of the services, yes. For others, for demand deposit services, there is, in my opinion, for the businessman no adequate substitute.

For certain types of lending, to meet the borrowing needs of the businessman, there are adequate substitutes.

Q. Are there any types of lending activities, Doctor, for which there are no adequate substitutes for commercial banks?

A. Unsecured commercial loans, on a short-term basis, would be very difficult to procure elsewhere.

Q. So for loans of that type there is no real competition from savings and loan associations, for example, is there? [fol. 3009] A. No. Savings and loan associations do not make unsecured commercial loans.

Q. Or from insurance companies?

A. Sir?

Q. Or from insurance companies?

A. Insurance companies are likely to enter into only the longer term field lending. Insurance companies in the Phila-

delphia district do not make short-term unsecured commercial loans.

Q. And there is no competition from mutual savings banks, is there, for this type of activity?

A. Mutual savings banks in the Philadelphia area do not make short-term unsecured commercial loans.

Q. Or personal finance companies?

A. Well, now, you are verging on another thought. Some of the very small business loans now made by commercial banks take the form of a personal loan.

Q. From personal finance companies?

A. And may be obtained in that sense from personal finance companies, but it would be at very low levels of dollar volume.

Q. Now, we have done a lot of talking about lending limits.

What is the lending limit of a personal finance company [fol. 3010] in Pennsylvania.

A. A small-loan licensee, the lending limit is—it has no lending limit, but it can charge rates above six per cent simple interest only for loans up to $600. It can lend more than $600, but can only charge six per cent simple interest if the loan goes above that.

However, we have also consumer discount companies which can charge six per cent on a discount basis and go up to $2000.

Both of those institutions might supply to those limits the short-term commercial needs of very small businesses.

Q. Dr. Harris, will you refer to D-29, which is the ratio of loans to assets for insured commercial banks in the United States.

A. This is D-29? Is this the one you meant?

Q. D-29 is what I was referring to.

Now, Dr. Harris, was D-29 prepared at your direction?

A. Yes, it was.

Q. Why did you have this chart prepared for banks in the whole of the United States?

A. The sources of the material did not give us the information for the four-county district.

[fol. 3011] Q. Do you think that the information for the entire United States has any meaning?

Mr. Littleton: Has what?

Mr. Reycraft: Any meaning.

The Witness: Some, yes. It would have been a little more pertinent if we could have gotten the same figures for the four-county district.

By Mr. Reycraft:

Q. Did you consider it sufficiently meaningful to include it?

A. I give it some significance.

Q. Do you have any figures for banks with assets of $1 billion, that is, the breakdown for banks over $1 billion?

A. No. The FDIC did not break down beyond that limit.

Q. And you don't have any figures?

A. And I don't have them.

Q. Do you have any information as to the ratio of loans to assets beyond that point?

A. No.

Q. So that you don't know, for example, whether on the basis of the type of data indicated that you have used, whether a $2 billion bank would have a higher or lower ratio of loans to assets?

[fol. 3012] A. I do not know.

Q. What are the assets of the Philadelphia National Bank at the present time?

A. That's in evidence somewhere.

Q. About $1 billion?

Mr. Littleton: D-15.

The Witness: Their assets, $1,183,949,306 as of December 31, 1960.

By Mr. Reycraft:

Q. Do you know what its ratio of loans to assets is at the present time?

A. Of the Philadelphia National Bank?

Q. Yes.

A. I don't, but I think it's in evidence.

Q. You didn't check that in connection with your testimony?

A. No, I did not.

For the Girard, if you are coming to that, I believe the percentage there is 56 per cent, higher than any of these given here.

Q. And what are the assets of the Girard?

A. The assets of the Girard are $791,463,722 as of December 31, 1960.

Q. And it is your conclusion that the merged banks could [fol. 3013] increase their ratio of loans to assets?

A. I am sorry, I didn't hear that.

Q. Is it your conclusion that the merged bank could increase its ratio of loans to assets?

A. I think it highly probable.

Q. It could increase over 56 per cent?

A. Well, I understand that the Philadelphia National ratio is less than 56 per cent. I don't know just exactly what their percentage ratio would be when they were merged.

Q. You don't know what it is now, but you think it could be increased?

A. I think so.

Q. Suppose it was 60 per cent?

A. What about it?

Q. Could it be increased?

A. It could be.

Q. Is it sound banking to do so?

A. That they have loans of 60 per cent?

Q. Yes.

A. To total assets?

Q. Yes.

A. Yes, sound banking if the loans are of good quality.

Q. Do you know what the ratios are of other banks in this area?

[fol. 3014] A. No, but I can calculate any one for you if you like on the basis of December 31, 1960, from D-15, which gives for every bank in the ten-county district its total assets and its total loans as of that date.

Q. But up to the present moment you haven't done that?

A. I haven't done the computation myself.

Q. You don't know how the Philadelphia National, for example, compares with the other banks in the area with respect to this ratio?

A. I haven't made that computation.

Q. Or the Girard?

A. I didn't make this computation. I was informed that the Girard ratio was 56 per cent.

I can verify it by making this computation.

Mr. Reycraft: That's quite all right.

By Mr. Reycraft:

Q. I believe you testified also earlier with reference to mortgage loans that the two merging banks had all they could handle; is that correct?

A. No. I didn't say they had all they could handle. I said a good many of the national banks did, but the two merged banks are not up to their legal limit. They could take more mortgage loans.

Q. Did you testify that they have all they wanted, that [fol. 3015] they have all they want to get? Did you testify to that?

A. That was an opinion. My opinion was that they could get all they wanted.

Q. And that the reason they didn't have any more is because they don't want any more?

A. Well, that's largely the reason so far as their central office is concerned. They may be interested in increasing mortgage loans somewhat in some of their branches in residential areas.

Q. Does this indicate to you that they are in active competition with savings and loan associations?

A. For mortgage loans?

Q. Yes.

A. Not very.

Q. Dr. Harris, you testified yesterday, I believe, that you were a member and have been a member of the State Banking Board since 1955; is that correct?

A. Correct.

Q. And you are now a member of the State Banking Board?

A. I am currently a member of the State Banking Board.

Q. During that time, Dr. Harris, have you had an opportunity to pass upon any bank mergers submitted to the State Banking Board?

[fol. 3016] A. No.

Q. Have any been submitted during that time?

A. No. The State law was changed in 1955, taking mergers out of the jurisdiction of the Board.

Q. Who now has jurisdiction?

A. As far as the national banks are concerned, jurisdic-

tion is in the Comptroller of the Currency. As far as state banks are concerned, the jurisdiction is within the discretion of the Secretary of Banking.

Q. Does the Secretary of Banking have any responsibility to the Board on mergers?

A. No.

Q. So during all of your time on the State Banking Board you have had no direct connection with bank mergers?

A. That is correct. As a Board member.

Q. Pardon me?

A. As a Board member.

Q. During this time you have been, as I understand it, one of the members at large appointed by the Governor?

A. That is true.

Q. And there are ten members of the Board?

A. There are ten members legislatively. I believe that there is one vacancy on the Board at the present time.

[fol. 3017] Q. Is the vacancy in the four at large members or in the six members nominated by the Pennsylvania Bankers Association?

A. I am not sure. I think the vacancy arises out of the death of Mr. Burns, president of Beneficial. I believe his place has not been filled. I am not sure whether he was an at large member or a member nominated by the PBA.

Q. During this time you have also been a director of the Broad Street Trust Company; is that correct?

A. That is true.

Q. You are not appearing here on behalf of the State Banking Board, are you, Dr. Harris?

A. Not at all.

Q. Did you during the time that you have been a member of the State Banking Board ever pass upon any branch application of either of the defendant banks?

A. Yes, the Girard. Not the Philadelphia National Bank: The national banks don't come before the Board.

Q. Which branches of the Girard did you have an opportunity to consider?

A. I don't recall at the moment.

Q. Was there more than one?

A. There may have been. I would have to check on my files extending over a period of five or six years to ascertain [fol. 3018] that.

Q. But since 1955 there has been at least one?

A. That is true.

Q. And I take it that it was approved?

A. Yes.

Mr. von Starck: May I interject here, Your Honor? Since this testimony was taken we have received a letter from Dr. Harris, who, as you know, is out of the United States at this time, and with your permission I would like to read his letter, which refers to this part of his testimony and constitutes, in effect, a correction or a modification of it.

The Court: Read it. Let's hear what he has to say.

(Mr. von Starck read the letter from Dr. Harris as follows:)

"I am a little worried about one thing I said in my testimony. I said I knew something of the location of Girard's branches, because Girard had been before the Board with branch applications. That was inadvertent. I am not sure that Girard has been before the Board. I believe that most, if not all, of their out of Phila- [fol. 3019] delphia branches were acquired by merger. I was thinking of the branch applications of other banks who always list the banking offices (including Girard's) within wide areas around the location applied for. From that, I was familiar with most of their cross-county branches but not as a result of applications made by Girard itself. I don't know whether it has any importance.

"Carlton."

The Court: Let it be marked.

(Letter on letterhead of University of Pennsylvania, addressed "Dear Arthur" and signed "Carlton," was marked Exhibit D-31 for identification.)

Mr. von Starck: There is what amounts to a postscript here.

"I had further knowledge of them as a result of several bus tours the Banking Board made in Delaware County and Lower Montgomery County, inspecting branch sites (including some of Girard's) particularly

those resulting from mergers with Upper Darby National and Narberth National Bank."

Q. How do you handle branch applications for the Broad Street Trust Company?

[fol. 3020] A. Exactly the same way we do other banks, except on an application of Broad Street Trust Company I do not vote.

Q. You do not vote on Broad Street Trust?

A. That is right.

Q. You referred yesterday, Dr. Harris, in your testimony to D-28, which is a study made currently by the Department of Commerce of the City of Philadelphia, and you referred to a mention in that study of banks. The study is entitled "Industrial Plant Location Data." I observe from looking at the index that in the 227 pages of text, banks are the last aspect mentioned, and I wonder if you would be good enough to read into the record what is indicated in the study with reference to banks.

A. The whole thing?

Q. Yes, sir.

A. This is Page 227 and is headed "Banks."

"Number of Commercial Banks and Deposits.

"1. Philadelphia is one of the leading financial centers in the United States. Bank clearings reached almost $60 million in 1955, ranking the city second only to New York.

"2. As of June 30, 1956, there were 23 commercial and savings banks in Philadelphia. Assets were [fol. 3021] $5,694,681,000; deposits, $5,021,619,000. Table X-H-1 shows the total assets and deposits of Philadelphia banks as of June 30, 1956.

"3. Since June there have been two mergers: Roosevelt Bank and Fidelity-Philadelphia Trust Company, and Provident Trust Company and Tradesmens Bank and Trust Company. The name of the latter will be Provident Tradesmens Bank and Trust Company, which will be the fourth largest bank in Philadelphia.

"The wave of mergers in Philadelphia has reduced the number of commercial banks from 39 in 1950 to 23 in 1956. However, these new and larger institutions

have increased capital available for capital improvement loans to industry."

Then they refer to a table which shows the table of bank assets and liabilities.

Q. On the next page there is also some information on commercial banks. Would you read that?

A. This is headed, on Page 228, "Commercial and Industrial Loans."

"As of June 30, 1956, Philadelphia members of the Federal Reserve System had total loans of $1,946 million. Commercial and industrial loans were $1,080 mil-
[fol. 3022] lion, or 55 per cent."

Q. Now, Dr. Harris, did I understand you to imply at all that, in your opinion, lending limits of commercial banks were any factor in the location of industrial plants in Philadelphia?

A. It might be a slight factor. I don't wish to overemphasize its importance.

Q. During the extensive experience that you have had in banking in Philadelphia and in State regulation have you ever known of any industry which has located an industrial plant in Philadelphia because of the lending limit of any bank?

A. No.

Q. Do you know of any which has not located an industrial plant in Philadelphia because of the claimed inadequacy of the loaning limit?

A. No.

Q. Do you think there are any such plants?

A. I think it is possible. I don't know of them by name.

Q. You referred also, Dr. Harris, to the usury rate in Pennsylvania for loans of commercial type. Is there any way in which an effective rate of interest in excess of 6 per cent can be charged by banks?

[fol. 3023] A. Yes, against corporations.

Q. How?

A. The 6 per cent usury limit does not apply to corporate borrowing.

Q. So that the range of variation which banks have to

charge an interest rate varies from, you gave the lower limit as 4½ per cent, as the prime rate?

A. That is not a legal factor. There is no law limiting banks from making loans below the prime rate. I was talking about the general practice.

Q. So that is not a limitation, really?

A. That is not a legal limitation certainly. The banks have loans at lower than prime rates.

Q. What is the upper limit?

A. Well, for individuals it is 6 per cent. For corporations I know of no upper limit, and, of course, for certain other types of individual loans, such as loans up to 3500, there are still other limits. In other words, there isn't a single usury law. There are quite a number of usury laws applicable to different types of loans. A large loan, whether made by a corporation or not, to which the 6 per cent limit does apply, would be a loan secured by a mortgage.

Q. So that there is a large range of possible variation in interest rates on commercial and industrial loans, is [fol. 3024] there not?

A. Quite a large range, yes. As far as the law is concerned.

Q. Pardon me?

A. As far as the law is concerned.

Q. Dr. Harris, returning for a moment to the subject of location of industry and its possible relationship to bank facilities, I will read you an answer which you gave Mr. Price yesterday.

The question is on Page 107. I will read both the question and the answer.

> "Q. And as to the increased size of the merged bank, would that have a beneficial or non-beneficial effect on commerce and industry in the service area?
>
> "A. I think it would have a beneficial effect, particularly, of course, in the field of larger industry, which will create facilities in this city which do not at present exist."

Now, Doctor, do I understand from your answer that the facilities referred to are facilities which may be created by industry in Philadelphia or is this facilities of banks?

A. I was referring to borrowing facilities on the part of [fol. 3025] industries. I had in mind very largely industries already located here which find it impossible to meet all of their financial requirements from Philadelphia banks.

Q. But you did not intend in any way to suggest an industry will create facilities in this city which do not presently exist?

A. That was not my intention in answer to that question.

Q. Now, you referred also yesterday, Dr. Harris, to the suggestion that if interest rates were cut by banks, the banks would run out of excess reserves and that they would be overloaned. Do you recall that?

A. If you say I said it, I probably did.

Q. Let me show you.

A. I think it is very likely that I said it.

Mr. Reycraft: Page 25 (handing to the witness).

The Witness: Yes.

Q. Now, will you tell me what you mean by "overloaned"?

A. What I meant by "overloaned" at that time was that loans had been expanded to a point where the bank had a reserve deficiency.

Q. What is a reserve deficiency?

A. A reserve deficiency is a position by the bank of legal [fol. 3026] reserves below that required by law.

Q. And does this factor impose a limitation on the total number or per dollar amount of loans which a bank can make?

A. It does in practice, yes. Banks hesitate, naturally, to make loans which will throw them into a reserve deficiency position.

Q. So that this places a limit on the supply of loan funds available from a bank; isn't that correct?

A. Until the bank has corrected its reserve deficiency position, which banks promptly do after that position has been reached.

Q. Is there any limitation on their ability to correct their reserve deficiency?

A. Well, at the present time, no. I don't say what might happen in a period of depression, such as we had in the 30's. At the present time there is no practicable limit to their right to correct reserve deficiencies. For example, there is available to them the very large and active federal funds

market. Secondly, if they are members of Federal, they have access to the federal discount window. If they are neither members of Federal nor choose to act in the federal funds market, they may borrow directly from some of their other correspondent banks. Failing all of those, they may [fol. 3027] liquidate short-term securities or call demand loans. They have all those methods of correcting a reserve deficiency position.

Q. Do the assets of the bank or the deposits of the bank place any limitation on the bank's ability to make loans?

A. Yes, of course.

Q. Will you explain how that occurs.

A. Well, a small bank with a relatively small volume of deposits can only make a relatively small volume of loans, and there is a relationship, of course, between the volume of deposits in a bank and the volume of loans the bank can make.

Q. So that with respect to each bank, its supply of lendable funds is limited, is it not?

A. It is limited in part. It is not entirely limited, because the bank has access to borrowing and also a shifting of assets within the bank from investments to funds available to lending to excess reserves. Banks have quite a play in that.

Q. These are temporary measures, are they not?

A. Generally they are of a temporary nature.

Q. And wouldn't you agree that with respect to every commercial bank there is an upper limit at any particular [fol. 3028] time on the supply of funds that it can lend?

A. Yes, with that margin of play of shifting liquid assets into excess reserves or borrowing which I have previously indicated.

Q. Yes, and what would be the absolute upper limit with respect to a particular bank?

A. Well, I don't know of any. It would depend upon the market for borrowing and their holdings of Government securities which they were willing to dispose of. I can't fix a dollar upper limit.

Q. Would it be limited by their assets, their total assets?

A. Oh, yes.

Q. So that there is an upper limitation?

A. Yes, in a sense.

Q. Limited by their assets?

A. In that sense, of course, as I say, with substantial play. We generally measure a bank's lending capacity by the volume of its excess reserves, and that leads us to the question of the sources of excess reserves available to banks.

Q. You referred yesterday to the alternatives available to borrowers in the Philadelphia area and I take it that with reference to each of these alternatives there is a limit [fol. 3029] on the supply of loanable funds which they have available?

A. Yes, there is a limit; but if you ask me to fix it in dollar volume, I am unable to do so because it depends on the nature and character of the assets of the banks in question.

Q. Yes, but there is an absolute limit of the assets in each case; isn't that correct?

A. Yes.

Q. So that for the Marian Bank, for example, which has assets of $1,096,000, it would hardly be able to lend beyond that amount; isn't that true?

A. That's correct.

Q. And the fact is that it had loans of $197,013 as of December 31, 1960.

Do you consider that bank a very important alternative for borrowers in this area?

A. Not very important.

Q. How about the Sonsitaly; do you think that is a very important alternative?

A. No.

Q. How about the——

A. An alternative.

Q. Pardon me?

[fol. 3030] A. An alternative for smaller borrowers, but if you ask me a relative question, I should say not very important, those two banks.

Q. How about Citizens & Southern?

A. That has been growing rather rapidly of recent years, and I would consider that a reasonably important alternative.

Q. Yes. They have loans at the present time of $2,373,582, as of December 31, 1960.

How about the Pennsylvania Warehousing & Safe Deposit Company; do you think that is a very important alternative?

A. Not very important.

[fol. 3031] Mr. Degnan: Your Honor, we would like to resume questioning on page 135, at the middle of the page, after Mr. Littleton's objection, so that the questions and answers would not relate to the specific question which was objected to, but would simply relate to the figure of 69 per cent, which is a figure of concentration of assets.

Dr. Harris was asked whether or not he thought that 69 per cent of the banking assets in the leading bank would be objectionable. We would like to read three or four questions and answers which revolve around that figure of 69 per cent.

Mr. von Starck, would you proceed to read the answer in the middle of the page right after Mr. Littleton's remark, "Objected to"?

A. Well, we have active competition in various areas of the United States where the lead bank has 69 per cent, for example, of the assets.

Q. And, in your opinion, this is not an undue amount of concentration?

A. A little larger than I would like, perhaps, but not undue and still leading to active competition with the remaining banks.

Q. You would think there would then be sufficient alter-

[fol. 3032] nate sources of credit available so that a satisfactory competitive situation would remain?

A. As applied to Philadelphia, yes, where there are a lot of other banks.

Mr. Price: Would you read the next question, please, and the answer?

Mr. Degnan: "Q. So that you think, in Philadelphia, if one bank had 69 per cent of the bank assets, and there were 14 remaining alternatives, that this would be sufficient so that you would not have an undue effect on competition?

"A. That is my opinion."

The Court: All right.

By Mr. Reycraft:

Q. Now referring to the Second National Bank of Philadelphia, how important an alternative do you think that is?

A. Reasonably important. They do a pretty big business up in the Northeast.

Q. They have $20 million of loans outstanding at the present time?

A. That's right.

Q. And their assets are $40 million, so do you think that [fol. 3033] it is likely that they would go much beyond 50 per cent of their assets in loans?

A. I don't know how likely it would be. Some of the banks in Philadelphia have loans in excess of 50 per cent of their assets.

Q. Do you know any besides Girard?

A. I haven't made the computation. Do you want me to do it?

Q. No. I just wanted to know if you knew of any at the moment.

A. No.

Q. Now, the Frankford Trust also has outstanding $27 million of loans.

That would appear to you to be close to the maximum of loans it would be able to make with its present assets?

A. I couldn't answer that question specifically without further information as to the character of the assets, how much of those they could find it advisable to convert into excess reserves to expand their loan volume. I don't know.

They are capable of expanding their loan volume somewhat. I think that is true of all of the Philadelphia banks.

Q. Based on Exhibit D-29, which you introduced yester- [fol. 3034] day, the average ratio of loans to assets of banks in the $25-million assets class is 41.4 per cent?

A. 44.4.

Q. 25 to 50?

A. Oh, 25 to 50? I thought you said "all banks." I beg your pardon.

25 to 50, 41.4.

Q. So that Frankford Trust is perhaps a little above that average, isn't it?

A. Yes.

I think you will find that most of the banks concentrated

in the larger cities are above this average. The national average includes a very large volume of country banks, where the ratio of loans to total assets is likely to be rather low.

Q. So that Frankford Trust Company is very close to the limit of loans which it would practicably make?

A. Very close to this average. It's above this average.

Q. Do you think——

A. I think it could further expand its loans. I can't say how many dollars it could expand them without, as I say, an analysis of the number of Treasury bills they own or other assets convertible promptly into excess reserves.

Q. Yes.

[fol. 3035] Well, you don't know how much additional loanable funds they may have available, do you?

A. I do not.

Q. Now with reference to Industrial Trust Company, you don't know how much additional loanable funds above $24 million which they now have outstanding is available from that source, do you?

A. I do not know..

Q. How about the Finance Company of Pennsylvinia, which has loans outstanding of $666,000; do you think that is a very important alternative?

A. No.

I am taking your words "very important." I say "no" to that.

Q. Do you think it is a significant alternative?

A. I think it has some significance, but not of large volume.

Q. I assume you would think that the Liberty Real Estate Bank & Trust Company with loans outstanding of $54 million does have some significance?

A. Yes; one of our chief competitors.

Q. Pardon me?

A. One of our chief competitors.

Q. Do you know what amount of funds is available for [fol. 3036] Brown Brothers Harriman for lending in the Philadelphia area?

A. No. I do not. Of course, Brown Brothers Harriman is a branch of the Brown Brothers Harriman of New York.

How much money they actually use in Philadelphia, I

have no knowledge. I have no doubt, however, that they could expand that by calling upon New York and Chicago assets if conditions were favorable to lending here.

Q. Do you think that there is any likelihood that they would shift their lending activities to Philadelphia?

A. If the interest rates made that profitable, I have no doubt that they would do it.

Q. On the basis of your knowledge of the way interest rates operate, do you think it is very likely that they will?

A. Very likely that they will? I have no knowledge of that. I don't know whether it is very likely.

Q. You think, then, it is possible that interest rates ——

A. I think it's possible, but if you ask me whether it's likely or not, I cannot answer it.

Q. So far as you know, they have never done it in the past, have they?

A. I don't know.

Q. So far as you know, they haven't?

A. I have no doubt they operate like any other branch [fol. 3037] institution and utilize their funds in the area where it seems most profitable and where demand is highest.

Q. But you have no knowledge?

A. But I have no personal knowledge of that fact.

Q. Or of how much they now lend in Philadelphia?

A. Or how much, how many dollars are involved; I have no personal knowledge.

Q. Now, Dr. Harris, did you have any responsibility for the preparation of D-15? Did you direct its preparation?

A. Of which one?

Q. Of D-15.

A. Let me see which one D-15 is.

No. I had nothing to do with the preparation of that.

By Mr. Reycraft:

Q. Does Brown Brothers Harriman have its head office in the ten-county area referred to in D-15?

A. No. It has its head office in New York.

Q. So the title of D-15 is not accurate, then, is it?

A. To that extent, no.

Q. The answer is "no"?

A. But they have an "A" there. It says deposits, loans, and lending limit are for the entire bank.

I am speaking from general impression when I assume [fol. 3038] that New York is their head office. I believe it is, but I have had no internal contact with Brown Brothers.

Q. Well, you have been in banking in Philadelphia a long time. You are pretty sure it is New York, aren't you?

A. Reasonably sure, yes.

Q. Do you think it is fair to say that no one outside of Brown Brothers Harriman knows how much of the loanable funds of that bank are available in Philadelphia?

A. I doubt whether anyone outside of Brown Brothers would know that.

Q. Dr. Harris, I show you Defendants' Exhibit No. 22 and No. 23.

Have you seen these documents before?

A. I have.

Q. Dr. Harris, did you direct the preparation of D-22?

A. No.

Q. But you have seen it?

A. I have seen it.

Q. Do you consider that this exhibit is significant in reaching your conclusion as to the concentration of the bank assets in the Philadelphia area?

A. Yes.

Q. Will you state of what significance it was?

A. It indicates that the concentration of banking assets [fol. 3039] in Philadelphia is considerably lower than in a very large number of the other large and comparable areas in the United States, whether you take as a consideration the assets of the lead bank or whether you take into consideration the assets of the five largest banks in the city.

Q. Did you attribute any significance to the relationship between Philadelphia and Ogden, Utah?

A. As an individual case?

Q. Yes.

A. No. This was taken for all reserve and central-reserve cities.

The significance of the comparison would vary somewhat, I suppose, with smaller and larger communities.

Q. By the way, are all the cities on this exhibit reserve or central-reserve cities?

A. The heading says so. I haven't checked it up, but I imagine that they are.

Q. You don't know personally whether they are or not?

A. Personally, I haven't checked it with the list of reserve and central-reserve cities.

Q. You haven't made a comparison, have you, between Philadelphia and Cedar Rapids, Iowa, to analyze the relative concentration?

A. I have made no comparison other than shown here. I [fol. 3040] guess there are less than five banks in Cedar Rapids, Iowa, or perhaps only five, in which case they would own 100 per cent of the assets in that locality.

Q. All you know is what is on this exhibit about it?

A. That is true; all I know in this particular area.

Q. Cedar Rapids?

A. I know nothing about Cedar Rapids other than what is indicated on this chart or this table.

Q. Is that true of each of the other cities on this exhibit?

A. Not entirely so. I know a little bit more about Pittsburgh, for example.

Q. As to the other cities, this would be true?

A. As to the others, I haven't made any investigation of the banking system and situation in those particular cities.

Q. For example, if the five largest banks in Philadelphia were to merge, what change would it make in the relative ranking shown on D-22?

A. It would then fall under D-23, which gives pro forma effect to the merger and would place Philadelphia as 43rd in the table of reserve or central-reserve cities in respect to banking concentration.

Q. Including the proposed merged bank, Philadelphia National-Girard, if the five largest banks after the merger were to merge, would it change the rank on D-23?

[fol. 3041] A. Would you mind repeating that question?

(The pending question was repeated by the reporter.)

The Witness: I assume that it would.

By Mr. Reycraft:

Q. In what way?

A. It would push Philadelphia up higher. Just where, I don't know. I'd have to make the computation.

Q. The exhibit shows, does it, the assets of the five largest

commercial banks as per cent of total assets and gives pro-forma effect to the merger, doesn't it?

A. Right.

Q. So that after the merger the five largest banks, even whether there were one or five, would still have the same percentage, would it not?

A. No, I don't think so.

Now let me see. You asked me after the merger——

Q. Yes.

A. —whether you there included the next five largest banks?

Q. No.

A. That would add one bank to this list.

Q. No, include five; after the merger, the five largest.

A. Well, after the merger the five largest is shown here [fol. 3042] at 83.82 per cent.

Q. So that after the Philadelphia National and the Girard were to merge, if the then five largest banks in Philadelphia were to merge, the concentration ratios would be precisely the same, would they not?

Mr. Littleton: I am going to object to that on the same ground as before.

The Court: I will sustain it. We are dealing with one merger, not five.

By Mr. Reycraft:

Q. My question, sir, is if the five largest banks after the merger were to merge, they would still have 83.82 per cent of the total assets of commercial banks in the Philadelphia area, would they not?

The Court: They can be added up, but I will permit it.

A. They would, but they would no longer fit into this table because this table is talking about——

Q. They would not fit under the title; right?

A. No.

[fol. 3043] Q. They would not fit under the title; isn't that correct?

A. No. That's what you say——

Q. But their concentration would be the same?

A. The total of their assets would be the same as the total assets prior to the merger.

Q. Dr. Harris, you testified yesterday to the existence of some competition for checking-account services. You indicated that you considered postal money orders and savings-bank money orders to be competition for checking accounts; is that correct?

A. They are alternative methods of paying bills by check, yes.

Q. Do you consider them significant?

A. I have no figures on volume. Probably they are not very significant.

Q. Do you think that a commercial business could operate by using postal money orders and savings-bank money orders to carry on its business?

A. No, no. That would be limited to individuals who wished to pay occasional bills by check or the equivalent of a check—a postal money order or savings-bank money order.

Q. I believe you testified yesterday, Dr. Harris, that you thought that an increase in the interest rate on savings deposits of ½ of one per cent would not induce people to [fol. 3044] walk across the street; isn't that correct?

A. That is apparently the fact, although it is a little surprising to me.

Q. I believe there is some basis for the inference from your testimony that you think, however, that people will send their deposits to California on the basis of a change in interest rates?

A. A few have done that, so they are tempted at 4½.

If you ask me at exactly what higher level people will begin to be tempted, that's a somewhat speculative matter, and I can't answer it with great accuracy.

Q. You can't——

A. I can only say that apparently a half-per-cent margin in the last 50-year history of Philadelphia has not substantially influenced the flow of savings, but there is current evidence that a 4-per-cent rate offered by federal savings and loans has been sufficient to encourage some shifting of savings from the commercial banks into the federal savings and loan associations.

Q. Do you have any information on the quantity of deposits shifted to California savings and loan associations?

A. No, I have not.

Q. Dr. Harris, is it a fact that if a Philadelphia bank or any bank makes substantial loans outside of its immediate [fol. 3045] geographic area, the result is a lower volume of loanable funds available in its area?

A. That is of course possible momentarily.

Q. Would you explain that.

A. Yes. I have no doubt in my own mind that when Philadelphia banks make loans outside the territory or even to some extent within the territory, that the borrowers who borrow that money may be intending and a substantial number of them will be intending to pay bills outside the City of Philadelphia. To some extent, therefore, funds will at the moment flow from the City of Philadelphia elsewhere. At the same time, however, and while I am sitting here talking, no doubt borrowers in Chicago are borrowing from their local banks to pay bills for goods bought in Philadelphia. There is a constant inflow and outflow of funds of that kind. The volume of it measured by Federal Reserve clearings runs into the billions a day. It is a process which is constantly going on, and it is a necessary process to the economic welfare of the country, and it was to facilitate the ease and speed and cheaper transfer of funds nationally, one of the reasons why the Federal Reserve System was formed and organized.

It would certainly be an enormous economic blow to the [fol. 3046] country if anything were done to check that ready flow of funds from one area to another in accordance with economic activities and demand for funds. It would result in a reactionary localism, a theory of keep your money at home, which would be a paralyzing blow to the American economy.

Q. So that if loans are made outside the area, for example, by Philadelphia National Bank or Girard Trust Corn Exchange, the demand for loans in this area would have to be fulfilled by some other source; is that right?

A. You mean on the day, for example, that the loans were made? These are continuous procedures. All these loans being made are repaid, and there is an inflow of funds from loans made elsewhere which balances it. Not only that, but

it is by no means necessarily true that loans made outside will result in any net outflow of funds. In fact, figures furnished by the Philadelphia National Bank in one of their exhibits indicate that in their 15 or 18 larger lines—I forget the exact number—the average for the year 1960 showed $103 million of deposits as against $42 million of loans.

Q. Yes. Is that the basis for your conclusion about the ratio of loans to lines and deposits?

A. That is the only factual information along that line [fol. 3047] that I have.

Q. Do you have any other factual information on the ratio of loans to lines?

Mr. Littleton: He was about to finish that other answer, Mr. Reycraft.

Mr. Reycraft: Go ahead.

The Witness: What I was going to say probably is the answer to Mr. Reycraft's new question. I say I have no other factual information of a statistical nature as to the ratio of deposits to loans.

Q. Other than D-26?

A. That is correct.

Q. And that is the factual information on which you based your conclusion?

A. That plus my general knowledge of banking practice as contained in banking texts and the material which I have used for 40 years, which has been also along that line.

Q. Has it been along the same percentage lines, sir?

A. Oh, no, I didn't work it down to actual percentages.

Q. You are not referring now to any statistical information that you have access to, are you?

A. I am referring to my general knowledge of the flow of funds in banking activities in the United States.

[fol. 3048] Q. As far as any specific facts are concerned——

A. As far as any specific percentages are concerned, I am relying primarily upon this exhibit.

Q. Will you refer to the third page of D-30 and direct your attention to Category 5, Commercial and Industrial Loans.

A. Yes.

Q. Can you tell me, sir, what percentage that category constitutes of the total loans of the two banks?

(No answer.)

Q. It is about 53 per cent, I will tell you. Would you agree that that is right?

A. Wait. Which column are you referring to? The total?

Q. Yes, the total of the two banks, 287.6 million dollars as a percentage of 541.9 million, which is the gross loans as of September 21, 1960.

Mr. Littleton: Wait a minute. You are talking about the four-county area.

The Witness: 287.6 million is the total of loans in the four-county area of the two banks.

Mr. Reycraft: That is right.

The Witness: 214 million is the total of loans outside the four-county area of the two banks, and total loans, including [fol. 3049] both of those categories, are listed as 502 million.

Q. Will you agree that the commercial and industrial loan category is the most important category for commercial banks?

A. Yes.

Q. Can you tell me what competition is for loans of this type?

A. It depends on the size of the loan. If by competition you are referring to the number of alternative sources to which borrowers could go to obtain their needs——

Q. I am talking about the sources other than commercial banks.

A. Oh, other than commercial banks?

Q. Yes.

A. Some of the very large commercial loans would be shared by pension funds and insurance companies today.

Q. How large is very large in your definition?

A. Oh, $500,000 and over, let us say. I am pulling that out of thin air. I can not give you an exact figure.

Q. How about the categories under $50,000? What is the competition for commercial banks?

A. For commercial loans under $50,000?

[fol. 3050] Q. From non-bank sources.

A. Very little competition other than commercial banks, except for certain of those loans that might conceivably be secured by accounts receivable, in which case there would be competition with sales finance companies.

Q. Is that important competition?

A. I can't give you the figures. They make a substantial volume of loans in that area, yes.

Q. In the category of $50,000 to $500,000 what is the competition from non-bank sources?

A. The same sales finance companies, and you might get some of the life insurance and pension funds interested in that category as it approaches $500,000.

Q. Would you agree that that competition is relatively insignificant?

A. I don't like the words "relatively insignificant." It is of course not nearly as important a competition as the competition with other commercial banks.

Q. As a practical matter, the sources you have referred to other than commercial banks are a minor source of funds, are they not?

A. In that particular field relatively minor, yes.

Q. And for $500,000 and over what is the competition?

A. Well, I think you would get a little more competition [fol. 3051] there from term loans taken by life insurance companies, for example.

Q. What is the practice of life insurance companies with reference to the length of time they can lend?

A. They are willing to take longer term loans than banks generally. It is not unusual, for example, in a term loan, to have the lower or shorter maturities taken by a bank and the longer maturities taken by a life insurance company.

Q. Is it usual for life insurance companies to make short-term commercial loans?

A. Not to any extent in this area.

Q. And with reference to Category 6e "Loans to Individuals—Single Payment," what is the competition for commercial banks of loans of this type under $50,000?

A. Single-payment loans?

Q. Yes.

A. Well, there you run into a class of loans which the Federal classifies in a sense as consumer lending, even though on a single-payment basis, and you would get the various agencies in the under $50,000 class which make direct loans to consumers, the number which I previously mentioned—small loan licensees, consumer credit companies.

[fol. 3052] Q. Do they make single-payment loans?

A. Yes, some.

Q. An insignificant amount?

A. I haven't seen the comparative figures.

Q. You have had an opportunity to observe banking and lending practices over a long period of time, haven't you? Don't you have an opinion as to whether the amount of single-payment loans to individuals under $50,000 by sources other than commercial banks is significant?

A. My opinion would be that it would not be very significant.

Q. With reference to loans to individuals, single-payment, $50,000 and over, what is the competition?

A. Well, of course, this does not disclose just exactly what the purpose of it is for. Some of them may be the same thing as commercial and industrial loans, because a lot of commercial undertakings are carried on by single individuals. If you are talking now about an individual who is not in business, who is borrowing on a single-payment loan from a bank of under $50,000, some again may fall in the consumer category.

Q. Referring now to $50,000 and over.

A. Oh, $50,000 and over, then it wouldn't fall in the consumer category. I thought you were talking about under [fol. 3053] $50,000.

Q. What would the competition be for loans in that category, that is, $50,000 and over?

A. Well, depending again on the character of the loans, and this I didn't mention: If the loan was for the purpose of buying or carrying securities, they might get them from brokers.

Q. Now, there is another category, is there not, No. 3, which is "Loans to Purchase or Carry Securities," and assuming these are correct, they would not be included?

A. Then it would not be included under that. I think there would be comparatively little competition from outside institutions on loans to individuals on a single-payment basis.

Q. Can you think of any financial institution other than commercial banks to which an individual could go for a loan of $50,000 or over?

A. For over $50,000, a loan to an individual on a single-payment basis? At the moment I can't think of any other

source from which an individual would be likely to obtain it except other individuals.

Q. Will you refer to Category 2b, Dr. Harris, and can you tell me what type of financial institutions that you know of are included within this category?

[fol. 3054] A. Loans to other financial institutions would be loans to finance companies, and, for example, loans to federal savings and loan associations, loans to credit unions. I am mentioning the loans to other financial institutions which we make in our bank.

Q. Why do these institutions borrow from commercial banks?

A. In other to expand their lending activities generally.

Q. By the way, do these financial institutions, to your knowledge, maintain checking accounts with your bank?

A. They do.

Q. Do you think, as far as you know, that all of them that you are familiar with have checking accounts with one or more commercial banks in this area?

A. I would certainly think that was probable.

Q. Dr. Harris, do you have a knowledge of the interest rates which small loan companies charge on the loans which they make?

A. In Philadelphia, in Pennsylvania, yes. Practically all of them today, according to statistical evidence that I looked up, are charging the maximum rate, which is 3 per cent per month for the first $150 of the loan, 2 per cent per month for the amount by which the loan exceeds $150 and does not [fol. 3055] exceed $300, 1 per cent a month on the amount by which the loan exceeds $300 and does not exceed $600, and simple interest at 6 per cent for any amount in excess of $600.

Q. On an annual basis what are those interest rates?

A. Well, that depends again on the size of the loan.

Q. Well, would you give it to us for each category.

A. If the loan were under $150, the annual rate would be 12 times 3 per cent.

Q. 36?

A. Yes, correct.

Q. And between $150 and $300 would you be kind enough to make the same computation?

A. 24.

Q. And over $300?

A. 12.

Mr. von Starck: May I interject, Your Honor?

We also have a note from Dr. Harris with regard to the testimony at this point which I think might be relevant, if I would be permitted to read it.

The Court: Very well.

Mr. von Starck: He said:

> On pages 188 and 189 I think I am in error in stating [fol. 3056] the annual rates for small-loan licensees. I said the same thing Warren Smith said, and I think we are both wrong.
>
> On further thought, I believe that 3 per cent per month is not the same as 36 per cent per year. The 3 per cent per month is paid on declining balances so that the annual rate would be less than 36 per cent of the original amount of the loan.

Mr. Reycraft: I object to that. It seems to me that 36 per cent is the effective interest rate, and I don't think it can be corrected in that fashion.

The Court: Don't worry. Leave it in. If a man is paying $50 a month and he pays 3 per cent, $4.50 the first month, he is not going to pay that much again.

Mr. Reycraft: The point is that that is an annual rate of 36 per cent.

The Court: It is an annual rate, but if he is going to pay it off in three months, he doesn't pay the equivalent of 9 per cent on the sum total.

Mr. Reycraft: I agree with that, and I don't care on that basis.

The Court: I don't think it is important to erase that. Do you?

Mr. von Starck: Do you want to have this marked, sir?

[fol. 3057] The Court: No. Don't bother with it.

[fol. 3058] Q. Thank you. How do these rates compare with those available from commercial banks?

A. They are higher.

Q. Do you have any information as to what rate is charged by Broad Street Trust, for example, for loans of this type?

A. Yes, our customary rate is $6 per hundred per year discounted.

Q. What is the effective interest rate of this?

A. Well, it depends on how soon they start the repayment, but it would work out at about 11.9 per cent on unpaid balances.

Q. And do your interest rates change as the loans go higher?

A. We charge that rate up to $3500, in the main, for installment loans repayable. Understand, we make a lot of loans to small businesses at a lower rate than that, that may be repayable on the installment plan. I was talking particularly about consumer credit.

Q. Dr. Harris, I gather from your testimony that you think Philadelphia needs a bigger bank; is that correct?

A. That is true.

Q. Do you think it needs more than one?

A. Well, I haven't given any serious consideration to that. [fol. 3059] I thought only of the need for this bank.

Q. You don't have an opinion as to that?

A. I don't have an opinion as to whether it needs two more banks of the same size or one more.

Q. You indicated one of the advantages which would result from the size. You said:

> "One effect of size is the ability to acquire a personnel and build up an organization which is skillful in meeting the advisory needs of small business."

That is on Page 81.

You think that size gives a bank an advantage in this area; is that correct?

A. Yes, I do.

Q. Would you say that it gives it an advantage over its competitors in this respect?

A. To a slight degree, yes.

Q. To the degree that it is enabled to improve the quality of its personnel, to that degree it has an advantage; is that right?

A. I think so.

Q. In your testimony on the geographic scope of the various markets you referred to, can you tell me what factual data you relied upon?

[fol. 3060] A. I relied very largely upon evidence which has been presented from time to time before the Banking Board by the various banks as to the area of the markets surrounding their branches from which they expected to obtain the bulk of their business. That is a bit of information which is furnished by every applicant and testified to in hearings before the Board.

Q. The information that you consider in your capacity with the State Banking Board is exclusively that relating to the establishment of branches, is it not?

A. That is true as far as the Banking Board experience is concerned.

Q. Yes. Now, in reaching the conclusion which you testified to here yesterday did you rely on any other data?

A. My general knowledge of banking activities, derived in part from my service of 20 years with the Broad Street Trust and contact with bankers arising out of my teaching over 40 years in that field.

Q. Did you rely on any statistical data?

A. Not specifically. I had, of course, seen this information as to the source of funds in the four-county and outside the four-county area. That is all the statistical information I had seen. This exhibit which we were talking about just a [fol. 3061] few minutes ago. I forget the number of it.

Q. You are referring to statistical data which is in the record of this case?

A. Yes, D-30, I think. That was the only statistical information.

Q. And that information, plus the information which came to you with reference to the branch banking, represents the factual basis for your conclusion; is that right?

A. That is right.

Q. Dr. Harris, yesterday you testified, and I will read you a question and answer which appeared at page 94.

"Q. Are there any other sources of competition?"

You were referring to competition for loans on real-estate mortgages. Your answer, which I will read, was as follows:

"A. Individuals, of course. In fact, individuals, I think, hold more mortgages than any single one of the institutional agencies in question."

Could you give me the source of your information on this subject?

A. Well, there are numerous sources. One is Federal Reserve bulletins, in the pages in which they recite real [fol. 3062] estate credit, in which they have a category, "Individuals."

I don't have a Federal Reserve bulletin with me.

Q. And you did mean to say that individuals hold more mortgages than any single one of the institutions in question?

A. That was on recollection. They hold a very large volume of mortgages, surprisingly large.

If I have an opportunity to consult a Federal Reserve bulletin I will be very happy to try to verify that statement for you.

The information appears in other publications, like the Savings and Loan Handbook or Fact Book for 1960, which gives other sources of mortgage holdings in the United States.

Federal Reserve, I believe, reports it regularly under headings of real-estate credit. I think so.

Q. Do you have any information on this as to the Philadelphia area?

A. No.

Q. Are the Federal Reserve statistics broken down by areas?

A. I think not.

[fol. 3063] Mr. Reycraft: That's all.

Redirect examination.

By Mr. Littleton:

Q. Doctor, just one or two questions.

Earlier this morning you indicated that under the law the usury laws didn't apply to corporations; therefore, there is a wider variation in the interest rates that can be charged corporations.

Usury laws do apply to corporations, do they not; it is simply that they cannot under the law plead usury; isn't that so?

A. That is a fact.

Q. And you were referring to the law.

What, in your experience, is the fact?

A. A very few loans to corporations are over 6 per cent.

Q. Now, Mr. Reycraft questioned you at length about the upper limit on the amount which a bank can lend.

The total that any bank can lend—suppose this merged bank should attempt to impose its will on the financial situation by increasing its service charges or any other way; what would happen to the deposits in that bank?

A. I am inclined to think that some portion of them would flow to other banks.

[fol. 3064] Q. And what does that do so far as the lending capacities of the other banks are concerned?

A. It would increase the lending capacities of the other banks and reduce the lending capacity of the bank from which the deposits flowed.

Q. Again, D-30, Mr. Reycraft asked you some questions about the third page. He asked you about Category 5, competition for commercial and industrial loans.

Would you consider factors to be competitors of the commercial banks in any category of commercial and industrial loans?

A. To some extent on loans secured by assigned accounts receivable.

Q. In other words, in addition to finance companies, you would have to add that?

A. That's right; you would add factors to finance companies.

Q. And on loans to individuals single payment, which is Category 6e, are insurance companies competitors of commercial banks?

A. Yes.

Q. Are there any other competitors besides——

A. Yes. I overlooked a very important competitor in that field. I can only apologize for it.

[fol. 3065] That is life-insurance companies on loans on the cash-surrender value of life insurance, which is very extensive and constitutes quite a competition with bank loans on the cash-surrender value of life insurance.

They are customarily personal loans to individuals and single payment.

Q. Did I understand you to testify (I think you did) that

finance companies were competitors on single-payment loans to individuals up to a certain amount?

Mr. Reycraft: I object because I don't think he testified to that.

By Mr. Littleton:

Q. Did you not?

A. I don't think I did.

Q. What was it, small loan companies?

Mr. Reycraft: I object to leading him.

The Witness: Single-payment loans?

The small-loan companies lend almost invariably, on an installment-repayment basis, and so do the finance companies primarily.

Mr. Reycraft: Did Your Honor sustain the objection?

[fol. 3066] The Court: I did. The answer may be stricken.

Mr. Littleton: Mr. Price?

By Mr. Price:

Q. Dr. Harris, you spoke about the flow of money from one area to another in connection with your statement that the making of a loan by a Philadelphia bank to some borrower outside of Philadelphia didn't necessarily diminish the available cash in the Philadelphia area by the amount of that loan.

Is that flow of money a constant phenomenon?

A. It is a constant phenomenon, occurring every business day in the banking world, and indicated by the huge volumes of daily clearings, both at Federal and at individual clearinghouses within the large cities.

[fol. 3067] Q. There are corresponding loans made by national institutions outside of Philadelphia to Philadelphia borrowers, are there not?

Mr. Reycraft: I object to the form of the question.

By Mr. Price:

Q. Now will you tell me whether that is a part of this flow that you spoke about?

A. It may very well be. Certainly, there are Philadelphia

businesses that borrow in New York, for example, quite a number of them; and they then spend the money that they borrow and they may spend it in Philadelphia, they may spend it out of Philadelphia.

Q. Will you refer to page 3 of Exhibit D-30?

A. Yes.

Q. I call your attention to the figures at the bottom line, gross loans under the total outside of the four-county area and in the four-county area.

In the four-county area it is $541.9 million?

A. Yes.

Q. Outside the four-county area, $429 million?

A. Yes.

Q. Would you consider that that $429 million represents any permanent diminution of the capacity of these two [fol. 3068] banks to lend money in Philadelphia?

A. No.

Q. Will you turn to page 2 of that same exhibit, and I call your attention to the two figures, total demand deposits in the four-county area, $837 million; outside the four-county area, $462 million.

Is that a part of this money flow which you are speaking about?

A. Yes, a local flow, I mean within this narrow area. It certainly indicates that deposits originating in the four-county area exceed the volume of loans as of the same date made to individuals outside the four-county area.

Q. And the deposits originating outside the four-county areas of $429 million represent money coming in in the way that you have described?

A. $462 million, I have here.

Q. $462 million, I am sorry. I gave you the wrong figure. $462 million?

A. Yes.

Q. On page 2, deposits originating outside the four-county area, is that not part of this money flow that you are speaking about?

A. Yes. They are funds available to the Philadelphia banks for lending purposes inside or outside the four-county [fol. 3069] area.

Q. But originating outside?

A. These originate outside, yes.

Q. Will you turn to D-27, which indicated growth over the period mentioned, 1945 to 1959, of various institutions. Have you that in front of you?

A. Yes. I have.

Q. Fundamentally, what is the reason for the growth of these institutions shown here?

Have you any opinion as to the reason for the very much larger rate of growth of these financial institutions other than banks?

A. Well, a part of the growth of all of them, of course, is due to the general growth in economic activity, population, gross national product, and so on in the country.

As far as the separate rates of growth are concerned, there has been some debate as to why, for example, savings and loan associations have grown so rapidly in relation to banks. It has been attributed in some writings to more active management and pushing of the associations, better advertising.

Q. What reference has it or what significance has it with reference to the demand for the various services which these other institutions now offer?

[fols. 3070-3071] A. Well, undoubtedly there must have been a very substantial demand for their services to bring about this rate of growth.

The Court: Just a moment. How many more pages in that deposition?

Mr. Price: Seven more pages including this one.

The Court: Well, let us finish tomorrow morning. I have an injunction hearing set for 4:00 o'clock. We will take a five-minute recess, then I will call the injunction hearing.

(Adjourned at 4:00 o'clock P.M. until Tuesday, July 18, 1961, at 10:00 o'clock A.M.)

[fols. 3072-3073] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

EIGHTEENTH DAY

Philadelphia, Pa., July 18, 1961.

Before Hon. Thomas J. Clary, J.

. . . . . .

[fol. 3074] (The reading of the deposition was resumed by Mr. Price and Mr. von Starck.)

Q. What has been your observation with regard to the furnishing of services when a demand therefor exists; and I am speaking, of course, in the financial field only?

A. Do you mind repeating that?

(The pending question was repeated by the reporter.)

The Witness: Where a demand exists, my general observation indicates to me that it is met by appropriate financial institutions.

By Mr. Price:

Q. And so far as Philadelphia is concerned, demand that may not be met by local institutions is possible to be met by those outside, is it not?

Mr. Degnan: I object to the form of the question. This is a leading question.

Mr. Price: This is cross-examination.

The Court: Read the question back, Mr. Schuman.

(The last question was read by the reporter.)

[fol. 3075] The Court: It is objected to, the objection is overruled, and he may answer.

A. Yes.

Mr. Price: That's all, thank you.

By Mr. Littleton:

Q. Just one more question:

Doctor, will you look at D-22, about which Mr. Reycraft asked you, the list of reserve and central-reserve cities?

He questioned you whether you made any study about Cedar Rapids, Iowa, and something about the significance, if there was any significant relationship between the situation in Philadelphia and Cedar Rapids, Iowa.

Let me ask you your opinion as to whether the Philadelphia banking situation is more significantly related to other reserve cities and central-reserve cities than it is, we will say, to Whitefish Bay, Wisconsin, or Elk Point, South Dakota?

A. Yes.

Mr. Littleton: Thank you. That's all.

Mr. Reycraft: I have a couple of questions.

Cross-examination.

By Mr. Reycraft:

[fol. 3076] Q. Dr. Harris, does the growth of savings and loan associations which was pointed out to you indicate that there was a large demand which is not being met by commercial banks?

A. Of a large demand which was not being met by commercial banks or other lending institutions.

We had, as you know, very active real-estate construction, a very active residential real-estate construction market in the ten years since the close of the Second World War, which has required a very large volume of real-estate financing.

All institutions that lend on real estate have shared to some extent in that, but the federal savings and loan associations have achieved the highest share of it.

Q. The commercial banks have not been able to meet fully the requirements of the communities in this regard; is that correct?

A. Well, they haven't met them. When you say they haven't been able to, that's another conclusion.

Q. They haven't done it?

A. They haven't done it fully.

Q. That's right.

Now, Dr. Harris, I understood you to testify yesterday [fol. 3077] that you had been contacted by both Mr. Littleton and Mr. Price, and had been asked to testify by them as a witness in this case. Is that correct?

A. Well, actually, Mr. von Starck came to see me. I understood that he was talking on behalf of both Mr. Price and Mr. Littleton.

Q. So you are a witness for both banks, aren't you?

A. That has certainly been my impression.

Q. I would like to direct your attention again to your answer as to individuals holding more mortgages than any single one of these agencies and also direct you to the March, 1961, issue of the Federal Reserve bulletin, page 341; and I direct your attention to the figures for the year 1960, which show mortgage debt outstanding by type of property mortgage and type of mortgage holder.

Will you tell me what it shows under all holders?

A. All holders, the volume of mortgage debt as of the last figure is, as of December of 1960, $206½ billion.

Q. For all financial institutions?

A. All financial institutions, $157.6 billion; selected federal agencies, $11.2 billion; individuals and others, $37.7 billion. All holders, $193.4 billion.

[fol. 3078] Q. Do you wish to correct your answer in any way?

A. Well, of course, this doesn't indicate whether my answer was correct or not. This lumps all financial institutions.

Now, actually I may have been thinking more primarily of farm mortgages, where the individual holders exceed either the Federal Land banks or the insurance companies. For all properties, to say that individuals at $37.7 billion exceed any single one of the financial institutions may be incorrect.

Q. Thank you.

A. This chart doesn't indicate; it lumps all the financial institutions together.

Q. But you now believe that your answer may have been incorrect?

A. Yes, it may have been. I will change it and say that it represents a substantial volume of the mortgage debt.

Q. About 18 per cent; is that right?

A. I didn't do the computation. If you did, I will accept it.

Q. Mr. Reed did it.

A. Very likely, if you will look far enough, you will find a table breaking those financial institutions down into indi-
[fol. 3079] vidual categories.

Q. We have found it.

On Page 342, will you tell me what the table indicates for life-insurance companies and savings and loans?

A. Yes. For life-insurance companies—the date we had before was December, but this gives one later month, so we will use December again. I think that was December. It doesn't make much difference.

Loans acquired were $616 million—that's loans acquired. Now, before we had loans held.

Shall I look through this?

Q. Yes, sir. You satisfy yourself.

A. Because loans acquired would be a little different category, far less, for example, than loans held.

Loans outstanding, I see later on.

Loans outstanding of life-insurance companies, as of December, 1960, was $41,798,000.

Q. How does that compare to loans by individuals?

A. Well, loans by individuals was, as I think, $37 billion; so slightly I was in error.

Q. And as for savings and loans?

A. Savings and loan associations, loans outstanding at the end of the period was $60 billion; again, higher than indi-
[fol. 3080] viduals, substantially higher.

I was simply speaking from memory and my memory was faulty.

Mr. Littleton: Just one question.

By Mr. Littleton:

Q. Mr. Reycraft elicited from you the assurance that you are not hostile to Mr. Price's client. You are not hostile to the Department of Justice, either, are you?

A. Are you asking me a legal question or a personal question?

Personally, no.

Q. Nor to the Comptroller of the Currency, are you?

A. I seek only the truth.

Mr. Reycraft: So do we all.

Mr. Littleton: Thank you very much

[fol. 3081] WISTAR H. MACLAREN, resumed.

Direct examination. (Continued)

Mr. von Starck: Your Honor, during last week Mr. Reycraft asked me informally for a list of the names of the customers of the Philadelphia National Bank appearing on D-26, which, as you know, were merely numbered, and I gave him informally a list of those names, with the expectation that the names would not be used in the examination but that the numbers would be used, and I now supply you, sir, with a similar copy.

Mr. Reycraft: I should state, Your Honor, for the record, that some of the facts set forth in D-26, as to which the exhibit which has just been marked is in further explanation, may require a little more detail, so that while I am not asking at this point to refer to any names, I don't want to be foreclosed.

The Court: You are not being foreclosed in anything, Mr. Reycraft. However, before the names appear in the record, I would like an explanation of your reasons why they have to be.

Mr. Reycraft: Yes, I understand that.

By Mr. von Starck:

Q. Mr. MacLaren, during the last week did you have an opportunity to review Exhibit D-26, the information shown [fol. 3082] thereon?

A. Yes, I did.

Q. What did you find, sir?

A. We found both in the deposit category and in the loan category there had been some omissions.

Q. Have you prepared a revision of Exhibit D-26?
A. Yes, I have.

Mr. von Starck: I ask that this new sheet, which has the same title as D-26, be marked for identification as D-26 revised.

(One-page document headed "Excess of Average Deposits Over Average Loans of all PNB Customers with Credit Lines of $8,000M or More" was marked Exhibit D-26 (revised) for identification.)

Q. Calling your attention D-26 revised, will you tell us if the customers shown thereon by number are all of the customers which had lines of $8 million or more during the year 1960?
A. Yes, they are.
Q. Will you explain how you have three customers with lines which exceed $8 million?
A. The three customers whose lines exceed $8 million are exceptions, where the legal limit is exempted from the requirement of one or more of the——
[fol. 3083] Excuse me, can I back up on that?
The amounts in excess of $8 million are exempted from the requirements of being included within the lending limit by one or more of the exceptions set forth in Revised Statutes of the United States, Section 5200. More specifically, in one of these cases there is a Government-guaranteed loan involved, which is excluded. In another case it is the financing, as I recall, of certain foreign goods through acceptances, if I recall correctly, which is excluded by exception, and in the third case, No. 19, customers paper purchased where the obligors, or the individuals, primarily, rather than the company, are excluded.
Q. Well, now that you have mentioned customers paper, is that the meaning of the letters C.P. alongside three of the loans? I am speaking specifically of the Nos. 19, 24, and 27.
A. That is the meaning, yes.
Q. Why have you included customers paper under loans for that year?
A. We have included the customers paper despite the fact they are not the direct obligation of the company listed, because we arranged to purchase that paper because of our

relationship with the main company. If it weren't for our [fol. 3084] close associations with these companies, I doubt whether we would normally purchase the customers paper.

Q. Are the deposits for these customers related to the borrowings on the customers paper?

A. I don't think you say they are directly related. I think rather you would say, for customers where we have large deposits arising either out of loan or other services, then, on request, we will purchase customers paper from those companies. An indirect relationship, yes.

Q. On July 5 you were testifying, as I recall it, that the fact that the deposits were 200 or more per cent of the loans is based in part, in large measure, on the fact that the bank offers services, performs services, to these customers. Do you recall that?

A. Yes, I do.

Q. Could you be a little more specific and tell the Court what type of services the bank performs which justifies these large deposits?

A. In addition to the loan services, and this won't be a complete list but may be a typical list, there would be check collection service for these customers, where we handle the checks that are processed for them. This involves the use of no bank funds, you might say, but we get the compensating balances to cover the activity involved in that. It [fol. 3085] will cover also payroll accounts for these companies. It will cover in some cases corporate trust services. In some cases there will be lock box services, account reconciliation services, and various others of that general nature.

Q. How many of these 27 customers have their main offices outside of the four-county area?

A. Of the 27 customers, 13 have their main offices outside the four-county area, and of those 13, 2 are in nearby counties, one Camden County, New Jersey, one New Castle County, Delaware.

Q. And the 11 are far removed?

A. The other 11 are removed, yes.

Q. You show here an excess of approximately $52 million of deposits over loans. Is that sum of approximately $52 million after deduction of reserves available to the other customers of the bank?

A. Yes, it is. It is available for lending or investing.

Q. Why have you used the results of an entire year in this study rather than a comparison of one day, which has been used in other parts of the case?

A. We feel that if you are looking at the relationships of loans and deposits for any individual customer, a one day may or may not be misleading. In other to make sure [fol. 3086] that we are taking a fully representative sample when we are looking at these 27 customers, we have taken the average deposits and the average loans for the whole year 1960.

Q. Well, does the bank customarily judge the value of a particular customer on the basis of a period of experience rather than one day of experience?

A. Yes, very definitely so. It might be shorter than a year; it might be longer than a year, even.

Q. Are these top line customers the type which the merged bank will hope to obtain more of if the merger is consummated?

A. Very definitely so, yes.

[fol. 3087] Q. Are these same customers the type which normally have a national choice in banking relationships?

A. Normally customers of this size would have, yes, a national choice as to where they will do a substantial portion of their deposit business, and probably all of their loan business.

Q. Are you familiar with Exhibit D-30, which was identified during Dr. Harris' testimony?

A. Yes, I am.

Q. Was Exhibit D-30 prepared under your supervision?

A. In so far as the figures for Philadelphia National Bank were concerned, yes.

Q. In general, how were those figures obtained?

A. These figures were obtained, you might say, from two sources in the deposit area. The figures for the $10,000 and over category were obtained from the card records that were used in some of the Government exhibits. For the deposit figures under $10,000, they were obtained from the application of sampling data which also had been furnished to the Government and, as I understand, has been included in Government exhibits, the application of those samples to the total dollars under $10,000 to arrive at the total dollars shown on the exhibits.

As far as loans are concerned, the same thing with the [fol. 3088] breaking point of $50,000.

Q. For deposits over $10,000, did the banks prepare IBM cards with information as to each such deposit?

A. That is correct; yes.

Q. And did they prepare IBM cards for each loan over $50,000 as of September 21, 1960?

A. Yes, they did.

Q. So that the information shown hereon, as for all deposits over $10,000 and all loans over $50,000, is based upon actual figures; is that correct?

A. Actual figures transcribed onto these IBM cards.

Q. Let me first of all ask you, in view of the fact that the Government has introduced certain exhibits showing business done inside and outside the four-county area, why have you prepared this additional exhibit?

A. There are at least two reasons why we have prepared this. One is to summarize in easy and in convenient form on three sheets all of the information on deposits and loans. A second reason is to show by the various categories indicated here the separate information by category.

Some of these categories were included in the Government figures; some were lumped together, while one or two of them were omitted, as I recall.

[fol. 3089] The purpose here then is to separate out by type of deposit and by type of loan in the categories used for call report purposes, and in some cases breaking those call categories down a little more finely because we feel that the market impacts are more clearly or can be more clearly shown in the breakdowns that we have used in this exhibit.

Q. Now will you turn to Page 1 of Exhibit D-30, which is the amount of time and savings deposits, and just briefly summarize the figures shown there?

A. The figures shown on Page 1 in the aggregate show that the combined bank has $253,900,000 of total time and savings deposits, of which $198,500,000 are in the category of savings deposits of individuals. The balance, as you see, are in the categories 2, 3, 4, and 5.

Turning to the savings deposits of individuals, the last three columns show that for Philadelphia National Bank 5.3 per cent of them are outside the four-county area; for

Girard Trust, 2.6 outside; and for the combined bank, 3.9 per cent.

In the time deposits of partnerships and corporations, 32.4 per cent of the combined bank are outside the four-county area.

In time deposits of foreign banks, 100 per cent are out-[fol. 3090] side.

For domestic banks, 11 per cent are outside.

The time deposits, state and political subdivisions, show 5.6 per cent outside.

Mr. von Starck: Will you mark this D-32, please?

(Document headed "Time Deposits," with attached Schedules A, B, and C attached, was marked Exhibit D-32 for identification.)

By Mr. von Starck:

Q. Do you have before you a copy of Exhibit D-32, entitled "Time Deposits"?

A. Yes, I do.

Q. Will you please explain the relationship between D-32 and Sheet 1 of D-30?

A. D-32 shows on Line 1 the number of commercial banks and the amount of time and savings deposits of individuals, partnerships, corporations, for banks having headquarters in Philadelphia and the four-county area and the ten-county area.

Therefore, the dollar figures on Line 1 include for Philadelphia and Girard the figures in Lines 1 and 2 of D-30. [fol. 3091] In other words, the savings deposits of individuals and the time deposits of partnerships and corporations.

Q. Why have you not broken it down between savings deposits of individuals and time deposits of partnerships and corporations?

A. In so far as Philadelphia National and Girard are concerned, it is possible to get this breakdown. However, for reporting to the Federal or the state agencies on the call reports, there is no breakdown given for other banks, so that when we are making comparisons between ourselves and other banks, these two have to be grouped together.

Q. How many commercial banks with headquarters in Philadelphia are there which accept time and savings deposits?

A. This exhibit shows 13 banks with headquarters in Philadelphia, with a Note 1.

Q. Now, how many such banks are there in the four-county area?

A. There are 40 such banks.

Q. And the total of such a nature is $748 million; is that correct?

A. $784 million.

[fol. 3092] The Court: I am looking at $784 million.

Mr. von Starck: I am looking at $748 million, sir.

I now have the correct copy, Your Honor.

By Mr. von Starck:

Q. And the total of such deposits in the ten-county area of the 116 banks shown there is how much?

A. $1,335,048,000.

Q. Now, to the total of such deposits by commercial banks you have added certain deposits of certain other institutions. Will you briefly explain that.

A. To the deposits of commercial banks in this time and savings area we have added the savings deposits of the mutual savings banks headquartered in the four and ten-county areas, the savings shares of building and loan and savings and loan associations headquartered in the area, and to the extent that we have the information the data from credit unions.

Q. Are the data for mutual savings banks shown on Schedule A?

A. The data on the mutual savings banks are shown on Schedule A, which lists the figures for the individual institutions, yes.

[fol. 3093] Q. And is the source of that Polk's Bank Directory?

A. Yes.

Q. Now, turning to Schedule B, which appears to be the data for savings and loan and building and loan associations, will you explain that, sir.

A. The information for Schedule B is taken from various

sources as shown in the footnotes for the five Pennsylvania Counties, a statistical summary on savings, building and loan associations in Pennsylvania; for the four counties in New Jersey, annual report of the Commissioner of Banking and Insurance; for New Castle County, Delaware, the annual report of the State Banking Commissioner of Delaware.

This shows in the main body of the table the number of institutions and the aggregate deposits are broken down by counties.

Q. Now, will you turn to Schedule C and explain the data thereon for credit unions.

A. Schedule C for credit unions shows in the top part Pennsylvania state-chartered credit unions taken from the report of the Secretary of Banking, showing for Pennsylvania 125 such unions with $23,658,000 capital shares. For Philadelphia there are 30 such institutions and the capital shares are estimated at $5,700,000 as explained in Footnote [fol. 3094] 4, by taking the same proportion of the total that the number of unions in each county bears to the total number of unions in the state.

Q. Were there no figures directly available for Philadelphia or for the other three counties?

A. There were no figures that we could find, no.

Q. And this estimate is based on a pro rata distribution of the capital shares of the total 125 unions in Pennsylvania; is that correct?

A. That is correct, yes.

Q. Now, what are the totals of these deposits for these four types of institutions in Philadelphia?

A. The total deposits in Philadelphia are $3,402 million in round numbers.

Q. And what is the share which the merged bank would have with respect to the total time and savings deposits?

A. 6.7 per cent.

Q. Do you consider that to be a conservative estimate?

A. I do consider it a conservative estimate, yes, partly because of the lack of complete information on the credit unions, partly because we have included, as far as Philadelphia National and Girard and the commercial banks are concerned, time deposits of partnerships and corporations, [fol. 3095] whereas the three other types of institutions do not accept time deposits of partnerships and corporations.

Q. What would be the conservative estimate of the market share of the four-county area?

A. 5.8 per cent held by the Philadelphia National-Girard combined.

Q. And for the ten-county area, what would it be?

A. 4.8 per cent.

Q. Now will you turn to Sheet 2 of Exhibit D-30, which is the amount of demand deposits, daily average for June, 1960, and briefly explain that.

A. On Sheet 2 we have broken the demand deposits into individuals under Item 1, partnerships and corporations under Item 2, foreign banks under Item 3, domestic banks under Item 4, deposits of the United States Government under Item 5, and demand deposits of states and political subdivisions under Item 6.

The total of the deposits for the Philadelphia-Girard combined are $1,300,000,000. Of that total $226 million are demand deposits of individuals, of which 10.6 per cent come from outside the four-county area; $674.4 million are demand deposits of partnerships and corporations, of which [fol. 3096] 29.3 per cent come from outside the four-county area; $23.7 million are the demand deposits of foreign banks, all of which come from outside the four-county area.

Shall I continue or is that enough to indicate?

Q. I think that is satisfactory.

Do you have a share-of-the-market study for demand deposits?

A. No, we do not.

Q. Why don't you?

A. Again, for the same reason that we cannot get for the other commercial banks the breakdown of their demand deposits by location of customer. We know it for ourselves, of course, but we do not know it for the other commercial banks in Philadelphia, nor do we know for other institutions outside the Philadelphia area what demand deposits they derive from within the Philadelphia area.

Q. Dr. Harris, you may recall, testified as to competitive types of investments in relation to demand deposits, such as United States Government securities, commercial paper, and so forth.

Do you have any figures with regard to the extent of the

[fol. 3097] investment in such competing sources for the Philadelphia area or for any localized area?

A. No. We don't know for individual or corporation how much they use these alternate forms of investment for what might otherwise be deposit dollars.

Q. Would it be necessary to know this in order to make a share-of-the-market study?

A. To get a complete share-of-the-market study, yes, very definitely.

Q. Now will you turn to Page 3 of Exhibit D-30, which covers the loan distribution, and explain that briefly.

A. This is the same kind of study as was made on the deposits. You will see Item 1 being real estate loans, Item 2a we have broken down into two parts—loans to domestic banks and loans to foreign banks. The "2a" designation is used for both of those because in call report forms those two are lumped together. We have separated them out because we feel that there is a difference in markets involved between the two.

2b is loans to other financial institutions and so forth on down the line.

Under Item 6, which is the general category for loans to individuals, we have grouped together the installment loans into one figure, under 6a to 6d, and have shown separately [fol. 3098] the loans to individuals, single-payment, under 6e.

As far as the grand totals are concerned, the combined bank has over $971 millions of such loans and the aggregate 44.2 per cent originate outside the four-county area.

The percentages originating outside the four-county area vary, of course, by type of loan, as is shown in the last column on the page.

Q. Will you direct your attention to Item 5, which is commercial and industrial loans, and comment, if you think it is appropriate, on the various percentages shown there for outside the four-county area.

A. We have broken the commercial and industrial loans down into three groups—those under $50,000 each, which represent the group derived from the sample, $50,000 to $499,999, and then $500,000 and over.

It is interesting, as far as the percentages outside the

four-county area are concerned, that within these three size groups as you go upward in size the percentage of loans coming from outside the four-county area increases.

Q. Now, you have deposits based on the average for June, 1960, and loans based on information as of September 21, [fol. 3099] 1960.

Let me ask you first of all, what is the relationship between the average deposits for June, 1960, and deposits for the entire year of 1960?

A. The month of June, 1960, for deposits was a representative month and the averages for June are fairly close to the averages for the year as a whole. I haven't the exact figure with me at the moment.

Q. So that June is fairly representative for the entire year?

A. Yes, it is.

Q. Now, how about loans at September 21, 1960? Are those loans representative of lending for the entire year of 1960?

A. Let me first say that 1960 was a year of record high loan demand in itself, so that 1960 was higher than 1959, 1958, 1957, and so forth.

September 21 for these two banks was higher than the average for the year as a whole. My recollection is that it is approximately $30 million higher than the average for 1960.

Q. And what would $30 million higher be, expressed in percentage terms?

[fol. 3100] A. A little under 3 per cent of the total.

Q. So that am I correct in saying that Exhibit D-30 represents, for 1960, not average loans, but slightly higher than average loans?

A. Yes.

Mr. von Starck: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. MacLaren, referring to D-26 revised, referring to Customer No. 1 on D-26 revised, can you tell me whether that customer's main office is in Philadelphia?

A. Yes. The main office is in Philadelphia.

Q. Pardon me. Go ahead. Did you complete your answer?

A. The main office is in Philadelphia.

Q. With reference to Customer No. 2?

A. Yes.

Q. And with reference to Customer No. 3, where is its main office?

A. Camden, New Jersey.

Q. And Customer No. 4?

A. Baltimore, Maryland.

Q. And Customer No. 5?

A. Wilmington, Delaware.

[fol. 3101] Q. Now, where is the nearest plant which Customer No. 5 has to Philadelphia, to your knowledge?

A. I am not too specifically aware of that type of information about these customers, Mr. Reycraft.

The Court: In Philadelphia, I will tell you; right in Philadelphia.

By Mr. Reycraft:

Q. With reference to No. 6, where is its headquarters?

A. Philadelphia.

Q. Does Customer No. 7, whose headquarters is in New York, also have a plant in or near Philadelphia?

A. Certainly a plant and probably sales offices.

Q. And Customer No. 8 has a business establishment a few blocks from here, does it not?

A. Yes, it does.

Q. And its main headquarters are in New York?

A. Correct.

Q. With reference to No. 9, its headquarters are where, sir?

A. Akron, Ohio.

Q. Do you know where its nearest plant is to Philadelphia?

A. I don't know specifically. I know it has connections here.

[fol. 3102] Q. You believe it does have an industrial establishment in the Philadelphia area?

A. Either industrial or commercial; I am not sure.

Q. And with reference to Customer No. 10, where is its headquarters?

A. Cleveland, Ohio.

Q. Do you know, sir, whether it has any establishment in this area?

A. I don't know.

Q. With reference to Customer No. 11, where is its headquarters?

A. Bryn Mawr, Pennsylvania.

Q. Customer No. 12?

A. Philadelphia.

Q. Customer No. 13?

A. Minneapolis.

Q. Does Customer No. 13 have a business establishment in this area?

A. Of some nature, yes.

The Court: Indeed it does, a big one.

By Mr. Reycraft:

Q. I wonder, Mr. MacLaren, if you would be willing to get for us the information as to the nature of the business [fol. 3103] in quantitative terms, not to identify the company, but so that we can know the importance of the business activity here?

The Court: Do you mean dollarwise?

Mr. Reycraft: Just in dollar sales or anything of that nature.

Mr. von Starck: I doubt if we can get that.

The Court: That particular one that you are talking about has had a tremendous plant in Philadelphia since I can remember.

Mr. Reycraft: This is what I would like to establish.

The Court: I can pretty nearly tell you without you asking the witness.

By Mr. Reycraft:

Q. Customer No. 14 is also headquartered in Philadelphia, is it not?

A. Yes.

Q. And Customer 15?

A. University Park.

Q. No. 16?

A. Philadelphia.
Q. No. 17?
[fol. 3104] A. Philadelphia.
Q. 18?
A. Philadelphia.
Q. 19?
A. New York.
Q. Does 19 have a plant in Philadelphia?
A. In the Philadelphia area, it does, in the four-county area, quite a big one.
Q. A rather substantial plant; isn't that right?
A. That's correct.
Q. No. 20?
A. Philadelphia.
Q. No. 21?

Mr. von Starck: Your Honor, it is not in the four-county area.

The Court: Yes, it does. It has one up in Bucks County.

Mr. von Starck: Oh, excuse me. I was thinking of the ten-county area.

The Court: I have other cases in this court, remember.

By Mr. Reycraft:

Q. No. 21?
A. Winston-Salem.
[fol. 3105] Q. Does it have a plant in the four-county area?
A. I don't know.
Q. No. 22?
A. Philadelphia.
Q. No. 23?
A. Chester.
Q. No. 24?
A. Chicago.
Q. And No. 24 has a substantial business establishment or several in this area?
A. Several, Yes.
Q. Several, and it does a lot of business in this area?
A. Yes.
Q. No. 25?
A. Philadelphia.
Q. No. 26?

A. Philadelphia.
Q. No. 27?
A. Cleveland.
Q. Now, does No. 27 have a plant in this area?
A. I think it has a subsidiary here.
Q. A sales organization or a manufacturing plant?
A. Manufacturing.

The Court: Manufacturing and sales.

[fols. 3106-3107] By Mr. Reycraft:

Q. Manufacturing and sales, and a substantial establishment, is it?

The Court: It is.
The Witness: Yes.
The Court: We will take a ten-minute recess.

(A 10-minute recess was taken.)

[fol. 3108] The Court: May I say, Mr. von Starck, as to No. 19, service was made at an operation of that plant in this district, and I sustained service, so I know that they at least were doing business within the eastern district of Pennsylvania.

Mr. von Starck: Thank you.

By Mr. Reycraft:

Q. Mr. MacLaren, let me ask you, with reference to the first customer, are the lines of credit which are indicated on D-26 revised formal lines of credit?

A. What do you mean, Mr. Reycraft?

Q. Well, I am referring to Dr. Harris' testimony in which he indicated a difference between a formal line of credit and the line of credit that was gratuitously granted by a bank. Do you know the distinction?

A. I wouldn't know the distinction for these customers, no. Mine is of a statistical nature. The actual dealing with the customer is out of my province.

Q. Can you explain the distinction between a formal line of credit and a line of credit gratuitously granted by a bank?

A. Not from my own knowledge, no.

Q. You haven't had occasion to become familiar with that distinction?

[fol. 3109] A. Other than what you recall from what Dr. Harris said.

Mr. Reycraft: Mr. Littleton has refreshed my recollection. It was Mr. Oakes who testified to this distinction, not Dr. Harris.

The Court: Mr. Who?

Mr. Reycraft: Mr. Oakes. His deposition was taken also, Your Honor.

The Court: I haven't heard that yet. I was wondering where I missed it.

Mr. Reycraft: You didn't miss a trick.

By Mr. Reycraft:

Q. Do you know what a formal line of credit is, Mr. MacLaren? Was your answer to that no?

A. No, I think I know what a formal line of credit is, yes.

Q. Will you tell us what that is?

A. That is a line of credit granted by the bank to accommodate a customer.

Q. Under a formal agreement?

A. I can't say.

Q. You don't know?

A. No, I don't know the nature of the agreement between the bank and the customer.

Q. You don't know whether there is a written agreement [fol. 3110] between the bank and the customer setting forth the line?

A. No, I do not.

Q. So that these lines of credit which are indicated here could be by written agreement or they could be, could they not, a gratuitous granting of a line by the bank, in other words, merely informing them orally or in writing, "At any time you want you have a line of credit of $8 million"; is that correct?

A. Conceivably so, yes.

Q. And you don't know when any of these lines of credit were first granted, do you?

A. No, I do not.

Mr. von Starck: May I say at this point that Mr. McDowell will be on the stand shortly. He is the executive vice president and chief lending officer of the Philadelphia National Bank. He will be able to answer of these questions you have with regard to the details about these particular customers.

The Court: He is still under cross-examination, however, and he is entitled to ask the questions.

Mr. von Starck: Oh, indeed, sir.

By Mr. Reycraft:

Q. Now, with reference to the first customer, Mr. [fol. 3111] MacLaren, the line of credit apparently was sufficient to take care of the average loan of $38,000 in 1960, was it not?

A. Yes.

Q. So you wouldn't say that you need a higher lending limit to accommodate that customer, would you?

A. I don't think that that necessarily follows. The fact that the first customer borrowed only $38,000 on the average during 1960 has no relationship with his potential borrowing needs, in my opinion.

Q. Can you explain that?

A. Conceivably in some other year he might be in for more than the $38,000. Conceivably at some time during any year he might be in for the whole $8 million.

Q. He wouldn't have been in for the whole $8 million during 1960? He couldn't conceivably come in, could he?

A. If you divide by 366, no, I guess he wouldn't have been for the $8 million, even for one day.

Q. With reference to the second customer, the $8 million line of credit seems to have been sufficient to take care of his borrowing demands from your bank, doesn't it?

A. To have taken care of his 1960 demands, yes.

Q. He didn't want any in 1960, did he?

A. That is correct.

[fol. 3112] Q. And the same with Customer No. 3; isn't that true?

A. That is true, yes.

Q. And with respect to Customer No. 4, his line of credit was a little over ten times his average loan, was it not?

A. Over ten times his average loan for 1960, yes.

Q. And Customer No. 5 had no loans in 1960, did he, despite the $8 million line of credit?

A. No, he didn't.

Q. And Customer No. 6, the line of credit was over four times what his demand was from your bank, wasn't it?

A. Over the average, yes.

Q. And 7, 8, 9, and 10 made no loans whatever from your bank during 1960, despite the fact that they had $8 million lines of credit?

A. That is correct.

Q. And Customers 11 through 14, in each case the line of credit was anywhere from 12 or 13 to 3 times as much as those customers required from your bank; isn't that correct?

A. As much?

Q. Yes.

A. As much as the average borrowing. I am not sure what they required as a maximum.

Q. Do you know what the maximum loans were during this [fol. 3113] year for any of these customers?

A. No, I don't.

Q. With reference to Customer No. 15, he also did not borrow any money from your bank during 1960, did he?

A. No.

Q. I could go down the list and come to the same conclusion with reference to all but No. 19, which borrowed against customer paper, and No. 26, which had borrowings in excess of its line of credit. Now, in the case of Customers 19 and 26 a $8 million line of credit did not impose an obstacle to their borrowing in the amounts indicated on this exhibit, did it?

A. Not to their average borrowing, no.

Q. Do you know what the high point was of their borrowing during the year?

A. No, I don't.

Q. So that for all of these customers indicated on D-26, the highest loan, except for one of the exceptions, was about $3 million, wasn't it? Let me ask you first, is No. 26, where you have a $10,838,000 loan, an exception to the statute?

(Discussion among counsel.)

Mr. Reycraft: All right, average loan.

Q. The high point must have been an exception to the [fol. 3114] revised statutes; is that correct?

A. It looks like it from this. I couldn't say definitely.

Q. And you don't know what the nature of that loan was or the nature of the exception, do you?

A. No, not in that case.

Q. Do you know whether the services that you rendered to these customers or your bank renders, of the type that you indicated in your testimony, include payroll accounts?

A. In certainly some instances. I don't know. Well, I can say that they do not include the payroll accounts in all instances.

Q. Can you indicate to me the customers where services do not include payroll accounts?

A. No, I cannot.

Q. Would it be usual practice for a customer whose payrolls use service to maintain a deposit account larger than the normal compensating balance for a loan?

A. I would think so, yes.

Q. It would be essential, wouldn't it, to service the payroll?

A. Yes.

Q. In your opinion, are the deposits indicated on Exhibit D-26 representative of the compensating balances which [fol. 3115] you would normally expect to have from borrowers?

A. I don't know what you mean by representative, Mr. Reycraft.

Q. Assuming you did not have the payroll servicing of the customer and he was merely a borrowing customer, are these deposits representative of the deposits that you would require as a compensating balance or expect to get against loans?

A. Oh, no, these are in excess of what we expect to get just against the loan.

Q. Far in excess, are they?

A. Yes.

Q. Isn't the reason for that that these are primarily payroll accounts or deposits that are on this exhibit?

A. I don't believe so. It is a multiplicity of other services that we perform for them.

Q. But all of these services result in far higher than average deposits; isn't that correct?

A. Than average deposits?

Q. Yes.

A. I am sorry. I am not trying to be obstructionist. I don't know what you mean by average deposits.

Q. Well, you used it in a couple of these exhibits. I assume you have a pretty good idea what you mean by it.

[fol. 3116] A. On this exhibit as we use "average deposit," this is the daily average throughout the year. I thought you were trying to connote something in the way of a normal deposit in your use of "average."

Q. I am referring to the average deposit, not over the year, but the normal deposit you would get from a customer who makes a loan from your bank. They are far in excess of what you normally get from a customer who makes a loan from your bank as a compensating balance; isn't that correct?

A. In excess of the portion of the deposit that is associated with the loan, yes.

Q. What portion of the deposits is associated with the loan?

A. Again I think Mr. McDowell can answer this type of question more authoritatively than I can, sir.

Q. You are a vice president and comptroller of the Philadelphia National Bank. You have some knowledge, don't you, of the facts, sufficient to answer that question?

A. I can speak in generalities, in terms of testimony that has already been given, that you look for 20 per cent to start from as a minimum, and then try to build other service on top of that.

Q. That is 20 per cent against the loan, isn't it?

[fol. 3117] A. I am not sure if it is against the loan or against the line.

Q. Mr. MacLaren, the Philadelphia National Bank furnished information to the Government within the past few weeks which indicates, for example, with reference to Customer No. 11, that the average deposits in June, 1960, were $597,000. Can you tell me why there might be this difference between [illegible] and the $1,344,000 which appears on D-26 revised?

A. I think there might be two reasons for that. The

annual average might be higher for an individual customer than the June. I think the other reason is that in D-26 revised we are including data by customers in which we have related accounts. The data that was used from the IBM project for averages for the month of June, as I recall, was all based on a particular account, not grouped together by customer.

Q. I don't understand that.

A. The June figures for any particular customer might have five balances, ten balances, a dozen different deposit accounts in the figures. The cards made up for June were by account, so that for that particular one you would have maybe 10 or 11 different cards.

Q. Were the first figures you gave us for accounts asso-
[fol. 3118] ciated with loans?

A. Which figures?

Q. The average deposits for June, 1960, which were furnished to us a week ago—several weeks ago, my associate advises me.

A. I am not familiar with that particular thing.

Q. You don't know what accounts were covered in the average deposits for June, 1960, which were furnished to us?

Mr. Reycraft: I will be glad to identify it, except it shows the name.

Mr. von Starck: Show it to him.

By Mr. Reycraft:

Q. Do you recognize the IBM compilation which Mr. von Starck has handed to you?

A. I recognize it in general, yes.

Q. Can you tell what accounts are included in that compilation?

A. I think it is obvious that this does not include all the accounts where the relationships are grouped together in 26-A.

Q. Do you know what the basis was for selection of the accounts included in the IBM compilation?

A. No, I do not. Could I modify that a bit?

Q. Yes, sir.

[fol. 3119] A. This is headed—it is hard to read—a hundred largest deposits, I think it says.

Q. Well, it does indicate the hundred largest deposits, but my question was, with reference to each of the accounts, each of the customers indicated on the hundred largest, do you have a knowledge of the basis of the selection for the accounts of those customers which are reported in the compilation? I understand that there may have been more than one.

A. No, I don't know what the grouping was.

Q. I might point out to you that with reference to Customer No. 3 the average deposits for June, 1960, indicated in that compilation were $1,841,000, as compared to $2,041,000 on D-26 revised, and that as to Customer No. 5 the average deposits for June, 1960, were $2,819,000, as compared with $3,422,000 on D-26 revised; and with reference to Customer No. 8, the average deposits for June were $1,278,000, as compared with $1,671,000.

The Court: These are the earlier papers, not D-26, you are talking about?

Mr. Reycraft: Yes, sir, I am talking about deposits indicated in the earlier papers, as compared with D-26.

[fol. 3120] The Court: Or D-26 revised?

Mr. Reycraft: Yes, sir.

By Mr. Reycraft:

Q. With reference to Customer No. 17, the average deposits for June, 1960, were $3,349,000, as compared with $7,023,000 on D-26 revised; and with reference to Customer No. 18 the deposits were $2,066,000, as compared with $5,599,000 on D-26 revised; and with reference to Customer No. 22 the earlier information is $4,901,000, as compared with $5,932,000; and with reference to Customer No. 25 the earlier information indicates $1,887,000, as compared with $2,306,000.

Now, you testified a little earlier, Mr. MacLaren——

Mr. von Starck: Excuse me. Are you asking a question or are you making a statement?

Mr. Reycraft: I will be glad to have him check it. My reason for not marking this in evidence is because it shows the name of your customer.

Mr. von Starck: That was for June, 1960, and this is for a whole year.

By Mr. Reycraft:

Q. Mr. MacLaren, didn't you testify a little earlier that the deposit figures for June, 1960, which you used and relied [fol. 3121] on in D-30 are representative for the entire year of 1960?

A. In the aggregate, yes.

Q. In the aggregate they are, but you think for particular customers they may not be?

A. They might not be for particular customers, yes.

Q. D-26 is not a very reliable indication, is it, of what type of deposits the Philadelphia National Bank might expect to get in compensation for loans unrelated to other services?

A. The intention of this is not to make a measure of the deposits against the loans. The intention of this is to show that for big customers the type of business you do for them brings in very substantial deposit balances.

Q. Yes, and in most cases these customers have plants in Philadelphia where substantial payroll are involved; isn't that correct?

A. Some of them, certainly, yes.

Q. I believe we determined pretty thoroughly earlier that this is about all, didn't we?

A. I think that is probably true. How substantial the payrolls are in each case, I don't know.

Q. Going back to D-15 which you identified a few days [fol. 3122] ago, in your opinion, do all the banks indicated on D-15 for Philadelphia County offer services comparable to Philadelphia National Bank?

A. All of them offer some services comparable, yes.

Q. They don't offer the range of services available from Philadelphia National Bank, do they?

A. I think that most of them do.

Q. Really?

A. Yes.

Q. Do you think the Marian Bank offers the same range of services available to the Philadelphia National Bank?

A. No.

Q. Sonsitaly?

A. Probably not.

Q. Citizens & Southern?

A. No.

Q. Pennsylvania Warehousing and Deposit Company?

A. No.

Q. Second National?

A. I would say probably that did.

Q. They offer the same range of services available from your bank?

A. I would say to a large extent virtually the same range, yes.

[fol. 3123] Q. And a customer or a borrower seeking a bank connection would get as satisfactory services from Second National Bank as he would get from Philadelphia National?

A. You can't say that for every customer, no.

The Court: If he admitted that, he wouldn't be a vice president much longer.

[fol. 3124] By Mr. Reycraft:

Q. You tell your customers or the bank tells your customers that there are a lot of services available at your bank that aren't available at smaller banks, don't you?

A. I don't think we tell them that.

Q. Oh, you don't? All right.

I take it you believe that the fact that these banks are smaller than the Philadelphia National Bank doesn't handicap them in meeting the demands of their borrowers?

A. Of the borrowers that come into them, possibly not. I think that they are limited, certainly, as to the type of borrower that will go there.

Q. And they are limited in the amount of funds that they can lend in total, aren't they?

The Court: Read that back, Mr. Lennox.

(The reporter read the pending question.)

The Court: What is the hesitation?

Mr. Reycraft: Pardon me?

The Court: I am just asking the witness what the hesitation is.

The Witness: The hesitation is some remarks of Dr. Harris about excess reserves.

They are limited, certainly, by their present size. If their deposits would grow larger, then they would be less limited.

[fol. 3125] Mr. Reycraft: Yes.

By Mr. Reycraft:

Q. I believe you recall Dr. Harris' testimony that the ultimate limits on the supply of funds that they can lend is at least their total assets; isn't that right?

A. Yes.

Q. So that there is a limit to the supply of funds available to these banks?

A. Yes, at any particular time, as related to the assets at that time.

Of course, those assets——

Q. They would all hope to grow?

A. Yes.

Q. Now will you refer to D-17.

A. Yes, I have it.

Q. Will you tell me what the total number of loans of the Philadelphia National Bank has been in excess of $2½ million in the period covered by this exhibit?

The Court: Read that question back again.

Are you talking about D-17?

Mr. Reycraft: Yes, sir.

The Court: All right. Read the question back.

(The reporter read the pending question.)

[fol. 3126] The Court: The number of individual loans in excess of $2½ million?

Mr. Reycraft: Yes, sir.

By Mr. Reycraft:

Q. That would be eleven for commercial and industrial and thirteen total, wouldn't it?

A. Twelve for commercial and industrial and fourteen total.

The Court: I have eleven commercial and industrial, one real estate, and "all others," one; total thirteen.

Isn't that what you have?

Mr. Reycraft: Yes, and this is within the four-county area.

Mr. von Starck: That is correct.

The Witness: That is within the range of $2½ million to $4,999,000, yes.

By Mr. Reycraft:

Q. And there was only one in excess of $5 million in the four-county area at this time, wasn't there?

A. Yes.

By the Court:

Q. And in excess of $1 million, the bank only had, I believe, 35 loans as of this date; isn't that correct?

A. In the commercial and industrial category, sir.

[fol. 3127] Mr. von Starck: May the record show that this is all limited to the four-county area too?

Mr. Reycraft: That is correct.

The Court: And this is as of the time of September 21, 1960.

Mr. Reycraft: Actual count as of September 21, 1960.

The Court: Yes; that's right.

By Mr. Reycraft:

Q. Now referring to D-18, Mr. MacLaren, can you tell me who prepared that exhibit?

A. This was prepared by the Girard Trust Corn Exchange Bank.

Q. You didn't have anything to do with the preparation of it; is that correct?

A. No, I didn't.

Q. Mr. MacLaren, I want to show you the annual report of the Philadelphia National Bank as of January 17, 1961, the annual report for 1960, and ask you if you will refer to page 12 and read the last paragraph on that page and the first paragraph on page 13.

A. "The effectiveness of the program is further indicated by the fact that total deposits over the decade have increased *by $283 million to over $1 billion*, with $173 million of the increase coming from merged

banks. Gross loans increased by $331 million to $551 [fol. 3128] million, with $41 million arising through merger. Net earnings per share increased from $2.46 in 1950 to $3.77 in 1960, despite a rise in Federal income taxes from 87¢ to $3.21 per share."

Q. And the first——

A. And the first paragraph?

Q. —the first paragraph on the next page.

A. "In the retail field, savings accounts and time credit loans were two services not provided at PNB in 1950. By the end of 1960, savings deposits amounted to $100 million and time credit loans to individuals to $50 million. Mergers accounted for $60 million of savings deposits and $6 million of time credit loans. Over the ten-year period, deposit accounts of all kinds serviced by your bank increased from 12,000 to 225,000."

Q. That report indicates that you thought you were doing pretty well, doesn't it?

A. Within the Philadelphia area, we have grown pretty well, we think, yes.

Q. Total deposits increased almost four times, didn't they, over the decade?

A. No. I don't read that into the figures.

Q. 283 million to over $1 billion?

A. Increased by $283 million.

[fol. 3129] Q. All right. I am sorry. You are right.

Now D-18 covers the period from 1951 to 1960 and D-19 covers the period from 1950 to 1960.

Can you tell me what the reason for the difference of one year is?

A. The reason for the difference of including one extra year in D-19 is the fact that the Ninth Bank and Trust Company, which merged with Philadelphia National in September, 1951, we needed a year prior to that in order to get what we felt was at least a picture of the deposits, the loans, and the deposit-loan ratio pre-merger.

Q. You thought it was fair to show that in the exhibit?

A. Yes.

Q. Do you know when the merger of the Girard Trust and the Corn Exchange took place?

A. I think that is in the record some place.

Q. Was it during 1950?

A. 1950 or 1951, I think.

Q. Subject to correction, I believe it was June 21 of 1951. D-18 begins as of December 31, 1951; isn't that correct?

A. That is correct, yes.

Q. So it excludes the growth attributable to the Girard Trust-Corn Exchange merger, doesn't it?

[fol. 3130] A. In D-18, for each one of the banks shown, the figures for the merged banks have been included pre-merger.

This is what I referred to in my earlier testimony as natural growth.

Q. Can you tell me, Mr. MacLaren, what the combined deposit growth of Philadelphia National Bank and Girard was over the nine years as indicated on D-18?

A. The tables at the back show for Girard Trust Corn Exchange Bank a deposit growth of $88,073,000; and on page 3, for Philadelphia National, a deposit growth of $128,293,000.

By the Court:

Q. Are you talking about D-18?

A. Yes, sir.

Q. Where is that figure?

A. Page 2 in the tables in the back, where the data are given for Girard Trust, Your Honor.

Q. $88 million; yes, I see that now.

A. And on page 3 the corresponding figure for Philadelphia National, $128,293,000.

Adding the two together, that is $216,366,000, if I add it correctly.

By Mr. Reycraft:

Q. Now you consider mergers growth also, do you?

A. Could you repeat the question?

[fol. 3131] (The reporter read the pending question.)

The Witness: Mergers are acquisition of assets or deposits or whatever, yes.

By Mr. Reycraft:

Q. Well, whether or not you consider it the growth of a bank, with reference to Girard Trust Corn Exchange, its increase in deposits from 1951 to 1960 was about $190 million or 27 per cent; wouldn't that be about right?

A. Do you mean——

The Court: Wait a minute. Wait a minute.

Read that question back.

One was fourteen and the other was thirteen, and that would be 27 per cent, but are you——

Mr. Reycraft: I am starting, sir, from the deposits of the Girard Trust Corn Exchange as of December, 1951 and including the mergers as an increase in deposits.

The exhibit——

The Court: Is that page 2 of D-18?

Mr. Reycraft: Yes, sir, $508,212,000 being deposits as of December of 1951 and the increase to $698,563,000 as of 1950, represents $190 million or about 27 per cent.

On the next page, the increase for Philadelphia National Bank from $813 million to $1,049,000,000, is about 29 per cent.

[fol. 3132] By Mr. Reycraft:

Q. Are those figures about accurate, sir?

A. I will accept your calculation, yes.

Q. Now using that type of basis is more consistent with the statement in your annual report, isn't it, than taking the growth in the manner in which you have done it in D-18?

A. I don't believe so, Mr. Reycraft. Our annual report for years, when we were showing statistical trends, we have indicated by footnotes, "Adjusted for merger"; so that the basis used in D-18 is consistent with our annual reporting when we get into the statistical part of the report.

Q. Well, on page 12 you indicated growth of $283 million; isn't that right?

A. (No response.)

Q. As compared to an increase of $128 million on D-18?

A. Well, the context of page 12—I haven't read the whole thing—is showing two things:

It is showing the total growth over the decade and the amount that has come by merger.

Q. Yes. It is headed "A Decade of Growth," isn't it?

A. That is correct.

If you look at the statistical tables on pages 18 and 19 it won't show up in this particular time because the mergers were out of the way by this time; but the same tables for [fol. 3133] each of our previous years, where we were showing the five year growth on these tables, we have adjusted for mergers in the same way as we have——

Q. You show it both ways?

A. No, sir. We show it in our statistical tables only one way.

For this particular purpose of the text on page 12 we were elaborating a bit further.

Q. Now if one went back before the merger of the Girard Trust and the Corn Exchange Bank in 1951 you would get an additional $288 million of growth, would you not, on the same basis?

A. You would get an additional whatever the figure is of assets acquired by merger—growth through that medium, yes.

Of course, I point out that every other bank that has had a merger is treated in D-18 in the same way as Philadelphia National and Girard are.

Q. They have just had more than the others?

A. What was that?

Q. I say they have just had more than the others; is that true?

A. Not necessarily.

Q. Will you refer to D-20.

A. Yes. I have it.

Q. Now you show on D-20 a bank in Los Angeles with [fol. 3134] assets of $11 billion.

That is the Bank of America, is it not?

A. That is correct.

Q. And you show the same bank in San Francisco, do you not?

A. Yes.

Q. Isn't it a fact that that bank, which is shown twice on this exhibit, has branches throughout the entire State of California?

A. Yes. That's a state-wide banking system.

Q. You don't mean to imply or mean to infer that the

deposits shown here or the assets are all attributable to any one city, do you?

A. No. That's not the purpose of this at all.

Q. And the exhibit doesn't show, does it, the assets or deposits of these bank offices of the Bank of America which are located in either Los Angeles or San Francisco, does it?

A. No. We don't have that information available.

Q. So that in the Los Angeles part of the graph you include all the deposits in San Francisco as well as the rest of the state, and in the San Francisco part you include all of the deposits in Los Angeles as well as the rest of the state?

A. Yes. There is a duplication to that extent.

On the other hand, the full strength of the Bank of America is available within each of those cities.

[fol. 3135] Q. Will you refer to D-23, Mr. MacLaren.

A. 23?

Q. Yes, sir.

A. Yes, I have it here.

Q. Would you read the title of that exhibit.

A. "Assets of Five Largest Commercial Banks as Per Cent of Total Assets of Commercial Banks in Reserve Cities and Central Reserve Cities."

Q. Do you know whether all of the cities indicated on this exhibit are reserve cities or central reserve cities?

A. I assume that as of June, 1956 they all were either reserve cities or central reserve cities.

Q. Do you know whether all of the cities indicated have five commercial banks?

A. No. I do not, though I would assume from the heading that they do.

Q. Well, I think if you will refer to D-21 you will find for Ogden, Utah, for example——

Mr. von Starck: May I show him D-21?

Mr. Reycraft: Sure.

By Mr. Reycraft:

Q. —that three commercial banks are indicated.

A. Yes. That is correct.

Q. And for Helena, Montana, I believe D-21 shows only [fol. 3136] two banks, which represent 100 per cent of the

assets according to D-21. It is true also of several others.

I believe you will agree with me the title is not accurate, wouldn't you?

A. To that extent, yes.

Q. And on D-22 the title is not accurate either, is it?

A. I think I mentioned that in my direct testimony, that if we call it "Assets of the Largest Commercial Bank as a Per Cent of Total Assets of all Commercial Banks in Reserve Cities," it would be accurate.

Mr. Reycraft: That's all I have on cross-examination.

Mr. von Starck: No redirect.

The Court: Anything further?

By Mr. Price:

Q. Mr. MacLaren, with reference to D-26, you were asked whether there were any loans as high as $8 million.

Have you any information as to how many other loans the various companies listed on that exhibit had outstanding elsewhere?

A. No. I have no information on that.

Q. D-18, page 2, of the addenda relating to the Girard, it shows growth in the ordinary sense as contrasted with mere increase in size, does it not?

A. Yes.

[fol. 3137] Q. Increase in size would include increase in size by acquisition or merger with other banks, plus the ordinary growth that comes through doing successful business?

A. It would be the combination of both, yes.

Q. But it is broken down in such a way as to be able to distinguish each type of growth, whether simply growth by acquisition or growth by successful business?

A. Yes. The details for 1951 of the deposits acquired by merger will give the growth by acquisition, as you say.

Q. And under this column, 12-31-51, with the dates of acquisitions to the left of that, it shows separately the amount of deposits acquired by merger or acquisition for those several dates, does it not?

A. Yes, it does.

Q. And the sources?

A. Yes, it does.

Q. But if this table starts on December 31, 1951, the start-

ing figure of $588 million includes whatever was gained from the merger with the Corn Exchange Bank, does it not?

A. Yes.

Q. Then the $88 million shown in the next to the last column on the right is the true growth from business operations as distinguished from acquisitions, is it not?

A. Yes, it is.

[fol. 3138] Mr. Price: All right. Thank you, Mr. MacLaren.

By Mr. Reycraft:

Q. The deposit figures for the acquired banks are not as of the date of acquisition, are they?

A. Those would be the figures as of December 31, 1951.

Q. So that they don't represent what was actually acquired at the time of the acquisition?

A. Not at the time of the merger, no.

Q. For example, First National Bank of Conshohocken, the deposits as of the date of acquisition, I believe, are $14,890,000 and the others are also different as of the date of acquisition than as indicated on the exhibit?

A. Yes. There would be a change between December of 1951 and the acquisition date, quite naturally.

Q. And with reference to the Girard Trust Corn Exchange Bank on page 2, if you started this exhibit in 1950 the figure, instead of being $508,212,000, would be under $300 million, would it not?

A. I can't recollect exactly what the Corn Exchange figures were.

Q. Our records show as of June 21, 1951, they were $288,618,000; so that would be subtracted from the figures given on page 2, wouldn't it, in order to make a compilation [fol. 3139] comparable to D-19?

A. Not that particular figure, but something of that general magnitude, I assume.

Q. Yes, of that general magnitude; so if you are showing the growth, whether by what I believe you described as natural growth or by acquisition, you would get a very much larger percentage starting from that base, would you not?

A. Not in the natural growth, no.

Q. No, but from all sources?

A. From all sources, yes.

Q. And you have referred to growth by means other than acquisitions as natural growth. Do you consider acquisitions to be unnatural growth?

A. The English language has some quirks in it, Mr. Reycraft.

Mr. Reycraft: You don't have to answer that. That's all.

Redirect examination.

By Mr. von Starck:

Q. Turning to Exhibit D-18, am I correct in recalling your direct testimony to be that you had checked these figures which appear in D-18 against Polk's Directory?

A. I have done some spot-checking; I didn't check them all, no.

Q. In your opinion, are the figures in D-18 correct?

[fol. 3140] A. Yes.

Q. Now turning to D-26 revised, were the average deposits for those customers shown on D-26 all of the deposits attributable to each one of those customers on the bank's records?

The Court: Read that question back.

(The reporter read the pending question.)

The Witness: No, they are not.

By Mr. von Starck:

Q. What exceptions are there?

A. There is one exception noted in the footnote of a large time deposit. There are other minor exceptions of smaller time deposits that we didn't bother to note because they weren't of the stature of this particular one that we did note.

Q. Are there deposits of subsidiaries or affiliated companies shown on D-26?

A. They are included in the figures, yes.

Q. So that you have taken not only the deposits attributable to the parent's operation, but also those attributable to subsidiaries and affiliates?

A. That's correct; yes.

Q. Now have you done the same thing for loans?

A. Yes, we have.

Q. So that with the exception of certain time deposits you [fol. 3141] would say that you have on D-26 all of the deposits and all of the loans attributable in any way to any of these 27 customers?

A. Yes.

Mr. von Starck: That's all I have.

By Mr. Price:

Q. Mr. MacLaren, referring again to D-18 and Mr. Reycraft's question about the size of the Girard without the Corn Exchange, the $88,073,000, which is the normal growth other than from acquisitions, would be the same whether or not the merger with the Corn Exchange were shown separately or not; is not that a fact?

A. Yes.

Q. From December 31, 1951?

A. Yes.

Q. So that that figure is unaffected by the fact that the merger of the Girard and the Corn Exchange took place before December 31, 1951?

A. That is correct, yes.

Q. And showing the actual amounts of the deposits of the Girard and the Corn Exchange separately on the date of the merger, which I think was sometime in June of 1951, would not affect that figure of $88 million?

A. It wouldn't affect that, nor would it affect the totals [fol. 3142] as of December 1st either.

Mr. Price: Thank you.

Recross-examination.

By Mr. Reycraft:

Q. Adding the Corn Exchange would make the natural growth about $470, wouldn't it?

Could you tell me what the basis for your opinion is that D-18 is accurate?

A. The fact that I have done some spot-checking of the figures against Polk's.

Q. You couldn't vouch for the whole exhibit, though, could you?

A. I couldn't vouch for the fact that there might not be a statistical error in it.

I know it was prepared by a very careful and competent statistical staff.

Q. Under the direction of the Girard Trust?

A. Yes.

Mr. Reycraft: That's all.

[fol. 3143] GEORGE H. BROWN, JR., having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Brown, what is your connection with the Girard Bank now?

A. I am the president.

Q. And you have been for how long?

A. I have been the president since November of 1959.

Q. When did you first make a connection with the Girard Trust Company?

A. I joined the Girard Trust Company at a very young age. This was back in 1923, some 38 years ago.

Q. And in what capacity?

A. At that time I was employed as a clerk in the Corporate Trust and Transfer Department of the bank.

Q. Mr. Brown, I would like you to describe in some detail your experience with the bank, and if you can do it chronologically that would be helpful.

Will you give us the successive positions that you held in the bank from the time of your first connection with it until you became president, telling us at the same time approximately how long you held each position.

A. Well, as I have stated, I went to work in the bank in [fol. 3144] 1923. At that time I was in the Corporate Trust and Stock Transfer Department of the bank. I was in that

department handling all phases of corporate trust activities until 1931.

Q. Now without describing in detail what your duties were, would you just mention very briefly the activities that you were assigned and that you participated in in the Corporate Trust Department?

A. Well, in the Corporate Trust and Transfer Department we, of course, were transfer agents for the stock of corporations, we were registrar for the stock of those corporations. We acted as trustee under bond issues. We paid the dividends for corporations as dividend-paying agent, and every other corporate act of a corporation relating to the handling of its shareholders, shareholders' lists, the proxies related to shareholders' meetings, and other activities of that nature.

My own particular duties, however, had mostly to do with the transfer of securities. These were securities of which we were the transfer agent.

In those days the stock market was very lively and there was great activity in the transfer of shares of stock in the way of stock splits, in the way of subscriptions of stocks, and that type of activity.

[fol. 3145] Q. Your next position was what?

A. In 1931 I moved into the Real Estate Department of the bank. The Real Estate Department of the bank handled not only the bank's real estate and mortgages, but also handled the Trust Department's real estate mortgages. It was in that latter area of the Trust Department that most of the mortgages were held. We had some $50 million at that time, and we also had several thousand properties which we had for management in decedents' estates and for purposes of homesteads of the decedent's family. In this particular area in 1931 that will be recognized as a date which were rather dark times for our country, and we had a tremendous number of foreclosures. At one time I had under my jurisdiction some 8000 properties and some 15,000 tenants who occupied those properties. So this was in the early years of 1931 and 1932.

In 1932 I was made assistant real estate officer of the bank, in complete charge of both the Mortgage Department and the Real Estate Department activities. Of course, the mortgages had diminished in number, because of the great

number of foreclosures, and the real estate had increased in great numbers by reason of the acquisition of properties under foreclosure proceedings.

[fol. 3146] Q. In that position did you have an opportunity to observe all of the activities of the bank in connection with real estate, the management of real estate?

A. Yes, I did. Everything having to do with real estate came under my management. I handled the sales and the leasing of all the properties, the properties that were being sold or liquidated. That was an activity which I followed, and also the leasing of the properties, many of them very important properties, were all matters which came under my jurisdiction. Of course, this also included the great amount of accounting which had to do with the collection of rents, with the collection of mortgage interest, also with the resetting of mortgages to bring about the amortization thereof. In those early days very few mortgages were ever amortized, and we had to enter into a whole program of setting up mortgages on a reduction basis so that someday you might recoup the principal.

Q. Was the making of mortgage loans by the bank for its own investment purposes, as distinguished from the trust investments, something that came under your observation likewise?

A. Yes, that came under my observation also. Of course, when we made mortgage loans we always had to have two appraisals of the properties, and in those early days that [fol. 3147] I am speaking of, in the early 1930's, I handled the transactions, including the acceptance of the loans, subject only to the approval of the vice president in charge of the Trust Department.

I perhaps should have pointed out that in our bank the Real Estate Division is a part of the Trust Department. It is broken down into a number of activities, and this one particular activity was the Real Estate and Mortgage Division.

Q. But you covered both?

A. I covered both.

Q. Or your department did?

A. That is correct.

Q. How long were you in that department?

A. I was in that department up until about 1941. During that time liquidation of properties was then proceeding. It

was possible after about 1936 or 1937 to find somebody to buy these properties, and we had pretty well liquidated the properties and were making great inroads in it up around in the early 1940's.

In 1941 I was asked to go into the administration of trust estates. This had to do with the probate of Wills——

Q. What was your position and title in the Real Estate [fol. 3148] Department at the time you made the change?

A. At the time I made the change in 1939 I had then been made real estate officer of the bank, and, interestingly enough, in that same year I was made assistant vice-president of the bank.

Perhaps I should have mentioned this before. I moved into the administration of trust estates in both the probate and the trustee function as it relates to trust estates. In 1941 I was made a vice president of the bank.

Q. What title did you have then so far as the Trust Department was concerned?

A. Well, I was vice president of the Trust Department in charge of trust administration.

Q. And how long did you hold that position?

A. I held that position until 1951, at the time of the merger with the Corn Exchange National Bank and Trust Company.

Q. Without going into the details at all, just what were your duties as head of this department, this Trust Department?

A. Well, perhaps before I got to my appointment as senior vice president of the bank in 1951, I should have [fol. 3149] mentioned that in 1948, as vice president of the bank, I was placed in complete charge of the Trust Department of the bank. This involved not only the administration of the trust accounts and the handling of the probate of estates, but also investments, estate planning, our tax work, our accounting work, and every facet of trust business and trust administration. This was a job which I say I assumed in 1948, and I was made senior vice president at the time of the merger in 1951.

Q. Then after the merger, following 1951, what was your position?

A. In 1953 a suggestion was made in the management of the bank that perhaps I might change hats with the head

of the Banking Department, so that the man who was the senior vice president in charge of the Banking Department became senior vice president in charge of the Trust Department, and I in 1953 assumed charge of the handling of all of the Banking Department of the bank.

Q. Without going into too much detail, will you just outline briefly what that involved.

A. Well, this had to do with the complete administration of the Banking Department, and under the Banking Department, of course, all of the deposit and loan functions, the matter of developing new business for the bank, the develop-
[fol. 3150] ment of the bank's branches, the development of other policy matters affecting the bank, particularly as it related to Banking Department activities. Of course, all other functions in the bank having to do with their operations and having to do with the administration of the Trust Department all came into my supervision at about that time also because in 1955 I was made executive vice president of the bank, and I continued on with the greatest responsib lity, not only for the Banking Department itself in all its functions, but in addition to that I kept a watchful eye on the Trust Department, the activities of which I was very familiar with from my previous years in association with that area of the bank.

Q. Did that include experience with a knowledge of the various services, banking and otherwise, that the bank would render its customers?

A. Yes, my responsibilities extended to really every service in the bank. As head of the Banking Department—and I am speaking now of the banking side of the bank—this had to do not only with the 101 services that we furnish—I say 101 because we made a count one day and we found we had 101—but all other administrative activities of the Banking
[fol. 3151] Department, and this would cover the Consumer Credit Department, the Foreign Department, the Business Development Department, the Customer Service Department, collateral loans, and all activities of that and the whole gamut of activities in the Banking Department of the bank.

Q. Tell us whether that brought you in contact with the various types of competition which exist in Philadelphia and the surrounding area.

A. It certainly did. Shortly after I joined the Banking

Department in 1953 I came head on with all the competition that exists in the banking situation in Philadelphia and throughout the country.

I perhaps should have mentioned also earlier that another one of my responsibilities in the Banking Department was that of the Correspondent Bank Department. We have a sizeable Correspondent Bank Department, and the administration of that also fell to my lot, and it was very clear from the very first day that I started in the Banking Department that the competition throughout the city for business was really fierce competition. Everybody was out to get business that might be available.

Q. You became executive vice president in 1955, did you say?

[fol. 3152] A. In 1955 I became executive vice president.

Q. Who was president at that time?

A. The president at that time was Geoffrey S. Smith, who is now our chairman.

Q. How long did you remain as executive vice president?

A. I remained as executive vice president until November, 1959, when I was elected president of the bank.

Q. And you have held that position ever since?

A. Yes, I have.

Q. Now will you turn to pages 22 and 23 of the application.

The Court: I think this would be a good time to recess. We will start at 2:00 o'clock.

(Recess taken at 12:30 P.M. until 2:00 o'clock P.M.)

[fol. 3153] [File endorsement omitted]

AFTERNOON SESSION

(Present: Counsel as previously noted.)

GEORGE H. BROWN, JR., resumed.

The Court: Proceed, Mr. Price.

Direct examination (continued)

By Mr. Price:

Q. Mr. Brown, will you turn to Exhibit 57, the application that was made in connection with this merger, and particularly pages 22 and 23. The heading of that section beginning at the bottom of page 22 is "Historical Background—Girard Trust Corner Exchange Bank."

Would you just summarize that for us and tell us a brief history of the Girard Trust before the merger in 1951.

A. Yes.

The Girard Trust Corn Exchange Bank has just celebrated its 125th anniversary. As it indicates here, it was formed first as the Girard Life Insurance, Annuity, and Trust Company of Philadelphia, which was chartered on the 17th of March, 1836. It was the successor to the Girard Beneficial Association, whose name had been changed on May 21, 1835 from the Girard Savings Institution of Phila- [fol. 3154] delphia. It opened for business on July 1, 1835. That was the successor company.

In addition to being a bank of deposit, it was chartered to engage in two lines of business, as the title indicates, life insurance and trust service. Subsequently, the life insurance business was discontinued.

In 1899 we changed our name to Girard Trust Company.

In 1917, at the time the Federal Reserve System was formed, we became a member.

The Girard placed its primary emphasis on trust business and the accompanying bank services for those customers and other individuals. It also specialized in collateral loans secured by marketable securities and by cash surrender life insurance.

By 1939 the estimated value of the personal trust assets

had grown to $700 million, the deposits to $122 million, and the capital funds to $14 million.

In 1940 special efforts were begun to be placed on the development of commercial business as well as consumer credit loans.

Q. Prior to 1940, what was the major emphasis in the banking aspects of the company's operations?

A. Well, the major emphasis was merely the handling of [fol. 3155] deposit accounts and the making of loans secured by collateral.

Q. Now, in general, what were the sizes of such deposit accounts?

A. Those deposit accounts were quite large in size. We did not have too many of them. It is my recollection that we had less than 10,000 accounts and I would say that the smallest would be in the area of about $5000.

Q. Would that put the Girard as of that date in the category of a wholesale bank, a term which was applied to the Philadelphia National?

A. Yes, indeed it would. We were just a one-office bank at Broad and Chestnut Streets and we conducted our entire business from that point.

Q. Then this consumer credit loans was an entirely new operation, was it, so far as the activities of the bank were concerned?

A. Yes, it was. As a matter of fact, before we had merged with the Corn Exchange Bank, we had made a very small entry into that business.

Q. All right. Then continuing from 1940, will you tell us the history.

A. Well, in 1940, as I indicated, we had but one office and this actually continued until 1950.

By the time that we reached that point, the estimated [fol. 3156] value of personal trust assets had grown to $1 billion and the deposits to a total of $216 million and the capital funds to $19 million.

Q. During that ten-year period was there any change in the demands of your customers and depositors?

A. Well, during that ten-year period we saw a definite change in the movement of people, people who lived in the city were moving to the country; and we were finding that if we are to continue in the banking business and progress in

the banking business we would have to have better facilities in the way of convenient offices to service customers.

Q. You mentioned people moving to the country. What can you say about businesses during that period?

A. There was also a trend that had started in that direction by business. Many businesses were downtown in loft buildings and they started to find one-story buildings out in the country and this particular type of need of commercial building became much more popular as time progressed and when we got into the fifties there was really quite a move to the country by many commercial establishments, many of them being our customers.

Q. Now how did you reach that situation?

A. Well, we first thought that perhaps we could solve this problem with which we were confronted by establishing [fol. 3157] branches, but as we looked over the situation it was too slow a process and actually one that cost entirely too much money. Actually, while we were a very strong bank we felt we didn't have the resources to embark on a branch program such as we felt was necessary to serve the interests of our bank and our customers.

Q. When you speak of establishing branches, can you describe the different kinds of branches that may be established?

There are two terms, I think, which are applied to them.

A. Yes. You establish branches in one way through merger and you establish branches in another way by just finding a location and building a branch, sometimes called a de novo branch.

Q. So that the distinction then is between the de novo branch, where you start from nothing; and a merger, where you acquire a branch either by merger or purchase?

A. That is correct.

Q. Now what course did you pursue and why?

A. Well, we decided in 1950 that it would be unwise for us to develop our own branch system and we looked around and we saw that the Corn Exchange National Bank and Trust Company had made, long before we had, moves in the consumer credit business, they had established special checking accounts, they were dealing with a larger segment of the population than we were.

[fol. 3158] We had the top customers and the top people

around town as our customers, but the economic conditions had brought into being many additional people who would be candidates and prospects for banking services.

So, seeing that the Corn Exchange Bank had already established twelve offices, it seemed to us that we could solve this branch problem by bringing about a merger with the Corn Exchange National Bank.

Q. Where were their branches?

A. All of their branches were located in Philadelphia. Their main office was at Second and Chestnut Streets and their uptown office was at 1510 Chestnut Street.

Their largest concentration of offices was in the Northeast, and that attracted us because that was an area of the city that seemed destined to be build up and had not been nearly so well developed as other sections of the city.

Q. The merger with the Corn Exchange took place on what date?

A. The merger with the Corn Exchange took place on June 15, 1951.

Q. What can you tell us of the relative size of the two banks at the time of the merger?

A. At the time of the merger, from a deposit standpoint, the Corn Exchange National Bank was the larger bank. The Girard had deposits, oh, perhaps within $20 million to [fol. 3159] $25 million of the Corn Exchange Bank deposits, but they had, as I say, something on the order of about $288 million—$290 million of deposits; and as to capital assets we both had about the same amount of capital and surplus and undivided profits, so that it was a very happy arrangement that we were able to put the banks together, and each bank received share for share.

Actually, the Girard shareholders kept their shares because the Corn Exchange Bank was merged into the Girard, but that might very well have been in the other direction. These banks were so much of a size that we really consolidated our interests rather than merging our interests as you ordinarily think of a bank merger.

We, at one point, thought we might become a national bank and after some consideration finally decided to go the route of the state on the theory that perhaps the trust powers which we had under our charter would be more beneficial to the over-all bank; but we might just as well have

been today the Girard Trust Corn Exchange Bank, a national bank, taking the Corn's charter.

As it developed, we went the other way and we took the Girard's charter.

Q. How did the trust activities of the two institutions compare?

A. Well, we were much larger than the Corn Exchange Bank. They had about $75 million in assets, whereas we had [fol. 3160] about a billion.

Q. You are speaking now of trust assets?

A. Of trust assets.

Q. Yes, and in relation to the character of the depositors, were the deposits in the main of the same size or larger or smaller?

A. The accounts of the Corn Exchange Bank were much smaller than our accounts. They were dealing with the public at large, whereas we were dealing, let's say, with a very select class of depositors from the standpoint of his resources.

They had special checking accounts, something that we had never dreamed of having.

They had started a consumer credit department and were engaged in a great deal of activity in making small loans to the public. This was something that was really frowned upon by banks in the early stages, but it has become a very popular activity in recent years.

Q. Did you have any Consumer Credit Department at that time?

A. We had made a start. We had offered our services but, frankly, we didn't know too much about it and had made very little progress.

Q. But you had no special checking accounts then?

A. We had no special checking accounts.

Q. Then, beginning from the time of the merger, what was [fol. 3161] the development of the bank?

A. Well, after we had merged together in 1951 we looked at the city as a whole to see where we might also be represented, and the Germantown area looked attractive to us and we entered into a merger agreement with the National Bank of Germantown in 1953.

Q. In general, what was the purpose of that merger?

A. The purpose of that merger was to extend the branch

activity that we had. This Germantown office would put us a little closer to the Chestnut Hill area, to the areas of the city that we wanted to reach; and we had no real branches in that direction and that is why that was so attractive to us.

Q. Was the National Bank of Germantown a bank with branches or only one central office?

A. The National Bank of Germantown had only one office.

Q. Then what happened next?

A. Well, the next thing that happened is that we had a merger with the North Philadelphia Trust Company. The North Philadelphia Trust Company is on Broad Street, up at Broad and Erie Avenue.

That bank was also a one-office bank. Their management was aging; they felt that they wanted to sell their bank or to merge their bank and we were not represented directly in that particular area, so it was attractive to us and we made a [fol. 3162] merger agreement with the North Philadelphia Trust Company.

Q. When was that?

A. That was in 1954.

Q. I don't believe I asked you when the merger with the National Bank of Germantown took effect.

A. That was in 1953.

Q. Did the North Philadelphia Trust Company have any branches itself?

A. No, it did not, Mr. Price.

Q. Did that serve an area where you did not have branch facilities?

A. No, we had no branches in that direct area, in that general area.

Q. What was the next step in that direction?

A. The next step was that of going over the county line. We had long felt that we should be over the county lines because so many of our customers had moved in those areas, and also those areas which were then relatively undeveloped were growing like Topsy.

We saw a great chance to participate in the growth of those communities, so that in order to make a move in that direction we made two moves in Montgomery County:

One, we moved to acquire the Narberth National Bank, [fol. 3163] the Narberth Bank and Trust Company (that was in 1957) and at the same time we moved in the direction

of Ambler, where we acquired the Ambler National Bank, also in 1957.

The acquisition of these banks was a real plus to our branch system because in Narberth they had a very satisfactory office not only in the heart of Narberth at the railroad station, but they also had one in Bala-Cynwyd and they also had one in Wynnewood.

At Ambler the same situation was the case.

Q. May I interrupt you?

There were just three offices of the National Bank of Narberth?

A. That is correct.

Q. The central office and two branches?

A. That is correct.

Now in Ambler this was also the situation. As to numbers, there was the main Ambler National Bank on the main street at Ambler and there was also a branch at Flourtown, which is quite near the city, and there was a branch just being established at the Fort Washington Industrial Park.

This is one of the reasons that we wanted to go out of town. Here was a large industrial park starting out in the Montgomery County area at Fort Washington, and here was a chance to participate in the growth of business and popu-
[fol. 3164] lation in that area.

Since that time it has improved greatly and it was a very wise move, I am glad to say; so that we really acquired the main office there, which is one office now of our branch system, and the two other branches already existing at the time of the merger in 1957.

Q. So that that Industrial Park branch was not one that the Girard initiated itself?

A. No.

Q. But you acquired that along with the Ambler Bank?

A. That is right.

They had contemplated, as a matter of fact, establishing that branch at the time that we were talking about the merger and established it just a few days, actually, before we did merge.

Q. So that that was acquired as an open branch along with the Ambler Bank?

A. That is correct.

Q. What stage had the Industrial Park reached in its development at that time?

A. It just had a relatively few buildings at that time. The first tenants had moved in and there was a great deal of ground there that could be developed and actually the establishment of a branch there was quite a risk on the part of [fol. 3165] the Ambler Bank because it was questionable whether that would be a good area; but it was a very wise decision, as I have indicated. The Industrial Park has grown beyond any realization at the time we moved there and it is continuing in that direction.

Q. What can you say about the profitability of that particular branch at the Industrial Park?

A. That branch is proving to be very profitable. As a matter of fact, we have already outgrown it and we are going to establish another office about 65 feet away.

Q. What was the next step?

A. The next step was the acquisition of the Upper Darby National Bank. This acquisition occurred in 1958, in April.

There, the Upper Darby National Bank had established an excellent branch system in Delaware County. They had in all some twelve offices, including the office they had in the PRT Terminal and the office that they had, the drive-in office in back of the main office, which was on Market Street in Philadelphia—well, actually it was across the street from Philadelphia. It was practically zoned Philadelphia.

Here we had, as I say, a total of twelve different outlets in an area that had shown a considerable amount of growth during earlier years, and the Upper Darby Bank such [fol. 3166] branches as Pilgrim Gardens, Lawrence Park, Manoa Shopping Center, are all within relatively a few years from the time we merged with them.

[fol. 3167] Q. And what has the growth in that area been since the merger?

A. It has continued to progress very well. We have continued to build our deposits in Delaware County, and we show substantially more growth in Delaware County than we do in our city office, in Philadelphia.

Q. That is the bank which has the branch at 69th Street where the branch of the Philadelphia National Bank exists, is it not?

A. Yes. As a matter of fact, the Philadelphia National

Bank has an office immediately next door to our main office. It is a very small office and ours is quite a large office, but it nevertheless does exist right next to us.

Q. And that was established when with reference to the time of Girard's merger?

A. Well, we merged in 1958. I would say that that branch was established sometime probably in late 1959 or early 1960, but I am not sure.

Q. And the present plan with reference to the branch, if the present merger which we are talking about here goes through, is what?

A. The present plan would be to close that office because we have plenty of room next door. We are modernizing [fol. 3168] and have the plans for modernizing this large office there on Market Street, and there will be plenty of room and facilities for the depositors of both banks.

Q. And then were there any more steps of importance of that character after the merger with the Upper Darby Bank?

A. I would say the important steps lead us up to the present situation where we find ourselves.

Q. The Girard now has approximately how many branches?

A. Well, we have a main office and 38 branches. We have established an additional branch and have it open up at Roosevelt Boulevard and Comly Street since this application was filed, so that there is a main office and 38 branches.

Mr. Price: Will you mark this.

(1960 Annual Report of Girard Trust Corn Exchange Bank was marked Exhibit D-33 for identification.)

Q. Mr. Brown, I show you the annual report for the year 1960 of Girard Trust Corn Exchange Bank and ask you if you can identify it.

A. That is certainly the report.

Q. That is the last annual report that has been issued by the bank, and it contains the most current up to date state- [fol. 3169] ment of its condition and operations, does it not?

A. That is correct.

Q. Now, Mr. Brown, you told us about the development of the Girard Trust Company as an institution, as a bank,

Will you say a word about your view as to the fundamental difference between a banking enterprise and a business enterprise, such as manufacturing or selling?

A. Well, there is really no comparison between a manufacturing or mercantile business and a bank. First of all, a bank carries on its business with somebody else's property, namely money, and this money belongs to the depositors, who are a part of the public, and we therefore have entrusted to us these funds of our depositors, and this is a public trust which we have that, of course, is subject to substantial regulation.

Naturally, the supervisory authorities, both the federal and state authorities, are concerned with the conduct of our business for the protection of the depositor, that his dollar will not be lost while it is in our possession, so to that extent this has no comparison with a manufacturing or mercantile business.

In addition to that, because of the fact we have the depositor's dollar, it is the bulk of our trade that we have [fol. 3170] these dollars in the bank, we are very closely regulated so that not only will we protect the depositor, but also this regulation under which we work is devised to keep the bank entirely within bounds as to how it conducts its business, so that our freedom of action, because of this peculiar situation of having someone else's money that has to be protected, and also because of the power that we have, as has been testified here before, to create money by the making of loans, and so forth, that the Government looks very carefully at this type of activity and therefore has imposed very strict regulations in the conduct of our business.

Q. Would it be possible for the Girard Trust Company, for example, or any other commercial bank of its character, to conduct business without deposits?

A. To conduct it without deposits?

Q. Yes.

A. It would be practically impossible. We would still have some capital if the stockholders permitted us to keep it, but if we did not have the deposits, we just wouldn't be in business.

Q. Dr. Harris referred to various types of regulation to which commercial banks were subject, in rather general

terms. I would like, if you would be good enough to do so, [fol. 3171] to have you refer to the nature and forms and types of regulation and how they affect the conduct of your business. You can divide it up in any way you choose, whether you describe it in terms, first, as the type of loans you have or the type of activities, but will you cover those in general terms and indicate just how this regulation works, what kind of control is actually exercised over your conduct of your own business, and what the effects are with reference both to your freedom of action and the amount of money that becomes available to you to lend in the course of your banking business.

A. Well, first of all, we are subject as a state bank to the regulation of the laws of the Commonwealth relating to banking, and we are also subject to the regulations that arise under the Federal Reserve Act. The Federal Reserve has issued many regulations regarding the conduct of our business. As a matter of fact, they have pretty well used up the alphabet. We start with A, and the only letters that have not been used up to date are X and Z, although W has been temporarily put to rest, because that was the regulation that affected so many of our lives following the war, when regulation W covered the extension of credit in the purchase of articles and endeavored to control inflationary prices following the war. There is a great debate as to [fol. 3172] whether maybe someday regulation W will again be reinstated. I hope not, personally, but, nevertheless, that is still a regulation that, though not in effect at the moment, might someday be in effect.

The other regulations, we only have two letters left in the alphabet. There are some very important regulations that affect our business directly. Regulation Q is one that we deal with all the time, because this has to do with the payment of interest on deposits, and this bars the payment of interest on demand deposits, and it also permits certain interest on time deposits.

Q. How is that administered so as to control the payment of interest on time deposits?

A. Well, interest on time deposits, the Federal Reserve Board fixes the amount of interest that you can pay on time money, either on time certificates of deposit or savings accounts. On savings accounts you may pay up to 3 per

cent under this regulation. On time money the rates are 1 per cent up to 90 days; from 90 to 180 days we may pay 2½ per cent; and over 180 days we may pay 3 per cent interest on time money.

Q. What supervision is exercised to be certain that you [fol. 3173] don't do anything that is contrary to that regulation?

A. Well, we are supervised very carefully by federal and state examiners. When they come in to examine our books they watch this very carefully. I might say we might be supervised by our competitors, too, because if anybody heard of our paying more than permitted under the Act, one of the supervisory authorities would soon learn of it, so that this just does not happen.

Q. Can you render any service to a time depositor other than repayment of his money and the payment of the allowed rate of interest?

A. No, we cannot. The Federal Reserve is also very careful, very certain, that in the handling of demand funds we do not give any extra benefits which might be considered to be indirect interest, such as going to a person's place of business and picking up his deposits, or anything of that kind. That would be considered as paying interest indirectly, and you are therefore prohibited from engaging in any extracurricular activities except those that logically fall in the everyday carrying on of banking business.

Q. You are policed in that field by the banking examiners, are you?

[fol. 3174] A. The banking examiners are very careful to look into that and never fail to comment on whether this is being observed or whether it is not.

Q. Is there anything more about regulation Q that you would like to mention?

A. I don't believe so.

Q. Well, now, treating separately all the other 23 regulations, will you describe the more important of them and how they affect the operations of your business.

A. Well, another regulation that affects us very directly is regulation U. Regulation U has to do with the making of loans secured by collateral, that is, stock exchange collateral, securities listed on the stock exchanges, where margins are provided as to the amount of money that we can loan for

the purpose of engaging in security transactions on the exchanges. At the present time under regulation U we may not loan more than 30 per cent to a borrower, that is, as to the value of his collateral. If the man wanted to make a loan with a thousand dollars worth of collateral, we could only loan him $300 under regulation U.

Regulation U also imposes upon us the necessity of asking the borrower just what his purposes may be, and we have to obtain, at the time of the making of each loan, a certificate signed by him, which we have to be convinced is [fol. 3175] signed in good faith, that this loan is not being made for the purpose of stock market transactions, and if we happen to overlook this at any time, it is one of the oversights that the banking examiners are very quick to grasp and say that we have failed to get a certificate under Regulation U.

The other regulations, running from A all the way through the alphabet, as I say, have to do with the types of loans—agricultural loans, mortgages, other items of that type.

Q. What about your consumer credit? How is that regulated?

A. Our consumer credit loans are regulated by state law. We cannot make a loan of more than $3500 and charge $6 a hundred, and also besides having the amount as a regulation and as a limitation, we may not loan for more than three years and charge $6 a thousand. If we loan beyond the three-year period, we have to charge 6 per cent simple interest on the whole loan.

Q. You said $6 a thousand.

A. I meant $6 a hundred, if I said a thousand. I am sorry.

Q. You said something about various special services. Did you have a service called a Charge-Write plan?

[fol. 3176] A. Yes, we do have a service now known as a Charge-Write Plan. This is a service to assist the small businessman. The small businessman, particularly in the suburban areas of the city and the suburbs, has a great deal of difficulty arranging to extend credit. This means he has to check the credit of the borrower, that is, the purchaser. He has to keep a record of the indebtedness due him. So we devised a plan known as Charge-Write, and we give a card to a qualifying user of that card allowing him to go into a great number of stores and charge his purchases.

The owner of the business deposits the sales checks with us for credit to his account, and then we at the end of each month bill the purchaser, the holder of the card, with the amount of accumulated purchases during the month.

Under this plan we thought that we would like to extend the terms of payment, because if the purchaser pays within 30 days there is no charge to him at all, but if he goes beyond that time it is necessary to make other arrangements. We thought that we could give the same kind of credit facilities that the department stores give, and we arranged to make a service charge, as they do, of 1½ per cent per [fol. 3177] month for each month. Usually we extend these payments for a period of five months to make payment of his entire bill.

Q. Is that charge imposed before the expiration of the first calendar month after purchases?

A. That charge is imposed after the first month.

Q. What is the profit to the bank for payments made within that month?

A. The bank made its profit by reason of the discounting, the charge for which the merchant had given credit. In other words, if he made a $100 sale, we would allow him to make a deposit to his account of $94—6 per cent discount—although in other cases where the volume was much greater we went down to 4½ per cent discount.

Q. So that the merchant then gave the discount which he might have given to the purchaser to the bank?

A. That is correct.

Q. And then the purchaser in that case did or did not have to have a deposit with the bank?

A. The purchaser did not have to have a deposit with the bank. We hoped that through that medium he might have a deposit with the bank someday but he didn't have to have one.

Q. What happened after the expiration of the month?

[fol. 3178] A. After the expiration of the loan, the process started over again, and usually this worked on a revolving basis, because people are buying something at the store every month.

Q. If he paid off at the end of the month, that was the end of it?

A. That was the end of it, yes.

Q. Suppose he didn't; then what?

A. If he didn't, we would agree to carry the account for a period of five months, during which he would pay back the total amount due in equal installments during the five-month period, plus the service charge of 1½ per cent charged by the department store.

Q. That was the same rate which the department stores charge?

A. That is right.

Q. Do they carry accounts in that manner?

A. Oh, yes, they carry a large number of accounts in that manner, and this is very profitable business for department stores.

Q. Then what happened?

A. Well, what happened there is that the Attorney General of the State of Pennsylvania looked into the plan and said that even though we were conducting it on the basis [fol. 3179] we were, on a charge account basis, that this was tantamount to a loan made as a personal loan, so we were ordered by the Attorney General and then the Secretary of Banking to restrict our charges on these delayed payments to $6 a hundred, so that we couldn't give the kind of service that the department stores gave to purchasers under similar circumstances.

Q. You couldn't make as much money out of it as the department stores?

A. No. As a matter of fact, it reduced our margins to the point where it is very difficult to make a go of it at the moment.

Q. Is it still in operation?

A. Oh, yes.

Q. What can you tell us about the limitations on your mortgage business?

A. On the conventional mortgage there are a number of limitations. We may not loan more than 50 miles from the borders of Pennsylvania.

Q. That is outside?

A. Outside of Pennsylvania. We may not loan more than 75 per cent of the appraised value. If the loan is not amortized, it may not be for a longer period than 10 years. If the loan is amortized, it must be paid off in 20 years; so

[fol. 3180] that our freedom of action in making mortgages is very much restricted by those regulations.

Q. What about the investments of the bank itself, securities and other paper that it buys for its own investment? I think you called them portfolio investments.

A. Portfolio investments?

Q. Is that the term that you use?

A. Yes.

Q. To describe the investments of the bank itself?

A. That is right. What we do not have in our loan portfolio we have in our investment portfolio, and as to investments, we have very strict regulations as to what we can buy. We may not buy stock. We do have to buy stock of the Federal Reserve Bank—that is part of being able to do business—but we may not buy any other stocks. We may not buy bonds except of a very high rating. Sometimes those bonds slip from those ratings. When the bank examiners examine us, there is always an unfavorable comment about any security that does not reach a certain rating as spoken of in investment circles. Actually this has the effect of largely restricting a bank to invest in United States Government securities, instrumentalities of the United States, and municipal securities in Pennsylvania and elsewhere which have certain ratings.

[fol. 3181] Q. You mentioned savings and time deposits and the limitation on the amount that you might pay for such deposits. Will you tell us something about the competition that you find exists for that type of money and how you are affected by such competition?

A. Well, the competition for savings deposits is very strong. This comes mostly from savings and loan societies and mutual saving funds, not only locally, but as to savings and loan societies there are great attractions held out to people to invest their money in savings and loan societies in their stock. Most people think they are making deposits in a savings and loan, but really they are not. They are buying an investment in the savings and loan, and they pay dividends rather than interest, but people have commonly begun to believe that dividends are really interest. These rates which are paid by the savings and loan societies are higher than the rates which we pay or which we are permitted to pay. The savings and loan societies in this area

pay around 4 per cent. Out on the west coast and some other places they pay 4½ per cent. The mutual savings fund banks pay 3½ per cent in Philadelphia.

Mr. Price: May I interrupt you a moment on this subject of the rates paid by savings and loans and let me show you [fol. 3182] an exhibit marked D-34.

(Document headed "Five Year Rate Survey of Savings Fund Interest Rates" was marked Exhibit D-34 for identification.)

By Mr. Price:

Q. Will you tell me what that exhibit shows.

A. This exhibit is entitled "Five Year Rate Survey of Savings Fund Interest Rates." It shows, for the year ending December 31, 1956, the rates being paid by commercial banks and also by the mutual savings banks and by the savings and loan associations.

Do you wish me to point out the rates that each are paying or have paid during those years?

Q. These are institutions in the Philadelphia area with which you are in most direct competition, are they not?

A. That is correct. As to the savings and loans, this is just an illustration of some of the interest payments which they make. There are a great many more than are listed here.

Q. These are by way of illustration——

A. That is correct.

Q. —of the type of interest rates with which you are in competition, but so far as the mutuals are concerned, those are the four in Philadelphia, are they not?

[fol. 3183] A. That is correct.

Q. And the commercial banks listed are those that handle such accounts in Philadelphia?

A. Well, actually there are more than are listed here. There are eight banks. Actually there are more banks that pay interest on deposits than are listed here.

Q. But these illustrate the rates that are paid by the Philadelphia commercial banks?

A. That is correct. Then besides the 1956 it shows the

same rates for the same types of institutions for 1957, 1958, 1959, and 1960.

Q. Will you just indicate the range in 1956 and how it has changed in 1960?

A. In 1956 commercial banks were paying 2 per cent, with the exception of one bank that paid one, and in 1960 those same banks are paying 3 per cent, with the exception of one, which is still continuing to pay 1 per cent. However, as to that one, it will be seen that they have less deposits by reason of not meeting current interest rates.

As to mutual savings banks, it shows they were paying 2¾ in 1956 and they are now paying 3½.

The savings and loan societies were paying in 1956 3 per [fol. 3184] cent in four of these instances and 3½ in another and are now paying 4 per cent in three instances and in two other instances 3¾.

Q. So that generally speaking the commercial banks pay less than the mutuals and the mutuals pay less than the savings and loans?

A. That is correct.

Q. Now, with reference to savings and loans outside of the Philadelphia area, are you in competition with savings and loans elsewhere throughout the country?

A. We certainly are. One needs only to look at the daily newspapers to see the attractions being offered, particularly by California's savings and loan societies.

[fol. 3185] Mr. Price: Will you mark this as D-35, please?

(Eight-page document, the first page being headed "The Philadelphia Inquirer," May 20, 1961, containing clippings of newspaper advertisements, was marked Exhibit D-35 for identification.)

By Mr. Price:

Q. I show you an eight-page exhibit marked D-35 and ask you if you will tell me what that represents.

A. This represents the very high-powered advertising that is appearing in magazines and newspapers endeavoring to attract savings from any area from which they can obtain it.

In conversations that I have had, I find that many people

are influenced by these ads. Of course, they wouldn't appear if they were not influenced.

It is unbelievable as to what appears in the ads. You can almost have any account that you like, a la carte; you can get it with or without dishes.

Here is an item where they sing for savers with a stainless steel tea kettle and so forth.

Q. That invitation as indicated by that exhibit is from California savings and loans?

A. Yes, this is largely from California.

Q. What do they pay or advertise?

A. They pay, in most every case, 4½ per cent.

[fol. 3186] Q. And how can you make a deposit in a California savings and loan in accordance with those advertisements?

A. All you have to do is clip the coupon, put your name on it, and send your check and you have an account.

Q. What can you tell me about the frequency with which advertisements of that sort appear in the Philadelphia and Eastern newspapers?

A. I see them in the paper almost every day.

Q. Have you an illustration? Mr. Reycraft asked if you had a newspaper. Do you have an illustration of how these things actually do appear in a newspaper?

A. Yes, I have one that I just read the other day, that just tops everything that I have read so far.

Here is one that says now you can invest almost any amount at 4½ per cent, for a 4½ per cent return on almost any amount of money, fully insured. Just send a single check to the Great Western Financial Corporation.

Q. That advertisement appeared where?

A. That advertisement was in The Wall Street Journal on the 7th of July.

They even have this rigged up so that you can get $100,000 worth of insurance on your deposits, because you can open it in your name individually and in your wife's name, as trustee for somebody or for yourself, and provide $100,000 [fol. 3187] worth of insurance, even though you happen to be the same person.

Q. Would you look at the third page of this D-35, where there are copies of three advertisements appearing.

They appear to be in the names of individuals. What can you tell us about that type of a person?

A. These on page 3 show that Oppenheimer & Co. will arrange this for you, who are members of The New York Stock Exchange; or Daniel Pollock or Joseph H. Meyers.

The savings and loans on the West Coast have made a deal with brokers such as this to get them deposits and actually the deposits came in such tremendous amounts from all over the country that the Federal Home Loan Bank, I think, finally issued a regulation and said that no bank could pay for these deposits beyond the extent, I think, of about 5 per cent of their deposits.

The inflow was so great that they felt that this would not be safe for the banks to receive the enormous amount of money that was flowing in through brokers.

I have a friend myself in New York who, in one year, had sent something like $60 million or $70 million.

Q. Now, in addition to the savings and loan and mutual savings banks, what other investment provides competition for time deposits and savings deposits in the Girard Bank? [fol. 3188] A. Well, besides these two sources, there's the commercial paper market, where you can buy commercial paper.

Q. In a word or two, what is commercial paper? What do you mean by that?

A. Commercial paper is really nothing more than a note signed by a very high-rated customer, that is, high-rated as to his credit, which is usually payable within a very short length of time, that pays an interest rate hinged to the rates that savings bring, for instance, and they will have this at a higher rate to make it a little more attractive so that you can buy paper of an outstanding company in the country or a finance company for a return which is not only certain, but is higher than might be obtained through any savings fund account.

Q. In what denominations are those notes usually issued?

A. They are in rather large denominations. I would say that they would probably be $100,000 and up.

Q. Are they of commercial companies, manufacturing companies, selling companies, or sales finance companies, or what?

A. All kinds of companies. It might be a manufacturer,

it might be a sales finance company, it might be a small loan company, it might be a railroad or something of that kind.

Q. And that, in the aggregate, is called commercial paper?

A. That is commercial paper.

[fol. 3189] The Court: Let's recess for 10 minutes.

(A recess was had.)

By Mr. Price:

Q. Mr. Brown, we were talking about commercial paper. I would like to ask you now how that is handled.

How do you get a piece of commercial paper if you want it?

A. Well, that's handled in one of several ways. You either have a commercial paper broker who makes these arrangements with you if you wish to purchase, or you have direct from very large companies, they have their own representatives handling the sale of their paper. You can get it for almost any period of time you want it. You could get it for ten days, you could get it for thirty days, ninety days, 180 days, whatever you might wish.

I would say the large issuers of commercial paper probably have their own representatives and when they do not it's done through commercial paper brokers.

Q. How long have the commercial paper brokers been in operation? Is that a relatively new development or has that been in existence for some time?

A. Oh, that's been in existence for some time.

Q. What does that do to the bankers as money lenders?

A. Well, of course, that is very stiff competition for [fol. 3190] bankers because the corporate treasurers of large corporations who have excess funds over their working funds find this a very convenient way to turn to get a better return than they could get in a bank for time money.

We are restricted as to the interest we can pay, as regulated by the Federal Reserve under certain periods, where there is no restriction on the commercial paper market at all. You just buy whatever is available or if it doesn't meet your convenience they will make it meet your convenience.

Q. Now going back some years to the time when you were allowed to pay interest on demand deposits, did this com-

mercial paper produce much competition for a bank's money?

A. I am afraid, Mr. Price, I don't really recall what the paper brokers' activities were in those days. This is back before 1932 or 1933.

Q. Then coming down to the time when you personally became familiar with it, what was the usual practice of treasurers of large companies with respect to the amount of money they kept in demand deposits in banks as distinguished from investments in commercial paper or other paper?

A. At the time when the banks could pay interest on demand deposits, treasurers kept large sums of money with banks for the interest which was paid. That interest would be usually about 2 per cent, and I can only assume that com- [fol. 3191] mercial paper brokers must not have been very active at that time or the banks wouldn't have had the huge amounts of money which were left there as excess funds of corporations in the form of demand deposits on which they only got an average of 2 per cent.

However, of course, this changed after the banks were prohibited from paying interest on demand deposits. The Government started to issue Treasury bills which were quite attractive.

Q. Had they been doing that before?

A. No, they had not. The Treasury bills have come in in relatively recent years, and I think really Treasury bills are more attractive to corporate treasurers than commercial paper.

There is a tremendous volume of Treasury bills bought by corporate treasurers. I know this because we keep them by the millions in our bank in safekeeping, pending some use of those funds; so that the commercial treasurer, the treasurer of a commercial enterprise, I think, probably now would first turn to Treasury bills as against commercial paper.

But once again, if the Treasury bill is not as attractive as commercial paper, treasurers are quick to turn from Treasury bills to commercial paper if there is a rate differential; and that is why you see so frequently in the papers that finance companies are moving their rates up and down. They are trying to keep it above the rate brought by [fol. 3192] Treasury bills.

I think the average corporate treasurer would rather buy a Treasury bill but he would always buy commercial paper if it produced more than the Treasury bill.

Q. These Treasury bills are short-term obligations of the United States Treasury, are they not?

A. They are very short term and can be sold at a moment's notice.

Q. And there is an active trading market for such paper, is there not?

A. There is an active trading market for such paper.

Q. Now how does that affect the bank's business with respect to competing for the deposits of large companies?

A. Well, this affects the banking business very adversely because the Treasury too is aware of the needs of corporate treasurers for investment of their funds and they try to keep the bill rate, that is, the Treasury does, within some reasonable relationship to time deposit money in a bank.

The average corporate treasurer wouldn't want to tie his money up for more than 180 days to get 3 per cent; he'd probably rather settle for something in the area of 2½, which we could pay for money less than 180 days.

In that case the Treausry bills would probably just about top the amount that we could allow so that they would turn [fol. 3193] to Treausry bills rather than to bank deposits.

Q. What do you find with reference to the shifting of money, either from time bank deposits to Treasury bills and commercial paper, with reference to foreign money, money from abroad?

The Court: Read that back. Just a moment. I lost a word there.

(The reporter read the pending question.)

The Witness: Money from abroad is sometimes characterized as "hot" money.

By Mr. Price:

Q. Hot?

A. Hot money. It pretty well illustrates the comment that most bankers know that money has no home, and the foreigner is always alert to getting the very best interest return he can get, whether it be in commercial paper, whether it be

in time deposits with banks, whether it be in Treasury bills, or else it might be—I might illustrate that point from a real experience that we have had with foreign time money, if you would like me to.

Q. Please do.

A. Well, during 1958 we, through our traveling activities in our Foreign Department, had been through Switzerland and Austria and Germany and Sweden, and also one of our other men had been in Latin America.

[fol. 3194] At that time it looked as though if we could pay 3 per cent for foreign time money we might accumulate quite a lot of it.

Q. By "quite a lot," what do you mean?

A. Well, we thought we might get some millions of dollars in time money. We had in mind that we might at least pick up $10 million in time money.

What we were up against, however, was that on January 1, 1957, the Federal Reserve, under Regulation Q authorized the payment of 3 per cent on time money. However, in the State of Pennsylvania, where this also has to be approved by the Secretary of Banking, he had only approved the payment of 2½ per cent on 180-day time money.

The money market shifted quite a lot in 1958. There was easy money in the beginning of 1958 and rather tight money toward the end of 1958.

As our men were making these travels around the world, it appeared that as the market for money was stiffening, that if we could somehow or other pay 3 per cent we could probably get something on the order of about $10 million in time money from foreign banks.

We solicited the interest of the Philadelphia National Bank, it so happens. We were not thinking of merger at that time.

In endeavoring to join with us and having the Secretary of [fol. 3195] Banking raise the rate in Pennsylvania from 2½ per cent to 3 per cent to get this time money we found, as we expected, that the Philadelphia National Bank had, in this latter part of 1958, $9,100,000 in time money and they were quite concerned about it because they had already had notices from their depositors to the extent of some $2,700,000 that would be withdrawn, so that Mr. Potts

finally wrote a letter in which we participated (Mr. Potts signed the letter) to the Secretary of Banking.

Q. When you say "we participated," that is who participated?

A. That is Mr. Geoffrey Smith and myself at our bank—in which we made quite a plea to the Secretary of Banking that because of this New York competition, particularly at 3 per cent, he might give consideration to allowing us to pay 3 per cent, if it only be on foreign time money. We were not urging upon him the change in the time money rate for all time money.

However, Secretary Myers couldn't see it that way at the time, so that from evidence which we learned from Mr. Potts what had happened to him previously, when the rates changed in January of 1957 (January 1st) in New York, Mr. Potts had on deposit $3,700,000 in time money. By June of that year, after the New Yorkers were paying 3 per cent and we were only paying 2½, their deposits had slipped down to $750,000.

[fol. 3196] However, money did loosen in the early part of 1958, as I have said, and the New York banks decreased their rate which they paid from 3 to 2½, and this meant that money started to flow into Philadelphia, and particularly into the Philadelphia National Bank. As I say, they had $9,100,000 of time money by September of 1958.

Q. Just on a difference of one-half of one per cent?

A. On a difference of one-half of one per cent.

Finally, we were able to get Mr. Myers, the Secretary of Banking, in October of 1959, to increase the rate that could be paid on time money in Pennsylvania to 3 per cent.

Meanwhile, Mr. Potts', Philadelphia National Bank, time money had slipped from $6,400,000 at the end of 1958 to $4,850,000 by March of 1959.

So when Mr. Myers came through with the 3 per cent rate we, of course, immediately stepped out to get time money. As of this date we have something in excess of $7 million in time money; Mr. Potts in the Philadelphia National Bank has in excess of $21 million in time money.

Now we are running in quite a hazardous area at the moment. Our friends in New York are agitating a change in the 3 per cent rate. They either want the ceiling taken

off entirely or they would like to have an increase beyond [fol. 3197] 3 per cent.

I don't believe Secretary Myers will be in any such mood; and if this does occur (and it is a constant threat) our $7 million and the Philadelphia National Bank's $21 million will go out of here just as fast as it can possibly go over to New York to meet the favorable rate which they will pay.

So I have given you this illustration. I hope it hasn't been too long, but it shows so well that money just has no home, and this is particularly true of foreign time money.

Q. Were these figures that you mentioned all foreign time money?

A. This is all foreign time money, yes.

Q. So it had nothing to do with any domestic deposits of domestic banks?

A. No, it had nothing to do with domestic deposits whatever.

Q. Is there much foreign money, much money from abroad, coming to this country to be invested, either in time deposits or in short-term Governments or commercial paper?

A. Oh, there are tremendous sums. I have seen the New York banks lose as much in six months as $150 million from individual banks; and in this case the foreigners don't stick to the 3 per cent rate. If they see Treasury bills move up [fol. 3198] to, say, 3½, that would be a signal to start moving out of time money in banks and moving into Treasury bills.

If they can find it better some other place, the money goes to that other place. There is no keeping it in control here at all.

I mean, you can't keep the money; it just moves out.

Q. Dr. Harris spoke about the apparent unwillingness of people to walk across Broad Street to get a half of one per cent on their savings deposits. That apparently is not the case with foreign banks?

A. That certainly is not the case with foreign banks. As a matter of fact, I heard Dr. Harris say that, that depositors would not walk across the street for another half of one per cent.

I would say that the average depositor in a savings fund account would not. For instance, we have 120,000 saving

fund depositors, and this adds up to about $116 million in deposits. This means that the average deposit is less than $1000 in these accounts.

I would say until a man has $1000 (and most of them, of course, have less) he wouldn't walk across the street for a half of one per cent because it doesn't mean anything.

[fol. 3199] But my own experience is that as soon as a person starts to accumulate some money and gets in a position of being averse or instead of a savings fund depositor he walks across the street, and very quickly.

We lose a great deal of money to the mutual savings fund accounts when sums of money start to be accumulated. We can hold it until it gets to be a sizable sum, and except in very exceptional cases we just can't hold it.

Q. Now you are talking of as much as $150 million going out of one New York bank.

Roughly, give us some idea of the magnitude of this foreign money that is sent over here for this type of investment.

A. I would say that this foreign money is somewhere in the neighborhood of about, I'd say about $7 billion or $8 billion.

Q. And is that amount currently in this country for this short-term investment?

A. Yes, it is.

Q. And you are speaking now entirely of short-term as distinguished from long-term investment in either bonds or stocks?

A. Oh, yes. I am only talking about the money that is here for very short-term investment in Treasury bills or in time accounts in banks.

[fol. 3200] Q. And by "short term," is that less than six months or some shorter period?

A. I would say that the average is probably six months.

Q. What areas of this cou[illegible] is that money sent to by the foreign banks or foreign investors?

A. It's sent to any area in the country that can pay the most money for it.

Q. And by "most," what difference in rate is enough to attract or not to cause a substantial flow of money from one place to another or from one form of investment to another?

A. I would say a quarter to a half of a per cent.

Q. Now you spoke about short-term bills, Government bills, three months, six months, 90-day paper.

Do Government issues provide competition in addition to that type?

A. They certainly do.

Q. Will you say something about that?

A. Well——

Q. And I am speaking now primarily of time money, I imagine.

A. Yes. Well, time money is very much affected by Government offerings of securities.

We had a great experience with that, really not too long ago. The Government came out with what were known as "magic fives," I think Dr. Harris called them "golden fives."

[fol. 3201] So whatever they might be called, they made the longest lines in front of our saving fund windows that anything has possibly done in a long, long time.

In addition to that, our demand——

Q. You mean your savings fund depositors would take their money out for those?

A. They certainly would. That 5 per cent, if they had any sizable money in their account, a Government security due in less than five years that would pay 5 per cent interest was just too much a temptation.

As a matter of fact, our demand depositors in large numbers—we had lists and sheets and sheets of names of people who wanted to take their money out of our demand deposits and put them in these "magic fives."

Q. The "magic fives" were for what term?

A. They were just short of five years.

Q. And paid 5 per cent?

A. And paid 5 per cent. Of course, there has been nothing really as good as this for a long time.

Q. All right. Aside from these "magic fives" of which you say there was only one issue, what other type of Government obligations provide competition for time or savings accounts?

A. Well, other types of Government securities, Series E bonds. They are bought in great quantities by individ-

[fol. 3202] uals. They pay them 3¾ per cent.

Other issues of Governments pay the same amount of money, and they have a floor under them as far as any loss of principal. You are penalized when you surrender them before the maturity date, but you still get a very good rate of interest, so that many people are buying Government securities instead of putting these moneys that they have into savings funds and banks.

Q. How has this affected the type of deposits that commercial banks now hold in large volume? How does it affect, if at all, the ratio of demand deposits to time deposits?

A. It has really affected commercial banks very seriously. We find that each year we seem to go along fewer and fewer people are carrying smaller sums in demand deposit accounts and they are carrying more money in time deposit accounts.

Our deposits, for instance, haven't shown a great deal of growth in the over-all during the last five years, but we have gained more than $50 million in saving fund accounts during the last five years; so that this illustrates somewhat the fact that savings fund deposits are getting to be the life blood of a bank because it is in this area that people are willing to put money in banks, rather than on a demand basis.

It is a serious problem for the commercial banks be- [fol. 3203] cause the people seem to be more and more alert to the possibility that they can employ their dollars at a rate which will produce some return for them. We are finding more and more people who are putting their money in savings and loans and mutual savings funds and commercial banks in the Saving Fund Department and treating it like demand deposits. Competition is so strong that within reasonable amounts you can get any of these banks where you put the money in, without the privilege of withdrawing for two weeks or 30 days——

Q. When you say banks, do you mean mutuals?

A. You go to mutuals, you go to savings and loans, you go to commercial banks, and your money can be earning something and you really have it there, with a ready call on the money that you really need; so that people—I suppose you might say—are getting a little smarter as to the possibilities that they have of earning interest which they

use to some advantage, rather than having it in demand deposit accounts.

Q. Have the commercial banks any control over that type of competition?

A. No.

Q. You spoke of savings deposits. I will ask you now whether you include in that general term time deposits as well.

A. No, I was just speaking of savings deposits at the time.

Q. Then will you tell me what effect this type of com- [fol. 3204] petition has on the ratio of demand deposits to time deposits?

A. Well, this has always been a difficult problem for the banks. This has been true for some time. We are finding every day seems to bring a new change attitude on the part of the corporate treasurer and he not only runs the corporate affairs of his business, but he sees what he can earn with any excess funds to pay the cost of running his department in a company; and this, of course, is something that accrues to his benefit in the overall doing of his job.

So that we find more and more demand for time money coming in from corporate treasurers, and particularly too from municipalities. Municipalities any more keep very little money with you on demand. They seek the time basis, whether it only be one per cent, 2½, or 3.

[fol. 3205] Q. And then what does that do to the volume of demand deposits that you have in the bank?

A. Well, all it does to that is just to continuously decrease the amount that you have in demand deposits.

Q. Does that in general cover the subject of the competition that you have for cash?

A. Well, in addition to the things that I have mentioned, of course, we have the mutual funds, which are constantly pushing the sale of their particular form of investment, and this has a direct bearing on both our demand and our time deposits as we find more and more people buying mutual funds. We see a fund like the Wellington fund grow in a relatively few years to be over a billion dollars, and we also have funds like the monthly investment plans provided by the New York Stock Exchange, where people invest

their funds on a monthly basis rather than making a deposit in a saving fund account in a commercial bank such as ours.

Q. I was thinking in this connection at this point in your testimony, Mr. Brown, more in terms of the kind of competition that is produced by Government regulation or Government limitation. You described Secretary Meyers' regulation which cost you and the Philadelphia National so much. Is there anything else of that character or of a [fol. 3206] regulatory character that provides artificially competition for the bank's money?

A. Oh, yes, I understand. Well, in addition to the regulations that we have been mentioning, are you referring to regulations as to the establishment of branches?

Q. No, I am thinking more now of the limitations over your actual uses of money and the rates that you can charge for it as contrasted to the rates other people can charge for it, over whom you have no influence or control.

A. Well, what you must have in mind is the matter of the rates that we can charge interest, which is affected by the federal rediscount rate and by the prime rate. In this case the activities of the Federal Reserve in making money plentiful or tight has a great effect on the amount of interest that we can charge. They use the vehicle of the rediscount rate to influence, among other things, interest rates. If they reduce the rediscount rate, it is almost certain that the prime rate will follow in the same direction. Also if they engage in open market transactions in the sale or purchase of Government securities, this tightens credit or loosens it, so it is Governmental control, really, of interest rates. 4½ per cent, for instance, at the present time is the prime rate, and that is a rate which is available to borrowers who have the highest credit rating. In be- [fol. 3207] tween that 4½ per cent rate and the usury rate of 6 per cent other borrowers charges fall. If the borrower is a medium-sized company with a good credit rating, he might pay a quarter or a half of 1 per cent more than the prime rate. If the borrower's credit is perhaps not as good as the person's I have just mentioned, that might call for another raise in rate perhaps to 5 per cent or even up to 6 per cent, if, in fact, the borrower is not able to carry a sizeable balance with the bank, that is, a balance in his deposit account, or his credit rating is such that we

have to charge him the highest rate, which is 6 per cent, so that we have definite limitations as to where we can go in the charging of interest.

We can charge less than 4½ per cent—there is no law against that—but no one does, because it is an eternal battle to make a profit, so you don't charge less than the prime rate, and you charge in between the prime rate and the 6 per cent to other borrowers.

I know Dr. Harris was questioned about whether you could charge a corporation, if they were agreeable, a higher rate than 6 per cent, and it is true that you can, but those are the very unusual instances, and you very seldom charge anybody more than 6 per cent interest.

[fol. 3208] Q. What you described here is an indirect effect of Governmental regulation. What can you say about the more direct effect of the limitation of the amount of cash in your vaults available for lending purposes at all by virtue of Government regulations of one kind and another?

A. Well, by virtue of Government regulations we have to carry a reserve with the Federal Reserve Bank on both demand and time deposits. This is 16½ per cent of demand deposits and 5 per cent of time deposits.

Q. That is a Federal Reserve regulation?

A. That is a Federal Reserve regulation.

Q. And it is imposed upon every member of the Federal Reserve System?

A. It is imposed upon every member of the Federal Reserve System.

Q. How does that operate? What is its effect on you?

A. Well, its effect on us is that when we take in a dollar of demand deposit, we have to isolate 16½ cents that we can use and have this amount on deposit with the Federal Reserve Bank or have it in our till in our offices. The net result of carrying such reserves is a very heavy burden on our ability to earn money, because in a bank like my own, where we would have deposits of, let us say, $675 million, our reserves on a daily basis would run [fol. 3209] in the area of about $85 million, so that there would be $85 million that we just have to isolate and cannot use at all except as having it part of our reserve, from which there are no returns.

Q. Does that same limitation, same percentage, apply to all banks?

A. No, it does not apply to all banks. There are various classifications. Country banks carry a lesser reserve than city banks.

Q. That means they can lend more out of every dollar of deposits?

A. That is right. I think the country bank reserve today is 12 per cent as against our 16½ per cent.

Q. Is the 16½ per cent the highest or the maximum which the Federal Reserve Bank can establish?

A. No, it is not. The Federal Reserve could increase that reserve, which would have the effect of cutting down more of our investable funds, and it is one of the vehicles they might use to restrict credit. By increasing the reserve they would restrict credit. By decreasing it they would increase credit.

Q. Do you know what the maximum percentage is to which the Federal Reserve can go under the law?

A. Mr. Price, that has just been changed. I am not [fol. 3210] quite sure. It is something in the area that the Federal Reserve can reduce rates I think down to about 12 and perhaps can put them up to about 22. It is something in that area of motion that they can make, but at the present time it is 16½ per cent.

Q. Now, within that range of 12 to 22 per cent, using that in round figures, what is the effect on the banking business of changes made by the Federal Reserve in the quantity of reserves banks must retain?

A. It has a very severe effect on us. If they would increase that reserve, our lending ability would immediately be reduced. These monies would be isolated. We can't use them for investment or lending or anything of the kind.

Q. So that irrespective of the actual number of dollars you may have, the amount you may lend is controlled by this reserve feature of the Federal Reserve?

A. Yes, that is one of the controls. There are other controls too.

Q. I just want to be sure we understand how that one operates and what it can do to the amoun. of money that your bank may lend to borrowers who want to borrow.

A. Well, in answer to the question, if the Federal

Reserve should increase the reserve, this would sharply reduce the amount of money that we could lend or invest. [fol. 3211] Q. Now, speaking generally in terms of credit, what does that do to credit?

A. Of course, if the reserves are increased, there is that much less money—that is a tightening of money—and we would have that much less to lend, and that would make the interest rates go up.

Q. And you have no control over what is done in that field?

A. Not the slightest.

Q. What other type of regulation are you subjected to which affects the amount of money that you may lend out of the general pool of funds that you have in the bank in the form of deposits or general resources?

A. Well, of course, there is the general regulation which prohibits us loaning more than 10 per cent of our capital and surplus to any one borrower, and then too you find that a bank must key its loans to the amount of its capital and its surplus. We use as a rule of thumb in our bank—and I think a number of other banks do too—that you really should have a ratio of about 6 to 1 in the making of loans. In other words, if you had a capital of $70 million, you would be limited by this rule of thumb to about $420 million in loans or other risk assets. By other risk assets I mean securities other than Government bonds, such as [fol. 3212] municipal bonds.

Q. You are not talking about stock?

A. Not talking about stock at all, because we cannot buy stock, but because there is a general pattern throughout the country of having a ratio of capital to loans, no one varies very far from that ratio, because in the banking business you can't afford to be out of style or out of pattern, because corporate treasurers and insurance company treasurers keep a regular score sheet on how you conduct your business, and if they find that you are loaning too much in relation to your capital and surplus, they very pleasantly but firmly remind you of the fact that you seem to be venturing a little far from what might be called a conventional ratio.

Q. What happens if you don't mend your ways?

A. They might very well withdraw their deposits, which, of course, would be the worst thing that could happen to us.

Another measure of the kind of loans that you can make has to do with the amount of deposits you have. I would say that the general pattern is in banking in Philadelphia and elsewhere that you don't find many banks loaning more than 60 per cent of the deposits in the form of loans or investing in other types of securities, like municipal [fol. 3213] securities. If their capital ratios, which I have just mentioned, of about 6 to 1 to risk assets, is not strong, then you would find the bank would not loan as much as 60 per cent, but when you get in the position where you are loaning more than 60 per cent of your deposits, once again the corporate treasurer and the insurance company looking at the score sheet think you are getting in an area where you shouldn't be extending your loans much farther, so that there is a definite question of adhering to the pattern which good, stable, or conservative banks follow; and then, too, when the bank examiners come in to see us, from both the Federal Reserve and the state, they are very familiar with the capital position of other banks and the deposits of other banks, the loan ratios, and they are very quick to point out that you are either out of line or out of step, and this too has a sobering influence on anyone who is making loans, when you have the bank examiners suggesting that you are perhaps loaning more than what might be considered to be par. This has a great restraining effect on the nature of your loans or your investments.

Q. Have they the authority to direct you to change the proportion which you have invested in loans if they consider it too high a percentage?

[fol. 3214] A. Yes, they do have that authority. I think they would be reluctant to exercise it, but no one dares to go too far out of line because you don't want to take that risk.

Q. Then that is a Government regulation, but this other influence which you spoke of, corporate treasurers and their authority to withdraw funds is a practical limitation?

A. Oh, yes, that is entirely practical. There is nothing in the law that I know of that would prevent a bank from loaning a hundred per cent of its deposits, but it had better

not do it or it would be so out of style that it would lose deposits on all sides if the public who has entrusted their money to them feels that they are going overboard.

Q. What other limitation, either practical or legal, is there upon the use of the money that you have in the till. What other procedures are there which prevent you from using that money for loans? I am speaking of collections and items of that sort.

A. Of course, when a bank has deposits, such as my bank, which today has about $675 million, you have funds that are uncollected. These are funds put in your bank by depositors, where you have to collect the funds from other banks. [fol. 3215] These run into very large amounts. I think just in the last day or so our uncollected funds have been running in the area of about $40 million. Correspondent banks send you deposits that you haven't yet collected. This is not real money. You can't, of course, use it until it is collected and becomes available. So that your reserves, say in a bank like ours, of say $85 million, you have uncollected funds that would range to 30, 40, or 50 million at times, so that you would have, even in a bank that is strongly capitalized, like mine, you probably, out of $800 million in total assets and liabilities, you wouldn't have more than about $600 million that you could invest.

Q. What about deposits from Governments and municipalities and the requirement to keep reserves against those particular deposits?

A. Well, as to deposits of municipalities and Governments, we have to pledge our Government securities against those deposits, so this in effect does have a bearing on our investment program, because we like to get these deposits. We like to get anybody's deposits, but if we can get them from the Government or from municipalities, we have to have enough Government bonds to pledge so that those deposits will be secured, and this in turn does not give us [fol. 3216] too much freedom of action of what we do with our Government bond portfolio.

Q. That is another item that is withdrawn in your free use?

A. That is right. We don't have the freedom to move around, because if we would come to the day that we didn't

have any governments to pledge, we would be in a lot of trouble with our depositors.

Q. What about the requirement of the Federal Reserve itself with respect to purchase of stock in the Federal Reserve Bank?

A. Well, the Federal Reserve Bank requires that we buy stock in the Federal Reserve. As a matter of fact, I think the law provides that you are liable for 6 per cent of your capital and surplus to be invested in the capital stock of the Federal Reserve Bank. However, up to date they only made a 50-per cent assessment, so that you only have to have 3 per cent. So in a bank like mine we have $60 million in capital and surplus, so we have to have an investment in Federal Reserve stock to the extent of $1,800,000.

Q. Are there any earnings on that stock?

A. Yes, the stock pays 6 per cent, but there is no freedom of action as to whether you like that 6 per cent or not. You have to have the Federal Reserve stock in order to be [fols. 3217-3218] a member of the Federal Reserve.

Q. Is that in addition to the reserves that are required that you mentioned a while ago?

A. Oh, yes, that is in addition to that.

Q. What is the freedom of your bank to borrow money to conduct its normal operations?

A. We have a very limited ability to borrow, and in this we are so different than a manufacturer or someone in the mercantile business. For their expansion, for their development, borrowing is the course to which they turn. In a bank you may only borrow from the Federal Reserve Bank, and that is a privilege and not necessarily a right, and you are not expected to borrow from the Federal Reserve just because you can make a good loan. It is very tempting at times. Perhaps you see a chance of making a good loan and you might like to borrow some money to arrange it, but because we are limited to almost immediate repayment of monies borrowed, we of course do not do this, and if we did it for any extended period, the Federal Reserve would be very prompt to tell us we should get out of debt.

The Court: We will continue tomorrow morning at 10:00.

(Adjourned at 4:00 o'clock P.M. until Wednesday, July 19, 1961, at 10:00 o'clock A.M.)

[fols. 3219-3220] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

NINETEENTH DAY

Philadelphia, Pa., July 19, 1961

Before Hon. Thomas J. Clary, J.

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[fol. 3221] The Court: I think I had better announce at the outset that Judge Ganey has called a special meeting at 12:00 o'clock, so I will have to recess at that time for lunch.

GEORGE H. BROWN, JR., resumed.

Direct examination. (Continued)

By Mr. Price:

Q. Mr. Brown, when we adjourned yesterday you were talking about various limitations on your activities imposed by regulatory authorities, and there are only two more that I would like to ask you to consider, and one is the way the balance sheet of the bank must be maintained, with particular reference to loans and what the regulatory authorities determine with reference to how you carry loans.

A. Well, the Federal Reserve Bank and the Secretary of Banking, particularly the Federal Reserve Bank, outline the general nature of how our balance sheet should appear. To illustrate the kind of controls that they exercise in that regard, in recent years the practice of entering into repurchase agreements: These repurchase agreements work two ways. Either someone is selling us securities, with an agreement to buy them back, or we sell our securities, with an agreement to buy them back. We felt that [fol. 3222] it would not be necessary, in selling our securities, and having an agreement to buy them back, that we should list that on the balance sheet in any way other than to show the receipt of the cash and the fact that our securities had been reduced, but the Federal have made it necessary to list under loans that type of transaction, so we have to list our repurchase agreements where we have made sale of our securities, to buy them back, actually as a loan of the bank, as opposed to the way an ordinary business would handle such a transaction.

Q. So that the loan list includes such items along with what you normally would consider as loans?

A. That is correct.

Q. Now, with reference to the classification of loans as doubtful, good, and so on, what do they do in certain circumstances with reference to loans which they may consider less than perfect?

A. Those circumstances arise out of the examination of our bank. All of the loans that we have are carefully examined by the bank examiners. If they feel that they are not supported properly by credit reports, or the fact the borrower may be having some difficulty, they make various classifications of whether the loan is criticizeable, whether it is doubtful, or whether it is likely loss, and where they [fol. 3223] believe that a loss is involved, we are instructed to charge that off our books, which we must do in order to comply with their regulations, so that this, naturally, has the effect of removing that asset from our books, whether we think the time has arrived or not to remove it from our books.

Q. Whether or not it may be subsequently paid in full?

A. It may — subsequently paid in full and ofttimes is.

Q. You made brief reference to branches yesterday, and

I don't want to go into it again beyond merely asking you to tell me whether limitations are on the bank's ability to establish branches.

A. There is a definite limitation on the bank's ability to establish branches. In the City of Philadelphia we notify the Secretary of Banking and the Federal Reserve Bank of our plans, and the Secretary of Banking must give his approval if we are to establish a branch, which he only gives after he has satisfied himself that that particular area is not overbanked.

When we go over the county line into the three counties where we may go—Delaware, Montgomery, and Bucks—we have to file an application likewise with the Secretary of Banking and notify the Federal Reserve. In that case the [fol. 3224] same kind of consideration is given to whether the branch should be established, but there is a very important step in between. Any bank, any unit bank, which is doing business in those counties is afforded an opportunity to preempt our location, and we perhaps would not be permitted to go there if a local bank wanted to establish itself in the particular part of the county that we wished to establish ourselves. Also, if you go over the county line, this is something too that comes to the attention of the Banking Board.

Q. This preemption, in effect, gives them first choice on a site which you may pick out?

A. That is quite right.

Q. Like a prior offer?

A. That is correct.

Q. Then so far as the ability to compete freely is concerned, does that exist or does it not?

A. No. In connection with the establishment of our branches, we can only establish them where the regulatory authorities decide that there will not be undue competition.

Q. Mr. Brown, you referred yesterday to the prime rate as a rate of interest that is charged to best borrowers. Did you tell us who establishes that or how [fol. 3225] it is established?

A. No, I do not believe I did. The prime rate is established by the larger banks of the country. This usually originates in New York, where one large bank, in the light of the then money conditions, decides that the prime rate

should be reduced or increased, and in that event, as soon as they announce this, others are quick to follow all over the country, so that once a large bank takes this step in either direction, this is the prime rate for all of us. We have no influence whatever, as far as a bank here in Philadelphia, as to what the prime rate is going to be. We must accept the prime rate fixed by the leading banks of the country.

Q. When you say the leading banks of the country, about how many are there that are big enough and leading enough to fix the prime rate?

A. I would say about ten.

Q. And are any in Philadelphia?

A. There are none in Philadelphia.

Q. And they are where, what cities?

A. Well, they would be in New York, in California, in Chicago, Illinois, and those money centers, and would be the very large banks in those areas.

Q. The largest of the group?

[fol. 3226] A. The very largest of the group.

Q. And the larger number of banks that can fix the prime rate are in what city?

A. They are in New York, and they usually fix it in New York.

Q. When the prime rate is fixed, is it announced by more than one bank at a time?

A. No, it is announced by one bank at a time. There is a quick succession of announcements, and as soon as there is an announcement by one bank, all day long other banks all over the country are announcing a reduction in the prime rate.

Q. That prime rate as announced by some bank in New York becomes the prime rate for the whole country, does it?

A. Yes, it does.

Q. Do you know of any instances in which the announcer of the prime rate changed its mind quickly and decided it made a mistake?

A. I am not familiar with the specific instance, but I think that there was an occasion where one of the banks did change the prime rate and then found that they weren't immediately followed and, of course, had to go back to

the arrangement that existed before. I am not just certain when that occurred.

[fol. 3227] Q. Do you recall more than one occasion of that nature?

A. No, I do not.

Q. So that, in general, you may say that when the prime rate is changed, it stays changed?

A. When the prime rate is changed, it stays changed, and there is very little you can do about it. I might just say, Mr. Price, that in my own bank sometimes, when we have seen the prime rate change coming, and this is usually signalled by a change in the Federal Reserve's rediscount rate, and we find ourselves pretty well loaned up, it doesn't seem to make much sense to reduce the prime rate, because we don't want any more loans, and it seems only reasonable that the prime rate should, as far as we are concerned, not be reduced, and we have even gone so far as to resolve that if a customer comes along on his next loan and he inquires about the rate, that we will explain to him that we are very heavily loaned and that there seems no reason to change the rate.

Well, that resolve lasts until we get the first telephone call, and they say, "Very well, we can understand your position, but we are going to New York or elsewhere."

[fol. 3228] We say, "Well, really, the prime rate is changed here. The prime rate is just the same as it is every other place."

Q. You mentioned the Federal Reserve. What effect has the Federal Reserve rate or the rediscount rate on the establishment of the prime rate?

A. That has a very strong effect upon the prime rate. The rediscount rate is the rate at which banks may borrow, and when they——

Q. Borrow from where?

A. May borrow from the Federal Reserve, and when the Treasury and the Government are anxious to stimulate business and they want rates pushed down, the first move in that direction is usually to get the Federal Reserve banks of the country to move down the rediscount rate, and as soon as that is moved down, of course, the first thing the newspapers start talking about is, how soon is the prime rate going to follow the rediscount rate?

That doesn't help our situation very much, because it is shortly thereafter that somebody will feel that in order to cooperate with the Government and in order to help [fol. 3229] stimulate business, which is the reason for lowering the prime rate, well, we join the band wagon and have the prime rate reduced by the lower banks, and all the other banks in the country join that.

Sometimes some smaller banks might not do that, and I have an interesting illustration in that regard to show what happens to one who does not reduce the prime rate or follow the interest rate pattern fixed by others, if you would be interested in hearing it.

Q. Well, just before you give the illustration, has the Girard or any other bank in Philadelphia any control over that situation?

A. We have none whatever.

Q. It is initiated by the Federal Reserve Board itself?

A. The Federal Reserve Board pushes the rediscount rate up or down and that affects the prime rate.

Q. And that follows up or down likewise?

A. Depending in which direction it is going.

Q. The illustration which you were about to give is one relating to this subject of determining the prime rate?

A. Yes, it is.

Q. Would you do that, please.

[fol. 3230] A. This relates to a very interesting situation out in Columbus, Ohio. There was a very rugged individual who was president of that bank. He became president in 1935, and he decided that the prime rate in his bank would be 5 per cent, 5 per cent and up, that he would not take any loans unless they paid 5 per cent or more.

Actually, what happened, this started in 1935 and was persisted in until 1958—as a matter of fact, early in 1959. What happened was this: All of the national account business that he had in connection with loans moved away from him. He was driven into loaning on commercial loans that would pay 5 per cent or more. This meant that no prime names, the prime companies of the country, would borrow from him. It drove him out of the mortgage market. He was unable to get mortgages.

In 1958 he died, in November of that year. At the close of the year that man's portfolio consisted of $40 million

in cash, $75 million in Government bonds, and $32,400,000 in loans. This is a loan position of about 22 per cent. In fact, 10 years before, in June of 1950, he had $90 million worth of deposits in his bank, and he only had loans of $15,800,000. He was loaned then up to the extent of about 16½ per cent.

[fol. 3231] This, as I have indicated, drove him out of the kind of business where people had a choice of rates and pushed him mostly into the matter of making budget or installment loans. These were consumer credit loans and loans of commercial enterprises that would pay 5 per cent or more.

Right after his death occurred, as far as his loan breakdown was concerned, he had $17,500,000 in commercial loans, he had $13,300,000 in budget loans or installment loans, and he had a million six in mortgages. Six months after he died—and this is in 1959—the bank turned its whole policy around and recognized that there was a prime rate in the country. The new management has now gained back many of the national names that they lost, and on June 30 they had a total, as against 32 million 4 in loans in 1958, they had $59,300,000 in loans, broken down $30,100,000 in commercial and industrial loans, $21 million in budget and installment loans, 8 million 2 in mortgage loans, for a total of $59,300,000.

I think this illustrates pretty well that if anyone tries to impose his will about interest rates, what happens to him.

[fol. 3232] Q. These loans that he obtained or that the bank obtained, paying 5 per cent or more, were loans that paid 5 per cent or more to anybody?

A. That's right; they paid 5 per cent or more to anybody.

Q. Do you recall the loan condition of the bank when he started? You told us the loan condition of the bank when it ended. Do you know what it was when he first fixed 5 per cent as the minimum rates he would charge?

A. Back in 1935?

Q. Yes.

A. No, I do not know that, but I do know that in 1960, with $90 million in deposits, he had only gotten up to $15,800,000 in loans.

Q. Professor Goodman, in portions of his testimony, expressed the opinion that a bank could establish rates of interest and impose its will as to rates of interest on other borrowers and other banks.

What is your opinion on that subject?

A. Well, I would say theoretically that Dr. Goodman was right; you can fix rates that you wish to fix and try to impose your will.

The only thing that happens is that when you do it you wouldn't have any loans. That would be the net result of that kind of activity.

[fol. 3233] By the Court:

Q. The answer is then that he is right, but he has a Pyrrhic victory; is that it?

A. That's correct.

By Mr. Price:

Q. In connection with the activities of the Federal Reserve and the result of those activities on interest rates, what can you say about open-market operations——

The Court: Just a minute. Let's go back to that question again. I am not so sure.

Read the question back that was asked.

(The reporter read the question as follows:)

> "Q. Professor Goodman, in portions of his testimony, expressed the opinion that a bank could establish rates of interest and impose its will as to rates of interest on other borrowers and other banks."

The Court: And other banks?

Mr. Price: On borrowers and on other banks.

The Court: On borrowers at other banks?

Mr. Price: On borrowers and on other banks.

The Court: On borrowers, he can impose his will?

The Witness: If they will accept it, he can impose any will that he wishes.

[fol. 3234] By the Court:

Q. But did you answer the question as to "on other banks?"

A. No, I am afraid I didn't answer that if the question said on other banks.

Q. It did.

A. Thank you.

As to forcing interest on other banks, a bank would have no possibility whatever of enforcing the rate of interest that another bank charged. That would be entirely their own business, but once again that other bank is tied in just as our bank would be with the prime rate situation, and so that they would have to accept, if they intended to do business, the rates fixed by others who were not really connected with them at all in the form of the Federal Reserve's activities.

By Mr. Price:

Q. Well, fixing interest rates is limited to your own bank?

A. That's right. You could theoretically fix any rate under the law in your own bank; there is no question about that.

Q. And you could take whatever business will come under that situation?

A. You certainly can.

Q. But so far as my question is really directed to the ability of a bank, let's be more specific here, the merged [fol. 3235] bank. If the Girard and the Philadelphia National Bank merged, would that merged bank have any power in Philadelphia to impose its will as to interest rates on any borrowers of any other banks?

A. No, we certainly would not.

Q. Or on any other banks?

A. Or on any other banks.

Q. They could fix their own rates, of course?

A. We could fix our rates, and we could say that's what it would be; but if it was not the going rate nobody would come in to get that rate.

The Court: They would if it were lower.

The Witness: Well, if it were lower, Judge, we would

probably have so many people coming in that we would soon run out of money, so that we would be in bad shape in that regard.

If we fix it at a lower rate people would come in but, as I indicated yesterday, there is a limit as to how much you can loan, and if you are out of step with the rest of the banking industry, you would have loans running out of your ears.

By Mr. Price:

Q. When you get to that top limit you have got to quit?

A. That's right.

[fol. 3236] Q. But on raising the rate, you can't keep anybody in the bank who wants to go away from you, can you?

A. We certainly cannot.

Q. Or impose a rate on any other bank in Philadelphia?

A. We certainly cannot do that.

Q. Now, Mr. Brown, would you tell us something about open-market operations, what it means and what it does to interest rates?

The Court: Open-market operations of what?

The Witness: Of the Federal Reserve Bank.

Mr. Price: Of the Federal Reserve.

The Court: All right.

The Witness: Open-market operations of the Federal Reserve Bank is a vehicle——

By Mr. Price:

Q. First, will you tell us what it is and what it means; what the term means and then how it is used.

A. Open-market transactions of the Federal Reserve Bank have to do with the purchasing and selling of Government securities and this, besides the rediscount function that they have and the influence that the rediscount rate has on interest rates, they also use open-market transactions, and this means merely the buying and selling of Government securities.

Q. In the public market?

[fol. 3237] A. In the public market.

Q. As distinguished from just between Federal Reserve or member banks?

A. That is correct.

So that if the Federal Reserve wishes to increase the amount of money that banks can lend, they would engage in a transaction of buying securities and in this way put cash into the banking system.

If they wanted to reduce the amount of credit available for loans, they would sell securities and they would sell these Government securities in large volume, which would have the effect of taking out of the banking system the moneys that might otherwise be used for lending purposes.

This has proved to be a very effective way of increasing and decreasing the money supply that is available to banks in their lending operations.

Q. Have the banks themselves or has any individual bank any control over the operation?

A. They have no control whatever. It is a very secretive arrangement. You don't know just what they are going to do from day to day and you can rather gather from day to day that if they want to increase the money supply, why, they would buy bonds and put the money into the banks, as against taking it out in the other direction.

[fol. 3238] Q. What does that do to interest rates? Has that an effect on interest rates?

A. That has an effect on interest rates to the extent that as money is tightened interest rates are likely to go up; and as money is loosened or made more available interest rates go down.

So this is also a strong arm that the Federal Reserve Bank has in affecting interest rates.

The combination of the rediscount activity and the open-market transactions has a great bearing on interest rates as a whole.

Q. Is that reference to tight money and loose money that you mentioned——

A. Perhaps I had better say tight money and easy money.

Q. All right, tight and easy.

That can be done artificially by the Federal Reserve by this system, you say?

A. It can be done and it is done regularly.

Q. You mentioned the Treasury bill rate. That is the rate the Government pays for bills.

Is there any other mechanism that the Government uses which has an effect upon interest rates?

A. I would think, Mr. Price, that the main effects are created by the rediscount situation and by the open-mar-
[fol. 3239] ket transactions.

I would not think that the Federal Reserve's attitude about loans or how many you make (and they do exercise some judgment in that way) would necessarily drive the interest rates up or down.

Q. And those are entirely outside of your control no matter what you do or what you try to do?

A. We have no control whatever of that.

Q. You mentioned reserve requirements as 15-½ per cent. Can you make any use of that reserve? Is that a reserve that helps you in the operation of your bank?

A. No. That does not help us at all. As a matter of fact, I often think about that reserve and its classification as such. When one ordinarily thinks of a reserve in an ordinary sense it is something you can use but, of course, we can make no use of this money at all. As a matter of fact, it's just isolated from the bank entirely, so to the extent that you would like to turn to it for a reserve, it's meaningless.

And it is for this reason that banks must have secondary reserves. Secondary reserves are reserves which are carried to meet unforeseen happenings. These would largely be a sudden decrease in deposits, a sudden increase in loans that you had not been expecting.

[fol. 3240] In our bank you might be interested to know that we carry $40 million in short-term securities (a year or less) to cover our secondary position in the event that there would be a sharp fluctuation, and this is really a reserve so that we can turn to it to meet depositors' needs and it might be called our liquidity reserve.

The reserves we have with the Federal, there is no liquidity in that. The liquidity comes from our secondary reserve position.

I might say too that the bank, in having to maintain such a safety valve as the secondary reserve, is restricted as to its earnings on that amount of the portfolio because it is necessarily Government securities, bankers' accept-

ances, and items of that kind which are due in one year or less.

Q. Now I would like to turn to the subject of deposits and the importance of deposits to the bank in the ordinary banking operation and what control you have over depositors; and in that connection I will read you this question and answer in Dr. Goodman's testimony appearing on page 2024:

"Q. What control have you got over any depositor who wants to withdraw his deposits and go somewhere else?
"A. By competitive strength."

Now what have you to say about that?

A. I am afraid the doctor is in the wild blue yonder there [fol. 3241] too because there is nothing that we can do to prevent a depositor from taking his money out of our bank. There is nothing any bank can do to prevent a depositor from taking money out of the bank.

Q. What effect does the continuation of deposits have on your general position and your ability to service customers that you would like to be able to serve?

A. That is, of course, our life blood. The money that a bank makes in its banking side of its bank is entirely related to the amount of deposits that it can hope to have depositors maintain with it; so that the whole life blood of the system is to get every deposit dollar you can into your bank and try to keep it there.

But there is no way of keeping it there if somebody wants to take it out.

Q. What efforts do you make now? What is your general routine in order to get and retain deposits?

If that is an activity of your bank, will you describe it.

A. Well, that is certainly an activity of our bank.

We do everything that one can think of related to sales activities to try to get depositors to come into our bank, and once we have them we try to guard them with our lives. We do everything we can to see that they get every [fol. 3242] conceivable service they should have and we call on them regularly. We try to be as much a part of their life as we possibly can so that they won't think about some banker across the street or down the street.

Q. Now there are several kinds of deposits. Just gen-

erally for the moment, let us consider those of the very large companies who can put in a million dollars and more, and other types of deposits.

Will you refer briefly to the approaches that you have to these various groups of depositors and the kind of money that you try to get into your deposit accounts.

A. Of course, we are more interested in getting demand deposits in the bank than any other kind because they are the kind that we do not pay interest on.

As to the large depositor, the very large depositor who would have a million or more, we step up our activities in our calling and our relationship and our cultivation as to that depositor and are very sure that he is never lacking for our interest.

For depositors in our bank that have $10,000 or more, even sums running down to that relatively small amount, we have every one of those customers called on every year by an officer of our bank to see whether there is anything more we can do for them, whether we can serve them in our [fol. 3243] Trust Department, whether everything is going along just as they would wish it.

So that we do a great deal of cultivation to be sure that somebody else might not be cultivating too.

Q. Do you find that necessary in the business?

A. We find that very necessary. You can never let your large depositors be exposed to your competition.

Q. Now the lower brackets, the lower individual amounts, do they constitute a substantial amount of the depositors in dollars in your bank?

A. They constitute a very substantial part of the depositors in our bank.

Q. How do you cultivate them and retain them?

A. I am not sure that I understand that question, Mr. Price.

Q. Do those smaller depositors just walk in because you have a nice banking building or do you make some effort to bring them in?

A. Well, I suppose the bank building and its appearance has something to do with it. We try to dress up our offices and our banking facilities as much as we can and make them as attractive as possible.

But the way we get most of the depositors come in is

that we are seeking them out because we are constantly checking communities, checking new people coming into the [fol. 3244] area, and checking new officers of corporations to try to attract them into our bank as depositors.

Q. What about these special checking accounts and special services of that sort?

A. Special checking accounts, we do not cultivate those customers in the same way, except through our advertising and through our mail and brochures and sales items we are endeavoring to get those customers to carry on other business with the bank. If they have a special checking account we let them know about our safe deposit services or we offer our consumer credit facilities, feeling that some day those small depositors, a number of them, are going to be large depositors; and if we get them in their infancy they are more likely to stay when they mature.

Q. What is the volume of dollar deposits in that group? Is it substantial or not?

A. The dollar volume in special checking accounts is not a substantial amount actually in relation to the whole bank. The average special checking depositor has about $200 in the bank, a great bulk of them have much less than that; but it would amount to about $12 million or $13 million and this would be from about 65,000 depositors.

Q. Now what have you to say about your lending ability with reference to bringing business into the bank? Is your [fol. 3245] capacity to make loans when requested an influence on maintaining good customer relations?

A. That is a very important consideration. Actually, most commercial accounts that you are able to obtain as customers of your bank cannot really be obtained or attracted without some discussion about the credit facilities which you are willing to make available to that customer.

We are frankly very careful when we call on a customer to be sure that he will warrant credit facilities because we know that that is one of the things that we are going to have to offer if the conversation is to end in our getting an account; so that our ability to lend money is very important in obtaining particularly commercial accounts.

Q. Which comes first, the facilities or the customer?

A. Well, first of all, we have got to have the facilities and if we have got the facilities then we can go around and talk to the customer.

Q. Mr. Brown, there was offered as a part of the Government's case an exhibit, No. 69, which had to do with participations. This had a list of participants in which the Girard had taken part and I am going to ask you about those particular loans.

The Court: Just a moment, Mr. Price.
All right, Mr. Price.

[fol. 3246] By Mr. Price:

Q. Have you a copy in front of you, Mr. Brown?
A. No, I have not, Mr. Price.

The Court: Here is the official copy.
Mr. Price: I have one, sir.
The Witness: Yes. I now have it, Mr. Price.

By Mr. Price:

Q. That first one is a loan of $10 million, in which the Girard had a participation of $2 million. There were three New York banks and Girard Trust.

Who arranged for that participation?

A. The Company asked us to take this $2 million portion of this loan.

The company is a large sugar refinery.

Q. But you didn't initiate that; you weren't the lead bank?

A. No. In fact, there were no lead banks. The company just asked us to take our $2 million portion just as they asked the other banks.

Q. The other banks were $3 million, $3 million, and $2 million respectively?

A. That's correct.

Q. Three New York banks and yourself?

A. That is correct.

Q. The next loan on that exhibit is one of $60 million of [fol. 3247] which the Girard had——

A. $1,500,000.

Q. —$1,500,000.

How did you get that participation?

A. This company is located out in Detroit, although it does have a number of offices here in the 10-county area, and

asked us to participate in this loan having to do with a general building program that they were undertaking.

Q. Excuse me. I want to go back to that first loan for a moment.

The three banks in New York were not named. One was the First National City with $3 million; the second was Chase with $3 million, and the next was Irving Trust Company with $2 million; is that correct?

A. That is correct.

Q. Now, in this $60 million loan, the second one, of which Girard had $1,500,000, what was the bank that had the largest amount, the largest share of that participation?

A. The bank that had the largest share was the National Bank of Detroit, which is the headquarters of this company—$4,500,000.

[fol. 3248] Q. And then two banks in Chicago had 3½ million each?

A. Yes, that was the Continental Illinois and the Northern Trust Company in Chicago each had 3½ million.

Q. The next one was the Bank of America?

A. Yes, that is the Bank of America. They had $3 million.

Q. And the Bankers Trust in New York?

A. They had $3 million.

Q. Chase Manhattan?

A. Also $3 million.

Q. Detroit?

A. Detroit Bank and Trust Company, also $3 million.

Q. Security Trust in Los Angeles?

A. $3 million.

Q. And then various smaller amounts down to $1 million for the First National Bank of San Francisco?

A. That is the First Western Bank and Trust Company in San Francisco, $1 million.

Q. And those participations were arranged by whom?

A. The company arranged the participation.

Q. On the next page, a loan of $2,500,000, the Philadelphia National Bank had $681,750?

A. Yes.

[fol. 3249] Q. And other banks including the Girard participated?

A. Yes, we had a $454,500 participation.

Q. How were the participations in that loan decided upon?

A. This was decided upon by a joint venture of the Philadelphia banks. The hotel company here was going to build this building. It looked as though the financing was going to New York, so we all joined together—frankly, which we seldom do—and participated this loan between us more or less on our capital and surplus position.

Q. Was there any allocation by any one bank to the other banks of a share?

A. No, this was just a joint agreement that we made to help finance part of the Penn Center development, and this was just one of the transactions.

Q. The next loan was one of $6 million, of which the Philadelphia National Bank had $1,500,000, as had the Girard. How were the participations of that loan decided upon?

A. In this case the insurance company asked us to take the lead in perfecting the arrangements, and they asked us to speak to the other banks in Philadelphia, and [fol. 3250] we therefore undertook this for them and arranged these allocations to their other banks in Philadelphia to the satisfaction of the insurance company.

Q. But the participations were fixed by whom?

A. Well, the participations were suggested by us but fixed by the insurance company.

Q. They were the ones that told you what banks were to participate?

A. Oh, yes. We just went to their banks to save them the trouble.

Q. You didn't make the participation or the allocation?

A. Oh, no, we did not.

Q. The next one is a loan of $3,300,000. There were two participants, the Girard and the Fidelity. How was that divided?

A. Well, this was divided in half. Both of these banks, the Fidelity and the Girard, shared the credits needed by this company on about a 50-50 basis, so when they wanted to set up an agreement to finance a construction program, the company asked us to take $1,650,000 and asked the Fidelity to take the balance of it, $1,650,000. This is a cement company up in Pennsylvania.

Q. The allocation was by the company, was it?

[fol. 3251] A. Oh, the company made the allocation. We had nothing to do with that.

Q. The next one is a loan of $1,100,000, of which Girard had a share of $440,000, Philadelphia National Bank the same amount, and the Broad Street Trust $220,000. How were those allocations determined upon?

A. This corporation was acquired by one of our very good customers. The corporation itself is in Covington, Kentucky. They make bathroom medicine cabinet fixtures and things of that kind, and the parent company asked us if we would take a part of this credit they were arranging in connection with their financing of the company, and they asked us if we would take a share, which we did, of $440,000 participation. The Philadelphia National Bank is also an important bank in this picture, and they took a similar amount.

Q. Who determined the share of that loan?

A. This was determined by the parent company.

Q. The next is a loan of $750,000 which Girard and the Franklin National Bank of Franklin Square, New York, shared.

A. Yes. Long Island.

Q. Who determined the allocation of the loan there?

[fol. 3252] A. The company determined it. As a matter of fact, they surprised us with it. We didn't even know they had made the arrangement, so that the company made the arrangement with the Franklin National Bank, and in connection with this particular transaction we took half of it and Franklin National Bank took the other half.

Q. But you were picked by the company, the borrower, not by the bank?

A. We were picked by the company. We have never had any connection with the bank whatever.

Q. The next is a loan of $400,000, of which Girard had $150,000 and two other banks had $150,000 and $100,000 respectively. How were the participations determined for that loan?

A. Well, this is a rather different situation. The only reason this is a participation at all is that the three companies involved, in loaning money to the company, wanted to be on a pari passu basis so that no one would get out

without notice to the other. This participation was merely to guard against one bank being paid out and perhaps not coming back in. So this company, under the agreement, had to give six months notice if any of the banks were going to retire from the situation, and that is the only reason there [fol. 3253] was a participation at all.

Q. The next one is a loan of $500,000, of which the Lancaster County National Bank and Trust Company had $200,000 and Girard $300,000. How were the participations arranged there?

A. This particular customer is not a customer of ours; it is a customer of the Lancaster County National Bank. They carry balances with us, and they asked us to assist this customer, which is in business up in Lancaster, by taking a part of this $500,000 loan, so we did it for our correspondent bank.

Q. The company in that case did not make any allocation of the amounts?

A. No, they did not. The bank did that in making that allocation.

Q. The Lancaster Bank was your correspondent?

A. We are the correspondent bank of the Lancaster County National Bank.

Q. That amount of $500,000 was more than they could handle?

A. Yes, that is correct.

Q. The next loan is one of $10 million, of which the First National Bank of Boston had 25 per cent, the First Pennsylvania Banking and Trust of Philadelphia had 25 per [fol. 3254] cent, Girard had 25 per cent, and Philadelphia National had 25 per cent. How was that allocation determined?

A. That was determined by the company. This is a large department and specialty shop operation. They have a number of branches here in Philadelphia and also in the ten-county area and also around the country, so they wanted somebody to manage it. They selected the First National Bank of Boston and just told us they would like to allocate to us 25 per cent of this loan, so the company asked us to take the participation.

Q. And their head office is where?

A. Their head office is in New York City.

Q. But they used the First National as the lead bank?

A. They used the First National as the lead bank, I think feeling that they perhaps had a little more experience with this type of loan.

Q. But the First National Bank of Boston was not the one that selected you to participate?

A. No. We have a very satisfactory account with this company. They selected us.

Q. The next one is a loan of $10 million, of which the [fol. 3255] First Pennsylvania Banking and Trust of Philadelphia had 3½ million, Chase in New York 2½, Girard 2½, and Fidelity $1,500,000. How was the participation arranged there?

A. The company asked us to take this participation. They had used their short-term credit for an expansion program, and they needed to fund that debt, and they felt they needed $10 million, so they asked us, as one of their banks, if we would take a share and allocated to us 2½ million.

Q. This wasn't a request from First Pennsylvania to you?

A. Oh, no. We had no conversations with the First Pennsylvania Company about it.

Q. May I go back for a moment to the first one on that list, the $10 million credit, of which the First National of Boston was the lead bank. Their head office, the office of the company, was in New York City, but do you know where the effective control of the company is?

A. The effective control of the company is here in Philadelphia.

Q. The next one is $4 million, of which the Manufac- [fol. 3256] turers Trust in New York had $1,550,000, the First National of Boston $750,000, Girard $500,000, New York Trust Company $500,000, Union Trust of Maryland $500,000, and the Harvard Trust Company of Cambridge $200,000. How was that participation arranged?

A. We had had previous participations with this company, and this was one of those that followed later. In this case the company asked us to take a share of the credit, which was $500,000.

Q. So that was not the result of any bank's activity?

A. No. The Manufacturers Trust in New York were the lead bank, but they did not allocate the credit to us.

Q. The next one is a loan of $20,515,000, of which I see the First Camden National Bank of New Jersey had $250,000, the Fidelity-Philadelphia 3 million 5, Chase Manhattan in New York 3 million 5, Manufacturers Trust in New York 3 million 5, and the Girard 2 million 5, all others a smaller participation. How was that participation arranged?

A. This company, which is up at Pennsburg, is in the business of leasing and selling new and used trucks. They had been borrowing from individual banks and also from [fol. 3257] finance companies, and they decided to consolidate their borrowing arrangements under one agreement, so that in this case—we had loaned them many times before—they asked us if we would take 2½ million dollars in the credit, and this is the amount that the company arranged with us to invest in this particular loan.

Q. But no other bank had any share in selecting you?

A. No. All the conversations were with the borrower.

Q. Of the larger participations I note that the Berks County Trust Company has a million, the American——

A. That is the American Fletcher Bank out in Indianapolis.

Q. They have a million; and the Detroit Bank and Trust Company a million.

A. That is right.

Q. The Indiana National Bank of Indianapolis, a million, other shares somewhat smaller?

A. That is correct. They had to do some real scratching to get that money together.

Q. The next one, at the top of the next page, a million dollars, of which the Bank of New York had $500,000 and Girard had $500,000, how was that participated in?

A. We have always shared this business with the Bank [fol. 3258] of New York on a 50-50 basis, and the company—as a matter of fact, part of its operation was formerly here—arranged this with us. The Bank of New York had no connection with it.

Q. The next one is $700,000.

A. That is a subsidiary of the underwear company that is mentioned up above there, and they were acquiring this

property down in North Carolina, this business, and as the company had heretofore, they asked us if we would share with the Bank of New York in this $350,000 of the $700,000 loan. Then there was some additional loans which were mentioned here, and this was also arranged by the company with us.

Q. In the same manner?

A. In the same manner.

Q. And the last one on this list is a loan of $2 million, of which Tradesmens had $500,000, Girard had $500,000, Philadelphia National $500,000, and Central-Penn $500,000. How was this participation arranged?

A. This is a loan to an old and dignified hotel company [fol. 3259] here in town. They were rehabilitating the property, and we were merely asked by the company and those associated with it to take a share, and we had no discussions with the other banks as to what share we would take.

Q. Have you any information as to why the company picked these other banks to share in the various credits that you have here or is that something on which you didn't come in?

A. Well, I know generally why they picked them, because in each case this happens to be the bank where they have had their banking relationships other than with us. You can be sure that there is nobody on this list that has participated or that the company arranged a loan with them, that that company hasn't got a deposit account with the lender or the participant noted here.

Q. So that there are existing connections of some kind, deposits or otherwise?

A. That is quite right. If they were not existing in the case of that trucking company, those arrangements were made for the deposits and the loans simultaneously.

The Court: We will take a 10-minute recess at this time.

(A 10-minute recess was taken at 11:00 o'clock A.M.)

[fol. 3260] By Mr. Price:

Q. Mr. Brown, will you turn now to Exhibit G-67, participations which were offered by the Government in connection with the Philadelphia National Bank.

A. Yes, I have that.

Q. I call your attention to the first one, which is a loan of $119 million. Originally it was $162,380,000.

Did you find it?

A. Yes, I have it.

Q. $162 million, and I note that the Girard had a $2 million participation.

A. That is correct.

Q. And the Philadelphia National Bank had $4 million participation. How did the Girard get into that picture?

A. What happened here is that each of these banks that were listed were dealing with the manufacturing company and the credit company on an individual basis. In other words, the companies were placing the participations by private arrangement with each one of their banks, and I am sorry to say that this particular company has gotten into some very serious difficulties as far as losses are con-
[fol. 3261] cerned, and in order to insure continuous credit facilities, and in order that one bank may not be preferred over another, we entered into the participation so that the whole situation might be kept afloat under a proper lending arrangement where everybody stayed with the ship.

Q. Was there any one bank that selected the other participants?

A. Oh, no, we just joined. All of us who were in trouble joined together.

Q. The two banks that had the two largest participations, one was the First National Bank of Chicago, with $15 million, and the other the First National Bank of New York with $15 million.

A. That is right.

Q. The next was $14 million?

A. That is right.

Q. Then two $10 million?

A. That is right.

Q. Of which the $14 million was the Morgan Guaranty of New York, the two tens were the Bank of America and Continential Illinois National Bank, and then five, and so on down to a small participation at the end of $100,000 to the Citizens National Bank?

[fol. 3262] A. Yes, that is correct.

Q. All of those banks had something to do with that company and they all shared in proportion to their size?

A. They all had individual relationships, and they only joined together, as I have said, to make a credit arrangement which would keep everybody in the same position.

Q. And keep the company going?

A. And keep the company going.

Q. The next one on that list——

A. I don't believe we have an interest in that next one, Mr. Price.

Q. I was about to say that the next one in which the Girard participated is not the next one but is a loan of $1,025,000. It is the third one, the company from Kentucky.

The Court: Isn't it the same one that you talked about before?

By Mr. Price:

Q. That is the same one that appeared on your list, is it not?

A. That is right. It is the same one that appeared on [fol. 3263] our list. It is the same company, and the same statements I made regarding it are true. There are more people in this one. They were acquiring a company up in Reading, and they used the Covington, Kentucky, company to make this additional borrowing, so this is a borrowing over and above the borrowing that we discussed under the Girard's arrangements.

Q. It is the same company?

A. It is the same company, and the company which is the parent to this company, as they were acquiring this company in Reading, just as one of their principal banks, assigned us the participation and the amount they wanted us to participate in. In this case the First Pennsylvania Company has been added. That First Pennsylvania Company happened to be the bank for the company they were acquiring up in Reading.

Q. Who was it that selected Girard as a participant?

A. The parent company to the Covington, Kentucky, company mentioned here.

Q. No bank?

A. No bank had anything to do with it.

Q. Now, the next one in which the Girard participates on this page is the last loan on the page, a loan of $16 million, of which the Bankers Trust Company in New York [fol. 3264] had $3 million, the Chase Manhattan of New York $3 million, the First National City Bank of New York $3 million, the Continental Illinois Bank and Trust Company of Chicago $2 million, Wells Fargo $2 million, then the Girard's participation was $750,000.

A. That is correct.

Q. How did the Girard get into that picture?

A. What happened here is that an airplane company, a manufacturer out on the west coast, a very good customer of ours, in order to try to sell the airplane to this company, asked us if we would be willing to extend this company a $750,000 loan to enable the sale to be completed by our friends on the Pacific Coast, so that in this case the airline didn't ask us to take the participation, but rather the customer who was selling a plane to this company, or planes, asked us to take this participation.

Q. None of these other banks had anything to do with your participation?

A. They had nothing whatever to do with it.

Q. On the next page is a loan of $148 million, of which there are three participants of $15 million, the Guaranty Trust of New York, First National Bank of New York, the Chase Manhattan of New York; the Bankers Trust, [fol. 3265] I presume also New York, $14,500,000, and Hanover Bank, New York, $10 million.

A. That is correct.

Q. And the Girard's participation was $1,200,000. How did you get into that loan?

A. The airway company here asked us to take this participation. They were a customer of ours and had a deposit with us in substantial proportions and just assigned to us this participation. It was not arranged by any of the banks with us. We had no conversations with them about it.

Q. I notice that this loan was participated among nearly 40 banks all over the country—Houston, Texas, Chicago, New York, and so on—Seattle.

A. That is correct.

Q. All in varying amounts.

A. They needed a lot of money, $148 million.

Q. But the individual participations are relatively small after you get outside of New York City.

A. That is correct. The Mellon had $6 million. They are about the largest outside of New York.

Q. Mellon, $6 million?

A. Yes.

Q. New York Trust Company had $8 million?

[fol. 3266] A. That is right. Manufacturers had 3 and Morgan had 3.

Q. Manufacturers likewise of New York?

A. Manufacturers Trust Company is in New York, yes.

Q. And J. P. Morgan, New York, $3 million?

A. Yes. That is now the Morgan Guaranty.

Q. And the Bank of New York, $1 million.

A. That is correct. That Brown Brothers Harriman would also be in New York.

Q. There is something over $80 million of that total $148 million loan that was taken by banks in New York?

A. That is right.

Q. And the rest was participated out?

A. The company just arranged with those other banks to take a share.

Q. I don't find any more participations of the Girard on the rest of that exhibit until we get down to the last page, a loan of $20 million, which is the next to the last loan on the last page. Do you find that?

A. Yes, I do. This is a Philadelphia company in the alcohol business.

Q. And how were you selected?

A. The company has always in its various credits from [fol. 3267] time to time assigned us a share, we being one of their depositories. We had no relations with any banks.

Q. But that Philadelphia company selected the Bankers Trust Company of New York for a $4 million participation?

A. That is correct.

Q. Chase Manhattan of New York for $4 million?

A. That is correct.

Q. And the First National Bank of Chicago, $3,400,000?

A. That is correct.

Q. Philadelphia National 2 million 5 and Girard 1 million 6?

A. That is correct.

Q. The Philadelphia National Bank 2 million 8, I am sorry.

A. Yes, it is difficult to see that figure. I think it is either 2 million 5 or 8.

The Court: It is 2 million 8 on the original.

By Mr. Price:

Q. Now, the last loan on that page, a loan of $5 million, the Girard had a participation of $1,500,000. How was that participation arranged?

A. That is a revolving credit arrangement made by this [fol. 3268] steel company. They dealt with us directly and assigned us our share of $1,500,000. The banks had nothing to do with it.

Q. Do the same comments which you made in respect of the loans on the earlier exhibit, G-69, where the Girard loans were listed, with reference to the selection of the participants, apply as well to these loans listed on G-67?

A. Exactly the same manner.

By the Court:

Q. Can I summarize your testimony in this regard as saying that the banks got together in the Penn Center development?

A. Yes.

Q. And the banks again got together in the case of this manufacturer?

A. Who was in trouble.

Q. Other than that, that your business came directly by company assignment rather than through any bank?

A. Entirely correct. There was no bank participating.

By Mr. Price:

Q. With one exception, if I recall correctly, where your correspondent bank, a small bank, couldn't handle it and [fol. 3269] asked you——

By the Court:

Q. That was the Lancaster Bank.

A. That was the Lancaster County National.

Q. So there are three out of the sum total that any bank had originated?

A. That is correct.

By Mr. Price:

Q. Now, with reference to that participation that you took as a result of the request of your correspondent bank in Lancaster, will you turn to page 103 of the application, Exhibit G-57.

A. I have that.

[fol. 3270] As a preliminary to the question I am going to ask you if you will be good enough to read three paragraphs on that page, first under the three figures, beginning with, "When the legal limit ...."

A. "When the legal limit of a correspondent is too small to meet the needs of its customers, the Charter Bank frequently makes the entire loan and issues a participation to the correspondent. Additionally, the loanable funds of correspondents not needed to meet the credit needs of their local communities are often invested in Charter Bank loans. Such investments are evidenced by participation certificates issued by the Charter Bank."

Q. The next paragraph.

A. This has to do with the merging bank, the Girard.

"There were no instances during 1959 in which, as to commercial loans, participations in the true sense were sold to any other bank or banks. The qualification is made because, although the Merging Bank has acted as agent bank in certain transactions, the other participants were also depositories of the borrower and each bank's share of the credit was pre-arranged."

Q. Now the last paragraph on that page.

A. The one under——

Q. The one under the asterisks, yes.

[fol. 3271] A. "The above information on participations does not reflect the frequent instances where corporations make direct arrangements with several banks when their credit requirements are in excess of the lending limit of either of the participating banks."

Q. Now turning your attention first to the situation in which the Lancaster Bank was an illustration, tell us about that type of participation, how it originates and how that was handled.

A. Well, in that type of participation we find ourselves dealing most of the time with what might be called country banks or smaller banks.

They, being limited as we are to lending 10 per cent of their capital and surplus, find when a customer of the size of the one in Lancaster which was mentioned applies to them for credit, they turn to their correspondent banks for the additional credit.

Now with these correspondent banks they carry very substantial balances. They often carry their reserves with the correspondent bank and, therefore, the correspondent bank is willing to take a share in that loan even though the correspondent bank itself (in this case being our bank) has no relationship with the borrower at all.

This is the kind of transaction that I heard a number [fol. 3272] of those independent bankers discussing, where they would get a loan that would be too big for them and they would participate it.

Many of these loans are really quite small. We quite frequently participate in a loan to the amount of perhaps $15,000, $20,000, $25,000. They are normally not very large loans at all, but they are over the lending ability of the country bank, so that there are numerous participations which do arise in that manner and for that reason.

Q. When you speak of lending ability, do you mean necessarily lending limit, the legal limit?

A. Well, not necessarily the lending limit. The correspondent bank also has its problem as to the amount of credit that it really lends in relation to its resources and there are many cases where the correspondent bank doesn't take up to its legal lending limit and passes on to its city correspondent the amount that is over and above what they think they can comfortably lend to their customer.

Q. Now the city correspondent with whom it participates a loan of that sort is, as you described a moment ago, its regular correspondent bank?

A. Its regular correspondent bank, with which it really has a very warm relationship, and keeps balances. These [fol. 3273] country banks keep these balances with city banks just so that they will take a loan when they are asked to take one.

Q. Now is a large city bank, a member of the Federal Reserve, as a correspondent for a small country bank, a necessity for the smaller bank; or is that merely a convenience?

A. Oh, it's really a necessity. We help them with their portfolios, that is, their investments. We help them with some of the credits that they extend. We handle the clearings of the bank, the collections for the bank, and give them all sorts of services; help them with their Trust Department, if they have one.

Q. You speak of clearings. Do you mean clearing checks?

A. Clearing checks, yes.

Q. What about reserves, the maintenance of reserves——

A. Well——

Q. —if they are not a member?

A. If they are not a member of the Federal Reserve, why, they keep their reserves with us and it is particularly that type of bank that would have their reserves with us that would feel more inclined to call on us to take care of the overage situation.

Q. In what form are those reserves kept? Are they a deposit with you?

A. They are a deposit in cash with us, yes.

[fol. 3274] Q. So that they have a deposit then which would support loans in the way that you have described in other situations?

A. That's right. They have it with us and therefore we look at that when we wonder how much of a favor we should be doing for the correspondent bank.

Q. Then is there another type of participation of loans that you make with your smaller country correspondents?

A. Yes. We frequently make transactions of this kind of participating some of our loans to the country banks. Frequently they are not loaned up as much as the city

bank would be loaned. They have been under terrific pressure to meet the 3 per cent interest on savings. This has been very hard for the small country banks to pay.

They, therefore, frequently ask us if we haven't some investment which is producing a high rate of return that we could sell to them or participate with them so that they can improve their income situation; and we do this with numerous small banks.

We also do it with banks that are located in seashore locations. They have a great influx of money during the summertime and they don't want to make any permanent investments, so they ask us if we haven't some investments of our own in loans that we might not participate to them to fill up their loan portfolio for the period that they are [fol. 3275] going to have these excess funds.

So that we do a lot of this for any good correspondent bank.

Q. Does that involve any knowledge on the part of the borrower that you are giving to the smaller bank a part of that loan?

A. We usually don't say anything to him about it.

Q. That is merely a private arrangement between you and the smaller bank?

A. Yes. We keep the participation of the loan, we manage the loan; and the borrower is not affected in any way. As far as he knows, we have the whole loan.

Q. Then like in this case in the summertime, when the seashore banks run out of cash at the end of September or perhaps after Labor Day——

A. Then those participations come back quite promptly.

Q. Now is there any other type of participation with the smaller banks that you engage in?

A. Well, I think other than we do sell them sometimes interests in our higher-rate consumer loans in order to bolster their income; but I think other than the normal loans that we have—brokers' loans, life insurance loans, regular commercial loans, and consumer credit loans—I think they are the main ones that we participate, Mr. Price.

[fol. 3276] Q. Do you participate in any of those loans with a smaller bank which is not one of your regular correspondents?

A. Oh, no, we wouldn't do that. Well, we might if we thought he was going to open up in a very short time. We would do it, but that would only be a test situation until we found out whether we were going to be his bank or not.

Q. That normally is a part of your regular relationship with your smaller correspondents?

A. Yes, it is.

Q. Now the other type of participation that has been suggested here is among banks of equal standing, such as Girard and Philadelphia National, Pennsylvania Company, and so on.

What can you say about participations of that nature?

A. Participations of that nature are really not arranged because, as a practical matter, you just cannot participate one of your good customer's loans to a bank that has no relationship with that customer. That bank's first question is, "Well, where is the deposit?"

Of course, we are not going to give them any deposit, the company is not going to give them one; so they don't qualify on that basis.

If they want us to increase our balances, if we have an [fol. 3277] account with that bank, they would want a greatly increased balance; so, as a practical matter, banks like our own have no real facilities of participating loans to other banks because we only keep enough money in other banks to support the everyday activities that we have.

We don't have any reserves in other banks or any excess cash. We keep it drawn down to the last dollar, and when a bank has a bank account from us, they really work for it; so that when we would call them and ask them if they would participate in a loan, this would be the last thing in the world they would think of doing.

Q. Then this type of participation which was described by the independent bankers and which you have just gone into more fully here doesn't apply?

A. Oh, it does not apply at all.

I may say that I have had just one experience in trying to do this. One of our large saving fund societies here in town asked me if I could arrange for their banks to build up a pool of $36 million——

Q. When you say "their banks," their banks where?

A. Their banks, in Philadelphia, and they had one in New York.

Q. Yes?

A. —if I could build up a pool of $36 million to take care of their mortgage requirements. Their mortgages [fol. 3278] were running off about $36 million a year.

After I got to $27,500,000, using Morgan Guaranty of New York to the extent of $2½ million, I went to our friends at the Chase Manhattan Bank in New York and told them by predicament and I induced them to take a $5 million participation in that loan. I gave them no assurances that I was going to increase my million dollar bank account that I have with them——

Q. You had a deposit of a million dollars?

A. We had a million-dollar deposit with the Chase. I gave them no assurance that they could get an account from the saving fund. However, I think they thought they might either get us to increase our balance substantially or that the saving fund would open with them.

After a trial period of about a year they called me and politely returned the participation and said that they found that this was a very barren relationship; so they sent it back, which meant that the saving fund has now a reduced loan of $27,500,000 for this purpose.

As a matter of fact, it is too small and we have not yet solved the problem of how we are going to get it back to $32,500,000, where it was before the Chase called off their participation, because we have just run out of banks, that is, the lending ability of the banks they are doing [fol. 3279] business with.

Q. Doing business with where?

A. In Philadelphia.

Q. In Philadelphia?

A. They have all their accounts in Philadelphia, except one with Morgan Guaranty in New York.

Q. So that the Philadelphia capacity was exhausted?

A. All I could do in Philadelphia, as I say, was $25 million with their banks, the saving fund's banks.

Q. And with an extra $5 million in New York, which you couldn't even hold?

A. I couldn't hold that. That was sent back to me.

Q. Now has any other larger bank, either in Philadelphia or elsewhere, asked you to participate in loans or have your participations all come from the companies themselves?

A. No, no one ever asks us to participate in a loan because just as a practical matter they wouldn't think of doing so. They are sophisticated enough to know that banks just don't operate in that way.

Q. Now as far as prospective borrowers that come in to you for loans, have you ever had any borrower ever ask you for a loan in an amount larger than you were authorized to make, above your lending limit?

A. Yes, we have.

[fol. 3280] Q. What happened?

A. Well, in that case we have to ask them about their other banks, and the best——

We always, of course, try to manage the loan if we can, but the only avenue open to us is to go to the banks of that company and see whether we can put together the loan that they require. You couldn't think of turning to, say, The First Pennsylvania Company if it didn't have an account, and say, "I'd like to send you over a piece of the loan."

This would be just completely impractical.

Q. Now you sounded there as if you were speaking of a case in which the company asked you to manage a loan or to arrange a loan with other banks.

A. That's what I was speaking of.

Q. Now did anybody come in, not asking you to arrange one, but say they wanted to borrow $15 million—ask you to lend them $15 million?

A. No. The people who are borrowing that kind of money are sophisticated enough to know not to come in to ask a bank with a $6 million lending limit for a $15 million loan.

Q. So you just don't have that kind of request?

A. No, no one ever brings up that question because when you are borrowing that kind of money you know what the availability of credit is and you wouldn't think [fol. 3281] of going to some place where you couldn't supply it.

Q. I think that covers participation and I would like

you to turn now to the subject of branches and how branches operate.

If I may call it so, I will use a text for this part of the examination. This is a statement by Dr. Goodman appearing on pages 1831 and 1832 of his testimony, where he said:

> ". . . but we typically find in our studies that the branch-banking system, with the relative limited authority of a branch manager in an area, is not as free, is not as able to adjust, or is not as interested in the business of a particular local area, a particular geographic area, that the unit bank was."

I believe some of the independent bankers expressed a somewhat similar opinion. What can you say about that?

A. I frankly was amazed to hear Dr. Goodman say that, and also the independent bankers, because they must never have visited Philadelphia, because in branches of Philadelphia banks there is the strongest competition for business.

After all, these branches cost a quarter of a million dollars just to build the buildings and we don't build those buildings to ignore the people in the community. We are [fol. 3282] out there fighting for every piece of business that we can get and we put people in the branches who are real citizens in the community, people who, frankly, we try to get somebody who would be the equivalent of a president in a small bank.

As to the operation of that branch, this is not as easily done as said, but we try to clothe that branch manager with all the authority we can give him, certainly all the authority he has the ability to administer; and to the extent that he cannot handle a piece of business he is so alerted to the availability of lending officers in the bank or directly assigned to him that we just don't have any problems of turning down loans because somebody may not be able to loan more than five, ten, fifteen, $20,000, or $100,000. This just doesn't exist in our bank.

Q. Now would you first turn to the exhibit, I think the number is 33, the Girard's annual report for 1960.

I call your attention to the list of names on page 2 of

the green-blue portions of the page, which has the heading "Advisory Boards," and ask you what that means.

A. Is this on page——

Q. 2.

A. Oh, page 2? In the front of the report?

Oh, yes, Advisory Boards.

Advisory Boards usually have their earliest constitu- [fol. 3283] tion in place of being the directors of the former bank in the community where we have acquired a bank by merger. We are extremely anxious to maintain the local interests of the former directors.

Occasionally those directors go on our main Board, but to the extent that they do not we designate usually the president or the former chief executive officer of the bank with which we have merged as Chairman of an advisory board. This, as I say, in its initial stages, consists of the former directors of the bank.

Then we try, as we go along, to add businessmen in the community to this advisory board and we give these advisory board members a great deal of authority. They meet at regular intervals, some of them as many times as once a week. They assist the branch managers, who are usually the presidents or the vice presidents of the former bank with which we have merged, in counseling him on loans.

They, of course, are familiar for the most part with local conditions and we permit them to take a substantial hand in the lending ability of the banks.

We also get their interest in developing new business for the bank in the community because, as I say, most of them are community men and, all in all, we have found this to be an extremely valuable service in all the areas where [fol. 3284] we have had mergers.

Q. Do they take any active part themselves in securing new business for the bank?

A. Yes, sir. Yes, they do.

Q. How are they helpful in their past experience in that field?

A. Well, you see, the reason they are particularly helpful is that in most cases they are community businessmen, they are very familiar with what goes on in the community. They have had the experience of being, in

most cases, the directors of the bank before, and here they are carrying on the same kind of a job they did in the community before, except that their sights are enlarged because we have given the people in the bank greater lending authority than they had before, and we give a great deal of weight to the recommendations of these advisory boards as to large mortgages and large loans that have their origin in these general communities.

Q. Now these four that are listed here, these four Advisory Boards, represent what banks?

A. Well, the first one, the Delaware County Division, that's the Upper Darby National Bank. The Ambler Division is the Ambler National Bank former area. The Narberth Division—we now call that the Main Line Division—is the Narberth Bank former area; and the North [fol. 3285] Philadelphia Trust Company is the former area served by the North Philadelphia Trust.

Q. And those are the banks which you described yesterday as having been merged with the Girard?

A. All except the Germantown bank, which is in Philadelphia; and in that case the Advisory Board meets once a year, but because they are not local businessmen for the most part they do not take the active part that these particular board members do that are listed here.

Q. These are all members in the local communities that are interested in the activities of the community as well as the bank?

A. That is correct.

Q. And are familiar with it?

A. That is correct.

Q. Now you mentioned the subject of the lending authority of the new officers of the branches, and I show you a three-page exhibit marked D-36.

(Three-page document entitled "Loan Authorities of Banks Merged with Girard Trust Corn Exchange Bank," was marked Exhibit D-36 for identification.)

By Mr. Price:

Q. I ask you, Mr. Brown, what that represents.

A. These are the loan authorities of the banks merged with the Girard Trust Corn Exchange Bank.

[fol. 3286] Perhaps that title would read better if it said, "Loan Authorities of Officers Located in Banks Merged with Girard Trust Corn Exchange Bank."

Q. Now on the first page, at the top of the page, beginning with the Upper Darby National Bank, this lists the names of the officers and under the heading of "Upper Darby National;" Unsecured and Secured?

A. Yes.

Q. And under the heading "Girard Trust Corn Exchange," Unsecured and Secured?

A. Yes.

Q. What do those figures mean?

A. This means that the first man, for instance, Dr. Helfferich, had a lending authority of $10,000 on an unsecured basis, and $100,000 on a secured basis. That means secured by collateral or other suitable securities.

As it moved over to the Girard Trust, it shows now that under our direction of that bank, in that same area where Dr. Helfferich had been operating before, he now has $100,000 unsecured and $200,000 secured.

Q. And correspondingly, the other sets of figures indicate the increase in the lending authority of the officers by name, whether they were there before or whether they are new officers?

[fol. 3287] A. Yes. That is correct. All the people listed under Upper Darby were all there before——

Q. And two are apparently no longer there?

A. Well, I perhaps should have amended that by saying that Mr. Burns is in an entirely different field of work than lending now, he is downtown; and Mr. Simpson is in an area where no lending authority is involved; and, as a matter of fact, it is best that it not be so.

Q. But they are both still with the bank?

A. Yes, they are. They are all with the bank, but the two that have no lending authority, one is an estate planning officer and the other has charge of our "Charge-Rite" Department.

Q. The next list, the name of branch and manager, in Havertown or in Lawrence Park, Mr. Perna——

A. Mr. Perna has left the employ of the bank. That is why there was no lending authority noted for him.

Q. And Mr. Holmes?

A. Mr. Holmes is no longer in Lawrence Park—well, as a matter of fact, Mr. Holmes is now in Lawrence Park. He was formerly in one of our other branches in the Upper Darby section, out at——

Q. I notice these blank spaces in the beginning for Mr. Holmes, and then later for Mr. Perna, and for Mr. Simpson.

[fol. 3288] They represent changes of position rather than lack of authority or withdrawal of authority?

A. Entirely due to change in position or having left the bank entirely.

Q. How do you find that that affects the efficiency of the operation of the branch as it is now, as compared with the operation of the bank before the merger?

A. Well, we find that the men involved take a much more important part in the lending activities than they had in the former bank, and it is also our policy in our bank to extend to these men as much lending authority as they are capable of handling; so that these authorities, while they have moved up from some very low sums in the former bank, have moved up relatively quite a lot.

It is our desire and through our training programs of these men in credit we expect to move their authorities up much higher.

Q. Now what does that do also to the effectiveness of the men themselves in their local day-to-day operation?

A. Well, this, of course, helps them a great deal because it means that they do not have to turn to others to make a decision as to whether they can or cannot ma. a loan; and naturally this gives a person more stature and they are better able to operate.

[fol. 3289] I might say that these loan limit which are mentioned here would take care of the usual loan that would come across their desk.

Q. How does that affect the service to the customer?

A. Oh, this, of course, improves the service to the customer a great deal. He gets more immediate attention and let's say there is no waiting.

Q. Now, who was the president of the Upper Darby National Bank?

A. The president of the Upper Darby National Bank was Mr. Joseph Wilkinson. He is Chairman of the Ad-

visory Board there now and he is also on our Board of Directors in the main bank.

Q. Who was the next executive officer under him?

A. That was Mr. Helfferich.

Q. And he is the head now?

A. Yes. He is a senior vice president of our bank now.

Q. And his position presently with the Upper Darby is what?

A. Well, his position with the Girard is senior vice president now.

Q. But has he special supervision over the Upper Darby branch?

A. Well, he and Mr. Smock, who is the vice president, do.

Q. What can you say about the merger on the ability of those two gentlemen to serve the branch and serve the [fol. 3290] bank in addition to their purely administrative duties?

A. Well, of course, their stature through their improvement in their lending authority is certainly greatly enhanced and they function in that bank without very much reference to the main office.

Q. I am not making myself clear.

The Court: The clock has reached the hour of twelve and we must adjourn until two o'clock.

(Recessed at 12:00 o'clock noon for luncheon.)

[fol. 3291] [File endorsement omitted]

AFTERNOON SESSION

Mr. Reycraft: If Your Honor please, before we resume, could I bring up the question about additional witnesses? We received a list on Monday of eight additional witnesses for the defendants, which is captioned "Defendants' Fourth List of Witnesses," and I don't know what the total is at this point. I don't want to keep Mr. Littleton and Mr. Price from putting in anything they think they need, but, on the other hand, I think we ought to know fairly soon what witnesses we are going to have and what witnesses we are not going to have.

Mr. Littleton: Well, if Your Honor please, at least two of them on the fourth list of witnesses we are suggesting because we think the addition of them will result in the elimination of a number of others, and we are hoping today or tomorrow—as I think I suggested when we were meeting in Your Honor's chambers yesterday or the day before—to get this list down to the absolute minimum. In other words, at the moment we do not intend to call all those who have been listed on lists heretofore given to the Court and to Mr. Reycraft.

[fol. 3292] The Court: Well, I ask you to firm it up certainly by Friday of this week.

Mr. Littleton: That is what we are endeavoring to do right now. As I said to Your Honor the other day in chambers, our purpose at the moment is exclusion, not to repeat and not to meet anything which hasn't been brought out by the plaintiffs.

The Court: I understand that. Go ahead.

GEORGE H. BROWN, JR., resumed.

Direct examination. (Continued)

By Mr. Price:

Q. Mr. Brown, at the recess I think you were talking about what former presidents and former officers of merged banks were able to do following the merger which they had not been able to do before, and you mentioned their authority to lend larger sums of money. Is there anything else that you can tell us now about the activities of those former officers?

A. Yes, I can. In the operation of all of our branches, not only the branches which were formerly acquired through mergers, being the head offices of banks, we always try to staff them in a fashion where there is a manager and an assistant manager, and we have the opera-

[fol. 3293] tions of the branch separated from the administration of the branch. This allows the former officers of the merged bank and all of our branch managers, in fact, to circulate more in the community. We in fact

try to insist that they take at least one day a week and not be in the bank at all so that they might be performing services and helping customers at their places of business.

Q. What is your policy with reference to maintaining the services of persons who had been in the bank before the merger?

A. We are very anxious to retain all of the officers and employees of the banks before they merged, because we want to keep up as much as possible the continuity of the relationship of those officers and those employees with the community where they have been previously located.

Q. One or two of the IBA witnesses—I don't remember their names now—but one in particular referred to the situation in his community where the branch manager thought he was only good for about a year before he was moved to some other branch and therefore either never developed any or didn't have any interest in the local community. Does that situation exist in any of [fol. 3294] your branches?

A. No, it certainly does not. That was Mr. Harding from out in Pleasanton, California, where he was describing the operation of the Bank of America, and so forth.

Q. What can you say about the participation of your local people in local community activities? Is that encouraged or discouraged, or how does it operate?

A. We very much encourage it. As a matter of fact, we almost insist that they take an interest in local community affairs. As a matter of fact, even with the staffing of our branches to the extent that they are new, or where they have been older branches, we try to have all the tellers coming from the communities in which they work, so that they belong to the churches there and belong to the civic activities, and the officers particularly are encouraged to take a genuine interest in all the business affairs of their particular communities and all of the charitable and civic affairs of the communities.

Q. What significance is there in having the tellers from the community and familiar with what is going on?

A. Well, we feel that the people who are going to mostly deal with those branches are going to be people living in the neighborhoods, and therefore when they come to

[fol. 3295] the branch we want as favorable a reception as we can provide for the people who live in the area.

Q. Have them called by name?

A. That is right.

(Document headed "Girard Trust Corn Exchange Bank, Principal Civic Affiliations of Branch Managers" was marked Exhibit D-37 for identification.)

Q. I show you a five-page exhibit marked D-37 and ask you what that is.

A. This is a list of the principal civic association affiliations of our branch managers. Would you like me to refer to some of them?

Q. Yes. I don't want you to list them all, but if there are any in that list to whom you would like to call particular attention, I wish you would do so.

A. Well, let's take the first one, Mr. Brewer Walton. He is known as Mr. Frankford. He has lived there——

Q. What is his full name?

A. Brewer Walton. He has lived in the Frankford community all his life. He is a member of the Northeast Philadelphia Chamber of Commerce, the Kiwanis Club of Frankford. He is a Frankford Hospital trustee and vice-president. I think he is likely to be president in the next [fol. 3296] year or so. He is a member of the Northeast Boys Club, the Historical Society in Frankford, and the local Luncheon Club of Frankford.

Q. Has he lived in Frankford for any appreciable period of time?

A. He has lived there for many, many years.

Q. His position as manager of the office, does that put him in charge of the entire operation there? What does the title manager mean?

A. He is not only the manager, but he is also assistant vice-president of the bank and has charge of the Frankford office operation of the bank at 4700 Frankford Avenue.

Q. What was his position with the bank before the merger?

A. Well, Mr. Walton has been with the bank for many, many years. Mr. Walton was actually an employee of the

Oxford Bank and Trust Company that merged into the Corn Exchange National Bank many, many years ago.

Q. Is there anyone else to whom you would like to call particular attention?

A. Well, I think, say, in Montgomery County, on page 3 we have Carl Metzger. Carl Metzger was the former executive vice-president of the Narberth Bank. His father [fol. 3297] is the president. He is quite an elderly man now, but he continues as head of our Advisory Board.

Mr. Carl Metzger is a member of the Narberth Business Council, a member of the Rotary Club in the Bala-Narberth area. He is a member of the Main Line Chamber of Commerce. He is also a member of the Penn Valley Association. He lives, of course, in Penn Valley, which is very close and is practically a part of Narberth.

Q. What was his connection with the Narberth Bank before the merger?

A. He was executive vice-president. He is vice-president of our bank now.

Q. Anyone else?

A. Well, we will take Mr. Reller in Ambler, Walter Reller. He was the former president of the Ambler National Bank. He is treasurer of the Upper Dublin Township Authority. He is director and treasurer of the Ambler Chamber of Commerce. He is associate director and treasurer of the Ambler Community Ambulance Service. He is treasurer of the Upper Dublin Boosters. He is a member of the Police Pension Fund, and he is a member of the Kiwanis Club of Ambler.

Q. Has he lived in Ambler for any appreciable length [fol. 3298] of time?

A. Yes, Mr. Reller has lived in Ambler for many, many years. I think perhaps he may even have been born there.

Q. In connection with Mr. Reller, would you refer to D-36, the previous exhibit, and look on page 2, and tell me whether that is the same Mr. Reller, W. Reller.

A. Yes, that is the same Walter Reller who is the former president of the Ambler National Bank.

Q. Will you now just compare the difference in his lending authority as a member of the Ambler National

Bank before this merger with the Girard and his authority now.

A. While it was the Ambler National Bank he could loan up to $5000 unsecured and $50,000 secured.

Q. For amounts above those what would he have to do?

A. He would have to go to his Board of Directors in order to obtain approval to make loans of more than $5000 unsecured, but now, as this record shows, he can make $50,000 in unsecured loans and $200,000 in secured loans, and if he wishes to make one more than $50,000, he can join with any vice-president with lending authority downtown or any of our other branches and expand this [fol. 3299] to $100,000.

Q. So that he doesn't have to go to the Board of Directors until he gets $100,000 or more?

A. Actually he doesn't go to the Board of Directors then. We have an officers committee that approves loans up to $350,000.

Q. But now he is free to make an unsecured loan in the same amount as before he could make a secured loan?

A. For a secured loan he could make up to $50,000, that would be a marketable collateral loan, whereas now he can make $50,000 without any security.

Q. Is there anybody else on this list, D-37?

A. I thought I might refer to one of our new branches at Fort Washington. There we have John Astler. John Astler is a young man who has lived in the Ambler community all of his life. He is an assistant treasurer of the bank, he is a vice-president of the Ambler School Board and he is also a member of the Fort Washington Industrial Park Management Committee, the Fort Washington Industrial Park being right across the street from our office.

Q. What is your practice with reference to securing unanimity of approach to general banking problems in all your branches and maintaining a thorough knowledge [fol. 3300] of the problems of the officers who meet from time to time?

A. We have a regular program of communication and development of all our officers in our branch offices. We have regular meetings a couple of times a month of the

managers of the offices and the assistant managers of the offices, depending on their particular field of work and their particular stage of development. We have perhaps a credit course or discussion of loans for the making of loans for the less experienced, and for those that are in the management, administrative end of the branch operations, we have them in and discuss all of the activities of the bank, the progress the bank is making, what our loan policies are, what we think about the economy; and I might say that in these meetings I personally meet with all these branch managers at least once a month and let them know, from my point of view, what the bank's objectives are and how we hope to reach those objectives.

Q. What effect, if any, does that have on the capacity of the local branches to serve the community better?

A. Well, we find that by bringing all of this information to these branches, which in the case of the merged banks they never have an opportunity to learn, about estate [fol. 3301] planning and investment advisory accounts and Foreign Department transactions, all kinds of loans, types of term loans, this information would have never been conveyed and, of course, was not even in the life of the former banks, and we believe that by developing these people in this manner and bringing to them up-to-date information as to the bank's functions and objectives, that they are much better men for having had that experience. They seem to react to it very favorably.

Q. What about the public in general that is served by those banks?

A. Well, it naturally follows that the public in general, dealing with men who are much better informed than they had been heretofore—they do a much better job for the public than they were ever able to do before.

Q. Are there any plans for changing that practice if the merger of the Philadelphia National Bank and the Girard would be effected?

A. We certainly have not. I would say that we would proceed even more intensively, since we will be a bigger bank with greater facilities, to be sure that all of our branch people are fully in on the gain that we are conducting and the activities that we have.

[fol. 3302] Q. What can you say generally about the capacity of the branches, and particularly of those that were acquired through merger, to expand the services which they render through their respective mergers?

A. There of course has been a great improvement in the services that we brought to the branches. The activities of a bank the size of the Girard and the Philadelphia National are so much greater than they are in a relatively small bank that the differences in service are quite marked, and our customers' reactions are very much on the favorable side, because they now find that they can get all kinds of service at home merely by discussion with our people, who are more familiar with banking in general and Trust Department activities in general; and those things they do not know, there is a ready access to some officer they know downtown who can give them information that they might not have even ever been able to get before.

Q. Are there types of services or particularly types that can be offered and now are offered that were not offered by the branches before their acquisition by Girard, either by merger or otherwise?

A. There are many such services, particularly in the [fol. 3303] trust field of the bank's activities and in the banking field. Of course, their lending authority, by reason of the size of our capital and surplus, has been greatly increased. They are able to make loans to businessmen in the community that they never were able to even consider before. They are able to deal with accounts receivable loans, something they had never considered before, and other types of, say, foreign transactions, which were something that they knew little about. They are now able to take an active part in bringing these services to the communities.

Q. Were such services as were represented by your Charge-Write system or consumer credit practices available in all the branches before you took them over?

A. No, they were not. We did have Charge-Write, because this came to us with the Upper Darby merger. We made this available to all of the branches, so that this now can be obtained in the 39 different offices, where before it was started, as I say, in Upper Darby and they had that particular service.

Q. Are all the services which are available to a customer of the Girard at its central office available also to any customers of the bank through any of the branches? [fol. 3304] (Document headed "Banking and Trust Services of Girard Trust Corn Exchange Bank" was marked Exhibit D-38 for identification.)

Q. You mentioned not long ago the 101 services. I show you an exhibit marked D-38 and ask you what that represents.

A. This represents the 101 services that the bank performs. Perhaps I indicated yesterday, we have actually adopted this particular amount of services into the slogan of the bank, because we say that we are the bank that serves you in 101 different ways, and these are the 101 different ways we do serve.

Q. That is a list, but I think there were a few that were combined, were there not, in this, so that if you add them up you won't get quite 101, but do they represent the kind of service or the services that are rendered?

A. Yes, they do. They represent really the whole gamut of services which the bank provides in both the Bank and Trust Department areas of the bank.

Q. And these are available to any customer of any branch?

A. They are not only available, but we endeavor to [fol. 3305] have them use these facilities wherever we think we can bring greater service to the public.

Q. You mentioned I think perhaps yesterday the competition that you receive from non-bank enterprises, non-bank lenders, and you went into some detail about mutual savings banks, savings and loan associations, and others, that provide competition which commercial banks were not accustomed to a relatively few years ago.

A. Competition seems to come from almost every different source, and if you think you have settled one day, you find you have some new competition the next. I have in mind, for instance, the life insurance companies. We have a very effective plan in our bank for financing the education of students in school. We make quite a specialty of this. As a matter of interest, this past year we financed the education of 5600 different students in 71 different col-

leges and schools, and we now find that the Prudential Life Insurance Company is in the tuition loan business tied in with an insurance plan. That same company engages in the term loan business, and they have been able to develop a plan where they take relatively short-term loans as [fol. 3306] against the usual practice of insurance companies that take long-term loans.

Then we find in the Equitable——

Q. May I interrupt you a moment? Is that a new activity on the part of insurance companies or have they been doing that?

A. No. Both these things are relatively new. You see, one of the problems with the insurance companies is that they have tremendous sums to invest, and they have very intelligent people working for the insurance companies, and they are trying to find ways and means to employ those funds to the greatest advantage, so that if you think that competition just results from one particular activity they have, you never know tomorrow what the next activity is going to be, which is going to have an effect on your particular business.

I was just going to mention the mortgage situation. The Equitable of New York have a mortgage package that they have had sometime, where they give you, if you buy insurance, a mortgage at a more favorable rate than would otherwise be obtainable, and they also have a special plan where they not only take a mortgage on property, but they take a mortgage that covers the fixtures in the property as well as the property itself, which is a specialty [fol. 3307] that they have been engaging in.

Then we have the pension and profit-sharing trusts. These trusts are providing more competition all the time. We find pension and profit-sharing trusts making relatively short-term term loans. Just a short time ago relatively I was quite surprised to find that a $1,800,000 mortgage was taken by the Chase Manhattan Bank for a pension fund on the Lewis Tower Building here at 15th and Locust Street, and as they are taking issues of securities or loans that are placed privately, we find them encroaching either right in our field or on the edge of it, and as they get more and more money, and they are growing like Topsy, they

will be finding some other way to get into business which competes with banks.

[fol. 3308] Q. This Chase mortgage that you speak of, that was a pension trust that they were running in New York?

A. Yes. They are administering this pension trust in New York and they apparently had an opportunity—I didn't know the opportunity was even available—to take this $1,800,000 mortgage.

Q. Now has the development of this competition with the non-commercial bank, sales finance companies, savings and loans, credit unions, and personal finance and personal loan companies, been a development over a long period of time or over a relatively short period of time?

A. I would say that much of it relates to recent years. The credit unions appeared not to be a threat to banking until recent years. Now they are expanding and growing very rapidly.

The types of loans that life insurance companies make, the pattern has changed in recent years.

I think the savings and loans, of course, themselves, are of relatively recent origin and they, of course, have had probably the most phenomenal growth of any competitor that we have been up against.

The sales finance companies and the personal loan companies have all been in business a number of years, but their demands for credit as they have expanded wtih the economy have been so great that they have been very [fol. 3309] active competitors for the investor's dollar. Anybody who gets that money usually gets it out of the bank and there is that much less money for the bank to use in the activities of what might be called commercial banking.

Q. I was going to ask you what effect, if any, all of this new activity that you have described has had on the conduct of commercial banks that you didn't think of 25 years ago.

A. I would say it has us very much on the run. We are continually working very hard to just hold our place, and I am sorry to say the commercial banks have been slipping, rather than going forward despite the great effort that we are putting in to improve our position and

to hold our business. We have been in a declining trend for quite a long time.

Q. Will you turn to page 95 of the application, Exhibit No. G-97.

A. I have that.

The Court: Just a moment, Mr. Price.

By the Court:

Q. In your answer to the previous question you said savings and loan organizations are of rather recent origin or words to that effect. Now that is not the fact, is it?

A. I should have said Federal savings and loans.

Q. I thought you meant that ahead of it.

A. Thank you, yes.

[fol. 3310] Q. But you didn't say it.

A. No. I wasn't thinking of the building and loans associations that are state-chartered. I meant to say the Federal savings and loan associations.

Q. All right.

A. Thank you.

The Court: Go ahead.

By Mr. Price:

Q. On page 95 of the application, towards the end of the paragraph headed or designated "A," there is the sentence:

> "However, it is probable that actual competition by insurance companies is not significant. Long-term borrowings have tended to gravitate toward the insurance companies while commercial banks are more active in the field of short-term loans."

A. I can't seem to quite follow that.

Q. Page 95.

A. Yes. I have that.

Q. Toward the end of the first full paragraph designated "A. Insurance Companies."

A. Oh, "However, it is probable that actual competition . . ." Yes, I have that.

Q. Yes, those last two sentences.

Would you care to comment on those in the light of your [fol. 3311] description of the more current or more recent activities of insurance companies?

A. I would say that this is a rather fair statement.

> "However, it is probable that actual competition by insurance companies is not significant. Long-term borrowings have tended to gravitate toward the insurance companies while commercial banks are more active in the field of short-term loans."

I think that is a fair statement, although I think that the competition is a little stronger than this would seem to indicate.

Q. What is the present tendency and what would you anticipate for the future with reference to insurance company competition as compared with what it has been?

A. I would say that the tendency is for more competition and not for less.

Q. Mr. Brown, what, if any, participation did you, yourself, have in the merger negotiations leading up to the merger agreement between the Girard and the Philadelphia National Bank?

A. Well, I participated quite actively in those negotiations, had frequent meetings along with Mr. Smith, the Chairman of our Board, with Mr. Potts and Mr. McDowell, their Executive Vice President.

This was over a period of months and we all, I might [fol. 3312] say, participated very actively in those discussions.

Q. What, in your opinion, were the principal reasons for the merger or for the agreement to merge?

A. Well, I felt that the possibility of merging with the Philadelphia National Bank presented a great opportunity to both banks.

I had long felt that the Philadelphia banks were not large enough properly to serve the expanding business of the community and that when this possibility came before me I felt that it was something that ought to be done if it was at all possible to do so.

I had watched for some years past the very modest growth of deposits in this area. Each year we spent a

great deal of time and effort getting away from the other banks the business that they had; they spent a great deal of time and effort in getting away business from us, and when we added it up at the end of the year nobody had very much more business than when they started.

I felt that if we could put a bank together that had the resources to be able to embark on other activities, that we could build a great bank. I had in mind with these resources that we could expend more of our efforts outside of the Philadelphia area, on the regional basis. I thought we could also do more internationally; that with the re-
[fol. 3313] sources that we would have we would be in a position to actually have full-time representatives abroad.

Also, I felt that if we could, by reason of a better prestige and a better stature position as far as our size, we could attract business to the community, we could keep business from leaving this community, we would have more money to serve the Philadelphia public, we would really have more money to do more business in Philadelphia for Philadelphia people, both large and small.

I felt that perhaps we could develop an Economic Department, which only larger banks could afford. I felt that we could do more forward planning for the over-all bank as to its future, and by getting in this position we could do not only a great service for our stockholders, but we could also do a great service for the City of Philadelphia.

Q. What are the immediate tests that you applied to determine whether you thought this was a good thing or not?

A. Well, the first test that I applied, and I thought about it at great length, was the purpose. As a matter of fact, I might say that I used as a formula "3 P's." One was Purpose, the next was People, and the next was Price.

I felt, as I thought about the purpose of the merger, that we had a very, very sound proposition based upon some of these comments I have just made.

[fol. 3314] After I determined in my own mind that there was a real purpose for this merger, I then turned to the question of how we could make the greatest use of the people and I found that we had people who could get

along together and people whom we could develop as a result of bringing these two forces together.

As part of the merger transaction we agreed that no one would lose his job, no one's position would be any lower than it had been before, if it were at all possible to maintain that; and this is possible in practically every instance; and that we would be able to develop a breadth and depth of management that just would not be possible in a bank of our size.

So that we found that we had a very satisfactory solution, we had enlarged horizons for people. We then moved to see whether the price might be acceptable.

This took some doing. A bank as big as both of these banks, there were many things to be considered, so we found that we could find a fair basis of exchange, a fair price.

So from my point of view this was a perfect situation. We had a fine purpose, the people were being taken care of, and the price was right. This was my analysis, briefly, of where we were going and why we should be moving in [fol. 3315] that direction.

Q. Now there has been a good deal of talk in this case about lending limit, as if the lending limit were the test to be applied to the capacity of a bank to do business or to serve.

What can you say about the significance of lending limits as such in a bank's operations?

A. Well, I think indeed a lending limit is a very important consideration. A lending limit gives a bank stature and prestige and there is no substitute for that in carrying on the affairs of a bank.

But more important than the lending limit in all of this, from the very beginning and now, has been my feeling that resources are the real and primary value in this whole situation. It is the resources that we will be able to make effective that makes this a real merger; and the lending limit, no matter how important, is merely the vehicle which enables you to use those resources after you have sold somebody on the idea that they should use those resources. There is no use of selling somebody on doing business with you and using your resources and then, when you come around to engage in loans to those

customers, have to say, "Well, we are sorry, we have sold you a fine bill of goods, but we don't make that type of loans, we are not big enough."

This just doesn't follow, so that the lending limit is [fol. 3316] tremendously important. In my mind the lending limit is something that has to do with your stature and your standing and gives you a chance to do business that you would never have a chance to even consider otherwise.

Q. What can you say about the lending limit as the measure of actual loans that are made?

I notice that although a line of $8 million was list on that exhibit that was offered a day or two ago indicating deposits in the Philadelphia National Bank, the loans that were made against those deposits were substantially less in most instances than the lending limit. I would like you to comment, if you would, on the general relationship between loans that are made in practice and the lending limit of the institution making the loans.

A. Well, the lending limit of a bank, as I have said, gives it real stature and standing, but you extend this lending limit to very few customers. Actually, a customer who needs your whole lending limit and does not leave any room for himself for emergencies is probably in the wrong bank.

If your lending limit is $6 million, as ours is, and the person who is making use of our lines of credit would feel he would have to have $6 million from us, he would have to be in two or three other banks or not be in our bank at all, because when you deal with people who are arrang- [fol. 3317] ing credit arrangements with you, you always arrange a cushion, and if a man thinks that he needs $2 million for his credit purposes, let us perhaps give him a line of $4 million.

You don't give him a line of $6 million, so that you expect he will be pushing against that line. If he has real need for $6 million, as I say, he really should be in another bank because there should be a cushion in all of these lending arrangements.

If someone needs a $1 million line, that particular person who needs that is not going to borrow $1 million. People who have lines from us very seldom, except in the

case of finance companies, ever use the whole line. They always feel that there should be a cushion so that it necessarily follows that in a bank of our size or when we have a $15 million lending limit when this merger (and if it is approved) is completed, we will not be giving a $15 million line to people with the expectation that they are going to borrow $15 million. We will probably give them lines of $10 million and they know, however, that they are under a roof where they can get another $5 million if they need it.

But you will not find in banks like my own, nor in banks around the country, companies asking for the whole lending limit of a bank. They only ask for some share of that and then take a good look at how much more cushion there [fol. 3318] is in this bank.

So that from the standpoint of your lending limit and your loans, there is always and should be a real differential between what a man expects to borrow and the amount of your lending limit.

Q. I notice in the exhibits showing participations which you discussed this morning that although the New York banks and occasionally a Chicago bank had the largest individual shares, the amounts that they took were substantially below, and in a number of cases very much below, their own lending limits.

Is that a usual or an unusual situation?

A. That is the very usual situation. It is indicative of the point that I am making.

Take the Chase Manhattan Bank, which probably has a $65 million lending limit, the Bank of America probably has a $50 million lending limit. Nobody borrows that kind of money from those banks. As you saw this morning from those participations, those banks that were participating in those transactions at the request of the companies were taking $2 million and $3 million participations and having probably lines in those banks of ten times that much; and then still have room between the line and the amount of the lending limit of the bank.

[fol. 3319] No one just pushes against the lending limit of the bank for, as I say, if that's what they have to do, they had better get in another bank, there is not enough room to move around.

Q. Now you spoke about resources as the significant characteristic of a large bank. Of course, the resources as such bear a direct percentage relationship to the lending limit under the law.

A. That is correct.

Q. But how do the resources as such become so significant in the banking business?

A. Well——

Q. Give us an example of how that operates.

A. Well, you take this new bank that we are planning. We will have a lending limit of $15 million, but we will have capital assets, that is, capital, surplus, undivided profits, and reserves, of about $200 million. It is these resources on which we can build business and qualify for business from larger concerns, that is going to enable us to afford the kind of things, the kind of activities, the kind of facilities that a bank of the size of ours now just cannot afford.

You just cannot afford to get the personnel, spent the money on advertising, spend the money on setting up specialized departments, departments that, let's say, spe- [fol. 3320] cialize in steel, oils, petrochemicals.

And also another thing that I perhaps even mentioned before. With this expanded staff that we will have, that the resources will allow us to have, we will be able to promote Philadelphia to better advantage around the country. We will be able to try to bring to the attention of businessmen around the country to a much greater degree than we can now the facilities of our new industrial parks, and while we won't bring them here because of our lending limits, we can bring them here because we have developed their interest in the community; and if we do this we have done a real service for Philadelphia, as well as for ourselves, because we would expect to be the bank of that company that we would bring to this community.

Q. Do you consider that either the Girard or the Philadelphia National Bank separately is large enough or adequate to serve the needs of the Philadelphia community and the businesses that would like to do banking business in Philadelphia?

A. I certainly do not think we are large enough. We just do not have the resources to do what a first-class

bank should be able to do in a community as active as Philadelphia.

Q. This activity or these activities that you described a moment ago as new activities that the enlarged bank could undertake, are such activities commonly engaged in by [fol. 3321] large banks in other active communities?

A. Indeed they are. If you go over to New York you will find that they have very fine Petroleum Departments, Steel Departments, Transportation Departments; and it is this know-how and this ability to get customers that bring them to the bank.

This is more important than those New York banks' lending authorities and their lending limits. The important thing is that they have got the know-how, they can help a business customer. They bring him in and they can add something to what he already knows, and they are familiar with the kind of business he does. For that reason, they get a chance to handle large business, which a bank like ours and the Philadelphia National just cannot afford to produce on our own.

We have tried this in the wool field. We had a poor experience there. We probably were among the leaders of the wool banks in Philadelphia, but the wool business, as you know, through man-made synthetics and whatnot, has pretty well collapsed.

But we built ourselves a real reputation in the wool business. We built ourselves a good reputation in the food business. This gave us dealings with the farmers, with canners, processors, and the can companies.

[fol. 3322] All of this brings you business, but as far as our bank has been able to get so far is to go into these fields in a minor sort of way, but it has taught us a lesson that the more you know the more you are able to understand the customer's problems, the greater opportunity you are going to have to do more of his business.

Q. Have you been conscious of any pinch by virtue of your size in the development of these various activities and meeting your customers' needs?

A. Yes, we have been.

Q. Can you give us some illustrations of that, how the size of the Girard has operated adversely to the conduct of your business?

A. Well, the size of the Girard, when we go out to solicit business throughout the country, we think we make pretty favorable impressions on the people that we call upon. We send first-class people to call on them.

But we find that business does not open accounts with you and borrow from you and make arrangements with you because of your personality. You have got to have the know-how; and we constantly, on the national scene, are told, "Well, if you were a bigger bank, when you are a bigger bank, come around again."

Well, this means coming around with some real sophisti- [fol. 3323] cation; and that, we have not been able to afford.

Q. How has the mere size of the bank operated with respect to completing the transactions which you have been asked by somebody or in which you have participated?

Can you give us any illustrations how the size has an effect on your ability either to participate in or serve your customers' needs?

A. Well, our size has been a handicap in many ways. We find this particularly when perhaps we are very well in the favor of some company. Perhaps we have done a particularly good job for that company. If they need some extra service that involves size, we lose out.

We also find the pinch of size as we bring customers along. Somebody starts in a very small way and we continue to loan them money and help them with their business, and then we reach a point when we look at our resources and say, "Well, as related to our resources, we had better not go much farther with this particular businessman"; and nothing hurts any more than to have to invite another bank in, which any good banker would do when he feels that maybe he cannot go any further, or to have one of our New York friends call at that point and offer to carry on and to extend services that because of their resources they can extend, but because of our resources we feel that on the theory of too many eggs in one [fol. 3324] basket we just cannot follow along with the growth of the companies, particularly when we look at our own resources as related to the company's resources with whom we are dealing.

Q. Is that point where you stop anywhere near your lending limit?

A. Oh, no.

Q. Has it any relation to your lending limit?

A. It hasn't a single thing to do with our lending limit. It has to do with the fact that, well, we have gotten $1 million or $2 million in this business, it may look like a great growth situation, but the company has not had a sufficient amount of capital investment. They have not been able, because of their growth, to build up their capital; and we find that because of our own resources we just can't continue to do this by ourselves.

Q. Why not? Will you explain what you mean by that? That is what I would like to hear.

A. Well, the reason that we feel that we cannot is that there is only so much risk that a bank feels that it should take in relation to its resources; so that if we have a $60 million capital and surplus, if we get up to $1 million with some customer, this is $1 million as related to that $60 million.

If somebody has $200 million in resources, well, the $1 [fol. 3325] million can be $2 million or $3 million before you feel the effect of the caution and the nervousness which comes when you see a loan in relation to your own resources, when your own resources are relatively limited.

Q. How does that affect or operate upon your ability to serve these smaller growing companies in this area as distinguished from the very large well-established companies that are entitled to the prime rate for any amount they want to borrow from you?

A. This really makes quite a difference. The large companies that want to borrow from us have beautiful annual reports and you look at their working capital positions and you don't have to pause very much about making the loan. That can be done almost over the desk.

Whereas, with a growing business, which there have been and are in Philadelphia, this presents real problems because of the fact that growing businesses suffer great pains of lack of borrowing power, lack of invested capital. While we have great faith in these people and we bring many of them along and stay with them for a long time, there gets to be a point when a banker says, "Well, one

more step is just too much step," because of our own resources.

Q. And you are speaking now about a range where? Your limit is $6 million, but what kind of money are you [fol. 3326] talking about now, where you think that you might have to stop?

A. Well, I would say that when we get up to say $1 million to a company and we feel that that company is not as well capitalized as it should be, we think a second time before we go on to the next $250,000 or $500,000.

In many cases, we just felt that we had to bring in another bank at that point in all fairness to the customer or we would just hope and pray that something would happen to that customer, that he would go out and sell his stock to the public and improve his capital position so that we could stay with him.

Q. Have you had any illustrations or examples of losing either a customer or part of a customer's business to New York banks or other banks because of that limitation?

A. Yes, we have had.

Q. Without mentioning the names of the customers, could you illustrate how it operated?

A. Well, we have a customer who has a $2 million line of credit with us. He has had fabulous growth. We have also extended a $750,000 term loan to enable him to buy out his partner.

We have just about gotten to the point where we just feel we can't go any more. Here is an extension of credit of $2,750,000. The business has grown very well. As [fol. 3327] a matter of fact, it started in a very small way in back of a building and they are now having sales up in the many millions of dollars.

We are in this uncomfortable position, although we just recently found the First National City Bank of New York calling at that man's door, offering to extend him substantial lines of credit; and here we are feeling, because of our resources, that we can't go any farther, and it looks like the First National City Bank will come in to help us out, and this, to me, I think, is most unfortunate.

We have been with this man from the time that he probably had sales of about $50,000, and it is very difficult to

have to face up to the situation in which we find ourselves.

Q. Could the First National City Bank take over his entire banking requirements?

A. As yet we still have——

Q. I say could they.

A. Could they? They probably could without any trouble at all.

They probably wouldn't because they are good friends of ours. We could still keep a part of it, but they would help him out substantially.

The Court: Let's take a 10-miute recess.

(A recess was had.)

[fol. 3328] Q. Can you give any other examples similar to the last one that you mentioned where the National City stepped in, that you couldn't carry on because of your limitation in size?

The Court: Or customers credit.

Mr. Price: Or customers credit.

A. Well, I can give other examples, yes. I have one that involves a line of credit that we extend to a Philadelphia company of $1,500,000. This company, interestingly enough, started in a garage, and their sales are up in the air, around $15 million now, and we reached a point with them that a million and a half was as far as we thought we could go. At our own suggestion, because of reaching this point, we suggested that they ought to consider another bank. We tried to recommend someone who we thought would be as little competition as possible, but they decided to pick one that is quite a competitor of ours, but in this case the business that we had brought from its infancy, another bank has come in to share our loans and deposits with that bank.

Q. Had the merger taken place, would a bank with the resources of the proposed merged bank, the Philadelphia [fol. 3329] National and Girard, be able to have carried that customer along still further?

A. It certainly would. This problem would not have yet arisen.

Q. Now, reference was made to the quality of the credit of the customer. These customers where you stopped short of your lending limit, and others, does that mean necessarily that their credit is bad?

A. Oh, no, it doesn't mean that their credit is bad at all. The customers have good credit standings. It is just a question of various relationships of invested capital by that company, the working capital they have, and their own resources. If they are successful, they are going to warrant as much credit as we can give them and more. We do face this problem where we become uncertain and nervous about whether we can go on any farther.

Q. Can you think of any cases in which this credit situation did not exist, where the resources of your bank were ample to take care of whatever the needs of the customer were, and yet still because of your size the customer went elsewhere or you lost some business?

A. I can give some very good examples of that.

[fol. 3330] We obtained a customer, we solicited his business—and bank customers don't come very easily—we solicited his business from 1944 to 1953. At that time the company decided to create a deposit relationship with us and to also consider us the lead bank.

Q. Did the customer have any other banking connections at that time?

A. Yes, the customer had other banking connections in the community in which the business was conducted. This other bank that he had been dealing with didn't have our resources, that is, comparable resources, and they thought that we could do the job for them, and they wanted a million and a half dollars in credit. They were a very strong company. We arranged to take care of part of this. This million and a half was to be split $750,000 in a term loan and $750,000 in a revolving line of credit. We set up this credit in 1953, when we obtained the account, and everything was sailing along very fine until 1955, when they decided to enter into an expansion program involving an expenditure of $11 million. They consulted a New York broker about how they could best arrange this financing, and he told them he thought they ought to sell [fol. 3331] some stock. They did sell $2 million worth of stock. He told them also that they ought to get a $4 mil-

lion revolving credit arrangement and also there should be a sale of subordinated convertible debentures.

Q. Revolving credit would be bank credit?

A. The revolving credit would be bank credit.

The amount of 15 years subordinated debentures was $5,277,500. This added up to something over $11 million. The New York broker and the underwriter, a good friend of ours, said that if he was going to market that debenture issue, that this could best be done by obtaining a bank to handle their financing that would have very large credit lines, and that a New York bank as the lead bank would make the debenture much more acceptable to the street.

The company felt it had no alternative. It selected the Manufacturers Trust Company of New York to be their New York bank. The Manufacturers Trust Company of New York extended this $4 million revolving credit arrangement, with the help of banks that it had previously to the time the New York bank came in.

Q. Your bank and the other bank?

A. Our bank and the other bank and a couple of other banks. Actually, the Manufacturers Trust Company only [fol. 3332] took $1,550,000 of this $4 million revolving credit, but we were placed in a subordinate position, because the company told us very regretfully that they certainly wanted us to continue in the situation, but the best that they could arrange for us was to give us a $500,000 participation in this $4 million revolving credit, and we found ourselves in as just one of the other banks. This also took with it, as it oftimes does, the trusteeship of the bond issue, the paying agency for that bond issue, and also the conversion agency having to do with the conversion of the debenture bonds, so that we not only lost our first position in New York, but we also lost the corporate trusteeship that we might otherwise have had.

In this case it illustrates quite pointedly the fact that the Manufacturers Trust Company in New York—I don't know just what their lending limit is, probably 20 or 25 million or more, they are only extending $1,550,000 and they are the lead bank.

Q. And they got the position that was recommended entirely by this broker?

A. That was recommended by a New York Stock Exchange house that was underwriting the debenture issue. I don't believe they knew the company before that time.

[fol. 3333] Q. So far as the credit was concerned and so far as your capacity to lend was concerned, could you have handled it just as well?

A. We could have handled it just as well, but it didn't seem so. The bank in New York with the large credit facilities seemed to make the bond issue a more palatable something for the investor.

Q. Have you any other illustrations of that situation?

A. Yes. Our corporate counsel, one whom we have on retainer, introduced us into a transmission company situation. This transmission company—he was also counsel and a director of that company—needed extensive facilities for borrowing. They wanted to set up a $75 million revolving credit. We asked them whether we couldn't get in on the helping to set up this credit. They told us that they thought this could be arranged, but word came back to us that they had spoken to five of their banks in New York, that each one could loan $15 million or more—this was the $75 million—and that we therefore could not be taken in as one of the original participants because if we were taken in, smaller banks than we were would also have to be taken in and it would complicate the financing.

[fol. 3334] We thought we had a little break when that same company formed a subsidiary in Pennsylvania, wanted to market an issue of $6 million in the form of revolving credit. We got the privilege of arranging that $6 million credit for that company with their banks, and as luck would have it, they merged the subsidiary into the parent company, so we are back where we started, and that is the best that we have is a $2 million participation in a loan where the Manufacturers Trust Company in New York, who is one of the participants, has at the request of the company participated $2 million to us.

Q. And how much has the Manufacturers got of that loan?

A. They have a total of $21 million, of which we have two, and they participated, I think, to some of the smaller banks in Texas other sums. I am not sure just how much.

Q. Any more like that?

A. Yes. We were the sole bank for a small utility company. This small utility company was merged into a larger utility company. The larger utility company was a customer of ours, and they needed a $12 million revolving credit. They gave us the privilege of arranging that [fol. 3335] with their banks. We thought we did a preety good job, but I must say that this required some sizeable chunks of money. We were dealing with smaller banks. It took a little time. We got a number of lawyers involved, and we, however, didn't arrange the $12 million credit.

I think the company always felt that we were inadequate in that regard, and shortly thereafter they established a $15 million credit, this time not even asking us about it, and took it to a New York bank, and we now have a $2,500,000 participation in that $15 million credit.

Mr. Reycraft: Is this the customer whose deposition was taken the other day?

Mr. Price: Yes.

By Mr. Price:

Q. Any more like that?

A. I can think of several situations where we have been very much stressed about our resources in connection with our activities. One has to do with a Latin American country. There we have devoted some time to that country. We have relationships with businesses there, steel business, two steel companies, as a matter of fact, a glass [fol. 3336] company, a brewing company, a cellophane company, so that at the present time we have $5,800,000 in loans outstanding to those customers in the South American country, and we have commitments to the extent of $4,800,000 plus, so that we have $10,500,000 of credit there outstanding or committed in that country.

Here we are in a position of being able to expand those relationships with other customers, but here we pause again and we think about our resources. There are certain political exposures. It is a lot of money, even though it is distributed among a number of customers in a foreign country, and we are in the position now where we

will probably have to retreat and not go any further in advancing our interest, after having spent all this time and effort up to date in putting this business on our books.

As a result of making these relationships in this Latin American country we have brought about a considerable amount of trade, facilitated that trade with people in the United States, and as a result of it, we have obtained accounts of companies in the United States, as a result of financing this trade in the Latin American country.

[fol. 3337] It has been so much appreciated there that we have an account with the Central Bank of substantial proportions, but we now find ourselves, because of our resources, up against the problem of whether we should go any further, and this is something else that a large bank would enable you to decide that you could go just that much farther with that kind of business, and it is really a pity that we have to pause now and say, can we go any farther?

Q. You spoke of an account with the Central Bank. Do you mean a deposit account?

A. A deposit account from the Central Bank.

Q. With you?

A. With us.

Q. Made by the Central Bank of this foreign country?

A. Made by the Central Bank of this foreign country.

Q. What can you say about the effect on local business and local activities of that kind of connection if it can be carried through to its logical conclusion?

A. Well, this helps in the local field a great deal. It is one of the reasons I am anxious to have permanent representation in foreign lands. You can speak with certain authority and be of such assistance to Philadelphia busi-

[fol. 3338] nessmen who want to carry on business in those areas, and we have made this wonderful relationship with these fine companies and with the organizations there, and we can bring that information about the possibilities that exist in Mexico—this happens to be Mexico—for doing business on the part of American businessmen and particularly local businessmen. They are always interested in what opportunities exist there, and when you are really in this game you are in a position to bring them first-hand

information as to what they might expect in the way of the trade that they had hoped to carry on there.

Q. Have you any other illustrations of foreign connections of that sort which have been helpful locally, either in the United States or in Philadelphia?

A. Yes, just on a sporadic basis we have had some of our people spend some time down in South America. In Peru, for instance, we arranged to help finance the outfitting of a military hospital in Peru. Through this we obtained the business of a national company located out in Evanston, Illinois. Through this also we have been able to develop a better knowledge of the Peruvian situation, which we have conveyed to a number of our Philadelphia customers.

[fol. 3339] Also, in connection with the financing of steel mills in South America, we are able to, in connection with a company that is close by here in Reading, we are able to finance a foundry installation in a steel mill there, and this brought us the business of that customer, and we have been of great assistance, I think, to this particular customer, who is nearby in Reading, and we have also been very helpful to a customer in Harvey, Illinois, a national company, where we made credit arrangements to help expansion of a steel mill on the part of this Latin American country, so that we are building business with American companies, and this gives us a knowhow, even though to a modest degree, how to carry on foreign business and how we can make that advantageous to Philadelphia people.

Q. Do you have any more examples?

A. Yes, I have more examples. We had a customer who was in a very glamorous industry. This customer started in a very, very modest way. We have had to advance most of our advances on a secured basis. These advances have taken the form of a substantial mortgage on his plant, $485,000, $286,000 advanced on equipment in the plant, and we also grant him a line of credit of $250,000. This [fol. 3340] is a total credit extension of something over a million dollars.

We have again just about reached that nervous position as to whether our resources would allow us to go any farther or not. Here we had the blessing of having this

man go public. As I say, it is a very glamorous company. They were able to sell their stock to the public on a very advantageous basis. The company is very well capitalized now, and I think that any inroads by other banks from New York or elsewhere trying to help them out have been eliminated since this capital deficiency in the company itself has been cured.

We also have another one just like that. This company is also in a very glamorous business. We have extended money on all sorts of terms. We extend $500,000 on Government contracts. We extend $100,000 on non-Government contracts, the accounts receivable. We have loaned $175,000, now reduced to about $117,000 on a fourteen-acre plot improved with warehouse buildings. We have advanced $250,000 on the security of lands and other assets associated with that particular transaction. We have loaned $60,000 to the man and his wife, and your will find that this adds up to something over a million also.

[fol. 3341] This glamorous business has not yet gone public. It is very much in the wind, and I am saying this, if it doesn't go public, and this man does not get better capital in his business, once again we are exposed to bringing in somebody else to help us out in a business where he absolutely started from scratch and we provided everything today in all sorts of ways and all sorts of lending facilities, but we have just about reached the limit which, may I say again, the resources of the bank are important in carrying on.

Q. If the merger has been in effect or were in effect now, would this problem arise?

A. Our worriement would be very much postponed if the merger had been in effect, because it would be such a relatively small loan to the total resources of the bank.

Q. But this is the kind of customer you would like to continue with, is it?

A. We certainly do, because we think in the long run, despite the fact that he is strapped now for working capital, if what he is working on comes home, this deals with some of the things that we are hearing about today down at Cape Canaveral. If this works out it will be a great bonanza, and I think it probably will, but we are as far as [fol. 3342] we believe we can go today.

Q. Are there any different situations which you care to mention?

A. Well, we had another one. This company was in the aircraft business. It is a small, growing company, also a glamorous situation in business. They wanted to expand their activities and move out to an industrial park. We felt that while we had great faith in the company related to their capital investment and their working capital, that we just couldn't see financing by mortgage the building of this new plant.

We finally had to pass by the opportunity. I might say that another bank, which was probably much wiser than we were, had more courage, a bigger bank, came along and offered to give a mortgage on that property, and our account diminished to a very modest minimum balance. Fortunately, through a merger, we were able to get back into the business again. Meanwhile they have been going great guns. We have loaned them $925,000 now on a term loan. This was done, by the way, by one of our branch people who managed one of our branch offices, and the whole arrangement was worked out through him, and we are expecting any moment that this company is going [fol. 3343] to sell stock publicly, and when that occurs our term loan will be repaid, and I expect to see the company go along in a great way but, once again, this was really only a matter of two or three hundred thousand dollars that we felt we couldn't go because of the size of the company and because of the size of our own resources.

Q. All of these illustrations that you have given involve a loss of deposit money with the Girard when some other bank comes into the picture?

A. When another bank comes into the picture it is a matter of sharing the balances, and then there is a great battle on to see who can get ahead of the other fellow in keeping the share of his business.

I had another one that is interesting that maybe I should mention. We extended for many years a line of credit to this company. The company is in the construction business, having to do with structural steel. We had granted a $900,000 line of credit. We observed when we saw their statement that they were borrowing from another bank. We immediately went to see the company

and said we were sorry that they were not borrowing from us, and we had a $900,000 line of credit, and they said, well, this New York bank—it happened to be the Chase Manhattan—that they had been there at the op- [fol. 3344] portune time and that they had given the loan to the Chase Manhattan Bank.

So we said, "Well, we hope you will start borrowing from us."

Well, this did eventuate shortly thereafter. When the Chase heard about us—as I say, the line of credit from the Chase was $900,000 and the line from us was $900,000 —the Chase went around and they said, "Well, we will loan you $1,800,000. You don't have to bother with Philadelphia."

Well, when we heard about this we told them we would loan them $1,800,000. So now this company has a line of credit of $3,600,000.

It is a question of how much longer this can go on with this kind of competition, but I merely point it out to show you the aggressive nature of New York banks and larger banks and that there is no problem in getting lines of credit from New York banks that have relations to their resources, and while it looks like a big line of credit for us, it looks like a relatively small line of credit to the Chase.

Q. In all these instances you have mentioned would the position of the prospective merged bank, the Girard and PNB, have made this situation easier or made it possible [fol. 3345] for you to carry on these loans yourself without having a New York bank come into the picture?

A. They certainly would, and this to me is one of the great attractions of the merger, to be able to really stay with your customer for as long a period as you possibly can, and I see no real limitation as to how far we can go if we are permitted to have a bank of the standing that we are planning.

Q. I don't wish to prolong this indefinitely, but is that a common situation that exists because of your limitation in size?

A. This is the common situation that we are up against.

Q. Is there any other one, just one more example which

is different from the others that you have mentioned, which you care to tell us about in this area?

A. I have a little note of some of these companies with me. I might still have that.

Oh, yes, there is a very, very important one that I overlooked. This had to do with a large paper company. We had been a very important factor in the growth of this company. However, the company has had limited working capital, but we have given them secured loans. As [fol. 3346] a matter of fact, at the present time we loaned them $550,000 on signed accounts, we loaned them $500,000 on warehouse receipts, and we loaned them, to their sales company, a subsidiary, $1,500,000 on their accounts receivable. All of these loans were secured, but they amount to $2,550,000, and we are just about to the limit where we can go there.

This is a particularly trying situation for us because in this case we have told the owner of the business that he ought to have other banking facilities. We have even introduced him to a bank in Boston and one in Albany, and he will probably get his additional facilities there.

We also have hanging in the balance here a very large estate. We have been considering this man's affairs, from the standpoint of his Will, and this will run into many millions of dollars, so that if we get too much company, you never know what the competition might do to the estate.

[fol. 3347] I might also say in connection with some of these others that I have mentioned, the first illustration of the National City Bank coming in, there is a very large estate involved there. We are actually appointed in that estate and the more banks that come in to help out a company the more we are exposed in developing estate business for the future.

This is sort of hard going, when you have stayed with a company from early growth and then find that you have to retire at probably just the wrong time, but at a time that it seems necessary because of your resources.

Q. When you lose control of a situation in the manner that you have described so that some other bank comes in, either as a major participant or the lead bank, even though you may still be there in a subordinate position, if

you should grow through this merger to a size where you might have held the business alone, what can you say about your chances of getting it back?

A. I don't think that business lost of that nature can very well be retrieved. We are not counting so much in connection with the merger (at least I am not) in getting back business that we have lost.

What I am concerned with is not losing any more of it, keeping what we have here in Philadelphia, not having [fol. 3348] to go to New York or elsewhere.

This is the important consideration that I have in my mind.

Q. And losing business to New York or some other community, what will be the effect, if any, on losing business to another Philadelphia bank?

A. I don't think that our merger is going to affect other Philadelphia banks. The business that goes out of Philadelphia will probably go out anyway, and unless we can stop it from going out the other Philadelphia banks aren't going to get it either; so that I see very little effect of this merger on Philadelphia banks.

Q. The size of the loans that you have spoken about, with only one or two exceptions, were all within the limits of the capacity of any one Philadelphia bank of the upper group, five or six, were they not?

A. Yes, they were.

Q. And yet, in spite of that, the New York banks came in and took a dominant position?

A. That's right.

Q. Or were brought in?

A. That's right.

Q. Now would you turn to page 10 first and then to pages 78 and 79 of the application; and I make this ref- [fol. 3349] erence not for the purpose of asking you to read aloud into the record the material that is contained in the paragraphs there to which I am going to call your attention, but simply to ask you whether this is a reference in the application to the same problem that you have been discussing here today.

The first one on page 10 is the first full paragraph beginning with the words, "The third reason for the merger" and so on.

A. Yes. This is what I was talking about, about breadth and depth of management and planning, organization, economic research, and so forth.

This is what I was talking about.

Q. Now on pages 78 and 79, I call your attention to the paragraph beginning at the bottom of page 78 and continuing on the top three lines of page 79.

A. Yes, this is the same thing, having to do wtih trade promotion, which I think we will be able to do so much more effectively.

Q. Then the next to the last paragraph on page 79.

A. This has to do with the Edge Act corporation, where we hope to carry on more foreign business.

That was also another real plus in the merger, as far as my bank is concerned.

Q. Now the Edge Act corporation is something a little [fol. 3350] unusual, is it not?

A. Yes, it is very unusual.

Q. Would you care to say a word about that and about how it opens up new opportunities?

A. Under the Edge Act, it is possible, under one category of it, to establish a corporation that can engage in foreign banking and under another section of it a corporation can be organized which would engage in foreign investments and lending.

It is this latter type of corporation which the Philadelphia National Bank has recently organized and which I think probably has great promise for the future in developing foreign investment and developing interesting possibilities for Philadelphia business.

Q. Are there many of those corporations in the country?

A. Relatively few.

Q. I mean within how many?

A. Oh, I don't suppose that there are a dozen.

Q. Would the increased resources that would result from the proposed merger make it easier to carry on that kind of an operation?

A. There is no question about this. This kind of an Edge Act corporation requires capital and resources; and to the extent that we can devote more of them than is cur- [fol. 3351] rently devoted to it, the more we will be able to do and the farther we will be able to go.

Q. The examples you gave of lost business involved chiefly New York banks.

Can you tell us something about the competition that has come to your attention, to your personal attention, that is, with particular reference to the New York banks?

A. The competition of New York banks in this area is really terrific. They have a great edge on us in their ability, of course, with the resources that they have, to offer the facilities and also to bring to our community information about national business conditions, as well as foreign business conditions.

You have a bank like the Chase Manhattan Bank coming here, inviting 200 of our best customers or our prospects to the Racquet Club to hear a man whom they have employed from The Netherlands to participate in the formation of a Common Market arrangement in Western Europe; to hear all about the great services that they will be able to offer to all business in the United States, and particularly to Philadelphia business.

It shows that they have the know-how and the ability and the resources to do these things, and it pretty well puts Philadelphia in the shade.

[fol. 3352] Then they follow that up by sending pamphlets or brochures on a regular basis throughout the Philadelphia community and elsewhere, entitled "Western Europe," and where they are keeping the Philadelphia businessman advised not only about the Common Market, but also about the European Free Trade Union and so forth.

These things present real competition to us.

Q. You mentioned something about the Racquet Club that I didn't hear.

A. I said they made this arrangement for dinner at the Racquet Club, where they invited 200 of our customers or people whom we would like to have as our customers, the very top people in Philadelphia, to hear what they can do in the foreign market.

I was glad to be invited, but it's very tough going to see the kind of sales pitch being made to Philadelphia customers.

Q. Are there any other illustrations of that kind of approach that are being made?

A. Well, just very recently Henry Alexander, who is one of the top bankers in the United States, with the Morgan Guaranty, was shown off to very good advantage at the Philadelphia Club. He had along with him Mr. Thomas Gates, the former Secretary of Defense, who has just been made Chairman of the Executive Committee of the [fol. 3353] Morgan Guaranty Bank; and there I found about 75 of Philadelphia's outstanding businessmen being given a very pleasant and social evening, but having Ralph Leach, the Treasurer of the Morgan Guaranty Company, tell in a rather sophisticated way what he saw for money market conditions, interest rates, and so forth.

These are powerful pitches being made in our Philadelphia area by New York people.

Q. Was the man who was in charge of the Morgan Guaranty business present at this function?

A. Yes, he was.

Q. And is that approach an unusual situation or is it usual?

A. I know that there are all sorts of arrangements being made in Philadelphia by New York banks. The New York banks—some of their officers are here on a Monday-to-Friday basis, and I see, of course, really a great number of them from day to day on Philadelphia streets and sometimes within our bank.

Mr. Price: Will you mark this D-39, please?

(Document entitled "List of Banks with Main Offices in New York City (Five Boroughs) with Lending Limits in Excess of $1,000,000, December 31, 1960" was marked Exhibit D-39 for identification.)

By Mr. Price:

Q. I show you a paper marked D-39, entitled "List of [fol. 3354] Banks with Main Offices in New York City (Five Boroughs) with Lending Limits in Excess of $1,000,000," and ask you whether that title correctly describes the list.

A. Yes. That correctly describes the list.

Q. And the group at the top of the list——

A. Starting with the First National City Bank?

Q. The eight banks with lending limits in excess of $10

million, is that the group from which you receive the most active competition?

A. Yes, by all odds these are the active competitors in this market.

Q. Now you say people are here on a Monday-to-Friday basis. What do you mean by that? And how does it work?

A. Well, some of the principal officers of the bank only come for special occasions, but the vice presidents and assistant vice presidents and assistant treasurers are here constantly calling on customers or prospective customers of their bank.

Q. Do you know that of your own knowledge?

A. I say I do know that, and I could name 25 or 30 of them right offhand.

Q. Well, don't name 25 or 30, but name a few that are the most active and the ones that are most persistent in their solicitations in Philadelphia.

[fol. 3355] A. Well, you take the Chase Manhattan Bank, you have David Rockefeller, the President, Walter Dennis, the Executive Vice President, Lee Loree, the senior Vice President, Jack Hooper, Vice President, Joe Kennedy, Vice President, Jim Robertson, Assistant Vice President, George Hofstetter, Assistant Vice President; and, as a matter of fact, just yesterday, as a coincidence, I received in my mail a list of about five or six others who are now calling in this area in addition to the ones I have mentioned.

Q. And they are calling for which banks?

A. They are coming from the Chase Manhattan Bank.

Q. So that the Chase Manhattan alone has all of these solicitors, if that is the proper term, working actively in Philadelphia? —

A. They certainly have.

The First National City Bank, they would have Lew Sperry, Vice President, Ted Gardner, Vice President, Walter Jeffers, Vice President, Bill McFeely, Assistant Treasurer. He, by the way, is the one that is calling on my first prospect that I said where we were having New York competition creeping in.

We would also have [illegible] Murdock from the First National City Bank.

For the Morgan Guaranty, I have mentioned some of [fols. 3356-3357] those people. There is Henry Alexander, the Chairman. There is also Al Foote, Vice President, Livy Schwarz, Vice President, Jim Wallis, Assistant Vice President; and men of that character here for Morgan Guaranty.

Q. These are the people that you, yourself, have seen in Philadelphia?

A. I see them on a regular basis, and my customers are always telling me about having pleasant visits with them.

I know quite a few more, Mr. Price, but I don't suppose you want to hear them now.

Q. All right. I imagine that will be sufficient. I was warned not to give you a chance to give us more names.

Will you find page 121 of the application, to which I will now ask you to refer——

The Court: Since there are only two minutes left of the afternoon, I think that would be a good time and place to start tomorrow morning.

(Recess taken at 3:58 o'clock p. m. until 10:00 o'clock a. m. on Thursday, July 20, 1961.)

[fols. 3358-3359] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

TWENTIETH DAY

Philadelphia, Pa., July 20, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 3360] GEORGE H. BROWN, JR., resumed.

Direct examination. (Continued)

By Mr. Price:

Q. Mr. Brown, will you turn to Page 121 of the application.

A. 121, Mr. Price?

Q. Yes, and I ask you to read the paragraph starting below the solid line, beginning with the words, "The field of competition . . ."

A. "The field of competition of the Resulting Bank will be local, regional, national, and even international. The most significant competitive effect of the merger will be to improve Philadelphia's position in the national (and international) competition among the large banks of the country's major metropolitan areas, particularly New York, Pittsburgh and sections in the eastern part of the country."

Q. In the following paragraph will you read down to the line just below where it says Schedule 3A.

"As has been stated previously in setting forth the 'Basic Reasons' for the merger, Philadelphia is the fourth largest metropolitan area in the country (see [fol. 3361] Schedule 1 of Exhibit K). Economically it ranks fourth or fifth (Schedule 2). Its port is one of the largest in the country, and in the important category of import tonnage, it is the largest. In contrast, Philadelphia fares poorly in banking strength."

Is that where you wish me to stop?

Q. Go ahead.

A. "Schedule 3 lists the twelve largest metropolitan areas in the country and details the size of the five largest banks in each area. If these same areas were ranked in the order of the size of the largest bank in each, Philadelphia would rank ninth (Schedule 3A)."

Q. Just one more sentence.

A. "Five smaller cities have banks larger than Philadelphia's largest."

Q. Will you turn to page 127, Schedule 1.

A. Yes.

Q. Tell us what that indicates.

A. This shows the population of the twelve largest metropolitan areas.

Q. And where does Philadelphia stand in that?

A. Philadelphia ranks fourth.

[fol. 3362] Q. And that is as of 1959?

A. That is as of 1959.

Q. And then the rank in 1950 for the metropolitan area as well.

A. It also ranked fourth in 1950.

Q. Now will you turn to Schedule 2 on page 128.

A. Yes.

Q. Retail sales and manufacturing data of metropolitan areas. Take the retail sales first in the central city area. Where does Philadelphia rank in that category?

A. Philadelphia ranks fourth.

Q. Isn't it fifth, after Detroit? It is listed No. 4 but it is really No. 5.

A. Oh, I am sorry. That is so. I thought it was listed in order. It is the fifth largest in retail sales and manufacturing.

Q. That is for central city, but the next one is the total area. It is fourth there, isn't it?

A. Yes, it is fourth for the total area.

Q. Now, as to the average number of production workers, its rank is what?

A. Average number of production workers, it is ranked also fourth.

Q. And wages in 1957?

[fol. 3363] A. Its rank is fifth.

Q. And value added by manufacture?

A. Value added by manufacture, it is fifth.

Q. Now will you turn to page 132, Schedule 3A.

A. Yes.

Q. Where does Philadelphia rank in relation to the leading bank in metropolitan areas?

A. In the comparative rank of leading bank in metropolitan areas, Philadelphia is ninth in relation to the leading bank.

Q. And national ranking?

A. On a national ranking basis it is twentieth.

Q. Now, Mr. Brown, you referred yesterday, on the general subject of competition, to having business taken away from you by New York banks and other banks. What additional effect has that on your general business, trust business particularly?

A. This also has an effect on our trust business, because we find that when we develop warm relationships and close relationships with important commercial customers, we very frequently bring their business to the Philadelphia area, acting in various capacities as a fiduciary.

Q. Is the personal trust business an important part of your general business, that is, the Girard's general——

[fol. 3364] A. It is a very important part of our general business. We have in trust at the present time approximately $2,40[illegible],000,000 in trust values. This is included in about 8000 accounts, if you include our inactive life insurance trusts and our pension and profit-sharing trust in about 10,000 accounts, and it produces about 15 per cent of the gross income of the bank.

Q. Over what area or from what area does the Girard draw trust business?

A. We operate over a very wide area. We have an extremely well organized estate planning and business developing department. We have at least a dozen men who are devoting their attention to the development of new business in the planning of estates as an everyday job, and this takes us all over the United States. However, I would say that most of this activity is concentrated in the eastern part of the United States.

Q. What has been your experience with reference to the close relationship of commercial business and trust business. Just how does that operate?

A. We find that the relationship is extremely close. I spoke yesterday of a company located in New Hampshire. There is a trust estate situation which we expect to serve that will run into the many millions, which we would never [fol. 3365] have had a chance to have without a commercial relationship.

We have some very important relationships in Albany, New York, because we are the lead bank in a situation in Albany, New York.

This is also true of the owner of a business who has just recently died, in so happens, in Huntingdon, West Virginia.

We have also important relationships in Charlottesville, Virginia, as the result of commercial relationships.

Another one of our very good customers in Orlando, Florida, owns a number of small businesses which we serve.

In addition to that, we find customers throughout Pennsylvania. We work very strongly all throughout Pennsylvania. We have a very important trust relationship arising out of a strong commercial relationship from Allentown, Pennsylvania. This is also true in Berwick, Pennsylvania; Milton, Pennsylvania; Bethlehem, Pennsylvania; Elizabethtown, Pennsylvania.

Q. How does that affect your commercial deposits?

A. This, of course, helps our commercial deposits also, for in addition to being appointed as trustee under Wills [fol. 3366] or under inter vivos trusts, deeds of trust, we are able, by having this very warm relationship with the commercial customer, to be favored with commercial transactions and commercial deposits.

Q. What has been your observation with reference to the effect, if any, on smaller banks in Philadelphia when larger banks have merged in the past, particularly in the past ten years?

A. I have watched this very carefully. It seems that as we have been engaged in mergers we have had a hard time going forward with our new business other than that accomplished through mergers, where the small banks have shown terrific growth on a percentage basis. I think that as our merger which is presently pending indicates, the smaller banks are looking forward to the inroads that they will be able to make with our customers, and it will be quite a battle to try to hold our own with them. They are very fine competitors from the standpoint of particularly the small business and personal accounts, and I know that they are looking forward with some anticipation to the merger.

This growth continues uninterrupted, no matter who seems to merge, as far as the small banks are concerned, and they have the very interesting experience also of not

[fol. 3367] only growing very fast, but if one looked at the six months statement of the banks' earnings here in Philadelphia, you would find that the bigger banks for the most part show minus figures and the little banks, relatively speaking, show plus figures, so that they not only are growing in size, but they are carrying this growth through to very splendid profits for themselves.

Q. You spoke of smaller banks looking forward to this merger. What actually happens here? What have you observed happens when two of the larger banks merge?

A. Well, we find a very much stepped-up campaign in all the various areas where we have our branches, particularly of other branches of other banks in those areas soliciting our customers, endeavoring to attract them their way. One of the favorite pleas is, "Now the other bank is so big, you won't be quite as important."

This, of course, isn't true, but it is a very good selling idea appealing to many people, and you find a great deal of scurrying around, when a merger occurs, to see how many dissatisfied people they can find, even though those people, in my opinoin, should not be dissatisfied.

Q. Are there any handicaps, so far as you know, to the growth of other banks, large or small, following the mergers [fol. 3368] that have taken place?

A. I have seen no handicap whatever by reason of a merger.

Q. Any diminution of competition as a result of mergers?

A. I would say that the competition seems to increase with mergers rather than to be diminished.

Q. On the subject of competition, will you turn to page 43 of the application.

A. Yes, I have that.

Q. On pages 43 to 51 are listed a number of banks in the Philadelphia area. Generally speaking, are you familiar with that list?

A. Yes, I am. I have reviewed it carefully.

Q. What is your opinion as to the competition, if any, furnished by these banks, either individually or collectively, with Girard?

A. I would say that all of these banks are in competition with us to one degree or another. I would say that any bank that is within commuting distance, a reasonable com-

muting distance, of any of our offices or of our community is definitely in competition with us. We in turn are in competition with them through advertising on radio, advertising in newspapers, offering special services, like tuition loans, ready credit, Charge-Write. We are bound to [fol. 3369] touch the customers and obtain customers of the banks included here, just as they will get customers of ours.

Some of the people who live in these communities, of course, work in Philadelphia. To that extent perhaps we can have them deal with some of our offices here in Philadelphia. Other people who are located in Philadelphia on an everyday basis working here may very well in turn have their account or their wife's account out in one of these banks because they happen to live in that community, so that any bank that is listed here, or, in fact, is within reasonable commuting distance of any other bank, is an actual and potential competitor, and, in fact, is a competitor to one degree or another.

[fol. 3370] Q. You are speaking about the individual depositor here more than the businessman or larger businesses?

A. I am not thinking particularly of the larger businessmen. I am thinking of the thousands of people whom they serve and whom we serve.

Of course, I might mention the trust situation here too. We are probably a reasonably strong competitor for most of the banks of any size on this list from the standpoint of our trust activities.

Q. I am sorry. Did you finish?

A. I was thinking of our trust activities, Mr. Price.

Q. Yes.

A. I would say that we are a competitor of any of these banks that engage in the trust business because of our wide-flung trust activities and our very special know-how in the administration of trusts. We are bound to be a competitor in that field as to any one of these banks that engages in trust business.

Q. Now, in general, what would you say the short-term effect on local banks would be if this merger took place, that is, the Girard-PNB merger?

A. I would say (and I regret to say this) I believe that

the short-term view is that our competitors will be very well sharpened in their activities, that is, their activities [fol. 3371] will be very well sharpened to obtain our business and there will be a great push, and I think a partially successful one, to obtain customers of our bank.

I had the president of Philadelphia's largest bank say to me that he is sorry to see this merger held up because he had his staff all geared up to grab a number of our accounts and they were losing some of their steam because they couldn't go ahead while it is held in suspension.

Q. What makes you think or makes him think that?

Mr. Reycraft: I object to what makes him think unless you are going to put him on as a witness.

Mr. Price: All right. He doesn't like the form of that question.

By Mr. Price:

Q. What makes you think that deposits would be lost?

A. Well, there are a number of reasons. Businesses want more than one bank. In a case where there is any account where the Philadelphia National and ourselves have an account, that is a sitting duck for competition. Every one of our competitors in town here will be after that account to see whether they don't want a second account.

Our correspondent bank activities will be particularly vulnerable here because our competitors will be making suggestions to those correspondent banks, "Well, maybe [fol. 3372] the two balances when put together are just a little too much to carry in one bank, and here is your big opportunity to open that account that you have been wanting to open with us for so long."

This really will be a field day for the competitive banks. I know ourselves, when we see mergers happen, we check every customer in sight that that other bank has and every means available to us (and we have some excellent means available) and we go out and solicit that business to see whether in some way or other we can't, at that point, move into the situation.

We have been successful in that regard and I am afraid that our competitors are going to be successful here. We

are going to have some pretty substantial inroads on some of our accounts.

Q. What would you say as to the long-term effect on other banks in Philadelphia of the proposed merger?

A. I think the long-term effect on the other banks will be good for them. I think that if we can bring more business to Philadelphia, if we can bring more deposits to Philadelphia, if we can make more loans to Philadelphia, through our business development activities, if we can get people to come and use Philadelphia, other banks will benefit.

If we, for instance, could get a business concern to come [fol. 3373] to the Philadelphia area, suppose they locate near Norristown; this would give a bank like the Montgomery County Bank and the Peoples Bank a great chance to get all sort of individual business from employees of the industry which we brought here.

Now while we would, perhaps, have the main account (and we certainly would hope that we would have) this gives other banks a chance to engage in business with people who are brought into their community for all sorts of services offered by banks.

Q. What would you think would be the long-term effect on customers of the merged bank?

A. I just can't help but feel that the customers of the merged bank would be benefited. We will be able, as a result of this large bank being put together, to engage to the fullest degree in the uses of automation. I think that will improve our efficiency and our ability to serve, it will help keep our costs down; so for the small depositor, we will be able to give him efficient service, perhaps more efficient than we are able to give now.

If we can increase our deposits, which I think we surely will, we will have more money to loan to small customers, as well as to large customers; so that this could be, in my opinion, a wonderful move as far as the customers of [fol. 3374] the bank are concerned.

Q. Do you make any distinction between the national customer of the bank, the large depositors, in contrast to the small depositors, between the large businessman and the small businessman?

A. In our treatment of depositors, we do not distinguish

one from the other. We give the same kind of services to a small depositor as we do to the large depositor.

Now it is true with a large depositor that he requires more services than the small depositor, but the service which we give is identical. We are just as interested in the small depositor as we are the large depositor.

In our loan policy, if anything, I would say we favor the small depositor against the large depositor and we do everything we possibly can to cultivate the depositors in our bank, and there is no differentiation made between one or the other, because we have long since learned that the small depositor sometimes becomes a very large depositor and a very influential person in a large company, or they become very important in their own right, or they inherit money from their relatives, or they make it themselves.

We have every reason to try to preserve the relationships that we can preserve with every living soul of business that we can do business with in our bank.

[fol. 3375] Q. In the banking business, do large banks do better advertising service for large customer and if not totally ignoring, at least downgrading, the smaller customer?

A. The large customer, of course, will be much better served by the larger bank, but people are not dealt with as to people. It is just a question of the kind of services they use and we try to make every service we have the best service, no matter what kind of a customer it is.

Q. Dr. Goodman, on page 1833 of the record, said:

> "With the disappearance of the one effective branch system and the effective large bank, I suggest that this materially affects his"—(and he is speaking of the small businessman, the small depositor)—"ability to get funds."

What have you to say about that? First, would you consider that the merger would result in the disappearance from Philadelphia of one effective branch system?

A. I certainly could not agree with that statement because when this merger is approved we intend to keep every one of our branches except the one next door to the other that has previously been mentioned; and we

shall do everything we can to serve the customers of the communities that those branches serve.

So that as far as the customer losing an alternative pos- [fol. 3376] sibility of dealing with a bank, I suppose that theoretically this is true, but the customers that we serve in these various communities are interested in the bank as a bank, and if we didn't have our name on the bank the people in the community would come because it is a bank.

We have no intention of closing the bank, any of the branch banks. They are producing much of the life blood of our business. We have established these branches at a great cost to ourselves and we are out there to serve customers who have moved into those communities and we are out there to get anybody else who is available for new business to increase the size and the effectiveness of our bank.

So that I just cannot see how any small business person or small personal account will see the slightest difference when they are dealing with the bank, with our branches in those areas.

Q. Now on the subject of small business Dr. Goodman also said this, and I shall read first from the bottom of page 1857 and the top of page 1858 of the record, first the question and then his answer:

> "Do times of tight money create greater difficulties for small businesses in small banks or in large banks with regard to their ability to get loans?
> "A. I would say that smaller banks are more receptive [fol. 3377] than are larger banks, all other things being equal."

Then on page 1920 he says this:

> "A. My statement would be that the amount of loans which small business was able to get was increased substantially less than the amount of loans which larger businesses were able to get, and that therefore it was my conclusion that there was discrimination in the ability of small business to get loans relative to large business to get loans in periods of tight credit relative to periods of credit ease."

What have you to say about that?

A. I think that those statements are absolutely without foundation. We could not be more conscious in our bank of the small businessman. We know what that means to our bank, not only in our relations with him, but we even know what that means politically; so that we are very conscious of not having the small businessman turned away.

In periods of tight money in our bank (and we have experienced such periods of tight money) our move is always to go to the larger customer and curtail his borrowing. Of course, larger customers are more flexible in their borrowing and it is easier to have them shift around.

For instance, we might have a loan to a large finance [fol. 3378] company. Let's say it would be $4 million that may be due in a couple of months. We have such fine relationships with that company we could say, "Well, couldn't you move that $4 million out to San Francisco or some other place and make some room for us?"

That kind of a customer can move around, the large customer, and does.

You can see what an impact it would be, as we have had this (and this is not just giving an illustration, it is actual cases) where we have had large finance companie move out substantial sums of money, that is, substantial amounts of borrowing out of our bank, into other banks and have made room for us to not cut down on the small borrower, for, after all, with a small borrower, let's say, borrowing $25,000 or $50,000, you can't make very much progress in cutting his line by 10 per cent. You could reduce his line by $2500 or $5000. This means nothing, so that you have got to make the cuts among the big customers to have the flexibility.

We have been successful in doing this. We might say to the little customer, as well as to the big customer, "If you have an expansion program in view, I wonder if you couldn't curtail that for a while. If you are thinking of acquiring another company, perhaps an activity like that should be postponed."

[fol. 3379] "If the transaction in which you are engaging is perhaps pure speculation or very close to it, perhaps you should not go forward with that." We say that both to small borrowers and large borrowers; but knowing what

small borrowers mean to us in the long run in our bank and that those small borrowers, some day, some of them, are going to be large borrowers, we couldn't be more attentive to the small businessman.

So that when Dr. Goodman says that small business suffers in tight money, well, he wasn't looking around Philadelphia when he said that.

Q. What effect on the business of the bank would you expect a program such as Dr. Goodman was talking about to have? In other words, pinching the small businessman and the small depositor in periods of tight money in favor of the larger businessman?

A. Oh, this would absolutely be ruinous to us, to find the small businessman talking about being pinched when we are favoring some larger borrower; and there is nothing worse in the banking business than being a fair-weather friend, and the main objective in our banking department activities is to never turn down a commercial loan that you can possibly make whether money is tight or easy because if you turn down a man when he needs a commercial loan you may never have the opportunity again after things straighten out of turning him down once [fol. 3380] again because you will lose him as a customer.

Q. Now, Mr. Brown, a good deal has been said in the course of this trial about service charges and I would like you to comment generally on service charges, and, if you will, you might go back to the pleasant days when demand depositors were paid by banks to deposit their money with them.

Tell us how that time has changed and the various developments which have led up to the service charges which are now fairly and quite common.

A. Yes. The service charges now, of course, are quite common, although in my early days with the bank, back in the twenties and the early thirties, we paid until we were barred from doing so interest on demand deposits.

In those days the corporate treasurer seemed to be much more satisfied to keep large balances in banks because we usually paid 2 per cent those days on balances, and I suppose he was largely satisfied because he couldn't do much else elsewhere. These were the days before the Treasury notes and certificates and the prevalence of other

possibilities of investment like commercial paper, so that——

Q. Did the Treasury issue the short-term bills then that it does now?

A. No, the Treasury did not. That didn't come along until later, so that avenue was not available to the de- [fol. 3381] positors of those early days.

We had in those days individuals keeping very large balances with us. Those individuals came to find other means of investment.

Q. When you say very large balances, could you give some indication of the size?

A. Well, some of our depositors would have $50,000, $100,000, $150,000, $200,000. These were individual deposits with us.

Of course, we didn't have many deposit accounts. I would say we probably had under 10,000 deposit accounts.

We had no really small deposit accounts at all; but suddenly we found, after the imposition of Regulation Q and when it was impossible to pay interest after, I think it was, 1933, that the corporate treasurer then was getting no return for his excess funds. Life was becoming much more complicated too for the corporate treasurer with the imposition of all sorts of regulations, governmental and otherwise, and he sought to place his funds where he could get real returns and we, as a wholesale bank, having only—well, we really had just blue chip or blue stocking accounts in our bank—found that the large depositor as an individual was starting to invest money in the stock market or other fields of investment, and we found that the corporate treasurer was now only keeping with the [fol. 3382] bank working balances, balances that we really earned.

Because we did not pay interest then and, as a matter of fact, it has only been very recently that interest has been paid on corporate time accounts, all this money that was with us and was so pleasant disappeared from the banks and we saw that unless we went out and dealt with the public at large, with the economy changing as it had, with the people now being able to have bank accounts, people no longer keeping money in sugar bowls, that they would have to deal with a broad group of depositors.

We would have a depositor that perhaps had a balance with us of $10 million and we rather hesitated to go out and perhaps seek depositors who would have as much as $10 million with our bank, by getting them on a volume basis; but we felt that unless we grew with the economy, that unless we offered banking service to the public at large, we were just going to dry up as a bank. This was true of all banks throughout the country, as we made very careful studies of it.

So that where we first came into the service-charge field is when we offered special checking accounts. Special checking accounts reach the public at large and give the man on the street a bank account that no one was interested in having before. This was a great boom to him.

As I said perhaps yesterday, the average special checking account has in it about $200. If we allow a rate of return on that $200 that we can earn, at let's say, well, for ease of calculation, 2 per cent, that is $4 a year.

[fol. 3383]

If we allow a depositor, as we do, to make deposits at will during each month and to draw checks (and interestingly enough we find that the average special checking customer draws a hundred checks a year) we charge him on a volume basis 8 cents a check, so that his costs are 8 cents a check for a hundred checks, or $8; and for a maintenance charge we charge 50 cents a month and that is $6.

$8 and $6 is $14, and including the $4 we earn on his account, we realize $18 a year with that account. That is $1.50 a month for handling his account and this means bookkeeping, giving him checks on which he has his name, handling all the mishaps that may happen with those accounts, because in carrying on banking business you are always subject to losses of some kind of another; and also there is great expense in the turnover in these accounts.

We will have as many as 12,000 to 15,000 people a year open special checking accounts and we will have that many close special checking accounts, so that this makes it a very expensive process; but not so expensive that we do not want to do it because, with the realization of $18 a year per account, we can make enough to cover our costs;

[fol. 3384]

we can provide service, as we do in this case, to about 65,000 depositors, and for what we believe is a

minimum cost to the public, which is sometimes referred to as a service charge in this case, we are able to bring banking facilities and the availability of every service we have in our bank to that special checking account customer.

So I don't think that anyone could get service possibly any cheaper than that.

Q. Have you made any survey to determine what it does cost the bank per account of that nature?

A. Yes, we have. Actually, we are just lucky to break even. Even though we take in perhaps $1 million a year for that kind of service, we are just likely to break even. We might have $5000 or $10,000 left over.

The big thing to us, of course, is that by serving these people we have an opportunity of offering them safe deposit facilities, consumer loans, trusts—as they have accumulated money, trust services—and, as I indicated before, the special checking depositor sometimes becomes a very important depositor.

We even find in special checking account, as a matter of interest, that sometimes somebody gets $30,000 or $40,000 in one of those accounts and, of course, we try to make new arrangements with him, but we find that they like the way [fol. 3385] the thing operates, so they like to keep just what they have. However, in those cases we do adjust the cost.

Then there are other charge account or service charge services, where we make special charges, and this has to do with the payment of payrolls, that is, the arranging of payrolls; it has to do with handling coin, currency.

We also have accounts that may carry as much as a million dollars with us that we service-charge because their customers are perhaps thousands and thousands of people and service charges only arise out of the number of items that you handle. It is keyed to the amount of your business, so even a million dollar depositor is service-charged if he has special services rendered to him.

Q. Such as what? Give us one illustration of the money handling, the coins, and so on.

A. Well, you take a customer who is in the supermarket business, a customer who is in the milk business, serving thousands of householders; and when they pay by check

the check-handling costs are just enormous. In those cases we have to charge a service charge and the customer, even though he has a million dollars on deposit with us, prefers, rather than to carry more, to just pay us for our work.

That is one of the reasons that we have to have a service charge schedule which is acceptable to large depositors as [fol. 3386] well as small ones.

I might also say that many people open regular checking accounts that ought to have special checking accounts. In those cases, it is a little more expensive to get banking service in that fashion and we try to encourage those people to move over into special checking accounts. Where we do not, we have a schedule for those for small regular checking accounts.

As far as competition, about which you were talking, affects this, there is no competition on the part of anybody who is trying to get an account because you have a service charge. I mean we or no other bank would try to obtain an account on the theory that we can get a service charge for handling the account.

[fol. 3387] Q. Have you had any general survey to determine the basis on which you establish these service charges?

A. Yes, we have. We are always studying the cost to us of handling the items of deposit, the check handling, the collections, the cost of our tellers, the cost of the services of handling over the counter all these transactions, and we find that in every instance—oh, there might be a bare exception—our service charges are not enough to cover the costs of doing business where a service charge has to be imposed.

Q. Would the merged bank have any power to change service charges, either increase them or decrease them, of any other bank after the merger?

A. I didn't quite get that question.

Q. Could the merged bank or anything that it might do affect service charges imposed by other banks on their customers?

A. I am sure that we could have no effect whatever on other banks as to their service charges.

Q. How many deposit accounts has the Girard now? You

said some years ago it had about 70,000, and did you mention some 60,000 of these special accounts?

A. We have about 72,000 regular checking accounts, of which about 13,000 are commercial or business accounts. [fol. 3388] We have about 65,000 special checking accounts, and we have about 120,000 savings fund accounts.

(Document headed "Excess of Average Deposits over Average Loans of Girard Trust Customers with 27 Largest Lines of Credit" was marked Exhibit D-40 for identification.)

Q. I show you a paper marked Exhibit D-40, Mr. Brown, and ask you what that is.

A. This is a statement which shows the excess of average deposits over average loans of Girard Trust customers with the 27 largest lines of credit.

Q. And the number 27 was selected because the Philadelphia National Bank had 27 in its largest category?

A. Yes, we made this up as a somewhat comparable statement.

Q. The maximum line of which the Girard is capable was $6 million?

A. $6 million is our lending limit.

Q. And if I recall correctly, the Philadelphia National Bank exhibit has only the maximum lines?

A. Yes, of $8 million. They had 27 with $8 million.

Q. But since there were 27 of those, you picked out the first 27, the largest 27, in the Girard's list for purposes [fol. 3389] of comparison?

A. That is correct.

Q. That is how you arrived at the number 27, is it not?

A. That is so.

Q. Have you any general observation you would like to make about this exhibit?

A. I think this exhibit shows rather clearly that the larger depositors of the bank, who have the largest amount of lines, produce deposits with the bank which in the overall provide sums of money over and above the loans which they may have currently outstanding to make available to other customers. This particular list shows that as of the average for 1960 the deposits of these customers

as a percentage of their loans was 159.3 per cent, or, in other words, with average deposits of $41,800,000 from these large customers we had $26 million in average loans, so there was $15,500,000 to loan to other customers of the bank.

Q. Will you refer to the item marked E, and without referring to the customer by name, have you any comment that you would like to make about that?

A. I would like to say, as to customer E, that we do make a loan to a rental company here that leases auto-
[fol. 3390] mobiles in a rather large number to this corporation, so that we would have perhaps a couple of million dollars in loans outstanding to the rental company. The rental company, indeed, would have large balances with us also, but it might be said that there is some relationship to item E, where it says "None" to the fact that we are financing cars which this particular customer is using.

Q. But the loan is made to the company that supplies the automobiles, is it not?

A. Oh, yes, it is. This company has no actual liability for the loan at all.

Q. Now, as to item Q, customer Q, have you any comment about customer Q?

A. As to customer Q, that customer operates a supermarket business, and we have no loans outstanding to that customer, although we do have under this line of credit, we do allow loans to be made by others with the security of the lease of this customer, so that it might be said that indirectly the loan that we have made would be tied into our customer, although our customer has no liability whatever for paying the loan itself and is not a party to the loan agreement.

[fol. 3391] Q. And as to customer R?

A. As to customer R, in that situation we loan money to mortgage brokers that are accumulating them for customer R in a mortgage pool, and it therefore may be said that indirectly we are extending some benefits and advantages to customer R, and they might be said to be in the nature of an indirect accommodation.

Q. But there is no direct loan to customer R?

A. There is no direct loan to customer R. As a matter of fact, customer R cannot borrow any money.

Q. Referring once more to customer E, this leasing arrangement you speak of between the owner of the automobiles leasing them for the customer, the customer had a deposit with the bank long before this leasing arrangement was established, did it not?

A. Oh, yes. As a matter of fact, we have a number of accounts with this customer of a very substantial nature.

Q. And similarly with customer R, that customer had a deposit long before this other mortgage pooling arrangement that you referred to came into existence?

A. They are among our very oldest customers in the bank, long before we ever thought about a mortgage pool. [fol. 3392] Mr. Brown, would you care to comment generally on the effect that you think this proposed merger would have on the public at large?

The Court: That is going to be pretty broad. Let us take our ten-minute recess.

(A 10-minute recess was taken at 11:00 o'clock A. M.)

(The last question was read.)

A. I think, Mr. Price, I have pretty well covered what I might say in response to that question. Just to briefly summarize, I certainly will say that I think that everyone will be benefited from this merger, both the small depositor, and particularly the large company whose business we can handle to better advantage. As I pointed out yesterday, I think the assistance that we can give growing companies is terribly important. With greater resources we would be able to help growing companies to a greater extent than we have in the past, and I think the help that we can give to the big companies in keeping business here in the city will not only accrue to our bank and to our shareholders' benefit but will accrue to the banks and the community at large.

Q. I think in your statement a few moments ago you [fol. 3393] referred only to the small depositor. You didn't mean to exclude the small borrower from that, did you?

A. Goodness, no. If I inadvertently did that, I was cer-

tainly thinking very much about the small borrower and the advantages that he will have. Especially that small borrower will have advantages because as a result of these efforts that we are going to make to bring more money into this area, this is going to give the small borrower a greater amount of money with which to be accommodated.

Q. What would you say would be the effect of this merger, if accomplished, on existing and potential competition generally in commercial banking in the Philadelphia area?

A. I think that as far as this merger is concerned, on the matter of competition, it will quicken it and strengthen it. We will find our competitors working harder, finding more ways to serve people than they are now, and I just cannot believe that we will have anything but a very strong competitive activity on the part of our competitors.

Q. Would you expect it to be lessened in any degree?

A. Goodness knows our competitors will be trying to take our ears off.

[fol. 3394] Q. Would you consider it likely, with your experience in Philadelphia, that the proposed merger would unreasonably increase banking concentration or concentration in commercial banking in the Philadelphia area?

A. I certainly do not believe that concentration in banking in Philadelphia will be affected in any adverse way if this merger is approved.

Q. What can you say about the effect, if any, of the merger on existing and potential competition in the commerce and industry served by the commercial banks in the Philadelphia area?

A. I just can't see how the merger can even slightly affect the commerce and industry in Philadelphia. As I understand, what that statement says is that we are going to affect people in business adversely by having more facilities available to them, and I just don't understand, really, what the question is intending to prove or what the statement is intending to prove, but we cannot affect any business in any way in Philadelphia. All we can hope is that we can get them to think kindly of us.

Q. What effect would you expect the merger to have on the ability of prospective borrowers having their bor-

[fol. 3395] rowing needs adequately supplied? Would that affect it adversely in any way?

A. It certainly would not affect it adversely in any way. As far as the new bank is concerned, I can't imagine that we wouldn't want to make every loan that it was possible for us to make, but if the borrower had to seek alternatives, there certainly are plenty of them to be had.

Q. What effect would you expect the merged bank to have on the ability of other banks to perform their banking services?

A. It will not have the slightest effect on other banks. Other banks will not be affected in any way as to performing their services by a merger of our bank.

Q. In your observation, has there been any evidence of any restraints or restrictions upon other banks or customers of other banks resulting from past mergers in Philadelphia?

A. Not the slightest that I have ever seen or ever heard of.

Q. Mr. Brown, I don't think anyone has said and I don't recall any exhibit which indicates whether or not the proposed merger was approved by the stockholders of the Girard.

[fol. 3396] A. Yes, the merger was approved by the stockholders of the Girard. They were most enthusiastic about it. As a matter of interest, we had more stockholders vote this time than ever voted at any election and more votes cast for the support of management in this activity than any vote ever cast in the bank for anything. The figures were well up around 95 per cent.

Q. Do you recall when that meeting took place?

A. I think that meeting took place in May. I think it probably was about the 9th of May.

Q. Do you recall when Dr. Harris was testifying he said that he thought the Girard had been before the Banking Board on at least one occasion, and then later by letter he expressed some doubt as to the accuracy of that statement, but he didn't have time to verify his records before he left for Europe. What can you say about that?

A. I think that second thought was a good one. The Girard has never been before the Banking Board. We have had no occasion to be there, because the only thing

that would take us before the Banking Board would be the establishment of a de novo branch over the county line, and we have established no such branches during our branch activities.

[fol. 3397] Mr. Price: Cross-examine.

Mr. Reycraft: Before we proceed with the cross-examination, I would like to hand Your Honor a memorandum relating to the deposition of Mr. Brown, which we discussed earlier.

I may say that at the time the deposition was offered in evidence the Court gave the Government permission to file a memorandum on the question, and that is the memorandum which has been filed.

Cross-examination.

By Mr. O'Donnell:

Q. Mr. Brown, you discussed regulations governing investments by the bank.

A. Yes.

Q. Do you have D-33 with you, the annual report?

A. No, I do not have that.

(Exhibit D-33 handed to the witness.)

Q. Turn to pages 30 and 31.

A. 30 and 31, yes.

Q. These are bank-owned securities. Will you look at the last item on page 31.

A. Yes.

Q. Pennsylvania Railroad Company, 6000 shares.

A. Yes, that appears there.

[fol. 3398] Q. Will you tell us how that came into your possession?

A. I might say we unfortunately bought this stock many years ago at $50 a share, and it is now selling around 13 or 14, as you know. The bank examiners have just come in, and we have written the stock down on our books by a quarter of a million dollars, and it is what is known as a non-conforming investment, something that the Federal Reserve and the state bank examiners are hammering at us all the time to dispose of one way or another.

We had a number of other shares that we acquired when we had the right to acquire shares, and we have given those all away, but we have not seen fit yet—given them away, I have indicated, to our foundation—we have not seen fit to dispose of the railroad stock as yet.

Q. Mr. Brown, your bank under its time deposits has what type of accounts, savings accounts?

A. Under time deposits?

Q. Yes.

A. Under time deposits we would have savings fund deposits, we would have certificates of deposit in the form of a certificate, we would have time deposits in the form [fol. 3399] of a letter of agreement indicating the terms under which we held the time deposit, and in order to compete with New York we have just established a new form of time account certificate which is possible to trade in the open market, so that we do now have time certificates, trying to meet this very aggressive competition in New York who have dreamed up a new idea of developing time money in the banking system.

Q. So that when you say savings fund accounts, is that individual accounts, or does that include——

A. Saving funds accounts are largely individual accounts. Corporations are not permitted to have saving fund accounts, except I believe certain charitable and nonprofit corporations may, and I think there is a special exception, too, for I believe school boards. They might have saving fund accounts.

Q. Do you have Exhibit D-34 before you?

A. Yes, I have D-34.

Q. The first line on that exhibit, Girard Trust Corn Exchange Bank, indicates that on 12/31/56 your savings fund deposits were $70,824,000.

A. Yes.

Q. In the last column you have $109,500,000.

A. That is correct.

[fol. 3400] Q. Approximately an increase of just under $39 million?

A. Yes.

Q. Will you turn to page 10 on Exhibit D-33, your annual report.

A. Yes.

Q. The second paragraph, the second sentence, says, ". . . in the past five years our savings deposits have grown by $41.6 million."

Can you account for the difference?

A. This is a statement, "Competition for such business is severe; nevertheless in the past five years our savings deposits have grown by $41.6 million."

And then the other sheet that you referred to showed a growth of what?

Q. Just under $39 million.

A. Under $39 million? This is a difference of $2 million?

Q. Yes, sir.

A. I am unable to account for that differential. I can undoubtedly provide that answer for you after lunch, if that is of importance.

Mr. Price: May I suggest that D-34 covers four years and not five?

[fol. 3401] Mr. O'Donnell: Yes, you may.

Mr. Price: Does that make your question a little bit deceptive?

Mr. O'Donnell: That indicates that the title of the chart is not accurate.

Mr. Price: There is nothing wrong with the title. That is talking about dates, not amounts.

The Witness: The title of the exhibit says "Five-Year Survey of Savings Fund Interest Rates." The dollars might just as well have been left off the report.

By Mr. O'Donnell:

Q. Mr. Brown, I show you the Report of Condition of Girard Trust Corn Exchange Bank at the close of business on December 31, 1956, and I call your attention to the item "Time Deposits," which shows a total of $67,536,000, which is less than the $70 million shown in Exhibit D-34 and ask you if you could secure an explanation of that.

A. I certainly could secure an explanation of it. It is probably due to the fact that when we state a report of condition for the Federal Reserve authorities and for the state banking authorities, we have to shift our balance

[fol. 3402] sheet around, and items appearing in one year in our annual report would appear in an entirely different way in this report, but I can easily obtain that for you.

Q. Thank you.

A. Is counsel making a note of what I am to obtain?

Q. Mr. Brown, you had said in your direct testimony that you estimated that foreign money in this country for short-term investment was 7 or 8 billion dollars.

A. Yes, I did. I might say, Mr. O'Donnell, that after making that statement I looked up the figures when I went back to the office, and I found out that I was referring to the 1958 figures, that instead of being 7 to 8 billion dollars, it is presently in the order of $21 billion. In 1958 there was $2,100,000,000 in time deposits of foreigners in our banks in the United States. There was some $8 billion of other money of central banks, and there was a total—the differential was made up of other deposits, demand deposits, of foreigners, and that total was $13 billion, but I believe the total now is $21 billion of assets in this country. This whetted my appetite a little bit. This will be that much more money we probably can lay our hands on to increase our deposits.

[fol. 3403] Q. You were speaking, Mr. n, of what you termed hot money. Do you include th ls of foreign banks in that category?

A. Not the demand deposit funds. The demand deposit funds of foreign banks are very stable, because they are carrying on transactions here in this country all the time, and there is really great stability in foreign bank deposits. It is the foreign time deposit which is so volatile and which seeks any market it can find wherever it can be best accommodated at the most favorable rate.

[fol. 3404] Q. Mr. Brown, you said that the interest rate on commercial paper is hinged to the rate the savings bring?

A. I don't think I said that, Mr. O'Donnell. If I did, I didn't mean to s that.

The commercial paper market, as perhaps you noticed in the newspaper yesterday, is hinged mostly to the Treasury bill market. All the commercial finance companies yesterday or the day before reduced their rates an eighth of one per cent, and this is because the Treasury bill market has

really been going down rather sharply on a relative basis, and they are bringing this in line with the Treasury bill market.

Now this has a direct effect on our savings, our time deposits of corporations, because a corporation must keep money with us at least 180 days or more to get 3 per cent. We can only pay 2½ for the period of 90 to 180.

So that your competition therefore would be Treasury bills, commercial paper, and time deposits at 2½ per cent rate, all in a very close relationship to each other, and I think the commercial paper people look at time savings rates given by banks, but they are not influenced by the United States Treasury bill market.

Q. Mr. Brown, you spoke of the Federal Reserve regulations requiring you to carry 16½ per cent of your demand [fol. 3405] deposits as a reserve?

A. Yes.

Q. Has that rate fluctuated in recent years?

A. Yes, it has. The movement has been downward.

You see, the rate in the central reserve cities up until recent times has been higher than in the reserve cities. Philadelphia is not a central reserve city, it is a reserve city, and I can remember back that it was not too long ago that that reserve was, let's say, 17½ per cent; perhaps maybe back a year or two before that it might even have been slightly higher than that, but the trend has been downward because the Federal Reserve authorities and the Treasury and the Government have been trying to pump more money into the commercial banking system in order to make more money for business to borrow.

Q. And this has had the effect of freeing some of your reserves?

A. Oh, yes. Any time that the Federal Reserve's reserves against demand deposits is reduced, this give us more money to loan to our borrowers.

Q. Mr. Brown, at page 2614 of the transcript you said:

> "... you don't find many banks loaning more than 60 per cent of the deposits in the form of loans or investing in other types of securities ..."

[fol. 3406] A. If I said that——

Q. Let me ask you—go ahead.

A. If I said that, that statement is not correct. It is correct to the extent that you do not find many commercial banks loaning more than 60 per cent in the form of loans, but this would have no relation to what they would invest in securities.

Usually the ratio, Mr. O'Donnell, would be something on the order of 60 per cent in loans, about 25 per cent or thereabouts in securities, with the difference tied up in reserves, cash in banks, unusable funds, something of that nature, and also in fixed assets.

Q. Could you tell me what the ratio was of your loans to deposits as of, say, June 30, 1961?

A. June 30 of 1961? I don't know this offhand, but our ratio was probably higher than 60 per cent.

We had a pretty stiff loan push in our bank during these last few months. We have been somewhat contrary to the situation, particularly in Philadelphia, to the balance of the country.

We have some unusual loans on our books. We have gotten some investments and foreign acceptances which have caused us to have a larger loan ratio than 60 per cent and we are a little uncomfortable about it, but we believe [fol. 3407] that the nature of the loans, being some of them very short term, and some quite large and to be paid off quite soon, that we have not a dangerous situation at all or an unfortunate one as far as our bank is concerned because we have about a $50 million secondary reserve and this, of course, gives us a great cushion and we are, therefore, able to make more loans than we otherwise would.

Q. Mr. Brown, speaking of the Federal Reserve stock that your bank is required to hold, you say that this stock paid 6 per cent in dividends?

A. Yes, it does.

Q. But that there is no freedom of action as to whether you like that 6 per cent or not; there was a suggestion that a 6 per cent return was not a good rate.

A. I am not suggesting that 6 per cent is not a good rate. What I had in mind more in making that statement, Mr. O'Donnell, is that we have $1,800,000 invested in Federal Reserve stock and that's just $1,800,000 that we can't loan to you or to me or to someone else in the carrying on of our business.

So we would much prefer to have the 6 per cent coming out of something that revolves, something which produces money that we can loan to customers.

Q. Speaking of your branch system and moving into the adjoining counties, Mr. Brown, you said that the local banks [fol. 3408] in the area where you plan to move had an opportunity to pre-empt the site.

A. Yes.

Q. Has any bank pre-empted a site that you may have selected?

A. Not pre-empted any of ours because we have not attempted to do this, but there has been pre-emption on the part of other bank locations by other unit banks of sites under these regulations.

Q. Mr. Brown, would you say that when you make a loan, a large loan, the borrower has or places a deposit in your bank?

A. Well, he has already had one there if we are making a large loan. It very seldom occurs that we make a large loan simultaneous with the deposit; we have the deposit ahead of time.

Q. Is he free to withdraw that deposit while the loan is outstanding?

A. Yes, he is. We won't think very well of him, but he is entirely free to take it out.

Q. Mr. Brown, do you have Exhibit G-69 there?

A. I don't believe I do have it, do I?

I have that, Mr. O'Donnell.

Q. Will you turn to page 2——

The Court: Will you hold it, please, until I get it.

[fol. 3409] I have it.

By Mr. O'Donnell:

Q. The fourth company on that list, you said the parent company was a good customer of your bank?

A. Yes, that is correct.

Q. Where is that parent company located?

A. It's located up in North Philadelphia. Of course, I perhaps should also say that the parent company has a number of operations——

Q. In the Philadelphia area?

A. —in the Philadelphia area, in the Reading area, in the Covington, Kentucky, area, and so forth.

Q. Had one bank previously handled this company's business?

A. Do you mean handled——

Q. The parent company's business.

A. —the parent company's business?

I don't know whether that is so or not, but it could be. This company grew very largely, I think, when we were the principal bank there. We had one of our vice presidents on the board and I would suspect that maybe in its early years——

This company has had fabulous growth. They have outgrown us, but we may have been a principal bank at one time.

[fol. 3410] Q. Now the last company on that page——

A. Yes?

Q. —was that a large amount for this company to borrow?

A. A large amount for the company to borrow?

Q. Yes.

A. Yes, that's a pretty sizable amount for this company to borrow. They have limited investment capital in this company.

Q. This was a prior account of your bank; you had been doing business with them before?

A. We have had a relationship for some years. We were in the credit long before the Bank of Long Island was, although we had nothing to do with bringing in the Bank of Long Island.

Q. Does any other Philadelphia bank handle any of their financing, do you know?

A. I should doubt very much if any other bank would. I think that we probably have loaned to them about as much loan money as they could borrow from anybody, along with this Long Island bank; and I doubt if anyone else has it.

Q. On page 3, the borrower from Lancaster, the last one on that page,——

A. Oh, yes.

Q. —did you get a deposit from that borrower?

A. No, we did not get a deposit from that borrower. We got the deposit from the Lancaster County Bank.

[fol. 3411] Q. You had previously a deposit from the Lancaster County Bank?

A. Oh, yes. This is one of those situations. You see, this results from two reasons.

We have quite a lot of experience as a food bank, as I think I mentioned yesterday, and this company being a packing company was attracted, together with their knowledge of their own bank, that we knew this game pretty well, and between the combination of our knowing the game and the Lancaster bank having the deposit, this supported the loan as far as we were concerned.

They don't support any other loans like this. If they did, we would have much more in the way of deposits.

Q. On page 4, the first company?

A. Yes.

Q. Can you tell me what type of loan that was?

A. Yes. That was a type of loan that involves the financing of their customers' accounts receivable. Department stores have, particularly in recent years, been extending more and more credit to people on time purchases and they have had to turn to their banks to help them carry some of their accounts receivable, really; and this is part of carrying the accounts receivable for this large department store chain.

Q. Have you done any lending of that type prior to this?

[fol. 3412] A. Yes, we have. We have done this for a large Midwestern mail order house. We did have at one time this type of loan for them, but this is not our usual type of lending, although you never know, if you have a good department store account, they are likely to ask you at any time to help them carry their accounts receivable.

Q. Do you know whether the other Philadelphia banks indicated there do this type of lending?

A. Yes, they do. Both the Philadelphia National and The First Pennsylvania Company do this type of lending.

Q. On the last page, Mr. Brown, you said that the first company there had part of its operations formerly——

A. In Philadelphia?

Q. —in Philadelphia?

A. Yes, it did, way back.

Q. They no longer have any manufacturing operations here; is that right?

A. I do not think that they do.

Q. Yet you have managed to hold on to this business?

A. Yes. We have managed to hold on to the business.

Q. You have shared this on a 50-50 basis with the New York banks?

A. Yes, we have.

Q. Would you expect that ratio to change after the [fol. 3413] merger, if it were consummated?

A. No, I wouldn't expect it to change. We have always been very good friends of this company and our associations go back a great many years, even with the owners of the company before the present owners of the company.

So that I would not think that they would move the business out of Philadelphia. I really think we are quite fortunate in maintaining the account here, as a matter of fact.

Q. Will you please turn to page 4, Mr. Brown.

A. Yes.

Q. I will ask about the last company shown on that page.

A. Yes.

Q. You said it was a hard job arranging this loan, did you not?

A. It certainly was.

Q. Did the company arrange for all of these banks to put up their shares by itself?

A. I don't know whether the company did all of it or not. I can say this—I know the company arranged it with us.

They employed as a financial vice president of their company just before—this company has just recently gone public. They employed this financial vice president. He was a former vice president of the Montgomery County Bank and Trust Company, and I would say that he prob- [fol. 3414] ably, knowing the game so well, went around and made the arrangements for the lines.

Whether the Chase Bank in New York and the Fidelity here in town tried to help out, I don't really know; but this had nothing to do with our arrangements.

Q. They had previously borrowed from you?

A. Oh, we were one of the main banks here. We brought this company from a very small company to a very large company, and then they decided that they needed so much credit.

This company is just a devourer of credit and we had gotten about to our limit. We were up to about $4 million with them and we thought that was as far as we could safely go.

This illustrates the situation that I was talking about yesterday, that a company gets up to a limit with the bank and must find some way of securing it and this is the way they found of curing their inability to borrow $20 million from us.

Q. Mr. Brown, you were speaking of correspondent bank relations. Do you know whether any of our correspondent banks has ever had any trouble with its borrowers because that bank shared the loan with you?

The Court: Read that question back.

(The reporter read the pending question.)

The Witness: I do not believe so, Mr. O'Donnell. [fol. 3415] This, of course, would not naturally follow anyway. Any borrower who goes into a small bank and knows that he cannot borrow any more than a certain small lending limit knows the bank has got to go some other place, so that they certainly wouldn't be bothered about their going some other place because this is the only way it could be done.

By Mr. O'Donnell:

Q. Yesterday, I believe, Mr. Brown, you said that you don't carry any excess cash in other banks, that you keep your——

A. We watch it like a hawk. We don't let an extra dollar stand in any other bank.

Q. Well, is this the same thing as the corporate treasurers do with the money in your bank and in other banks?

A. Well, when it comes to watching your cash and using your cash as hard as you can, I think that this is probably something along that same line.

Every day we change our balances in these banks so that they don't get an extra dollar and so that we will have the dollars to loan to our customers and engage in the purchase of securities.

Q. Turning to your branches, Mr. Brown, Mr. Beadle said, as I recall, that for most of the branches the area from which the branches draw business is a radius of about a mile.

A. I think Mr. Beadle did say that about city branches, [fol. 3416] within the city, that branches draw business within about a one-mile radius.

But I think he very clearly stated that out in the country or out in the suburbs, the more rural areas, a two-mile radius was about the radius from which they draw business.

Q. Would the Wynnewood branch be a city branch or a suburban or country branch?

A. Well, the Wynnewood branch is just about out of the city. I would say that the Wynnewood branch would be more nearly like a city branch than it would be a country branch.

Q. How about the Ferne Boulevard branch?

A. The what?

Q. Ferne Boulevard.

A. Oh, that's the branch out in Drexel Hill?

That branch—well, that would be more likely to draw from a larger area, I would say.

Q. Mr. Brown, yesterday you said, speaking of the merger, at page 2714 of the transcript,

> "Also, I felt that if we could, by reason of a better prestige and a better stature position as far as our size, we could attract business to the community, we could keep business from leaving this community . . ."

Have any businesses left the community because of the stature or the size of your bank?

[fol. 3417] A. Well, that isn't stated too clearly, if that is the way I said it.

I meant banking business going from the community. I wasn't thinking of a business leaving the community. I was thinking about the business that is now going to New York from our present people here in Philadelphia, that

we might have a chance of stopping some of the flow of that to New York if we had a bigger bank with more prestige and more stature. That is what I intended to say.'

Q. Mr. Brown, you also said that your solicitors have called on companies and have been told, "When you are a bigger bank, come around again."

Can you name a company who has said that?

A. I think perhaps I can.

I don't know that I can be specific about that. I hear my men in the out-of-town department particularly, who cover the businesses outside of the county, reporting at loan meetings and reporting at business development meetings, well, so-and-so told me that if you were a little bigger bank we would do our business with you.

I can remember one very well. Up in Allentown there is a large cement company there and they said to us, "When you are a bigger bank, we will be sure to do business with you. We are doing it now in New York; we would like to divert more business to you."

[fol. 3418] Then also there is another customer in Allentown; the president told me that he would love to do more business in Philadelphia and that he thought that this merger was a fine thing and that he would rather turn his business to Pennsylvania than he would to New York; and this customer, just perchance, was located also in Allentown.

Q. Is that the customer whose deposition was taken the other day?

A. No, no. Incidentally, the customer whose deposition was taken the other day is a very good customer of ours.

As I say, our men are constantly telling us—they tell us when we are a bigger bank we will be doing more business with you.

This is common comment.

Q. Do you know this of your own knowledge? Have any of these officers of companies told you directly?

A. Yes, the president of the——

Q. Cement company?

A. No, not the president of the cement company. The president of the cement company told our Senior Vice President, George Clark, that they certainly wanted to open up in Philadelphia.

The president of the other company told me in my office that he thought this was a great thing, would be willing [fol. 3419] to come here and say so, if we would just move the court; and that he would like very much to open with our bank.

Q. In what business is this company?

A. They deal in gases.

Q. How large are they?

A. A very substantial company.

Q. How large would their borrowings be?

A. Oh, I would think their borrowings would be—he wrote me about it later, as a matter of fact, and said that he had told me that they had been borrowing something in the area of around $20 million or $24 million, but that he was mistaken about that. He had looked at his records and he said he was borrowing around $18 million or something of the kind.

Q. From more than one bank?

A. No, he has been borrowing mostly in New York.

Q. From one bank in New York?

A. Yes, yes.

Q. Speaking of the officers of the New York banks who are in Philadelphia on a Monday-to-Friday basis, you didn't intend to include the presidents of Morgan Guaranty and the Chase Manhattan?

A. Oh, no. They just used the presidents to put on these special shows.

For instance, when the Chase Manhattan Bank would [fol. 3420] bring John J. McCloy, who is the adviser to President Kennedy on Disarmament, here, this would be a special event and it only lasted two or three days.

Naturally, he is not coming here every week, nor is David Rockefeller, but Rockefeller may come here for a week.

Q. Have you done this for any of your customers?

A. Visited other places? Well, we visit. We do visit but, of course, it has been a very modest and in a sporadic way.

I might say to you, Mr. O'Donnell, that I know more men from the New York banks soliciting business in Philadelphia than I know of all men in Philadelphia banks soliciting business in Philadelphia, in the banks themselves, and I know most of them.

Q. Do you have Exhibit D-38 before you, Mr. Brown?

A. Yes. I have that, Mr. O'Donnell.

Q. Are there any services listed on this exhibit, Mr. Brown, which are unique to the Girard?

A. (No response.)

Q. That are not offered by other banks, say, of your size.

A. Well, there is one other bank that has "Charge-Rite," so that is somewhat unique.

We think the service we provide to trust customers and prospective trust customers is somewhat unique. We think [fol. 3421] we are pretty sophisticated in that field.

We have the tuition loan plan that beats anything that any of our competitors have.

Our ready credit service is different too. We make you a loan by allowing you to make a deposit, where other banks do this same thing by having you draw a check.

I would say that for the most part, Mr. O'Donnell, most of the banks in Philadelphia of any size are providing this service or something which is closely approximating it.

Q. Does Philadelphia National Bank provide these services?

A. Well, you see, the Philadelphia National Bank made a very late start in the trust field and I would suspect that there are many services here in the Trust Department that the Girard is serving that the Philadelphia National Bank is not.

They just haven't had time to get around to it. This all takes a great deal of time. We have been at this trust business since 1836; they have been at the business since about 1951 or something like that.

Q. But they are potential competitors of yours in these additional trust services?

A. Potential competitors of ours?

Q. Yes.

A. Yes, I would say so.

Q. And they are active competitors in the services which [fol. 3422] they do render?

A. Yes, the Philadelphia National Bank is an active competitor.

Q. Do you have Exhibit D-30?

A. Yes. I have that.

Q. On page 1, under the first category, Savings Deposits, Individuals, under $10,000 each——

A. Yes.

Q. —in the last column over there headed "Percent Outside 4-County Area," under Girard it shows 2.6 per cent. Could you tell me what per cent would fall within the four-county area?

A. Your question is if 2.6 per cent of accounts under $10,000 of savings deposits would be outside of the four-county area, how much of a per cent would be inside the four-county area?

Q. That's right.

A. Is that your question?

Q. Yes.

A. Well, I would think it would be approximately the difference betwen that and a hundred per cent, although——

Q. That would be 97.4 per cent?

A. Yes, but, you see, with 120,000 accounts they might come from anywhere from 20 miles around here, which would be just very hard to identify.

[fol. 3423] I would say this—that most savings deposits that we have would come from this area.

Q. The exhibit indicates they are within and without the four-county area.

A. Does it also show? Oh, yes, outside the four-county area.

Well, I would think that the very large proportion of our savings deposits under $10,000 would be in our branch system and in our main office.

Q. The second category, which is Savings Deposits, Individuals, $10,000 Each and Over, you have 100 per cent from within the four-county area; is that right?

A. I think that would be approximately correct.

The Court: What was that question? Read it back; read the question and the answer.

(The reporter read the testimony as directed.)

The Court: All right.

By Mr. O'Donnell:

Q. In Category 2, Time Deposits, Partnerships and Corporations, Under $10,000 Each, the exhibit indicates that 100 per cent of the accounts in that category would fall within the four-county area. Do you agree?

A. Yes. I think that would be approximately correct.

Q. And the second section of that category, $10,000 and over, 79.5 per cent would come from within the four-county area?

[fol. 3424] A. I would think that would probably be approximately correct.

Q. Skipping down to the bottom of the table, total time and savings deposits, 94 per cent of the deposits would be within the four-county area; is that right?

A. I am not sure but what you might be mixing apples and pears when you get down there, because, for instance, there is a hundred——

Q. Do you mean that the exhibit is mixing apples and pears, prepared by defendants?

A. I am frankly not too familiar with this exhibit. This says total time and savings deposits.

Q. Well, Mr. Brown, the exhibit was prepared by the defendants, was it not?

A. Yes.

In a moment I will take a good look here and I will try to answer your question.

Mr. Price: Did you want to know what the 94 per cent relates to? I haven't been able to find it on the exhibit.

Mr. Reycraft: It isn't on the exhibit.

Mr. Price: What?

The Court: It is the 100 minus the 6 per cent shown on the bottom line.

[fol. 3425] Mr. Price: Oh, the total time savings——

Mr. Reycraft: For some reason that is left out of the exhibit, the 94.

The Court: It is the 94 that isn't shown.

Mr. Price: This is another subtraction from 100; is that correct?

Mr. Reycraft: Yes.

The Court: That's it. It shows 6 per cent outside; it shows, ergo, 94 per cent within the four-county area.

The Witness: Yes, but I thought, as I first looked at this that mixing up items—what I really had in mind were so different from other items, mixing up people with $100 saving fund accounts, foreign time deposits of foreign banks, and time deposits of state and political subdivisions.

I think that is where I got the apples and pears idea. I think——

By the Court:

Q. They are still time or savings deposits, though, aren't they?

A. Yes, I think that's right.

Q. All right.

A. I believe that somewhere in the vicinity of 94 per cent would be the difference.

[fol. 3426] Q. And on page 2, which covers demand deposits, Mr. Brown, the first category, the first section, "Under $10,000 each," approximately 89 per cent would fall within the four-county area; is that right?

A. Yes, that is approximately correct.

Q. And the total in that category would be 87.3 per cent within the four-county area?

A. Yes, that would be approximately correct.

Q. In the second category, "Demand Deposits, Partnerships and Corporations," the first line, "Under $10,000 each," 89.7 per cent would fall within the four-county area?

A. I think that would be approximately correct.

Q. And "$10,000 each and over," 76.9 would fall within the four-county area?

A. I think that would be approximately correct.

Q. And of the combined total, just over 78 per cent would be within the four-county area?

A. Down at the bottom, are you referring to?

Q. No, in that category, "Demand Deposits, Partnerships and Corporations," both those under $10,000 and those over $10,000,

A. Would be what figure?

Q. About 78.3 per cent.

[fol. 3427] A. Yes, that would be approximately correct.

Q. And for the entire table, total demand deposits for

Girard, 77.2 per cent would come from within the four-county area?

A. I think that would be approximately correct. As a matter of fact, I believe that is so, just from my general knowledge.

Q. Turning to the last page, "Amount of Loans—September 21, 1960," in the first category, real estate loans under $50,000 each, more than 97 per cent would fall within the four-county area?

A. That would be approximately correct.

Q. Coming down to category 5, commercial and industrial loans under $50,000 each, almost 67 per cent would be within the four-county area?

A. That would be approximately correct.

Q. And in the $50,000 to $499,000 category more than 69 per cent would be within the four-county area?

A. That is about right.

Q. And in the last size category there, $500,000 and over, 55.6 per cent would fall within the four-county area?

A. I would think that approximately correct.

Q. And in the last line, gross lines, 61 per cent would [fol. 3428] come within the four-county area, would they not?

A. I would think that would be approximately correct.

The Court: Mr. O'Donnell, I think we will suspend at this time.

(Recess taken at 12:20 P. M. until 2:00 o'clock P. M.)

[fol. 3429] [File endorsement omitted]

AFTERNOON SESSION

GEORGE H. BROWN, JR., resumed.

Cross-examination. (Continued)

By Mr. O'Donnell:

Q. Mr. Brown, yesterday afternoon you described a number of small companies which grew. One of them you described as a company in the aircraft business, a small, growing company that wanted to extend its activities and move out to an industrial park.

A. Yes.

Q. Do you recall that company?

A. Yes, I do.

Q. You said that another bank came along and offered to give a mortgage on their property and your account diminished to a very modest balance. Can you identify the other bank?

A. The other bank was the Philadelphia National Bank.

Q. These 12 illustrations which you gave, 7 of them are outside the four-county area, are they not?

A. I am afraid I would have to look at that, Mr. O'Donnell.

Q. Yes (handing to the witness).

A. Yes, that would be correct. Seven are outside the [fol. 3430] four-county area.

Q. Would you say that that was business which rightfully belonged to the banks in those areas?

A. No, I wouldn't say that was business that rightfully belonged to the banks in those area, because the banks in the areas of a number of those out-of-town companies do not have the facilities for accommodating the companies, so that the banks in the areas just couldn't handle the business if they wanted to or were able to.

Q. One of these companies was in Evanston, Illinois, which is a suburb of Chicago. Are Chicago banks large enough to handle the business of that company?

A. When I described the company in Evanston, Illinois, Mr. O'Donnell, I was not describing anything about this company's inability to loan or our inability or ability to loan to that company. I was saying as to that company that we had gained its account, that we had been able to obtain its account, because we had performed a very special service down in Peru. This had nothing to do with the fact that the company needed a loan or anything of that kind.

Q. Do you have Exhibit D-40?

(Mr. Brennan handed a document to the witness.)

[fol. 3431] By the Court:

Q. Does it have the attachment?

A. No, it doesn't have an attachment, but I think I have a code to it, Judge Clary.

By Mr. O'Donnell:

Q. Do you have the code?

A. Yes, I do.

Q. Do all of these companies have their main office or large operations in the Philadelphia area?

A. I would say that most of these companies have their main headquarters in the Philadelphia area. There are some exceptions.

Q. Those which are exceptions have operations in this area; is that right?

A. Well, I don't know whether you could say a university which is some couple of hundred miles from here and conducts branch extension schools here in this area, that they are an operation here. I am not sure just how you would describe that.

Q. And other than that activity——

A. Well, the first one is in Philadephia. The next one is in Philadelphia. They are in the Fort Washington Industrial Park. The next one covers the world; they are every [fol. 3432] place. The next one has operations or operations related to it in this area. The next one has. The next one has. The next one, G, is the university. The next one has. The next one has. The next one has.

Q. You are now on letter I?

A. I am on letter I. They have a big operation here in Philadelphia.

J have a big operation here in nearby Philadelphia.

K have operations all over the country. That is a big financial corporation.

L is located here.

The next corporation is here or will be here. They have a pilot plant now over in New Jersey, and they are going to be located in New Castle when they get themselves really established.

Q. They are affiliated with two other companies in the Philadelphia area, are they?

A. Yes, they are.

The next company, of course, has a big operation here.

The next company has many activities here, but its big plant they have just moved out of that.

The next company has its location here.

[fol. 3433] The next company, Q, has its operations here.

R has its operations here.

S has activities here.

T, of course, is the university.

Q. That is located in this area?

A. Yes. This is out in Montgomery County, about a block from my home.

The Court: You don't know your county lines.

The Witness: You are quite right Judge. I live in Montgomery County, and this is right across the street, which is Delaware County. You are quite right about that. I am only wrong by about 300 feet.

The next one is a local department store.

The next one is a big operation here up in Bristol.

The next one has a subsidiary operation here.

The next one has an operation here.

Y has an operation here.

Z, I think that the operation that they had had now been discontinued here. They probably have sales offices [fol. 3434] but no real manufacturing.

Q. They maintain offices within a few blocks of here, do they not?

A. Well, if they do, I don't know that.

Q. I think you will find them in the telephone directory.

A. Oh, really? I don't know that. They are a very large textile company.

The next one is, of course, a Philadelphia company, double A.

Q. Z had many operations or had some major operations in this area, did they not?

A. I think they did, but I believe they were moved.

Q. Aside from making loans to these companies, do you provide other services to these customers?

A. Yes, a number of them we do provide other services.

Q. Do you provide a payroll account, for example?

A. We do for some of them.

Q. Which ones do you not provide payroll service for? Can you tell me?

A. I think we probably do not for A, B, C, D, E, F, G, H, I. We do for J. We don't for K. We don't for L. We don't for M. We do for N. We don't for O. We do for P.

Q. You do or you do not?

[fol. 3435] A. For P we do. For Q we do not. For R we do not. For S we do not. For T we do not. For U we do not. For V perhaps a small amount. For W we may provide some for its subsidiary here. X and Y would not have large staffs, so that wouldn't be much of a job for a payroll account. Z has no payroll account, and double A we provide part of their payroll account.

Q. Did you say for the first one you do not?

A. I do not believe that for the first one we supply payroll services.

Q. Do you provide other corporate trust services, perhaps?

A. No, we do not provide corporate trust services. They, I am sorry to say, have those done over in New York.

Q. Their main office is where?

A. Their main office is here, but their transfer agency is in New York.

Q. Can you tell me why they keep such a large deposit with you?

A. Well, I think they keep a very large deposit with us because we are a local company. They have need of large working sums for their operation of their many stores, and they look to us when they need it, although they

haven't had occasion to use very much in the way of credit [fol. 3436] in the last couple of years. Should they need it, they know that we are there to provide it.

Q. You provide corporate trust services for some of these others, do you not?

A. Corporate trust services?

Q. Take the last one on the list.

A. The last one on the list?

Q. Are you the registrar?

A. I think that we may be the registrar for that company. I think we may be.

Q. How about L? Are you the registrar of their common stock?

A. I think we are the registrar of their common stock.

Q. And as for company M, you are the registrar for the stock of one of the parents, are you not?

A. I think we probably are. I might say the job of registrar is not a very important one.

Q. Can you tell us why R carries such a large deposit with your bank?

A. Yes. That is a saving fund society. We do quite a lot of work for that society. For instance, one of their activities is a little competitive to our own. If you want to pay your bills through the saving fund society, you don't really have to have a checking account with us; you can [fol. 3437] go there and have them pay your bills. I would say last year they drew 1,500,000 checks on us paying bills for people. Of course, this meant that we didn't get the bank accounts of lots of those people.

We also provide them service at some of their branches. They are located near our branches in a number of instances, and it is a convenient thing for this society to deposit their daily receipts at our branch, and then we of course clear the items for them and give them credit.

Q. They need a commercial bank service?

A. Oh, they definitely need a commercial bank service, there is no question about that.

Q. Are they still represented on your Board?

A. Yes, the president of the company is a member of our Board of Directors.

Q. Are these deposits they maintain time deposits or demand or both?

A. No. A saving fund society would practically never maintain time deposits with a commercial bank, although there have been times when they had a little excess cash and didn't know quite what to do with it, they would ask us if we would take it on. We are not very happy about that when that occurs.

[fol. 3438] Q. Do you handle loans for what you call mortgage brokers?

A. Yes, we do. One of the ways that they acquire loans for their portfolio which they acquire—this is where they are acquiring loans from all over the United States—we have an arrangement whereby, in consideration of their saying that they will take the mortgage when it is in proper order, we will loan the mortgage broker who produces it and services it for them, let us say in Texas or California or wherever it may be, we will loan that broker the money temporarily until the saving fund takes over the mortgage and puts it in their own portfolio.

Q. I believe you said you handled payroll activities for company P.

A. Company P, yes, we do.

Q. They have a loan with your bank, do they not, or had a loan in 1960?

A. Yes, they have a loan with our bank. As a matter of fact, the director of our bank is the president—not now. He has just become chairman of the Board of this company.

Q. The deposit account they would maintain with your bank would be an amount larger than the normal com-

[fol. 3439] pensating balance which they would keep on a loan?

A. Yes, I think this company would endeavor to carry with us as much as they possibly could, because we are I think very much one of their favorites.

Q. The title on Exhibit D-40, Mr. Brown, indicates that the loans account for approximately 19 per cent of the lines available; is that right?

A. That looks about right, yes.

Q. This indicates, does it not, that these borrowers are not making much use of their lines?

A. Well, that would be true in some of the cases, but as I tried to indicate yesterday, when large companies have

large balances with you, you give them your line and you don't expect them to use your whole line. We would be very surprised if most of the companies in this list would use our whole line, although there are certain of these companies where we have very close relations. They might use our whole line knowing that we want to serve them to the nth degree because we are so close to them and they have such substantial relations with us.

Q. Are these formal lines of credit?

A. These are formal lines of credit, yes.

By the Court:

Q. What do you mean by "formal"?

[fol. 3440] Well, a formal line of credit means that our Loans Committee and our Board of Directors has considered it, has considered the balance sheets and the standing of the company—they have actually approved the granting of this line of credit—and then we write to the company and tell them that their line of credit with our bank is X number of dollars, which they are free to call upon whenever they care to.

Q. Did they request these lines of credit? Did they make an application to you?

A. Well, I would say it is about 50-50. We are very anxious to give them a line of credit because we know if we give them a line of credit, we are more likely to get some real deposits. On the other hand, in connection with the carrying on of their business they naturally want a line of credit, so I wouldn't say, really, who made the first move. I can say this, however, that we are anxious to give our good customers a line of credit that they know they can use any time they want to use it.

Q. Could you tell us, say, on company A, who made the first move?

A. No, I can't answer that. I don't know who made the first move.

[fol. 3441] By the Court:

Q. How long has your association been?

A. We have had an account with this company, oh, probably 25, 30, 35 years.

Q. 25 or 35 years ago you wouldn't know who made the first move?

A. No, I am afraid I wouldn't.

[fol. 3442] By Mr. O'Donnell:

Q. And you have had association with most of these companies for many years, would you say?

A. Well, let's see. Our lending relationship with G is of recent origin. They asked us for the line of credit. G asked us for the line of credit; I know that.

As a matter of fact, that proved a matter of great embarrassment to us. They wanted a line of credit of $7 million and I could only offer $6 million and this put me in a very embarrassing position and what I finally did is that I got in touch with one of our banking friends and said, "If they ever push me for $7 million I want some help"; so while they do have a line of credit for $6 million, I am committed to $7 million, so we had to do that in order to stay in the game because they said they could easily get the line of credit with the Mellon National Bank of Pittsburgh.

Q. Who was the other bank?

A. The Mellon National Bank of Pittsburgh.

Q. No, the other bank with which you arranged the additional.

A. Oh, this is just merely conversations I have had with a bank in New York, that I might some day have to turn to them.

Q. Does G do business with any banks in this state?

A. They haven't been, but in recent months and, as I say, in the last year, because they have a number of directors of [fol. 3443] the university in various cities around Pennsylvania, they have been placing time money in various parts of Pennsylvania; but the Mellon National Bank and the Girard, I would say, are the main banks where they would expect credit accommodations.

Q. Do you have the code to D-26 with you?

A. To what? D-26?

Q. D-26.

A. I am always missing the first and the last one here.

The Court: D-26 revised.

Mr. O'Donnell: The code, the index.
The Witness: Oh, yes. I do have that.

By Mr. O'Donnell:

Q. Would you look at number——
A. Do I have the code?
Q. The list of names.
A. No, I do not have the code here. I don't believe I have the code.

The Court: Hand this to him.

By Mr. O'Donnell:

Q. Will you look at No. 15 on that list.
A. No. 15?
Q. Yes.
A. That's the same university, No. 15, that I have just been talking about.
[fol. 3444] Q. And that has an $8 million line with the Philadelphia National, has it not?
A. That surprises me, actually, because I don't think that they probably ever used that line. If they have used it, I have never known about it.
It so happens that one of the directors of the university is on the board of the Philadelphia National Bank and I have the impression that this $8 million line from the PNB must be complimentary. I don't believe that that can be really a lending line.
Q. You have considerably more of a deposit than they have in this matter?
A. We have much more of a deposit than they have because we do handle their payrolls. That is one of the things.
Q. Of these 27, nine of the accounts are on both lists; is that right?
A. I don't really know the answer to that question, Mr. O'Donnell.
Q. I show you a comparison sheet.
A. Do you say they are on both lists?
Q. Yes.
A. Well, I would accept that. I know they are on our list.

The Court: How many?

Mr. O'Donnell: Two.

[fol. 3445] The Court: 1 and 2, are they included? I find 8 without too much trouble.

Mr. O'Donnell: Looking on the Philadelphia National list, Nos. 1, 12, 15, 16, 17, 18, 22, 24, and 25.

By Mr. O'Donnell:

Q. Earlier, Mr. Brown, it is my recollection you said that you did not provide payroll services for G, the university. Did I understand you to correct that just now? Is that the reason that you carry the large balance?

A. I think I should correct that because I believe that one of the services that we perform—this is a general account of the university and I believe that we do have some kind of a payroll reconciliation account for that university. I believe that is so.

We have had associations with this university for many, many years. Corn Exchange had it before we did.

Mr. Reycraft: That's all we have.

Mr. O'Donnell: No further questions.

Redirect examination.

By Mr. Price:

Q. Mr. Brown, you mentioned in the early part of your cross-examination reserve and central reserve cities. Will you state for the record the difference between the two.

A. Well, there is actually no difference now, Mr. Price, [fol. 3446] because if recent changes in the designations of such cities.

But the money centers like New York and Chicago would be central reserve cities and those reserve cities were, because I think the money moved around so rapidly there and probably because they had large correspondent balances that they made them carry usually a differential of about one additional percentage point of reserves, so that a reserve city, which we are, had 16½ per cent and until this recent change occurred a city like New York had about 17½ per cent.

This, of course, made them scream terribly but that has finally been adjusted.

Mr. Price: That's all I have.

Mr. Littleton: No questions.

JOHN McDOWELL, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. von Starck:

Q. Mr. McDowell, what is your present position with the Philadelphia National Bank?

A. I am Executive Vice President of the Philadelphia National Bank.

Q. How long have you held that position?

A. I have held that position since the middle of 1957.

[fol. 3447] Q. Do you know what your position would be with the merged bank, when the merger is consummated or if the merger is consummated?

A. Well, I expect to be Executive Vice President.

Q. Let's go from there back to the time of your graduation from school.

Will you tell us the first position you ever held.

A. Well, when I graduated from high school my first job was assistant bookkeeper at the Southwark National Bank at Second and South.

Q. In Philadelphia?

A. In Philadelphia.

Q. And then from there where did you go?

A. That was in February of 1923.

In 1924 I went to the Drovers and Merchants National Bank at 3110 Market Street, and there I did bookkeeping work, teller work, discount work, safe deposit box. I did most everything except janitor, I think.

Q. How long were you there?

A. I was there until the bank merged with the Bankers Trust Company of Philadelphia.

Q. When was that?

A. I think that was 1929 or 1930.

[fol. 3448] Q. And what did you do after that?

A. Well, the Bankers Trust Company closed in December, right before Christmas I think it was, December of 1930 and I went to work for the Closed Bank Division and assisted in the liquidation of some of the Philadelphia banks.

Q. The Closed Bank Division of what?

A. The Pennsylvania State Banking Department.

Q. Your bank having closed, you followed it to Harrisburg; is that it?

A. I didn't have any choice.

Q. How long were you with the Closed Bank Division?

A. I stayed with the Closed Bank Division until, I believe it was, February, 1932, when the RFC was formed.

Q. Then what did you do?

A. Then I went to work for the Philadelphia Agency, RFC, in the Federal Reserve Bank Building.

Q. What was the RFC doing at that time?

A. Well, the RFC was starting——

The Court: Loaning money, saving businesses and insurance companies.

The Witness: And banks.

By Mr. von Starck:

Q. What were your duties as assistant manager there?

A. Well, I wasn't assistant manager first. Before I left I [fol. 3449] was assistant manager.

I think my first duties were to assist in liquidating loans we had made to closed banks.

Then, after that, they got into an industrial loan program and I was in charge of that. I think when I left I was assistant manager in charge of the industrial loan program.

Q. What was the industrial loan program?

A. Well, they made loans principally to small and medium-sized businesses which could not get them from the normal banking channels.

Q. Were you in charge of making those loans or did you have some function with respect to making those loans?

A. Yes. That was my principal function. Now I didn't

make the loans. We recommended to Washington. They had to be approved by Washington.

Q. Did you have much experience with small and medium-sized businesses in your position with the RFC?

A. Yes, sir, I did.

Q. How long were you with the RFC?

A. I was with the RFC, I believe, from February of 1932 until June of 1940.

Q. Then where did you go?

A. I went to the Federal Reserve Bank of Philadelphia as assistant vice president.

[fol. 3450] Q. What were your duties with the Federal Reserve Bank?

A. My duties there—they had a program called 13(b) loans. They were loans that the Federal was authorized to make to business enterprises, and there again they were principally small and medium-sized loans, which could not be obtained from normal channels, normal banking channels.

Q. You might tell us now, what was the test when you say that these loans could not be obtained from normal banking channels.

A. Well, at RFC, and I think they do the same at SBA, they consider that the borrower or prospective borrower should get a turndown from its principal bank and one other bank.

Now maybe at RFC for a while we had two other banks. There may have been two declinations of normal banks or three; I am not sure which.

Q. In any event, the maximum was a turndown from three banks?

A. Three; that's right.

Q. How long were you with the Federal Reserve?

A. Well, I was only with the Federal Reserve Bank for a year and a half. I went to the Philadelphia National Bank on December 31, 1941, as vice president.

Q. How long did you remain as vice president?

A. I remained as vice president principally in the loan function until the middle of 1955.

[fol. 3451] Q. And then what did you become?

A. I became senior vice president.

Q. And then, as I understand it, in 1957 you became executive vice president?

A. That's right, sir.

Q. What are your duties as the executive vice president of the Philadelphia National Bank?

A. I am really responsible for the Banking and Operating Divisions and in the absence of the president act as the chief executive officer. I report to the president.

Q. What is your relationship to the loaning by the Philadelphia National Bank?

A. Well, the loaning function now of both the consumer credit and the commercial loans comes under Larry Worstall, who I think appeared on this stand; and he, in turn, reports to me.

Now under Larry Worstall, just as with Girard, authority has been delegated both to our in-town lending officers and to our branch officers.

Q. Would you consider yourself to be the senior lending officer of the Philadelphia National Bank?

A. I think so.

Q. Now will you turn to Exhibit D-26 revised, which was introduced by Mr. McLaren, which shows that for the top-line customers of Philadelphia National Bank for the year [fol. 3452] 1960 the average deposits exceeded the average loans by about 200 per cent.

Are you familiar with the customers who appear in Exhibit D-26 revised?

A. Yes.

Q. You have heard Mr. Brown describe what a formal line of credit is, have you not?

A. Yes, I have.

Q. Are the customers which appear on D-26 revised holders of formal lines of credit?

A. Yes, they are. I have to make some exception to that, sir, because there are four names appearing on here that really have commitments from us in the form of written agreements, two revolving credits, one is a V loan, and the other is a term loan; so that the amount of the revolving credit and/or the term loan or the V loan is included in their line of credit.

Q. And these four instances that you speak of really represent legal commitments; is that correct?

A. Yes, sir. We get a commitment fee and we are legally bound so long as they comply with the terms and conditions of the loan agreement.

Q. Will you give us the numbers of those customers.

A. Yes, sir, No. 22, No. 26, No. 17, and No. 18.

[fol. 3453] Q. You mentioned a V loan. What is a V loan?

A. A V loan—well, that is to one of our largest electronics companies, where they have a civilian loan and they also have substantial work with the Government and the inventory they have for Government contracts and the receivables they have due from the Government make a basis for a V loan, which is guaranteed by one of the armed services.

The total amount of the credit, as I remember, is somewhere around $35 million and 50 per cent of it is guaranteed by the Government. That part which is guaranteed, held by us, is not part of our regular lending limit and this is why you will see in No. 17 where we have exceeded our legal lending limit.

Q. I gather from your distinction between these four and the others that at least in accordance with the banking custom the formal line of credit is not a legal commitment necessarily?

A. No, sir. We do just what Mr. Brown does at his bank. We submit them to our Executive Committee and then we promptly write to all of these customers and tell them that their credit has been approved for the ensuing year and we hope that as their needs arise they will use it.

There is no formal commitment; we think a very strong moral commitment.

Q. Then, if and when they require credit, the situation is [fol. 3454] reviewed at the time the application is made; is that correct?

A. Well, unless there is some adverse change it's hardly even reviewed. I mean it's pretty much automatic unless we know there has been some adverse change in the credit of this company to which we have extended this line.

Q. You may recall that during the cross-examination of Mr. McLaren he was asked as to the services rendered to these companies which might justify these high balances. Let us take up each one of these customers separately.

I will ask you as to No. 1, what specific services are rendered by your bank to No. 1?

A. No. 1, Mr. von Starck, is a large supermarket with many outlets throughout our area. It does a gross volume of almost $1 billion and we do check collections and supply them with currency and coins.

Now I think I should explain here, sir, that you know these supermarkets many times are used for the cashing of checks, and the volume of check collections that we do for this company is pretty substantial.

Q. What do you mean by "pretty substantial?" I ask you that because I know Mr. Reycraft will.

A. Well, I haven't made a count of the checks we clear each months, but I suspect it is pretty large.

Q. Is there any payroll account carried by this customer? [fol. 3455] A. No, no. We just supply coin and currency.

Q. What was the amount of the high borrowing for 1960?

A. One million dollars.

Q. Now turn to Customer No. 2 and explain the services that you perform for that customer, please.

A. We furnish credit information, collection of checks, money wire and transfer, and coin and currency.

Now this coin and currency, may I explain just a second here?

This is a large steel company up in central Pennsylvania and they have their payroll up in a local bank and we furnish that bank with the coin and currency every payday to furnish this large steel payroll.

Q. By that you mean——

A. So that there is considerable work load here to do.

Q. By that you mean you furnish them with silver in order to enable them to make out the payroll?

A. The coins and the currency; that's right.

Q. I see that they did not borrow in 1960. Can you tell us when they last borrowed?

A. They borrowed on June 1, 1954 the last time.

Q. Do you know how much they borrowed at that time?

A. No, but as I recall this was a surprise. We had this line for many years and it hadn't been used and I think [fol. 3456] they had a big construction program up at

the steel company and, as I remember, the note was $5 million.

Q. Would you say that the services that you render for them are adequately compensated for by the average balance of $2,392,000?

A. Yes. We analyze these accounts and we are satisfied with them.

Q. You say you analyze the accounts. Are these accounts analyzed periodically in order to determine whether or not your costs are being returned to you by reason of the amount of the balance?

A. Yes, they are.

Q. How often do you analyze them?

A. I think it depends on the account. Where we are sure we have a satisfactory profit I don't think that we do it very often.

Where there is some doubt we might do it monthly.

Q. Turning to your Customer No. 3, will you tell us the services that you render for that customer.

A. In our Equipment Finance Department we handle some leasing of cars for this company, that is, their salesmen rent cars from a rental company and we finance the rental company.

We handle drafts, export collections, and foreign ex- [fol. 3457] change in our Foreign Department. We furnish credit information, lock-box service, account reconcilement, payroll account, collection of checks, time credit.

In our Time Credit Department we finance vending machines for the vending of their products, and we also handle money and wire transfer for this company.

Q. What do you mean by account of reconcilement?

A. Well, this is principally—not principally, but in most cases it's a payroll, where we put the checks in sequence so that they can easily be settled when they get back to the customer.

Q. Are those checks returned to the treasurer of the company?

A. Yes.

Q. Are they coordinated with his payroll accounts?

A. Well, you see, instead of him having to reconcile his balance each month and put these in sequence, we put them in sequence and show which checks are missing, so that he can easily reconcile his payroll account.

Q. You mentioned a payroll account. Is that different from account reconcilement?

A. Well, the reconcilement is the settlement of the payroll account.

Q. How much is the payroll account for this customer?

A. $241,000. That is the average, sir, for 1960.

[fol. 3458] That is approximately 10 per cent of their average balance?

A. That's right.

Q. Is that correct?

A. That's right.

Q. When was the last time that this customer borrowed?

A. They borrowed on October 21, 1959.

Because of the nature of their business, they are normally a seasonal borrower. I am surprised they didn't borrow in 1960, but they didn't. Their cash flow may have been such that they didn't need short-term borrowings in 1960.

Q. Now, how about Customer No. 4? What services do you render to No. 4?

A. Customer No. 4, we render credit information, coin and currency, collection of checks, and wire transfer.

Q. Incidentally, what does wire transfer mean?

A. Where we wire funds to other banks in the country for their credit.

Q. What was the high borrowing of this customer for 1960?

A. Four million dollars.

Q. Now turning to Customer No. 5, what service did you render to that customer?

A. Credit information, money transfer and wire, and we issue the employees' United States Savings Bonds to their employees.

[fol. 3459] Q. When was the last time that that company borrowed?

A. That customer hasn't borrowed since August of 1925.

Q. Why do you think that they maintain such a large balance as you show there?

A. Well, sir, I think that the treasurer must think that we earn it for the services we give here because, in looking particularly at this company, I am guessing, they have several hundred million short-term investments and I don't think they are so fond of us that they would just let us have a lush balance here if they didn't think we earned it.

Q. Turning to Customer No. 6, what services do you render to that customer?

A. We buy foreign exchange in our Foreign Department, credit information, account reconcilement—this is for account payable, where we reconcile the account payable checks, not payroll checks; and then collection of checks and money and wire transfers.

[fol. 3460] Q. What was the high borrowing for 1960?

A. $4 million.

Q. Customer No. 7, what services did you render for it?

A. Foreign Department. We collect drafts and buy ourselves foreign exchange. Credit information, account reconcilement, payroll, money transfer and wire, and check collection.

Q. How much is the payroll account of that customer?

A. $314,000.

Q. That is approximately 20 per cent of the average balance?

A. That is about right.

Q. When was the last time that this customer borrowed?

A. We are talking about No. 7?

Q. Yes.

A. They borrowed in 1960 a high of $4 million.

Q. Are you sure it was 1960?

A. Oh, excuse me, I am sorry. We are talking about No. 7. I am sorry. That was No. 6. No. 7, the last time they borrowed was 1956.

Q. How about customer No. 8? What service do you render for that customer?

A. Credit information, and this would be an important [fol. 3461] one, because this is a department store, and the work of seeking credit information for their charge accounts is pretty heavy. We issue savings bonds to their employees. Check collection. Here again this would be a lot of work. We have currency and coin, and there is a payroll here, a very small one.

Q. How much is the payroll?

A. Well, it is only $2500. It is because they have a branch store, and it is just for this one little segment of this operation.

Q. Maybe you can explain to us what credit information means as you use it there.

A. Well, I think our bank has, and probably Girard Corn too, have every department store in town, and when somebody comes in and wants to open an account, a charge account or installment account with these department stores, they check with our Credit Department. Furthermore, when somebody wants to pay for merchandise with a check, they will quickly call us and we try to find out if the check is going to be good. There is quite a bit of work in that.

Q. Do you maintain a department that performs these services?

A. Yes, the investigation division of our Credit De-
[fol. 3462] partment.

Q. When was the last time that this customer borrowed?

A. This is No. 8?

Q. Yes.

A. They borrowed in 1958.

Q. Do you remember how much it was?

A. No, I don't, but here again we get surprises from this customer. They don't borrow very often, but when they do, it is substantial amounts, and normally they don't stay on very long.

Q. While we are at this point, you might tell us why companies which seemingly infrequently use your borrowing capacity bother to have a line of credit particularly in this bank.

A. Well, I think a good many of these large commercial customers of ours from time to time need short-term funds, and I think they believe it is to their best interest to have a line and not need it than need it and not have it, and it is part of our over-all service to these commercial customers to not only do these operating jobs for them b also to make available to them our other service, and that is the lending function, and we view this as sort of an over-all relationship with this borrower, trying to do everything we
[fol. 3463] can to attract higher deposit balances.

Q. It is like a life insurance policy, which you hope you never have to use but it is nice to have?

A. Well it doesn't cost anything, and I think because we do give lines of credit, many times when suddenly they do need money for a tax payment or accounts payable or some

construction program, I think we get some of the borrowings.

Q. Will you turn to No. 9 and tell us what services you perform for that company.

A. Credit information, account reconcilement, and collection of checks.

Q. When was the last time that customer borrowed?

A. They haven't borrowed since July 5, 1945.

Q. How about customer 10? What services do you render for it?

A. Credit information, and we had collections for one of their subsidiaries in Pennsylvania.

Q. Has that company ever borrowed?

A. The last time that company borrowed was in 1942, and as I recall it, the last statement I saw, they had about two or three hundred million in short-term bills, so I doubt if they will be borrowing in the near term.

Q. How about customer No. 11?

[fol. 3464] A. No. 11, the services there are safekeeping in our Corporate Trust Department, foreign exchange purchases, credit information, and collection of checks.

Q. What was the high borrowing for 1960?

A. 4 million 4.

Q. How about customer No. 12?

A. Foreign Department drafts, foreign exchange, export collections, collection of checks, coin and currency, payroll, money transfer and wire.

Q. You spoke about payroll. Do you mean payroll account?

A. Payroll account, yes, sir.

Q. What was the average balance?

A. $52,000.

Q. What was their high borrowing for 1960?

A. $1 million.

Q. How about customer No. 13?

A. Foreign Department, export collections, export letters of credit, payroll account, collection of checks, wire transfer.

Q. How much was the payroll account?

A. $24,000.

Q. That was the average for 1960?

A. That is right, average for 1960.

[fol. 3465] Q. Incidentally, what happens to these payroll accounts? Is the balance maintained in there or what does happen?

A. No. What normally happens here, Mr. von Starck, they have a payroll account with us on pay day. Many times they just issue a check against their regular account, credit the payroll account, issue their payroll checks, and they come in as soon as the American Stores and check-cashing agencies and the bank send them in to us, so that the payroll account, really, on the average, is not very important, because we may have a large balance for just a couple of days, and as these payroll checks clear, come in to us, then it diminishes to practically zero.

Q. In other words, you don't really make any money on a payroll account?

A. No, no.

Q. How are you compensated for carrying that?

A. This is part of the compensation, these balances we see here, substantial balances carried by these large customers, because they are trying to compensate us in their regular account for the payroll work we do for them.

Then in addition to that some of these large companies [fol. 3466] have, we do a terrific job at our tellers windows cashing these checks for them.

When we get down here further, there is one of the railroads that we have to keep one of our branch offices open every other week three extra hours and then every other week for the first and third week and then the second and fourth week we keep it open I think for two hours to take care of the terrific load of these employees coming in cashing their payroll checks. We think the railroad compensates us with the balances they keep.

Q. Have I asked you what the high borrowing was for this customer in 1960?

A. We are on which one?

Q. 13.

A. $3½ million.

Q. Now, customer No. 14.

A. Yes. This is the one I was just referring to. In our Foreign Department we buy Canadian exchange, we transfer funds to England for dividend payments, credit information, account reconcilement, collection of checks, payroll, wire transfer, and coin and currency.

Q. What was the high borrowing for 1960?
A. $5,451,000.

[fol. 3467] The Court: We will stop here for ten minutes.

(A 10-minute recess was taken at 3:00 o'clock P. M.)

By Mr. von Starck:

Q. Now, referring to No. 15, which I think was the one at which Mr. Brown showed competitive surprise, will you please tell us what services you rendered to this customer.
A. We don't do very much for this customer except that I gather we handle income for a scholarship.
Q. How long have you had this customer?
A. I think we have had this customer since about February of 1960.
Q. How long have you been working on this customer?
A. That's why I was surprised Mr. Brown was surprised. I am sure we have been working on this customer through many sources—graduates, trustees—for at least five years.

By the Court:

Q. Is that why you put one of the trustees on your Board of Directors?
A. That seemed to be effective.

By Mr. von Starck:

[fol. 3468] Q. Is this a time deposit you have here?
A. Yes, this is the one time deposit on this sheet.
Q. And normally would you expect to develop and build up this relationship?
A. Yes. As I remember, when this was opened, the financial vice-president of the university evidently seemed to be under some pressure from the trustees from the eastern part of the state. A good part of the university's business went out in the western part of the state, and I think he was under pressure to establish other relationships other than Girard in the eastern part of the state, and we happened to be the fortunate one, and I think he opened this not just to open a time account, but I think it was on condi-

tion that we would give him a line of credit of $8 million.

Q. Can you tell me why an organization such as this requires large borrowings?

A. Well, they have big construction programs up there, and normally they have to come to the banks to handle the construction loan until they arranged their permanent financing, and the permanents are usually taken with a home and finance agency of the Government on dormitories, and so forth.

Q. Will you turn to No. 16 and explain the services which [fol. 3469] you render to that corporation.

A. In our Corporate Trust Department we act as subscription agent. We have a bank work program there. We have employee stock purchase loans, and we furnish them with coin and currency.

Q. What is an employee stock purchase loan?

A. Well, this utility makes available common stock of its corporation to its employees on a deferred payment plan, and the employees borrow the money from us and pay it off over a period of time.

Q. What was the largest borrowing in 1960?

A. $8 million.

Q. How about No. 17?

A. We are stock registrar. We have a special custody account for them. Welfare, Foreign Department. We collect drafts, letters of credit, export collections, foreign exchange. We furnish credit information, account reconcilement, payroll, issue savings bonds, collection of checks, and money wire and transfer.

Q. What was the maximum borrowing during 1960?

A. 6 million 6.

Q. Did you mention the payroll account?

A. Yes, I did.

Q. What was the average amount of that?

[fol. 3470] A. $722,000.

By the Court:

Q. Let us go back. Average $722,000. Per what? Per week, month, year?

A. This is the yearly average, the daily average for the year of 1960.

Q. The daily average for the year in their payroll account?

A. That is right, sir.

Q. And these others that you gave were the daily averages?

A. For the year of 1960.

Q. For the year. It wasn't per week?

A. No, sir, it was the daily average for the year.

By Mr. von Starck:

Q. Is it true that the average deposits for 1960 as they appear on D-26 were computed in the same way?

A. Yes.

Q. So that when you are comparing the average total deposits for 1960 with the average payroll account, they are on the same basis?

A. That is right.

Q. Did I ask you what the maximum borrowing was for No. 18?

[fol. 3471] A. For No. 18 the maximum borrowing was $1,260,000.

Q. How about No. 19?

A. No. 19, credit information, money transfer, check collections.

Q. Why is the amount of the line $23,500,000 for that customer?

A. Well, this is an electronic company that manufactures for television and radio, and they sell this equipment on installment, and when they accumulate a good bit of this paper in their own portfolio they sell it to us with a 50 per cent recourse arrangement.

Q. Would you say that the average balance of $12,348,000 for 1960 is related in any way to that additional service rendered?

A. Yes, sir.

Q. Could you have performed this service without that type of balance?

A. No.

Q. Can you tell us what the maximum borrowing was by No. 19 during 1960?

A. $20,325,000.

Q. Will you please explain No. 20.

A. No. 20, our services there are that we finance leases

through dealers for this company. We sell and buy foreign [fol. 3472] exchange. We act as owner-agent on certain equipment trust outstandings. Our Investment Department buys Treasury bills. We furnish them with coin and currency, money transfer and collection of checks.

Q. What do you mean when you say your Investment Department buys Treasury bills?

A. Well, with a good many of our customers, where they have excess funds temporarily, our Investment Department will buy bills for them. Our Credit Department will buy commercial paper. We have a municipal bond dealer account. They will buy short-term tax-free's for them.

Q. Do you charge them anything for this service other than the balance?

A. No.

Q. What was the maximum borrowing of No. 20 in 1960?

A. The amount that is on here, $648,000.

Q. That was the maximum for the whole year, then?

A. I think so. I have it marked here that this was the high amount, and I think this is right.

Q. How about No. 21?

A. No. 21, credit information.

Q. Does that explain the low average amount of the balance?

[fol. 3473] A. Yes, it does.

Q. Is that one where you are trying to supply additional services?

A. Yes. We call on this customer at least two or three times a year, and we haven't made too much progress, although last year they did borrow as high as $750,000 from us.

Q. By last year you mean during 1960?

A. 1960, yes.

Q. Now, how about No. 22?

A. No. 22, we are stock registrar. We do special custody work. There is an indirect financing of lease for equipment through our equipment finance department. We collect drafts. We buy foreign exchange, issue letters of credit, export collections, security transactions. Here again this is a company that would use our Investment Department for buying and selling short-term investments temporarily.

Q. What do you mean by special custody work?

A. I think we hold in custody for them their securities.

Q. In other words, they buy them through you?

A. And we hold them in custody, yes, that is right. We also buy commercial paper for this company. We furnish credit information. We issue U. S. Savings bonds to their [fol. 3474] employees. We collect checks, money wire and transfer, and we have a payroll account.

Q. How much was the average payroll account?

A. $331,000.

Q. How about No. 23?

A. No. 23, stock transfer agency, co-paying agent. This is a company that is in the paper products business, and they wanted to sell their new paper cups through a vending operation, and we are financing the vending operation so that they can sell their cups to them, and we have a substantial amount invested in that.

We collect drafts, foreign drafts, export collections, security transactions, credit information, lock box, collection of checks, payroll costs, money transfer and wire.

Well, payroll costs, excuse me, that is coin and currency.

Q. What does payroll costs mean?

A. I shouldn't have said payroll costs. This is really—we take care of their requirements for coin and currency.

Q. It means the same as the expression you used "coin and currency"?

A. That is right.

[fol. 3475] Q. There is no payroll account there, is there?

A. No, sir.

Q. I don't think I asked you what was the high borrowing during 1960. What was the last time No. 22 borrowed?

A. Oh, No. 22, 9/24/58.

Q. When was the last time that No. 23 borrowed?

A. I don't have a 1960 date here, but I do know they owe us $6½ million today.

Q. How about No. 24?

A. Export letters of credit, sight draft collections, collection of foreign checks, lock box, account reconcilement, corporate trusts, credit information, U. S. Savings Bonds, check collections, coin and currency, money wire and transfer.

Q. Does this customer have a payroll account?

A. No.

Q. What was the maximum borrowing during 1960?

A. $8 million. This is their acceptance company. This is one of these captive finance companies, and the captive finance company, wholly owned, borrowed $8 million from us, peak, in 1960.

Q. Is that one of the lines of credit granted?

A. Yes, it is a line of credit that we grant, and they can allocate it either for themselves or for their credit com-
[fol. 3476] pany.

Q. How about No. 25?

A. Foreign Department, import letters of credit, credit information, lock box, check collections.

Q. What was the maximum borrowing during 1960?

A. $2½ million.

Q. That is a department store, is it not?

A. Yes, it is.

Q. I think you said at one point during your prior testimony that you and Girard together handled most of the department stores in Philadelphia; is that correct?

A. No, I didn't mean to imply that. I said that we have all the accounts of all the department stores. I know that Girard has some of them. I don't know whether they have all of them. I know Provident-Tradesmens have some. I am sure Pennsylvania Company, I know Pennsylvania has some, and I would be surprised if Fidelity didn't have some, but the point I wanted to make is that in our bank we have all of them.

Q. And you supply credit information to these?

A. Yes, we do, and I think it only fair to say, in this one department store here, this lock box—I don't have the figures—we actually pick up all of the remittance in pay-
[fol. 3477] ment of their bills, and there are thousands of them a month, and we pick them up at the post office, we bring them down to our bank, we slit them, we open them, we put the check through, we make an accounting back to the department store. This is real work.

Q. Did I ask you the maximum borrowing of No. 25 during 1960?

A. I think so. $2½ million.

Q. How about No. 26?

A. No. 26, export letters of credit, export collections, Investment Department. Here again this is a company that

would use our Investment Department for buying and selling short-term securities. Account reconcilement, credit information, payroll, collections, wire transfer, coin and currency.

Q. What was the maximum borrowing during 1960?

A. We had a term loan. This is the one I explained. This is one of the term loans. In No. 26 we had a peak outstanding in the term loan of $3,968,000, and we had done some service station financing for them, and the peak outstanding in that was $7½ million.

Q. What is the average amount of the payroll account for 1960?

[fol. 3478] A. $806,000.

Q. How about 27?

A. We have in our Corporate Trust Department, we have transfer agent, dividend disbursement. We do a lot of work in our equipment finance for this customer, because you can see they manufacture trucks. We furnish credit information, payroll, check collections, and coin and currency.

Q. How much was the payroll account?

A. $29,000.

Q. Have you totaled the average payroll account where applicable for these 27 companies?

A. Yes, and it is just over $3 million.

Q. So that it is a little less than 3 per cent of the total of the average deposits for 1960?

A. Just about 3 per cent.

Q. I gather from what you have said that it is by reason of these services rendered by you that the balances in these instances on the average are approximately 200 per cent of the borrowing; is that correct?

A. The services plus the lines of credit.

Q. Are there other customers of the bank for which you render these services?

A. Many.

[fol. 3479] Q. Is this the type of business which you endeavor to develop?

A. We sure do.

Q. Are these companies appearing on this page of the type that would be described as being in the national bank market?

A. On D-26?

Q. D-26.

A. Yes, they are definitely national companies.

Q. And by that what do you mean?

A. I think they have attraction in the national market to our competitors from all over the country.

Q. And do some or any of them have financial relationships outside of Philadelphia?

A. I think most of them do.

Q. To your knowledge, are there any on this list who would take or would want a higher line of credit than you have now made available to them?

A. Yes.

Q. Will you tell us one by one the number of them and any information about them.

A. I think No. 4 would probably expect it, certainly require it, and higher than our present $8 million.

Q. Do you have any basis for that statement?

[fol. 3480] A. Well, you can see this is one of the largest finance companies in the country, one of the first three, and each time our lending limit has been increased they made it very clear, crystal clear, that they expected our lending limit.

Q. Incidentally, are the treasurers of this type of company appearing on D-26 fairly sophisticated?

A. Very.

Q. Do they keep in touch with the bank positions?

A. They sure do.

Q. Are they apt to know your lending limit?

A. They all do, I am sure.

Q. What is the next one you have in mind?

A. No. 11.

Q. What about No. 11?

A. Well, I think No. 11 could use a higher limit, because you can see they are in the oil production business, and when they go out and acquire new wells, they need large pieces of financing, and I think within about the last year and a half they had made an acquisition of another group of wells and asked us for $10 million. This is a rather small oil company, but we think reasonably well managed, good net worth, good earning record, and had we had $10 [fol. 3481] million at that time, we would have given it to them.

Q. What is the next one?

A. No. 13. You can see that is another control and computer company that is growing very fast. Their needs ahead I am sure are substantial. We have a very close relationship there, and I think they would expect higher than $8 million.

[fol. 3482] Q. Do you mean if they continue to grow as they have in the past?

A. Oh, yes, unless we in Philadelphia do something about this restricted lending limit.

Mr. Reycraft: Is this in answer to some question? What is the question?

Mr. von Starck: The question is what will happen when a larger lending limit is obtained by the bank.

Mr. Reycraft: That is a new question.

Mr. von Starck: That is a new question.

Mr. Reycraft: In response to the answer.

The Witness: Shall I go ahead?

By Mr. von Starck:

Q. You have heard the question.

A. I have a feeling, and this company brings it to my mind, that these companies are growing so fast and what will happen in the next decade is that unless we do something about our lending limit in our bank we are going to become less and less important to some of these very fast growth companies here.

I think it has happened in the last ten years. I think we in our bank don't have the position with these large companies that we used to have, and I would shudder to [fol. 3483] think where we might be ten years hence what we hear about gross national product and what going to happen in the growth of this country, if we sit in Philadelphia with these kind of customers with an $8 million lending limit.

Q. Is No. 13 an example of that?

A. Yes, I think 13 would be. I think I even have better illustrations than that, but that was the first one I happened to come to.

Q. What is your next one?

A. The next one would be 16. Now, this is one where

Girard has a very substantial interest too, and most of the other Philadelphia banks do.

Q. Why do you think they will need or take a larger line?

A. Well, this is a utility company and as Mr. Oakes testified the other day in deposition, these companies have programs ahead for increasing their output; and our experience with this company is that they go ahead with big construction projects until they get up to about a $40 million short-term commercial loan and then they fund it out with the public and pay us off.

This is continuing. This company happens to be borrowing the $8 million now, but I would suspect their plans [fol. 3484] ahead are that at about the end of the year they will fund this out, pay these commercial banks off, and then they will start another program. This is a continuing thing with these power companies.

Q. Do you have any knowledge as to whether they have had to go outside of Philadelphia at any time in the past to meet their needs?

A. Yes. They have, because they can't—not very long ago, and I would guess that maybe now they are close to $40 million, as I recall, and they go to Pittsburgh. They go to Pittsburgh; we don't.

Q. What is your next one?

A. I think my next one would be 17. Now, here again we join with Girard and many other banks in the financing of this electronics company.

Q. What is your reason for believing that they would need or take a higher line?

A. Well, as you know, they have the V loan, they have the open-line loan for their computers and on the electronic equipment.

On top of that they have a credit company where they finance the floor planning of their dealers and the installment papers of their dealers and distributors; so the need [fol. 3485] for funds here is tremendous and will continue.

It is a Philadelphia company and I think deserves the support of the top Philadelphia banks.

Q. Have you ever had any conversations with any officers of the company?

A. Yes. I think it was a mathematical error because the financial vice-president here is a very sophisticated man, but he did come in one day and wanted a larger line than we could give him.

When I worked out the mathematics based on his V loan guarantee, he said, "All right, I missed it, I have asked you for more than you can give me."

Q. Do you know if he got it anywhere else?

A. Yes, I presume he did.

Q. What is your next one?

A. No. 19.

Q. What about that?

A. Well, here again you can see that last year they, on installment or customer paper, owed us $20 million. This is a very fast growing company in the electronic and computer field and I would suspect their needs ahead will be tremendous.

This is another company which is one of our best accounts and I have a feeling that if we don't do something [fol. 3486] about lending limits here we are not going to be able to maintain our position here.

Q. What is your next one?

A. My next one would be another very fast growing company, No. 22, in the chemical business here in Philadelphia.

Q. What reason do you have to believe that it would need or take a larger line?

A. Well, this is a very conservatively-managed company and actually you will notice this is one that I mentioned that was covered under revolving credit. They don't take lines of credit, but they arrange revolving credits and they have had it with us for about ten years, and now there is about four or five other banks joining in this revolving credit for us. I think it's a total of $20 million or approximately that.

They pay us a commitment fee and they have only borrowed once in the last ten years.

Q. Have they borrowed——

A. But, nevertheless, they don't pay us this commitment fee because they just want to increase our dividend. They pay us because they think they might need it; and, this is really an insurance policy.

Q. You mean they pay you a commitment fee in addition

[fol. 3487] to maintaining the balances which we see on D-26?

A. Yes, sir.

Q. What is the amount of that commitment fee?

A. A quarter of 1 per cent.

Q. How about your next one?

A. The next one is that paper company I have referred to, and——

Q. Which number is that?

A. This is No. 23, excuse me.

Well, this company is a classic example of what I have been trying to get across here. This company (we were obviously the lead bank) had a very close and pleasant and long-time relationship. About a year ago they came to me and said that they saw ahead substantial needs for funds, perhaps as much as $40 million; and in order to prepare the New York banks to take care of them along with us they withdrew some of their balances from our accounts and placed it with two very large New York banks.

This is the one company that I think illustrates too the fact that while they didn't owe us anything in 1960, suddenly they owe us and one of the New York banks $6½ million; so that I want to make the point that the fact that they don't happen to have borrowed in 1960—these things [fol. 3488] happen very quickly. Suddenly they need funds and if they have a line of credit they need it.

This is another company that unless we do something with our lending limit—as a matter of fact, we have already lost some of our relationships and we are going to continue to lose more.

Q. Well, if the merger were consummated, do you think you would have a chance to get back some of those balances which have disappeared?

A. I think there is a chance we might, but even their needs of $40 million, if we had $15 million lending limit we still couldn't take care of it and they would still have to provide balances to the New York banks.

However, this is one account where the Girard, as I understand it, have no interest and this would be one who I am sure would be very disappointed and surprised if we didn't promptly raise our line of credit to $15 million.

Q. Is there any possibility that if you were to consum-

mate this merger you might get back in as the lead bank or more closely approaching the lead bank?

A. Yes, I think there are certain things they go to New York for and other things they come to us for. I think this would certainly add to our stature, particularly with this company.

Q. What is your next one?

[fol. 3489] A. My next one would be 24.

Q. What has been your experience with No. 24?

A. Well, you will recall I pointed out that they have an acceptance company and this acceptance company headquarters is located in Wilmington, Delaware, and we are the principal bank here in the East, although the parent company is domiciled in Chicago; but the financial man at the acceptance company has told us that they would want and expect us to give them our $15 million line.

Now they particularly need it here for swings between commercial paper. If the commercial paper market dries up they have to come to us and borrow. Then, when they can sell commercial paper they pay us off.

It's almost a daily transaction and they are handicapped because we only have a limit of $8 million.

Q. What is your next one?

A. The next one is 26.

Q. What about No. 26?

A. Well, 26 is one of our large customers and their needs for funds are continuing to grow. They have two joint ventures now, one with another one of our customers in the synthetic fiber industry, and then another joint venture with a customer that is not ours in the oil industry.

In the first joint venture with our customer they have [fol. 3490] already borrowed $8 million from us, just within the last four months.

On the other joint venture, which is not our customer, in talking to the president of this company and the treasurer, they made it clear that the week before I had been in their office for this second joint venture they had to borrow $12 million and they didn't even come to us.

Now this is another company that I really think that unless we do something in Philadelphia more and more of this is going to leave Philadelphia.

Q. Are those the ones that you wanted to call attention to on D-26?

A. Yes, on D-26.

Q. Are there any other customers, other than those on D-26, whom you have reason to believe would have borrowed more than $8 million in the past if you could have given it to them?

A. Well, I think this next illustration punches home two points. There was a coal company in this city that decided that coal was not for its future and they moved their headquarters to New York. They diversified. They used their substantial net worth of about $40 million in textiles, cowboy boots, a toy business; and in this diversification program they were surprisingly successful. They converted this company from a loss company in the coal business into this diversified company which now has a net [fol. 3491] worth of about $65 million, make about $8.2 million a year.

Last year we had very substantial balances from this company. They had commercial paper, they had American T.&T. stock, and they had substantial cash balances. Suddenly they make the decision to go into a chemical complex in Beaumont, Texas, where they are making tetraethyl lead and glycol.

This chemical complex suddenly is going to cost them $24 million. They came to us and asked if we could handle the financing. We told them our lending limit was only $8 million and, therefore, they had to go seek other help. We agreed to go to our legal limit. They went to Manufacturers Trust, New York, who headed up a syndicate including ourselves and a couple of Texas banks, and they have their $24 million.

Now on top of that if this toy business, which is expanding very fast—as you know, in the toy business, you start to build inventory in April and then you have datings on October 10. Meantime you have got all the inventory and receivables building up on you and then a flood of cash coming about October 10, and it looks to me like they are going to need several million dollars, short term, to finance this toy business, and we just cannot take care of it.

Q. What is happening——

[fol. 3492] A. The point, I hope I have made my two points, that here a year ago I wouldn't have thought this company needed any money, not a chance of using the legal

limit; and now here, today, I am sort of apologizing for an $8 million lending limit.

Q. What has happened to your relationship with that company by reason of the fact that they had to go elsewhere for this particularly big loan?

A. I think our relationship is all right and I think we will have reasonable deposit balances, and I am sure we will always have the opportunity of giving our lending limit; but certainly they can't depend on us now when they need us.

Q. Have they indicated anything to you in this regard?

A. Oh, I don't know that they have made any specific request. They know our position and understand it.

Q. I mean with regard to the loan in Texas.

A. I don't quite understand.

Mr. Reycraft: I object.

The Court: Read the question back.

Mr. von Starck: I withdraw the question, Your Honor.

The Court: All right.

By Mr. von Starck:

Q. Do you have any other customers in mind with regard to my question as to whether you have had to turn down [fol. 3493] requests for more than $8 million.

Q. Well, there is another one that comes to my mind and it's a large aircraft manufacturer with headquarters in Chicago, and here again this is one where our Midwestern representative has been called for several years——

Mr. Reycraft: I object unless he has direct knowledge. If somebody else has the knowledge, I think that person ought to testify about it.

Mr. von Starck: Your Honor, this witness is the chief lending officer in the bank.

The Court: I overrule the objection. He may proceed. Go ahead.

The Witness: And this company arranged a credit about a year and a half or two years ago—I may be wrong on those dates, I am not sure—and finally the treasurer of the company asked if we wanted to take 2½ per cent of a $125 million credit. We took the 2½ per cent of the $125 million credit.

Then within (I am not sure of these dates) maybe within the last three or four months, this credit was expanded by this aircraft manufacturer to $165 million and the treasurer called us and asked if we would take 5 per cent of the new credit; and because it exceeded our legal limit we [fol. 3494] couldn't do it.

Q. Were you able to get up to your legal lending limit?
A. No. He left it at 2½ per cent.

Q. So they didn't even move you up to the $8 million?
A. No, no.

Q. Are there any others that you have in mind?
A. No, I think that's all, Mr. von Starck.

Q. Now turning back again to D-26, what effect, if any, do you think the merger will have on the bank's ability to acquire additional customers similar to those profitable ones which appear on D-26?

A. Well, I would think our first aim would be to hold on to that which we have and service the growth of these present customers so that we can maintain our position. I think our main target with the larger resources and larger bank, and more efficient management would be the New York area, because we suspect that there are hundreds of millions of dollars of customers in our area, in our trading area, in New York balances—lines of credit and loans.

I think that would be one of our first objective.

We have in mind, we think that we can move up in sort of this big league with a $15 million limit and try to service these customers we have got to do some things in our own shop.

[fol. 3495] Just the other day you might have seen the announcement in the paper that we have employed a research director. We have in mind starting a Research Department that will do a job for our Retail Division and also our Wholesale Division. Now the Wholesale Division would be the one that would appeal, I think, to this type of customers.

Q. What do you mean, first of all, by a Research Department? What would be its function?

A. Well, for instance, in the retail side of the thing, our savings haven't been going up. I think we would give him a project of trying to find out whether or not our cus-

tomers' habits have changed and what has happened to our savings; I mean, why aren't our savings going up.

Let me illustrate quickly. We made an analysis in our bank before this research director got there and this is one of the reasons that motivated us to go into this, to find out how many of our time credit customers, in our Time Credit Department (there's about 50,000 of them) had special checking accounts or normal checking accounts with us. We were very disappointed to see very few.

Well, this research brought out the fact that somehow we were missing the boat along the line with these interview officers in our Time Credit Department; so, as a result, they have a check list now and every time credit [fol. 3496] customer that comes in they have to check to see whether or not they have got an account and ask them for an account.

This is the kind of research that we think needs to be done.

Now in the wholesale——

Q. What will the merged bank do with respect to that?

A. Well, I have a feeling that he is going to be the busiest man in the bank because everybody in the bank has some projects they want to be searched to see if we can't get a share of some of this business that is in our area, particularly at the retail level.

Now at the wholesale level I have a feeling that a good many of the banks have control officers out calling. I have a feeling (my associates probably are not going to like me for this) that some part of this is fairly superficial and what we hope to do to compete with these New York giants would be to really get a pretty high-powered staff in here and do a research job on each large commercial customer and prospect to see whether or not he is mobilizing his funds properly, whether or not his long-term financing is proper, whether there is something he can do with his equity, what his cost of capital is—I mean really do a pretty high-powered sophisticated job.

Now I mention this only as a goal. I don't think we at Philadelphia Bank can afford that type of thing now, [fol. 3497] I am not sure that Girard Corn can; but if we move into this area I think this is one thing that can be done that might be helpful.

Then too we——

Q. Excuse me. You say if you move into this area; do you mean by that the merger?

A. Yes.

Q. The combination of the banks?

A. Yes. We have started it now, contemplating the merger, by bringing in this chap from Gray and Rogers, and we will start to give him projects, both in the retail and the wholesale, to research for us to see if we can develop new services, new products, new approaches to get some of these large commercial customers.

Q. Will it be economical to do this type of thing more intensively after the merger than it is now?

A. I am not sure we can do a really effective job unless we are a larger bank.

Q. Is this the type of service, economic analysis of customers' problems, performed by New York and other city banks?

A. They do a pretty good job over there in these type of things.

Q. What else would the merged bank do in order to de-
[fol. 3498] velop and hold these large line customers?

A. Well, in talking to some of our large sophisticated treasurers, they seem to indicate to us that they look for direction from their banker concerning economics, money supply, security markets; and with this thought in mind at our bank we have had, for about the last 18 months, employed Paul McCracken of the University of Michigan to assist our economic consultant once a month to talk with our officers, seminars for our customers. We have had him out to our branches, talking to our Advisory Committees.

Now since we felt that pretty effective and pretty important for us if we wer oing to continue to grow and serve our customers as we think we should, we have started our own little Economics Department. I must admit it is very tiny—it is one young man with a secretary—but this is a start and I really believe that if we can go ahead with this merger we can develop something here.

While we wouldn't try to take on economists at the Federal Reserve Board or the large New York banks, I think we could do a job in Delaware Valley, particularly for the medium-sized businessman and the small businessman.

Q. In other words,——

The Court: It is four o'clock, Mr. von Starck. I still have more work to do in court.
[fols. 3499-3500] I have a hearing scheduled for four o'clock, so this case will recess until tomorrow morning at ten o'clock and court will recess for five minutes.

(Recess taken at 4:00 o'clock p. m. until 10:00 o'clock a. m. on Friday, July 21, 1961.)

[fols. 3501-3502] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

TWENTY-FIRST DAY

Philadelphia, Pa., July 21, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 3503] JOHN McDOWELL, resumed.

Direct examination. (Continued)

By Mr. von Starck:

Q. Mr. McDowell, on page 2893 of the record transcribed yesterday you referred to a large aircraft manufacturer. Do you wish to correct that

A. Yes, that should be airline company.

Q. At the conclusion of the session yesterday you had been talking about the proposed Economics Department of the merged bank. What other departmentalization or ad-

ministrative change do you propose to make in the merged bank?

A. Well, I think with this larger bank—and Mr. Brown, I think, has covered this very well—we would go into industry divisions, and particularly where the large bank had enough of one industry to really do a job on it, like the public utility industry or the oil industry or textile industry. I think he said enough on that subject.

The next thing I think we would do, and I would like to touch just on another point that he made yesterday, and that had to do with our international company. You will recall that under Section 25 of the Federal Reserve Act we can have this international company, but we can only [fol. 3504] put capital in and make advances up to $8 million.

Q. When you say this international company, does this company have a name?

A. Philadelphia International Investment Company.

Q. When was it formed by the Philadelphia National?

A. This was formed approximately nine months to a year ago.

Q. Under what law was that?

A. 25A of the Federal Reserve Act.

Q. Does this have a common name?

A. Well, the Edge Act.

Our major objective in forming this company was that we felt we could help our present customers and possibly future customers in financing some of the international operations. We also felt that there are other American companies that have potential in the international field and we might join with them in helping to finance their future operations. We feel, too, that our contacts internationally through this company might bring us with foreign companies that need American banking, and, furthermore, we think this is an important way in which to build the stature of Philadelphia National Bank in the international community.

[fol. 3505] Q. What does a company like this do?

A. Well, this company makes industrial loans, long-term, to companies in foreign countries. We have made seven commitments so far in this short time. We have made a commitment to a petrochemical plant in Argentina. We

have made two commitments in Chile, one to a steel company and one to a copper mining company. We have made two in Colombia, one to an appliance manufacturer and one to a can manufacturer. Both of those in Colombia were jointly with American companies. We have made one in Finland to a lumber and shipbuilding company, and we have made one in Japan to a chemical company.

Q. How does this affect the bank's business?

A. Well, we think principally it puts us in contact with good people abroad and builds our stature in the countries in which we make these commitments.

Q. Do you do this with the expectation of obtaining deposits or making loans?

A. We are not so sure that this will particularly produce deposits. We think it will produce letter of credit business and collection business for our Foreign Department.

[fol. 3506] Q. What would the merged bank do with reference to this activity?

By the Court:

Q. You started to say something about $8 million, you were limited. You didn't pursue that. What did you start to say about that?

A. Well, sir, under Section 25 of the Federal Reserve Act, this Edge Act, we at our bank can either put in capital or loans to this company only to the extent of our legal lending limit. Now we are competing in this field with Bankers Trust—they have an Edge Act company—Bankers Trust in New York, Morgan Guaranty, Chemical of New York Trust, Chase Manhattan, and First of Boston, so we are competing in this Edge Act field with really the giants in the banking businesses in America, and we think adding another $7 million to our limit here would make us much more competitive with those companies.

By Mr. von Starck:

Q. Do you have any further purposes or plans with respect to business?

A. Yes, we have some dream goals here if this new bank is approved. The next one would be to form a banking company under the Edge Act. Mr. Brown touched on this

too yesterday. One of our major goals would be to open [fol. 3507] an office in New York City, where, under this Banking Act, we could have a pretty fullfledged Foreign Department where we could issue letters of credit, accept acceptances, handle foreign drafts, handle foreign exchange.

Now, this sounds like a pretty bold step, us going into New York like David and Goliath, but with our terrific port here and with all the commercial business we have here, we are constantly confronted with our customers saying, "Well, we would prefer to deal with somebody having an office in New York, and our foreign banks don't understand why a bank 90 miles from New York doesn't have a significant office in New York to handle this foreign business."

So that would be our next, and then we have even a further dream goal, and I am really talking about the future. This again requires a large bank to take this bold step, and we have in mind establishing a branch in London. Now, we think if we could establish a branch in London we could draw many deposits in the sterling block area in dollars to our bank.

Q. What part does prestige and status play in this foreign banking business?

[fol. 3508] A. These foreign banks and foreign governments and foreign customers want to deal with the bigs. This is a status area, particularly in the banking business.

Q. Do you know of any other non-New York bank which has a New York office for the handling of foreign business?

A. Oh, yes. Bank of America has an office over there with 400 people in it.

Q. Are there any other banks?

A. Continental of Chicago. They are the two I can think of offhand.

Q. Are there any Canadian banks at all in New York?

A. Yes, I have a feeling that all of the Canadian banks have offices in New York City.

Q. Are there any other departments or activities?

A. Yes, one of our other aims would be to form a large and dynamic construction loan department. We have Construction Loan Departments, big ones, in New York, and some smaller ones in Philadelphia, and we would like to have a Construction Loan Department that could handle

these big high-rise aparments, office buildings, residential construction. At the same time we think, with the prestige of a $2 billion bank, we might arrange permanent financing [fol. 3509] with the permanent lenders, the insurance companies, the mutual savings banks, so that when a developer comes to us, we could get a whole package together, and then after the disbursement has been made, the building constructed, and settlement made, we would hope that we could service the mortgage.

Q. In other words, the merged bank would handle the temporary financing during the construction period?

A. That is right.

Q. And then place the permanent mortgage somewhere else?

A. And then we would hope to service it after it has been settled.

Q. Is there anything else or any other activity that the merged bank could engage in which is not possible or practicable at this time?

A. Well, I am not quite sure that this quite comes as strongly as the other points I have made, but I would think that our bank merged with Girard would make a fine area bank for the purchase and sale of Federal funds. We started this function in our bank. We have a large correspondent bank system, as you know. Girard has a reasonably large one, I think about 25 per cent as large as ours, and we think pulling these together in one bank in Philadelphia, which could be the largest bank in the Third [fol. 3510] Federal Reserve District, that we could do an effective job for our correspondents in the purchase and sale of Federal funds.

Q. What do you mean by the purchase and sale of Federal funds?

A. Well, when a bank has excess reserves, it can either let them lie in the correspondent bank or with Federal here, in this Federal funds market, which is a daily, volatile market, buy and sell all day long every day the banks are open. If a correspondent bank in Camden had excess reserves today of $2 million, they would call one of my associates and say, "Sell $2 million for us." He has contacts throughout the country and sells that $2 million just overnight. For that he gets anywhere from an eighth, de-

pending upon whether the monetary system is in an easy position that day, or in a tight position he will get anywhere from an eight to 3 per cent, which is the rediscount rate.

We think this is a service. Frankly, just as the national treasurers are keeping invested up, and we the large banks are keeping invested up, we think the smaller banks, in order to meet the earnings requirements to pay their dividends, will keep invested up, and this is a good means for [fol. 3511] the smaller banks to invest their funds through us.

Q. Are these new departments, new services, expanded departments, and expanded services the means with which you hope to hold the business which you now have in Philadelphia?

A. We would expect to hold the business that we have here now, and we think we need something to hold it because we are confident we are losing it. We think we might attract some back, and we are convinced that we could attract new business.

Q. What do you think will happen to the banking situation here if you do not provide these tools and this higher lending limit?

A. I think I expressed myself yesterday, and I couldn't be more convinced that I am right, and that is I think we are going to become a whistle stop in the banking business.

Q. You mean Philadelphia?

A. Philadelphia will be, yes, sir.

Q. You heard Mr. Brown testify with respect to his knowledge of the solicitation by New York banks of business here in Philadelphia. Does this coincide with your recollection and knowledge of that type of activity?

[fol. 3512] A. Yes, I know all the men Mr. Brown knows.

Q. What you have been talking about heretofore is the acquisition and the holding of large business customers. What effect, if any, do you believe that this merger will have upon the small and medium-sized business borrower?

A. Well, I think that some of these new services that we plan to render, like market research, our Economics Department, our divisionalization, our construction, will all substantially help the medium and small-sized business in our area. I am not so sure that these small businesses use

our Foreign Department as much as some of our larger businesses.

Q. You have had considerable experience with the small and medium-sized business, particularly through the RFC, and so forth. What do you think are the problems that beset small business enterprises?

A. I have been involved in this problem, Mr. von Starck, since about the early 1930's, and I have been through many small business financing programs. I think the basic problem in financing small industry is in the area of long-term and equity. I think everyone will agree that small business, short-term, is being well taken care of by the commercial banks.

[fol. 3513] Q. Has there been any or are there any examples of the efforts made by Philadelphia banks to take care of the short-term credit needs of small business?

A. Could I go back just a little bit here? The RFC had a small businessmen's program in the middle 30's. There was a lot of fanfare about it in the press, and I was in the RFC. We had a lot of interviews, not too many applications, and very few approval and even less disbursements.

The Federal Reserve Bank had a 13B program that I was involved in for a year and a half, and this was directed primarily for the financing of small and medium-sized businesses. We in the local reserve bank here did more business in the industrial loan program than any other Federal Reserve Bank. That is what my memory tells me. Some of the other banks did little or nothing. Ultimately the fed got out of the 13B industrial loan program.

One of the most significant programs we have had, just in background, was after the last war. Congress passed the Veterans Act to guarantee loans for homes and businesses to GI's. In Philadelphia we were the only bank in the country that set up Small Business Loans for Servicemen, Incorporated—Philadelphia Agency for Small Busi-
[fol. 3514] nessmen, Incorporated, a rather long title. We put an office at 15th and Sansom Street, where the garage is now. We staffed it with about ten people, and when these GI's came into the bank, instead of being shuttled from one bank to another, because this was a very complicated program to get the guarantees to the Government, we set up

a competent staff there, well trained, and through the life of this corporation they interviewed between 19 and 20 thousand veterans. We made 641 loans, totaling just over $1 million. Our losses on the loans were nominal. The expenses exceeded our income in this agency by $106,000. Now, all of the banks, of course, shared that loss, operating loss, and shared the nominal loss from loans, but I couldn't agree with Mr. Brown more when he said, I think it was Dr. Goodman, wasn't talking about Philadelphia when he was talking about the small businessman being a forgotten businessman.

[fol. 3515] Q. What is the policy of your bank with respect to branch loans to small business?

A. Well, we arm our branch managers with plenty of authority. We have as part of our loan policy that we want them to make small loans; we want them to be good bankers in their communities.

Any loan that is declined in some of the branches, not all, the branch manager must report the declined loan to the Advisory Committee in that branch. Monthly he makes a report of all loans he declines.

In addition to that, periodically we make audits of their loan portfolios and their policies to be sure that they are not too conservative in the handling of their customers' loans in the communities where they are.

Q. You heard Mr. Brown testify to the lending authorities of the branch managers for the Girard. Are they comparable to those which the Philadelphia National Bank has?

A. Yes. I have not heard Mr. Brown express himself on this point before, but I think this is clearly, in view of what he said yesterday and what I am saying today, that this will be the policy of the new bank.

Q. How many choices do you think that it is necessary for a borrower to have, and by that I mean choices of commercial banks, in order to fairly test the going rate for [fol. 3516] borrowing money and the credit standing of that borrower?

A. I think in the RFC and in the Fed and in the SBA now they require two or three. I think it is two in the SBA, and I would think that if he had alternate choices of two or three banks, that ought to be sufficient.

Q. Are you familiar with the Exhibit D-16 which, among

other things, shows that for loans up to $100,000 there will be after the merger fourteen choices of commercial banks in Philadilphia County, twenty-seven choices of commercial banks in the four counties, and fifty-one choices of commercial banks in the ten counties?

Are you familiar with that?

A. Yes, indeed.

Q. In your opinion, is that an adequate number of alternative sources?

A. Yes, it is.

Q. You heard Mr. Brown testify, and also Dr. Harris, with respect to the nature of participations by small banks and by large banks.

Do you have any comments with respect to their testimony?

A. No. I thought they did it much more clearly and concisely than I could, and more accurately.

The only thing I would like to add to what Dr. Harris [fol. 3517] and Mr. Brown said is that from my experience in twenty years in a commercial bank, I am convinced that in allocations by national companies and foreign banks and foreign governments, the size of the bank and the legal limit is important in your share of the loan.

Q. In other words, as I understand that, you meant that the lending-limit prestige of the bank is relevant to the share of the bank in the total amount of the loan?

A. I have no doubt.

Q. Now, you have mentioned participations in foreign loans. We haven't heard that before.

Is that very extensive in Philadelphia National Bank?

A. I didn't check them before I came here, Mr. von Starck, but most of ours are in South America, and I think an intelligent guess would say as to the foreign banks and to the foreign governments we might have ten or twelve.

Q. What foreign governments are involved?

A. Oh, gee—Argentina, Brazil, Venezuela are some of them. I am not sure I can remember any more.

Q. Is this a type of business which you hope to increase by increasing your participation under the Edge Act?

A. Yes, but we don't think we can do that just through the Edge Act. We think that participating directly in these [fol. 3518] loans with the larger banks in the country, that

once we show an interest in these countries, that we share in the trade between the two countries, that is, the letter-of-credit business and the drafts and collections and that, plus the fact that these countries have to keep substantial either gold reserves or dollar reserves; we think in showing our interest in the country and supporting them when they need it, that we will increase our balances.

We have substantially more balances in our Foreign Department for foreign banks and foreign governments than we have in loans outstanding.

Mr. von Starck: Will you mark as Exhibit D-41 four sheets entitled, "Function, Market Area and Type of Competition of the Philadelphia National Bank and Girard Trust Corn Exchange Bank."

(Document consisting of title sheet and four attached pages, bearing caption "Function, Market Area and Type of Competition of the Philadelphia National Bank and Girard Trust Corn Exchange Bank," was marked Exhibit D-41 for identification.)

By Mr. von Starck:

Q. Was Exhibit D-41 prepared under your supervision, Mr. McDowell?

A. Yes, it was.

[fol. 3519] Q. And does the Column A conform in general to the functional breakdown shown on Exhibit D-30, which is the exhibit which shows the amount of business by the two banks inside and outside the four-county area?

A. Yes.

Q. What is Column B?

A. Column B is the market area.

Q. What tests did you use to determine market area for this exhibit?

A. Well, that was the geographical location of alternate choices of the customer.

Q. And under Column C what have you listed?

A. That is our competition.

Mr. von Starck: Your Honor, there has been a considerable amount of testimony by other witnesses as to the types of competition, and I think Dr. Harris also testified as to the market area: and I will endeavor to get

through this exhibit with Mr. McDowell without too much duplication.

By Mr. von Starck:

Q. Now with regard to savings deposits, why have you put in as the market area "Philadelphia Metropolitan"?

A. Well, our analysis shows that our savings principally come from our metropolitan Philadelphia area.

Q. Incidentally, what do you mean by the expression, [fol. 3520] "Philadelphia Metropolitan"?

A. Well, I think that is described here—yes, that is the four-county area.

Q. Right.

Now, Dr. Harris and Mr. Brown have both testified as to the types of competition that is met in this field with the exception, I believe, of life-insurance policies.

Why do you have life-insurance policies as competitors for savings deposits?

A. Well, that's a combination of insurance protection and savings and, as you know, we have some good, strong life-insurance companies and agencies in this city and they are very aggressive and we think they compete for our savings.

Q. Now turning to time deposits of partnerships and corporations, why do you have as the market area the entire United States?

A. Well, because these time deposits are placed wherever they can get the highest rate, and the rate is determined by telephone calls all over the country or by their alternative choice of going into the bill market, the commercial-paper market, the acceptance market; and we think there is no doubt that this is a national market.

Q. Do you have any statistical information as to the extent of investment by corporations in United States Gov- [fol. 3521] ernment obligations?

A. Yes. The June issue of the Federal Reserve Bulletin, June, 1961, carries some statistics on the amount of Governments owned by commercial customers.

Mr. von Starck: I ask that this be marked as D-42.

(Federal Reserve Bulletin for June, 1961, was marked Exhibit D-42 for identification.)

By Mr. von Starck:

Q. What page do you have reference to in D-42?

A. The page for the United States Government obligations.

Q. Yes?

A. That would be page 691 of this Federal Reserve Bulletin.

Q. Is that the table marked "Ownership of U. S. Government Marketable and Convertible Securities"?

A. That's right.

Q. Point out the particular figure you have reference to.

A. Yes, it's about three quarters down the page and it says "Other Investors, Non-Financial Corporations, December 31, 1960."

They show over on the seventh column and the footnote indicates that this was a survey made by the Fed of 492 corporations in the United States, and that on this day they owned $10,741,000,000 Governments.

[fol. 3522] Q. Do you have any information in this exhibit with respect to the holdings of commercial paper?

A. Yes, sir, on page 686. You will notice at the top of the page "Commercial and Finance Company Paper" and the total on the left-hand column, the final total down to April, 1961, shows that there was outstanding on that date $4,884,000,000.

Q. Do you have any information with respect to the holdings of repurchase agreements of Government-bond dealers?

A. Yes. That is on page 692.

Q. Incidentally, you might explain for us what a repurchase agreement with a Government-bond dealer is.

A. Well, as you know, these Government-bond dealers make the market in Government securities and they always have an inventory of Government securities in their portfolio for selling or buying. They have to borrow that money to finance this inventory and one of the forms of borrowing is that when a national treasurer, say, would have a couple million dollars that he didn't need for ten days he could go to the dealer and say, "I have got $2 million to invest for ten days"; the dealer would sell him $2 million worth of securities which he has in his inventory with the

understanding that at the end of ten days he will buy it back, the dealer will buy it back.

There is a fixed rate of interest. The purchaser does [fol. 3523] not take any risk in market fluctuation.

Q. What does page 692 of Exhibit D-42 show with respect to the extent of that activity?

A. Well, the financing of Government-bond security dealers as of May 10, 1961—they have all sources here, but we don't use all sources because some of it is from commercial banks and banks elsewhere, but it shows that corporations on that day owned $1,049,000,000.

Q. Now, do you have any figure in this exhibit with respect to the extent of the holdings of bankers' acceptances?

A. Yes. On page 686 you will see beside the commercial there is another category of dollar acceptances. You will notice all the way over the total on the left-hand side of acceptances is $2,254,000,000, but I don't consider that our competition because some of that is owned by the banks. They own bills and other banks buy acceptances, and then the Fed makes a market in acceptances.

But "Others," which we think is other than financial corporations, owned as of the end of April $1,200,000,000.

Q. You might explain what bankers' acceptances are.

A. Well, they arise principally out of foreign transactions, although there are domestic transactions.

If our bank would issue a letter of credit and somebody [fol. 3524] makes the delivery of the goods and sends a draft in to be paid under this letter of credit, it gives the importer 90 days to pay; we accept that draft and when we accept it—see, it's not due for 90 days, it is credit that the importer gets. We accept it; then it can be sold out in the market.

Q. And there is active trading——

A. We are contingently liable if the importer, if the United States importer, doesn't pay; then the bank pays the acceptance.

Q. Is there active trading in those?

A. Oh, a very active market, a very active market; even the Federal Reserve Bank makes a market in these.

Q. Now, leaving time deposits of partnerships and corporations, will you explain why you have "International" under time deposits of foreign banks?

A. Well, as Mr. Brown said yesterday, these deposits have no home; they will go where the rate is the highest.

Q. And that means all over the world?

A. Oh, yes. If the rate is higher in Germany they will go to Germany; if it is higher in London they will go to London; if it is higher in Canada they will go to Canada.

Now, so long as where they put it, the countries are safe.

Q. How about Item 4, "Time Deposits, Domestic Banks"?

A. Well, this is a relatively insignificant account and I [fol. 3525] am not sure it is worthy of being on the exhibit. This arises principally when a bank with a large Trust Department has some uninvested funds and puts it on time with another bank.

Now, the only account we have in this category is one account from a local bank here that is servicing mortgages under a mortgage-warehousing arrangement. That bank that is servicing has all of the escrow accounts as the mortgages are paid and because it has all the escrow accounts but we are furnishing a participation of a large sum of money, that bank has opened a time deposit with us. It is only $1 million.

Q. And this is a purely local type of business?

A. Purely local and probably will be canceled soon.

Q. How about the time deposits for states and political subdivisions?

A. Well, we think that is local because the School Board and the City Treasurer are the principal ones that use this, plus Abington Township and others.

The State doesn't normally keep—I can not remember when we have had a time deposit from the State of Pennsylvania. They are usually in the bill market.

Incidentally, Mr. von Starck, Governor Lawrence, on June 15t', signed a bill permitting the State Treasurer to [fol. 3526] buy commercial paper. Now, it is on a very restricted basis, but he can still buy commercial paper.

Q. That was what Dr. Harris didn't remember; is that it?

A. This bill was signed on June 15th; it's a rather recent one.

Q. Now, leaving time deposits and going over to demand

deposits, you have Delaware Valley as the designated area for demand deposits of individuals. What did you mean by the Delaware Valley?

A. Well, that's the ten-county area.

Q. Why have you designated the Delaware Valley as the appropriate market area?

A. Well, we think these individuals are looking principally for convenience and service. Convenience is the principal reason.

Q. Do you draw your business from this general area?

A. Sir?

Q. Do you draw your business from this general area?

A. Individual deposits, yes.

Q. How about the demand deposits of partnerships and corporations? Will you explain that?

A. Well, it's clear that our small and medium-sized companies deal with the banks where they are best known and have some human relations with them and are convenient; [fol. 3527] and if the service is right I think these small and medium-sized businesses stay pretty close to Delaware Valley.

Q. What do you mean by small and medium size?

A. Well, business or loan?

The definition, as I remember the SBA gives to small businesses—this is small business—is any wholesaler that does a million dollars worth of volume a year—no, excuse me—any retailer who does a million-dollar volume a year; any wholesaler that does $5 million a year; and any manufacturer that has 250 employees, and depending on the industry in which he is he might have as much as 1,000 employees and still in that industry be considered a small business.

Q. Looking at it from the point of view of the bank, what would you say a small or medium-sized deposit was?

A. I would think a small deposit in our bank would be considered—my associates might not agree with me on this, particularly branch managers, but I would think it would be up to maybe $25,000. Medium-sized might be from $25,000 to $100,000.

There is no yardstick on this.

Q. It is just a question of judgment?

A. Yes, entirely.

Q. Now, you have the entire United States as the market [fol. 3528] area for large deposits of partnerships and corporations. Will you please explain that?

A. Well, as we went over these lists yesterday of the larger companies, I think it's very clear that our competition is the United States.

(Document entitled "Analysis of Defendants' Partnership and Corporation Customers Whose Choices Include Banks Outside Delaware Valley," was marked Exhibit D-43 for identification.)

By Mr. von Starck:

Q. I show you a sheet which has been marked for identification as D-43 and ask if that was prepared under your supervision in so far as the statistics relate to Philadelphia National Bank?

A. Well, Mr. von Starck, I think the second category there, customers located outside of the Philadelphia area or outside of the four-county area, was under my supervision.

Q. Where does the dollars of demand deposits of partnerships and corporations located outside the four-county area come from?

A. (No response.)

Q. In other words, where does that information come from?

A. Well, that was made up by our statistical staff and is part of other exhibits.

[fol. 3529] Q. That is part of Exhibit D-30, is it not?

A. (No response.)

Q. Now, will you tell us how you determined the customers located inside the four-county area who are not limited to a choice of banks in the four-county or the ten-county area?

A. What we did there was to take every depositor who had deposits of $100,000 and then applied the test of (1) did he have a line of credit of $500,000 or more; (2) has he known banking connections outside the four-county area; (3) does he have headquarters or a major branch outside of the four-county area; and (4) did he have a subsidiary company located in the ten-county area.

Q. And in your opinion——

The Court: Wait a minute, wait a minute.

By Mr. von Starck:

Q. Was that test sufficient——

The Court: Wait a minute. Wait a minute, Mr. von Starck.

By the Court:

Q. Now, Mr. McDowell, you have said here did he have a line of credit exceeding $500,000, did he have known banking connections, you said outside the four-county area, and it says here under "(b)" the ten-county area.

You said the same thing with respect to (3) and is the [fol. 3530] subsidiary located in the ten-county area.

That is the way you said it, which is just contrary to the reading that I made here. Now, which is correct?

A. The reading is correct. I was wrong, sir.

The Court: All right.

By Mr. von Starck:

Q. You meant the ten-county area?

A. I was trying to do that from memory and that was a mistake.

Q. In your opinion are customers which are of the character which you have described those which have alternative choices outside the local area?

A. Yes, sir.

Q. Now, how many such customers did you discover?

A. There were 153.

Q. Are the deposits of those customers the $149,805,000 which appears in D-43?

A. That's right.

Q. So that how much is the total demand deposits of such partnerships and corporations plus those located outside the four-county area?

A. The total?

Q. Yes.

[fol. 3531] A. $290,782,000.

Q. What percentage does that bear to the total demand deposits for all partnerships and corporations?

A. 70 per cent.

Q. Now will you turn back to D-41 and explain the market area for demand deposits of foreign banks?

A. Well, I have no doubt that this is international because they keep their demand deposits where they need working balances. Depending on the flow of trade between countries, that's where they keep their balances.

Q. How about the demand deposits of domestic banks?

A. Well, that obviously is a national market because banks in Philadelphia keep accounts all over the country.

Q. These are your correspondent bank balances, are they not?

A. Yes, they are.

Q. Why do you say that the demand deposits, United States Government, has no applicable market area?

A. Well, the United States Government keeps balances in pretty much any bank in the country that renders the service, E bonds, have tax and loan accounts where the proceeds of subscription to new issues are placed, and I don't think—no one is particularly competing with us, I don't believe, in this area.

I mean this is an allocation normally made by the United [fol. 3532] States.

Q. Now, how about demand deposits, state and political subdivisions?

A. Well, I see local, state government, and the political subdivisions, like the School Board and the City and that all keep their money in Pennsylvania.

Q. Are they required by law, so far as you know, to keep their funds in Pennsylvania?

A. I am not so sure about that, but I would think that bankers would sure be on the legislature's ear if any of the money that is generated in this state goes outside of the state.

Q. Now turning to page 3, where you have loans broken down, why have you designated the United States as the market area for real-estate loans?

A. Well, because we know that these real-estate loans in Philadelphia are purchased by all the insurance companies and mutual-savings banks throughout the country. We

handle the construction loans and they buy the permanents, and we know that they do this.

Q. How about loans to domestic banks, which you have designated as the northeastern United States?

A. Well, generally, these loans to domestic banks are made with a correspondent. In other words, our correspondent keeps their Governments with us in safekeeping [fol. 3533] and when they want to borrow money they just send in a note and say take so many bonds out of safekeeping; so that normally these loans to domestic banks are made in the own geographic area where they are close to their correspondent bank.

Q. Of course, loans to foreign banks are international?

A. Well, yes.

Q. How about loans to other financial institutions?

A. Well, of course, loans to other financial institutions, like finance companies and savings and loans is a United States market.

Q. Are these national finance companies that you are talking about?

A. Yes; and national insurance companies, they borrow occasionally.

Q. How about loans for purchasing securities?

A. Yes, because principally this category is brokers' loans, where brokers make loans with commercial banks to carry securities.

Q. You have designated that as the United States?

A. Yes.

Q. Loans to farmers?

A. I am no expert on that. I think we have a few loans up in Lansdale and Bristol and that to farmers, but I would think the farmer would confine his borrowing to his local area.

[fol. 3534] Q. It is a very small part of your business, is it not?

A. Very small.

Q. Now turning to commercial and industrial loans, why have you designated Delaware Valley as the area for small and medium?

A. Well, I think the local small businessman or medium businessman, as I think I said with deposits, would go where he is well known in the community, has built up a

record of credit, and it is convenient; and where he might have personal relationships generally.

It would be the exception if he would move out of his own area for a small or medium business loan.

Q. You have designated as competition the item trade credit. What does that mean?

A. Well, this is the credit that usually both large and small business, but principally small business, gets from their suppliers; and a study that the Federal Reserve made in 1958 on the financing of small business indicated that there was outstanding in accounts receivable at that time $56 billion. There were accounts payable outstanding of $33 billion; so, as I recall, the study of the Fed said that they felt that the difference there of $23 billion indicated that small and medium-sized business was getting this credit principally from their large suppliers.

[fol. 3535] Q. What has been your experience in analyzing the statement of small business?

A. Yes. Well, over a period of years, usually the largest current liability in a small or medium-sized businessman's statements would be accounts payable.

[fol. 3536] Q. Turning to the large borrowers, you have the United States. Why is that?

A. Well, I think our exhibits yesterday clearly indicated these national companies that we have have multiple lines and borrow from other banks throughout the country, and my experience has indicated that. We have no corner on the national companies.

Q. Will you turn to Exhibit D-43 and explain for us the magnitude of the loans Philadelphia National Bank had outstanding in this national market.

A. $141,547,000.

Q. That was customers located outside the four-county area?

A. Yes, it was.

Q. What was the dollar volume of loans that were outstanding from those 127 or so customers that you referred to before who are located within the four counties?

A. $84,594,000.

Q. What is the percentage of that total to the total of all commercial and industrial loans?

A. 74 per cent.

Q. So that 74 per cent of the total loaned to commercial and industrial enterprises by the Philadelphia National Bank is to these national type customers?

[fol. 3537] A. I think customers, yes, that have a national market.

Q. How about installment loans to individuals? You designated Delaware Valley as the market area.

A. These are consumer loans, time credit loans, and I think it would be very unusual for a customer to go outside the Delaware Valley for a time credit loan.

Q. Does Exhibit D-42 have any information in it with respect to the relevant holdings of these competitive enterprises?

A. Yes, Mr. von Starck, on Page 700.

Q. What does that show?

A. At the bottom of the page.

Q. Is that in the breakup of the table entitled "Installment Credit, by Holder"?

A. "Installment Credit, by Holder," at the bottom of the page, and if you look down at the first column on the left-hand side you will notice that financial institutions hold $41,988,000,000.

The Court: Wait a minute.

The Witness: No, no. Excuse me, I am wrong about that, sir. Financial institutions hold $37,434,000,000.

By Mr. von Starck:

Q. How much do commercial banks hold out of that?

[fol. 3538] A. Commercial banks hold $16,776,000,000.

Q. How about sales finance?

A. Sales finance hold $10,733,000,000.

Q. Credit unions?

A. Credit unions own or hold $3,937,000,000.

Q. Consumer finance companies?

A. $4,133,000,000.

Q. And all others?

A. $1,855,000,000.

Q. You have listed as part of the competition consumer loans, retail outlets. Does this table also show the magnitude of the holdings by retail outlets?

A. Yes, it does.

Q. What were they?

A. Right next to the other table at the bottom it shows the total of retail outlets holding installment credit was $4,554,000; department stores, $1,527,000,000; furniture stores, $1,077,000,000; household appliances, stores, $269,000,000; automobile dealers, $488,000,000; others, $1,193,000,000.

Q. In D-41 you have also listed mutual savings banks as competition for installment loans. What do you have to tell us about that?

A. Well, this was added at the last minute because I was [fol. 3539] surprised to learn that mutual savings banks can make home modernization loans under Title 1 of the FHA Act. I really didn't know that until about ten days ago.

Q. Do you know whether they do make such loans?

A. Yes, they do. We have in Philadelphia one that does.

Q. How about the geographic market area for single-payment loans to individuals?

A. Well, these single-payment loans to individuals are principally collateral loans, marketable security loans. Occasionally we do make single-payment loans to substantial individuals, unsecured, not very often. Most of our outstandings in this category of single-payment loans to individuals are really collateral loans, and we think that the person living in Delaware Valley would normally come to where he is well known and where it is convenient, where he has his securities, to make his collateral loan.

Q. What is the general makeup of this category of all other loans?

A. That is principally churches, hospitals, educational institutions. That is the principal category in that. It [fol. 3540] is sort of a catchall, but that is the principal category.

Q. Why have you designated the United States as the territory?

A. Well, these churches make loans through some of their agencies all over the country, and hospitals do too, and educational institutions surely are a national market.

The Court: Let us take a ten-minute recess.

(A 10-minute recess was taken at 11:00 o'clock A.M.)

By Mr. von Starck

Q. Mr. McDowell, as executive vice-president of the merged bank, can you visualize that these steps that your bank would take would cause these customers or the public in Philadelphia to pay higher rates of interest than they would normally pay with the competitive position in the market?

A. No, sir.

Q. Can you visualize any steps which the bank would take which would cause its customers to keep their deposits with the bank if they did not wish to do so?

A. No. They have freedom of action to move their [fol. 3541] deposits any place they want.

By the Court:

Q. Not if you loaned them money, though?

A. Well, they have freedom of action, Your Honor. We might not like it, but they can do it, and sometimes do, by the way.

By Mr. von Starck:

Q. In your experience with the banking community and in the banking community of Philadelphia, what is your opinion about the competitive climate of that community at this time?

A. I have a feeling that we have a situation in Philadelphia which is as fierce competitively as any city I know of so far as banking is concerned. When I try to analyze why, I come to two factors which I think weigh heavily on us. No. 1, we had a lot of large trust companies in this town who about 10 or 15 years ago realized that they ought to move into the commercial banking field. They have done it and done it very effectively, and I am sure they made the right move. This, I think, has made our situation a little stiffer than maybe New York, Chicago, and Boston.

Then, too, we have gotten in managements here in Philadelphia the unconventional type of leadership in banks. [fol. 3542] I mean we have lawyers. We have an economist in one of our banks. We have gotten away from the old-line banker that used to do 2 for 1 current ratio and things like that. These fellows are free thinkers, and they have

added something to the bank. I think they have stepped up competition. I think it has been good for Philadelphia banking and the Philadelphia public in general, and this is a healthy situation; but sitting in a swivel chair as I do, it is tough from day to day to compete with this type of competition.

Q. How do you think the competition will be after the merger if it is permitted?

A. I think even more vicious, because they always try to take away from the big. I mean this is the way it is in banking. If you are big, you are the target, and there is no doubt, sir, that our competitors will really be working on us, and there will be some attrition, we appreciate that. We are going to do our best to keep it to an irreducible, to a minimum, but there will be real attrition.

Mr. von Starck: Cross-examine.

Cross-examination.

By Mr. Reycraft:

[fol. 3543] Q. Mr. McDowell, you testified yesterday that you had been working for some years on a customer of the Girard Trust Corn Exchange Bank. Do you recall that testimony?

A. Yes, I do.

Q. On page 2867. Are there a large number of those customers that you worked on fairly regularly?

A. Oh, yes, sir.

Q. And you were trying to get customers away from them on a pretty regular basis?

A. Yes, sir.

Q. Is there any restriction, so far as you know, as to your freedom to do that?

A. No.

Q. You do it without restriction in any case where you think it is good business for you? You will try to get those customers; isn't that right?

A. That is right.

Q. How do you go about it?

A. Oh, Mr. Reycraft, many times this takes years of cultivating a customer to change. Customers are reluctant

to change banking connections, and we do it principally through calling from time to time, and maybe a little entertainment from time to time, selling of new services, and trying to convince them that there is room for another [fol. 3544] bank and that we should be it, because of our stature or our service or our lending limit or what not. We use every competitive advantage we can to try to take away from our competitors.

Q. And I assume you tell them how good your services are compared with those of other banks?

A. We sure try.

Q. And if you have any particular service that you are proud of, I assume that you emphasize that to a considerable degree?

A. We do.

Q. And in addition to this type of competing for customers with the Girard, you do this with the remaining banks in this area, do you not?

A. Yes, we do.

Q. And in each case you will tell those customers of any services you have that you feel are better than those of the other banks; is that right?

A. Yes.

Q. So your bank is constantly trying to get new bank customers in this area from whatever source; isn't that right?

A. That is right.

Q. And perhaps the most important means of getting [fol. 3545] these customers is the services you are able to offer them?

A. That is right.

Q. So that as you increase these services you do have additional ammunition to use in trying to get these customers, haven't you?

A. That is right.

Q. And you expect that as you increase your services you are going to get more of these customers?

A. We expect so.

Q. You certainly have that in mind, haven't you?

A. We do.

Q. And as we have already said, this is applicable to

customers of all banks at this particular hearing; isn't that right?

A. I think the only exception I might make to that, Mr. Reycraft, would be where we have a good correspondent and where we don't have branches around that good correspondent. I am not sure we would be too aggressive there.

Q. You would desist from soliciting his customers too aggressively?

A. Yes.

Q. Who are your correspondents in this four-county [fol. 3546] area?

A. I am not sure I can name them all.

Q. Do you know how many there are?

A. No, I do not.

Q. Will you name the ones you think of at the moment?

A. Well, Industrial Trust, Frankford Trust, Liberty Real Estate.

By the Court:

Q. When you say "correspondents," you mean banks that carry a balance with you?

A. Banks that carry a balance with us, yes, sir.

Q. Can that be used as part of their reserve?

A. When they are not members it may be used. Liberty Real Estate isn't a member of the Federal Reserve Bank, so their balance with us is part of their reserve. Some banks that are members of the Federal Reserve still keep a balance with us for other services we render.

By Mr. Reycraft:

Q. I show you D-15, Mr. McDowell. Will you indicate those banks in Philadelphia County which are correspondents of your bank?

A. Well, now, I think we have to define "correspondent" a little bit, Mr. Reycraft, because even some of the large [fol. 3547] central city banks that compete with us pretty fiercely carry deposits with us. Do you mean——

Q. Well, I am using the term in the same reference as you used it in your prior testimony.

A. I see. I think we might have a small balance with Broad Street Trust.

Q. So they would be one of the correspondents within the terms of your testimony?

A. No. I think we compete just as fiercely for their business as we do for central city banks.

Q. That is the bank of which Dr. W. Carlton Harris is a director, is it not?

A. That is right, yes.

Q. Would you indicate the banks on that exhibit which are correspondents within the definition you used?

A. Within the definition I used?

Q. Yes.

A. I think Frankford Trust would be one. Now, only where we didn't have a branch pretty close to Frankford Trust.

And perhaps Second National Bank.

By the Court:

Q. Is that also up in the northeast?

A. Yes, it is, sir, up in Frankford, and we have no [fol. 3548] branches particularly close to Frankford. I think our closest one is in Kensington.

By Mr. Reycraft:

Q. The Frankford Trust is right across the street from your main office, is it not?

A. No. Frankford Trust, Mr. Reycraft, is up in Frankford.

Q. Are there any others in Philadelphia County?

A. No.

Q. Do you have correspondents in the outlying counties?

A. Yes, I have them here, yes. Bucks County, Delaware County, Montgomery County.

Q. Will you indicate the ones in Bucks County.

A. I am not sure I know. I don't know.

Q. Do you know as to any of them in the other three counties, Montgomery, Delaware, and Bucks?

A. Well, in Delaware County Chester is as competitive as Philadelphia, maybe more so, if possible, because there are three banks down there. This is the only independent bank in Delaware County. Fidelity, Philadelphia National Bank, and Delaware County National.

Q. Will you answer my question as to correspondents in Delaware County.

A. It used to be—I am not sure it is now—and if it is, [fol. 3549] it is a very nominal account.

Q. But it is one of those you had in mind?

A. No, it is not. That is what I was trying to explain, sir, that this is a local situation down there where there are two branches of the Philadelphia National Bank and Delaware County National Bank and the competition is very stiff. This is one where we have a branch right across the street and very competitive.

Q. How about Montgomery County?

A. Well, one I see here in Montgomery County, Jenkintown Bank and Trust, might be put in this category that you talk about, because we have no branch near Jenkintown, and I am not sure we would invade Jenkintown.

By the Court:

Q. Hasn't the Industrial Trust combined with that bank?

A. Yes, sir, June 30. It is called the Industrial Valley Bank and Trust.

Cheltenham National Bank, Mr. Reycraft, might be one, a correspondent, where we have no branches close by. These are the only ones.

By Mr. Reycraft:

[fol. 3550] Q. They are the only ones you know of?

A. Yes, sir.

Q. After the proposed merger, Mr. M'Donnell, I assume that your respective banks would retain their existing correspondents; is that correct?

A. Well, that is hard to predict, because we have common correspondents now. Instead of lumping the accounts of both, we might have one account which is smaller and they will probably seek a second bank.

Q. You would expect, however, to retain the same banks you have?

A. We expect that, yes. We are sure going to try.

Q. And the same relationship would exist, I assume?

A. What relationship?

Q. The relationship you described with reference to your reluctance to compete too aggressively.

A. I can't answer that, because this is a question of banking philosophy, Mr. Reycraft, and I have a feeling that at

Girard they have a different philosophy in their loan policy and business development policy, and I can't tell you what that policy will be after the merger.

Q. You are going to be executive vice-president of this bank, aren't you?

A. Yes, but I am going to have a chairman of the Board, [fol. 3551] who is chief executive officer. I am going to have a president, Mr. Brown, I am to report to. No, I don't think any one of us is going to make this decision.

Q. It is fundamental to your banking philosophy and has been over the years?

A. To us it has been. Let me explain. I think I ought to try to explain why. We have this big correspondent bank system. They keep substantial deposits with us. We help them in every way we can. We take their excess loans. We really try to be a big brother to these banks, and we didn't think, from our philosophy, that it was quite fair for them to keep their money in Philadelphia with us, generating from their area, and still go out and compete with them and try to take it away from them. This is one of philosophy, and I don't know how it will be resolved, I honestly do not.

Q. But up to the present time that is the situation?

A. In our bank.

Q. You testified yesterday, Mr. McDowell, about services which your bank rendered to 27 accounts which are indicated on D-26 (revised). You indicated that one of the services that your bank performed is credit information, [fol. 3552] and you do this for department stores in this area; is that correct?

A. Many of our customers.

Q. Many of your customers, not limited to department stores?

A. That is right.

Q. And this type of service requires a knowledge of local conditions?

A. Not local conditions as much as local companies, and we have in our bank, Mr. Reycraft, thousands of files that go back many years, and we have histories on these companies, and then we have access to other sources.

Q. Both as to individuals and as to companies?

A. Individuals and companies, mostly commercial companies.

Q. So that your information on the credit worthiness of people and companies in the area is rather extensive; is that right?

A. We think so, yes.

Q. And I assume that you could perform this type of service better than a Pittsburgh bank, for example, could for Philadelphia department stores?

A Yes, sir.

[fol. 3553] Q. To your knowledge, is there any Pittsburgh bank that performs any service of this type for a Philadelphia department store?

A. Not to my knowledge.

Q. So that this type of service is almost exclusively or exclusively local service?

A. A local service rendered by the commercial banks pretty much in this area. We do have other credit checking, like Dun & Brad and other reference sources.

Q. As far as commercial banks are concerned, you have no competition for this type of service from commercial banks outside the Philadelphia area; isn't that right?

A. On Philadelphia customers I think this is correct.

Q. So that a company doing business in Philadelphia, which requires this type of service, must use a Philadelphia bank; isn't that right?

A. I don't think he must use it. I think he normally would. I mean there are Dun and Brad and other credit sources that he could go to.

Q. But as far as commercial banks are concerned, there is substantially no alternative among commercial banks to those in the Philadelphia area; isn't that right?

A. I don't get the "substantially no alternative." I [fol. 3554] just don't get that.

Q. Let me explain that what I mean is he can't go to Pittsburgh, for example, to get this type of service from commercial banks.

A. He certainly would not.

Q. He would get it from a Philadelphia commercial bank?

A. On Philadelphia customers and individuals in Philadelphia.

Q. As far as account reconciliation services for payrolls, the same thing would be true, would it not?

A. Oh, no, no. No, I don't think so

Q. For local payrolls?

A. Well, for local payrolls he prefers to keep his local payroll here, but he doesn't have to, and the other banks under the same service.

Q. Do you have any information on the extent of the services of this nature rendered by banks, for example, in Pittsburgh to Philadelphia companies?

A. No, I do not.

Q. Do you think it is significant?

A. No, I do not, not so far as payrolls are concerned.

Q. So that essentially it is a local service; isn't that right?

[fol. 3555] A. Well, it essentially is. It doesn't have to be.

Q But it is at the present time?

A. Well, I think generally yes.

Q. You think potentially there might be some alternative there?

A. Oh, there is. Yes, there definitely is an alternative.

Q. But it is potential?

A. Yes.

Q. Now, with reference to lock box services, will you briefly recapitulate what that is.

A. Well, lock box service, Mr. Reycraft, is—remember what I described pretty much for the department store, where—

Let me go back a little bit, because that is a local situation, and I think it might be better if I explained it on a national basis. A company on the west coast sells here in Philadelphia or on the east coast here, and the east coast buyer, when he gets his invoice, instead of mailing the check back to California, which might take two or three days, unless it was airmail, to get there, and then through the San Francisco or Los Angeles reserve bank and get [fol. 3556] back here, it might take six days or seven days to be paid Now, we go to that California company and say, "Why don't you, when you invoice in our area, tell them to mail the check to a lock box in the Philadelphia post office, 32nd and Market?"

We go out there and pick up that mail. We come back, open it, put the checks through, and credit the account of the west coast——

Q. And he cuts down his float?

A. That is exactly right.

Q. So that the essence of this service is that it be close to the source of the mailing of the checks?

A. That is right.

Q. And with respect to furnishing services of this type in Philadelphia, you don't get any competition of any significance from the Pittsburgh banks, for example, do you?

A. Oh, yes, because this is done on an area basis. For instance, Philadelphia is not a lock box area for Philadelphia companies. These large national companies might have only—we have one——

Q. You have only one what?

A. We have one, I was thinking, that just set up a lock box arrangement, and they were only contemplating having [fol. 3557] six or eight throughout the whole country. In other words, they would have one in the Southwest, one on the West Coast, one in the Northwest, one in the Middle West, one in the Northeast.

Q. But as far as the Philadelphia area is concerned, your bank does offer the services?

A. With other Philadelphia banks.

Q. What other Philadelphia banks offer these services? All of them?

A. I would be surprised if they don't all.

Q. You think they all do?

A. Oh, yes, yes.

[fol. 3558] Q. Do you think the size of the bank gives one a competitive advantage over the other?

A. On lock box?

Q. Yes.

A. No. I think the principal factor there would be the service, how fast we could clear the checks and——

Q. You don't think that your size would give you a competitive advantage over the small banks in that regard?

A. No. In this area, Mr. Reycraft, I really think what will sell this service is how fast we can clear the checks and the cost we attach to rendering this service.

Q. And a small bank can do that as well as a large bank?

A. Well, if they have the national contacts to do it. Now, if they can clear the checks fast enough and if their price is right. This is really one of service and price.

Q. Yes. Would the same thing be true with reference to credit information?

A. Do you mean the small banks?

Q. Yes.

A. Well, in their local areas they probably know more about their local-area customers than we do.

Q. So that size wouldn't give you a competitive advantage in this area, would it?

A. Only that we might have more files and more names [fol. 3559] and know more about more people.

Q. How about the furnishing of coin and currency? Is this a service in which proximity to the customer is important?

A. I am sorry, I didn't hear that last word or two.

Mr. Reycraft: Would you read the question?

The Court: Read it back.

(The pending question was repeated by the reporter.)

The Witness: I am not sure that I could say that it is because, remember, I talked about this steel mill up in sort of Northeast Pennnsylvania yesterday. That's about 60 miles away, and we furnish coin and currency to the bank that handles the pay roll there.

By Mr. Reycraft:

Q. You furnish it to the bank?

A. And there is another one, if I may make an aside. We have some race tracks in New Jersey that are not right around our corner, and we furnish coin and currency through their banks to the race tracks.

Q. Isn't it a fact, though, that essentially it is a local service?

A. It depends on "local," Mr. Reycraft. I am not——

Q. Four counties.

A. I am not trying to be difficult; I am trying to explain. [fol. 3560] Q. Isn't the majority of your coin-and-currency business in the four-county area?

A. Well, the steel company is not.

Q. I am talking about the majority of your business.

A. Oh, well, the majority, yes. I might accept that.

Q. Yes. You don't have any real doubt about that, do you?

A. I think that would be a fair statement.

Q. How about the collections? Is this essentially a local service?

A. Collection of checks?

Q. Yes. I believe that's what you were referring to.

A. Well, the collection of checks, really, every bank in town does it for every customer, their customers; and really, the collection of checks, as Dr. Harris talked about, is the flow of the funds back and forth and people put their checks to be collected where they think they can get them collected the fastest.

Q. And this has no relationship to time and distance, to the distance from the customer or to the distance from the collection point?

A. I am not sure I could say that because I think there could be possibilities where a Philadelphia company that had accounts in Chicago, for instance, and had checks drawn on Chicago might mail them to Chicago. I am just not [fol. 3561] sure. I have a feeling that you just can't say this is a local service.

Q. Well, isn't it a fact that it is predominantly a local service?

A. I really don't quite get—do you mean that our local customers would send to us for collection?

Q. Yes.

A. Is that what you mean?

Q. Yes.

A. Our customers?

Q. Yes.

A. I think that's right.

Q. Now, just briefly, Mr. McDowell, you referred yesterday and again this morning to a loan of $130 million to an airline and you indicated that your bank received 2½ per-cent participation in the total loan.

Do you recall that?

A. Yes, I do.

Q. And that when later the loan was raised to $165 million, your participation remained at 2½ per cent?

A. That's right.

Q. Do you recall that there were 37 banks which participated in this loan?

A. No, I don't recall that.

Q. I believe you will find that Exhibit G-67 indicates that.

[fol. 3562] A. Yes.

Mr. von Starck: Do you have an extra copy there to show him?

By Mr. Reycraft:

Q. Isn't it a fact that all of the 37 banks on this list received exactly the same percentage of participation when the loan was increased?

Mr. von Starck: May this question be held until the witness is shown a copy of the exhibit?

Mr. Reycraft: Yes.

The Witness: To answer your question specifically, Mr. Reycraft, I don't know, but I don't see how they could be if we were offered 2½ per cent more. I mean somebody—wasn't somebody cut down?

By Mr. Reycraft:

Q. As I understood your testimony, you remained at 2½ per cent; is that right?

A. Oh, you mean since we couldn't take it?

Q. I am relying on your testimony.

A. I think the point I tried to make was that we had 2½ per cent in a $130-million loan or $125-million loan. When the company raised it to $165 million they said, "Well, you raise your percentage to 5 per cent."

Now, if we raised our percentage to 5, somebody else [fol. 3563] took less. Now——

Q. But you didn't raise your percentage.

A. Since we didn't take our 5, whether the other banks all took their same percentage, I don't know. I presume that was your question.

Q. My question or my understanding is that the percentages of all the banks remained the same after the increase in the total dollar amount of the loan. Is that correct?

A. I don't know.

Q. And you are quite specific that your bank was asked to take another 2½ per cent?

A. Yes?

Q. Now, if you will refer, sir, to a footnote on the sixth page of G-67 I believe you will find that the additional amounts to be participated in by the same banks are in the same percentage as shown on the exhibit for the original loan.

A. Page 6? I am sorry, page 6 of G-67?

Q. That's right.

A. Yes.

Q. Do you know whether any other banks on this list were asked to take an increased percentage when the loan was increased?

A. No, I do not.

[fol. 3564] Q. Do you know whether any were asked to take a decreased percentage?

A. Well, I would——

Q. Of course, you don't know.

A. I would suspect if we were asked to take an increase, somebody was going to take a decrease.

Q. But you wouldn't know who that would be?

A. No, I haven't the faintest idea.

Q. And as it turned out nobody changed anything?

A. Well, according to this note here that I had not seen before, this is true.

Q. Now, your bank's participation in that loan was $3,250,000; isn't that right?

A. Yes.

Q. Did I understand your testimony to be that you could not take $6,500,000, which would be 5 per cent?

A. No. They raised the loan, remember? They raised it from $130 million to $165 million. That made the problem, Mr. Reycraft.

Q. So that would have meant the 5 per cent——

A. That would have put us over the limit.

Q. By $250,000?

A. That's right. That's right. That was the problem.

Q. So you could have gone up to 4.8 or 4.9?

[fol. 3565] A. Yes, but the point is that they don't do that in a credit like this, that kind of a percentage.

Q. Now, other banks which had a participation of the

same size as yours include the Harris Trust & Savings Bank in Chicago.

Do you know what their lending limit is?

A. No, I don't know. These change constantly because of transfers from undivided to surplus and sale of new stock, merger.

Q. Now, the Wells Fargo Bank of San Francisco also had a participation the same as yours.

Do you know what their lending limit is?

A. They have just merged.

Q. With the Crocker-Anglo?

A. Yes.

Q. No, the American?

A. The American, yes.

Q. And their lending limit, according to D-24, is $15 million.

You don't know whether they were asked to take any more than 3½ per cent, do you?

A. No.

Q. The First National Bank of Boston also had a participation of $3,250,000, exactly the same as yours; isn't that correct, and their lending limit is $16 million; isn't that [fol. 3566] right?

A. I know their lending limit is $16 million. I am trying to find the figure. I will accept your $3,250,000.

Q. It is shown on D-24.

A. Yes. All right.

Q. And Crocker-Anglo had a smaller participation than yours, amounting to $2,600,000; and their lending limit is $10 million; isn't that right; $10,600,000?

A. I don't know what their lending limit is out there now.

Q. D-24 shows it.

A. Oh.

Q. And Bankers' Trust, which has a lending limit of $24 million, got a participation of $975,000, or .75 per cent. I believe you will find that is accurate by reference to G-67.

A. Bankers' Trust, how much?

Q. They got, according to the exhibit, $975,000 or .75 per cent.

A. Yes. I see that.

Q. And they have a lending limit, according to D-24, of $24,171,900?

A. Yes.

Q. You don't know whether they were asked to take an increased participation, do you?

A. No.

[fol. 3567] Q. Do you think in a loan such as this, where there are 37 banks involved, that if there were 38 it would make much difference to the borrower?

A. Not particularly, one more, I don't think.

Q. Not particularly?

A. No.

Q. So that if this borrower wanted $14 million from Philadelphia he could borrow $6 million from Girard and $8 million from the Philadelphia National and it wouldn't make much difference to him, would it?

A. No, except that I don't think that he is anxious to open another bank in Philadelphia because he does have some business here through the airline offices. We handle the currency and the cash and other services for that office, and we are the logical one to take his share in this area.

If he went to Girard he'd have to open an account over there and he doesn't want to do it.

Q. I think you have already testified that it doesn't make much difference if he had 37 or 38 banks.

A. Well, if he was opening some place where he had supporting balances, this would be true.

Q. Well, you assume he has supporting balances.

A. You didn't say one more bank in Philadelphia.

Q. You assume he has supporting balances in all 37 [fol. 3568] banks that are indicated on G-67.

A. I would be very surprised if he doesn't.

Q. So having a supporting balance in one additional bank also doesn't create much of a problem, does it?

A. Well, no, I won't accept that.

Q. Will you explain your answer?

A. Well, I think that these national companies like to keep their banks to a minimum and be important to each bank and use particular banks in the area in which they have outlets, and not spread them around among many banks in cities——

Q. Do you think it is unusual for a national company to have an account with more than one bank in a particular city?

A. No, I don't think it is, but I would think an airline company that doesn't have much cash would try to restrict their banking relationships as much as possible so that they can support their borrowings.

Q. Do you know whether this particular airline has an account with another bank in this area?

A. No, I do not.

Q. Now, referring to D-41, Mr. McDowell, I gather that D-41 is a summation of your opinion; is that correct?

A. Yes.

Q. Can you tell me what your opinion is based on in terms of statistics?

[fol. 3569] A. Well, I think from the Federal Reserve Bulletin we gave some of that, Mr. Reycraft. On some of these local, for instance, savings, I don't have specific statistics for those; but from my experience I have no doubt that savings deposits, mutual-savings banks, savings and loan associations, credit unions, mutual funds, annuity contracts, Government obligations, and life insurance.

Q. When did you begin the preparation of this exhibit, sir?

A. I would think about four or five weeks ago.

Q. What sources did you consult in reaching the conclusions which are summarized in this exhibit?

A. I think Girard Corn was consulted by—I am not clear on this, but it was given to me with some of these on there, and I added substantially more so far as competition was concerned.

I think the obvious ones were pretty much on there, put on there by someone; I don't know who it was.

Q. You don't know who put those on?

A. No, I do not, the obvious ones.

Now, some of the unobvious ones, I must admit that I put on.

Q. In other words, your conclusions were on there when the exhibit was handed to you; is that right?

A. Yes, that's right.

[fol. 3570] Q. Referring to Category No. 1, under Time and Savings Deposits, which is "Savings Deposits," you

indicate that the market area is Philadelphia metropolitan; isn't that right?

A. Yes.

Q. Do you know what percentage of the savings deposits of the combined bank originate in the Philadelphia metropolitan area?

A. I think there is an exhibit on that, Mr. Reycraft.

Q. Yes. If you will refer to D-30, I think you might see that.

Mr. von Starck: You have a copy of that, do you not?

The Witness: I have it in my bag; I don't have it up here.

Yes.

By Mr. Reycraft:

Q. Isn't it a fact that 94.7 per cent of Philadelphia National's savings deposits originate in the four-county area?

A. Savings deposits, individuals?

Q. Category No. 1.

A. Isn't it 90.12 per cent?

Q. Well, D-30 indicates——

[fol. 3571] The Court: 94.7 looks right to me.

By Mr. Reycraft:

Q. D-30 indicates 5.3 per cent of PNB originate outside the four-county area.

A. Yes, I have the 5.3.

Q. So we subtract that from 100 and we get 94.7.

A. Correct. I am sorry.

Q. And you are referring by your description of Philadelphia metropolitan to the four-county area—Philadelphia, Bucks, Montgomery, and Delaware; is that right?

A. Yes.

Q. Now with reference to your second category, "Time Deposits, Partnerships and Corporations," can you tell me the basis on which you came to the conclusion that the market was the United States?

A. On time accounts?

Q. Yes.

A. Right now, as of this morning, in our bank, Mr. Rey-

craft, we have $99 million worth of time accounts because of what has happened in the commercial-paper rate and the——

Q. Now, these are accounts which fall within the Category No. 2?

A. Time accounts.

Q. Category No. 2 on D-41?

[fol. 3572] A. Well, now, the $99 million might not all be from partnerships and corporations. Some of it is the International Bank; but the point is that these corporations that have time accounts with us are from really all over the country. We have calls from Detroit, from one of the large motor companies. They asked us to quote on a $1-million time account; so that these come from really, and these national treasurers are seeking the best rate they can get and they don't care what city it is or what bank it is.

Normally, they go to their bank of deposit, but this is a very volatile market and one which is being tested every day in specific cities and specific banks.

Q. And you consider that you are in competition throughout the United States?

A. Oh, Mr. Reycraft, in New York right now there are—the last estimate I saw in the New York Times about a week ago was that there were between $800 million and $900 million in negotiable time certificates outstanding in New York out of a total of $1 billion three. This is what the situation is in this area.

Q. In what area are you talking about?

A. In the area of time accounts.

The Court: Read that answer back. Read the question and read the answer. Go back several questions.

[fol. 3573] (The reporter read the testimony as directed.)

The Witness: Maybe I could clarify that, $1.3 billion of negotiable time certificates outstanding in the banking system in the country.

By Mr. Reycraft:

Q. Of that amount, how much is in New York?

A. About $800 million to $900 million. That was the last estimate I saw.

Q. This is about 80 per cent of it in New York?

A. In time-negotiable certificates.

Now, I want to be specific here. There are other time accounts, as Mr. Brown explained yesterday. There are time accounts taken under contract. They are not negotiable.

For instance, when we take a time deposit from our School Board it is not done on a negotiable certificate that can be sold in the market, in the open market. It is done on a contract with the School District and it is set with us for either 30, 90, or 180 days; and that stays with us for that period of time.

Q. Now, isn't it a fact, Mr. McDowell, that of deposits which fall in this Category 2 as shown in D-41, 57.6 per cent of the deposits in that category held by the Philadelphia National Bank originate within the four-county area? [fol. 3574] A. Yes.

The Court: As of June, 1960.

Mr. Reycraft: Yes, sir; that's right.

The Witness: Yes.

The Court: At which time there were a total of $10.6 million as against $99 million today.

The Witness: That's right, sir. This is what has happened in the short-term-interest-rate market.

By the Court:

Q. What would be your educated guess about the percentage that came from without the four-county area of the $99 million you have as of now?

I know that nobody is going to hold you to it; you would just have to guess.

A. No, I wouldn't want to be held to this, Your Honor, but——

Q. Half of it?

A. I would think between 30—maybe 30 and 40 per cent.

By Mr. Reycraft:

Q. Would come from outside of the four-county area?

A. Yes.

By the Court:

Q. Would come from outside the four-county area?

A. Yes, sir.

[fol. 3575] By Mr. Reycraft:

Q. So that would be consistent with the figures shown on D-30?

The Court: Which show 42.4 per cent from without the four-county area?

The Witness: Yes.

By Mr. Reycraft:

Q. That would be about the same?

A. Except that the amount is much greater these days. The percentage is the same; you are right.

Q. You are nodding your head, Mr. McDowell. If you can give oral answers it will be helpful.

A. Yes.

Q. Thank you.

With reference to Category 4 on D-41, "Time Deposits, Domestic Banks," over $10,000, the exhibit indicates that for your bank 100 per cent originate in the four-county area.

A. Remember, that was a bank that I explained was handling mortgage warehousing and this was a temporary —you will remember.

Q. Only one bank?

A. Just one bank.

Q. All right.

[fol. 3576] And with reference to Category No. 5 on D-41, 94.3 per cent originate within the four-county area?

A. Yes. That's principally the School District and the City of Philadelphia.

Q. And for the total time and savings deposits included in the five categories under I, "Time and Savings Deposits," on D-41, 81.4 per cent originate within the four-county area?

A. For Philadelphia National Bank.

Q. For Philadelphia National Bank; and that you may check by reference to D-30.

Now will you turn to the third page of D-41, under the heading II, "Demand Deposits."

The Court: What page?

Mr. Reycraft: It is II; the third page in sequence. That is on D-41, Your Honor.

The Court: D-41?

Mr. Reycraft: Yes. You have D-30 there.

It is marked page 2, but there is a cover page.

By Mr. Reycraft:

Q. Now, Mr. McDowell, for "Demand Deposits, Individual," you indicate that the appropriate market area is Delaware Valley?

A. That's right.

Q. Now, can you tell me what the basis is for that con-
[fol. 3577] clusion?

A. I think only my experience that I know of few individuals that get proper service that would move their individual demand-deposit account outside of the Philadelphia area.

I have difficulty in understanding why they would do it and I know of no case—I won't say I know of no case; I can think of none.

Q. Let me ask you how you made the distinction in this situation between Delaware Valley and what you have referred to as Philadelphia metropolitan in other places in this exhibit.

A. Well, I have a feeling——

Could I understand that question, please?

Mr. Reycraft: Read the question back.

(The pending question was repeated by the reporter.)

The Witness: I think the only explanation for that, Mr. Reycraft, was that if some of our customers were on the periphery of this four-county area, they don't understand political barriers as some reason why they have to keep their deposit in Bucks County if they can keep it in Trenton.

By Mr. Reycraft:

Q. And you had a feeling that a substantial number of these were located outside the four-county area, but within
[fol. 3578] the ten-county area?

A. Well, I don't know that "substantial" is the right word.

Q. Well,——

A. We had a feeling that this was an alternate source for them and that they could use it, particularly for their deposit accounts.

Q. Who is "we"? This was your conclusion, wasn't it?

A. Yes; and also I mean the transportation is so good and some of them might work elsewhere.

Q. And is that the basis for your decision?

A. I think so.

Q. For your opinion that Delaware Valley is the appropriate market area?

A. Yes.

Q. For Category 1?

A. Yes.

Q. Now, did you apply any quantitative studies in determining which market area was appropriate for any of these categories?

A. No.

Q. So that if it is a fact that of Category No. 1, "Demand Deposits, Individual," 99.5 per cent of your bank's deposits in that category originate in the four county area, did you take that into consideration?

[fol. 3579] A. I am not sure that I did, because when I made this up I used my own experience rather than any statistics.

Q. And that is what this entire exhibit is based upon; is that it, your experience?

A. Yes, on mine; that's right.

Q. I understood, I believe, you to testify under your qualifications that you are an economist or that you have had economic training.

A. Oh, no, sir.

Q. Well, you were a business analyst?

A. No, sir.

Q. Well, can you characterize it for me?

A. Well, I think I described yesterday that upon graduating from high school I went to work for a local bank in South Philadelphia and from that point on I have been in the banking business.

Q. Well, I was impressed with your background and I thought it qualified you as an economist.

A. Thank you.

Q. Nevertheless, I want to ask you, in reaching the conclusion that the Philadelphia metropolitan area was the appropriate market for savings deposits and your figures are 94.7 per cent, and your conclusion that Delaware Valley on the next page is the appropriate market area, where [fol. 3580] the percentage is 93.5 per cent, or 1.2 difference to take you from a four-county market to a ten-county market—did this cause you any logical problems?

A. I don't quite understand the question. Could I have it read, please?

Mr. Reycraft: Yes.

(The pending question was repeated by the reporter.)

The Witness: I think I testified before, Mr. Reycraft, that I did this from personal knowledge. I don't even think I saw this other exhibit when I personally supervised the putting down of this competitive situation.

By Mr. Reycraft:

Q. The answer is you didn't, because you didn't know the figures?

By the Court:

Q. Would it change your mind at all if you even know these statistics?

A. No, no. it would not.

Q. You are talking about where a person keeps his checking account——

A. That's right.

Q. Somebody who work on Market Street might keep it in Wilmington?

[fol. 3581] A. That's right; and somebody in Yardley might keep it in Trenton.

By Mr. Reycraft:

Q. And you think that in a situation where 93.5 per cent of the deposits originate within the four-county area, that that, nevertheless, would not necessarily be the appropriate market area?

A. We are talking about which deposits now?

Q. Demand deposits, individuals.

A. There might be some inconsistency, but if there is I explained that I did it without these statistics.

Q. Now with reference to the second category on the page numbered 2, did I understand you to testify that small and medium included up to $50,000, or what was it?

A. (No response.)

Q. 100,000?

A. Yes. I think we were talking about loans, remember; and while this is a judgment statement I think I personally would consider small and medium-sized loans up to $100,000.

Now, remember——

The Court: You were talking about deposits, partnerships, and corporations, when you categorized small, medium, and large.

The Witness: I think maybe I was; that is [fol. 3582] right.

Yes. Thank you, Your Honor.

By Mr. Reycraft:

Q. I believe you indicated that it was up to $100,000, the top of medium?

A. I think that's right, yes.

Q. I think that's right. I am not trying to confuse you.

You don't have the figures for those categories, did you?

A. No, no; none whatever.

Q. But you reached a conclusion that for small and medium-sized demand deposits of partnerships and corporations the appropriate market area is Delaware Valley; right?

A. Yes.

[fol. 3583] Q. And this again was on the basis of your background and experience?

A. That is right.

Q. And not by reference to statistics?

A. No.

Q. And you reached the conclusion with reference to

the market area on large demand deposits of partnerships and corporations in the same manner; is that right?

A. That is right.

Q. I point out that D-30 indicates that for demand deposits of partnerships and corporations under $10,000—we don't have the categories precisely listed—99 per cent originate within the four-county area, and with reference to all of the demand deposits in category 2, 66 per cent originate in the four-county area. Now, wouldn't you think that the fact that 66 per cent originates in the four-county area indicates that that is the most relevant market area?

A. Oh, no. On demand deposits?

Q. Yes. I am asking you whether it is not the most relevant market area for deposits of that type.

A. Well, I think it might be the most relevant market, but I assure you, Mr. Reycraft, that so far as our solici-
[fol. 3584] tation and efforts are concerned to obtain——

Q. Well, the exhibit indicates about the third——

A. Statistically it does.

Q. —about a third originates outside the four-county area, so there is no question about the fact that you do solicit outside the four-county area?

A. We have more solicitation outside the four-county area than we have in.

Q. You have to work harder outside the four-county area?

A. That is right, but I don't want the record to show that we think, on demand deposits, that the four-county area is really our main source of future growth.

The Court: Are we talking about demand deposits, partnerships and corporations?

Mr. Reycraft: Yes, sir, on page 2.

The Court: Well, under $10,000 they have $300,000 outside the four-county area, and for $10,000 and over they have $140,700,000.

Mr. Reycraft: Yes. The combined category, Your Honor, I believe indicates that 66 per cent of the total of demand deposits of partnerships and corporations originates within the four-county area.

[fol. 3585] The Court: They have $245 million, but $140

million is important money in somebody's life. It looks awful big to me.

Mr. Reycraft: I don't question that at all.

The Court: It may be small to you, Mr. Reycraft, but it is awful big to me.

Mr. Reycraft: You flatter me.

The Witness: In addition to this, our correspondent bank deposits mostly come from outside the four-county area, you will remember.

By Mr. Reycraft:

Q. Yes, but as far as this second category is concerned, it is a fact, isn't it, that the most important source of your demand deposits for partnerships and corporations at the present time is the four-county area?

A. Well, I wouldn't say the most important source, really.

Q. The biggest?

A. When this was made up.

Q. You will agree that 66 per cent is bigger than 34 per cent?

A. That is right; but remember I called to your attention [fol. 3586] yesterday that this is a very volatile type of thing, and these monies go in and out, and as of the time this was made up, our daily average for June, this was true, but I don't think we should imply that Philadelphia National Bank, with what we are trying to do in the national and international market——

Q. You shouldn't do what?

A. Imply that the type of job we are trying to do in the international and the national market, that a large percentage of our future growth is dependent on demand deposits in the four-county area.

Maybe I said that wrong. I didn't mean to.

Q. Would you like to hear your answer read back?

A. I didn't mean to use the word "imply."

Q. At the present time 66 per cent originates within the four-county area?

A. This is what the record says, yes.

The Court: I would say that 13 months ago instead of at the present time.

By Mr. Reycraft:

Q. Do you have any information which indicates that these percentages have changed in the meantime?

A. I have no information.

[fol. 3587] Q. In either way?

A. Either way, no.

Q. Now, you testified that with respect to category 5, the United States Government keeps demand deposits in every bank that renders them a service; isn't that correct?

A. That is my understanding.

Q. Would the same thing be largely true of corporations, that they keep deposits in every bank that renders them a service?

A. Well, not quite so. I mean there are some, because of old sentimental reasons or long-time relationships, there might be, and I am not sure we don't have some, where we have some deposits where we are concerned we are not earning our way.

Q. The consideration of past services, perhaps, in those cases?

A. Perhaps.

Q. Mr. McDowell, isn't it a fact that with unimportant exceptions, corporations keep demand deposits in all banks which provide them services?

A. Yes.

Q. On D-41, page No. 2, the market areas you indicated are Delaware Valley twice, the United States twice, one [fol. 3588] international, one Pennsylvania, and one not applicable. By reference to D-30 I believe you will find that the total demand deposits originating within the four-county area are 55.8 per cent of all Philadelphia National Bank demand deposits. Would you agree, sir, that the most important market for demand deposits, as far as Philadelphia National Bank is concerned, is the four-county area at the present time?

A. I would think at the present time yes.

Q. And on page 1, with reference to time and savings deposits, where you indicate the market area as being Philadelphia metropolitan, United States, international, Philadelphia metropolitan, and Philadelphia metropolitan, wouldn't you agree that over-all, for time and savings

deposits, where the percentage originating within the four-county area is 81.4 per cent, that the most important market for Philadelphia National Bank at the present time for deposits of this type is the four-county area?

A. I think we have to break that down, Mr. Reycraft. I can't——

Q. Can you give me an answer for the category as a whole based on the percentage which I have read to you? [fol. 3589] A. I would have to say no, as a whole.

Q. 81.4 per cent doesn't make it the most important market for Philadelphia National?

A. Well, I am thinking about time deposits.

Q. Time and savings deposits, where 81.4 per cent of all of Philadelphia National Bank's deposits of this type originate within the four-county area, my question is, don't you agree that this is the most important market for the Philadelphia National Bank at the present time?

A. So far as savings, yes. So far as time accounts, I am not sure.

Q. As far as this category which you have included in the exhibit, over-all, don't you agree that the four-county area is the most important market?

A. This is what the exhibit says here, but in the light of what has developed since with time accounts, I am not so sure that our——

Q. At the time the exhibit was made up——

Mr. von Starck: Let him finish his answer, will you, Mr. Reycraft?

A. —I am not sure that our most important chance for increasing time accounts is in the local area.

[fol. 3590] Q. On the basis of the facts contained in this exhibit, however, as of the time of Exhibits D-41 and D-30, isn't it a fact that the four-county area is the most important market for the Philadelphia National Bank for time and savings deposits?

A. Well, this is what the statistics say what they were then.

Q. Is your answer yes?

A. No, it is not. I qualified my answer on that so far as time accounts were concerned, in view of what has happened in the money market.

Q. As of June, 1960, was it the most important market?

A. Well, with the money market the way it was at that time, yes.

Q. Will you turn to page 3 of D-41, under "III. Loans" you indicate that in your opinion the market area for real estate loans is the whole United States. Can you tell me what the basis for that conclusion is.

A. Well, since we do a lot of construction loans, it is very clear that the permanent take outs, I think I explained before, come from savings institutions and insurance companies outside of our area.

Q. Did you examine any statistics in reaching this [fol. 3591] conclusion?

A. No, I did not.

Q. D-30 indicates that 74 per cent of the real estate loans of the Philadelphia National Bank originate within the four-county area. Would you agree with me that as far as the Philadelphia National Bank is concerned, the four-county area is the most important market for real estate loans?

A. No, I can't agree with that because in real estate loans these loans are generated here but they are sold all over the country.

Q. Forgetting the real estate loan business, which D-30 indicates originates in the four-country area to the extent of 74 per cent, don't you agree that the four-county area is the most important to the Philadelphia National Bank?

A. Let me try to see if I can clarify this. So far as we are concerned with our bank, with the savings at the level they are, we are not interested in making real estate loans too far away from the four-county area. Now, other institutions, from Bowery Savings——

Q. My question was directed to the market for the Philadelphia National Bank. I am not talking about Bowery Savings or Philadelphia Saving Fund Society or any other [fol. 3592] institution but Philadelphia National Bank. Isn't it a fact that the four-county area is the most important source of its real estate loan business?

A. Oh, yes, yes.

Q. And by indicating that the United States is the appropriate market area for that type of function you don't

mean to indicate that it is the most important market area of the Philadelphia National Bank, do you?

A. You mean so far as us competing in the United States for mortgages outside of our four-county area?

Q. Yes.

A. No.

Q. Would I be correct in understanding that what it means is that there is transfer of real estate mortgages throughout the United States among financial institutions?

A. Well, what normally happens, in big construction projects there has to be a permanent takeout. That is usually taken by some long-term lender, and they can be anywhere in the United States and the project can be in Philadelphia.

Q. So that the Philadelphia National Bank might sell the mortgage to an institution elsewhere in the country?

A. It is possible.

[fol. 3593] Q. And that is what you intended to convey by the description of the market area as being the United States?

A. Yes. We were trying to point out, I think, that when permanent financing is arranged in Philadelphia our competition is not just locally, it is the United States.

Q. But as far as your actual experience, 74 per cent of this business has originated in the four-county area?

A. That is right, mostly residential mortgages in our area.

Q. Now, in category 4 on the same page, loans to farmers, you indicate that the market area is Delaware Valley. I assume once again that this market area conclusion was not reached on the basis of statistics; is that correct?

A. I think it was based on fact, because if my memory serves me right, we have one loan to one farmer up in Bucks County, and the farm is over in New Jersey.

Q. Well, D-30 indicates you have $200,000. Is that one loan?

A. I think so.

Q. And Exhibit D-30 indicates that that loan originates [fol. 3594] within the four-county area, so I assume the basis for your conclusion on D-30 was the residence of the borrower.

A. I think that is what has happened. It is over in Jersey——

Q. The borrower is in Montgomery County and the farm is in New Jersey?

A. No, the borrower is in Jersey. If this is the one I think it is, the borrower is in Jersey and the bank is in the four-county area.

Q. The farm is in the four-county area?

A. No, the farm is in New Jersey.

By the Court:

Q. The land is in New Jersey and the borrower is in Bucks County; is that it?

A. Well, no, maybe I am confused.

The Court: Well, I am.

The Witness: I know we have one large farm loan up in Bucks County. This is not particularly my field.

By Mr. Reycraft:

Q. Did you say the farm is in Bucks County?

A. No. We have one farm loan up in the Bristol office of our bank, and, as I recall, the farm is over in New [fol. 3595-3596] Jersey around Burlington or some place.

Q. The farmer is also over there?

A. The farmer is also over there.

Q. Your bank office which made the loan is in the four-county area?

A. Yes, that is right.

The Court: We can't get through in the next ten or fifteen minutes, I am sure.

Mr. Reycraft: No, sir.

The Court: We will conclude for the week, then, and we will convene on Tuesday morning.

(Adjourned at 12:35 P.M. until Tuesday, July 25, 1961, at 10:00 o'clock A.M.)

[fols. 3597-3598] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

TWENTY-SECOND DAY

Philadelphia, Pa., July 25, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 3599] JOHN McDOWELL, resumed.

Cross-examination (Continued)

By Mr. Reycraft:

Q. Mr. McDowell, will you refer to page 4 of D-41.

A. Yes, I have it.

Q. Can you tell me what the basis was for your conclusion that the appropriate market area for small and medium commercial and industrial loans is Delaware Valley?

A. The basis for this was my experience in Philadelphia and as a lending officer for many years. I know this is our competition.

Q. Will you refer to D-30, the third page, category 5, where the percentages of the Philadelphia National Bank of commercial and industrial loans under $50,000 outside the four-county area is set forth.

A. Yes, I have it.

Q. Now, Mr. McDowell, referring to the fifth category on page 3 of loans, that indicates [illegible] it not, that commercial and industrial loans under [illegible]00 of the Philadelphia National Bank represented 75.2 per cent of all of its loans in that category?

A. Within the four-county area under $50,000, yes.

Q. You did not rely on any of these figures, I take it, [fol. 3600] in reaching your conclusion?

A. No, I did not see these figures when I reached my conclusion.

Q. Will you agree with me now that so far as the category we have been discussing is concerned, that the four-county area is the most important market area for the Philadelphia National Bank?

A. I think so far as located of customers is concerned, and particularly with the small businessman, which I think was made clear in previous testimony by Mr. Brown and myself, our wholehearted desire to service the small businessman, the small business borrower, in the four-county area, I think that, yes, the four-county area is probably our most important. Now, bear in mind, however, they still have alternate choices, obviously.

Q. I understand your testimony to be, then, that the four-county area in the under $50,000 category is the most important market area for the Philadelphia National Bank?

A. For the small businessman, yes.

Q. For the category under $50,000?

A. That is right.

Q. In the category from $50,000 to $500,000 the percentage which the Philadelphia National Bank has inside the [fol. 3601] four-county area is 64.3 per cent. Would you also agree with me that for this category the most important market area for Philadelphia National Bank is the four-county area?

A. No.

Q. Would you explain that.

A. Well, you will notice, Mr. Reycraft, the breakdown here is from $50,000 to $499,000.

Q. That is right.

A. I consider the small business loan ranging up to $150,000, $175,000, $200,000. Those above that have wide choices outside the four-county area, so I am not sure I could agree with that.

Q. Do you have any statistics to bear out that conclusion?

A. No, I do not.

Q. So far as the statistics which are shown on D-30,

will you agree with me that the 64.3 per cent of business which the Philadelphia National Bank now does in that category in the four-county area represents the most important part of its business in that category?

A. Only so far as location of the customer is concerned, yes.

Q. It represents the most important part?

[fol. 3602] A. Only so far as the location of the customer is concerned.

Q. As I understand these percentage figures, they are the total dollar volume of these loans; is that correct?

A. That is right.

Q. So that 64.3 per cent of the total dollar volume on these loans are in the four-county area; is that right?

A. That is right. That is, the customer is located in the four-county area, and this is based on where the customer is domiciled, that is correct.

Q. And as far as you know, this is where the business comes from?

A. Yes.

Q. And you agree that this is the most important source of business for the Philadelphia National Bank for loans in this category?

A. Well, this is what the record statistics say here now, but my point is——

Q. You don't agree with these statistics?

A. Well, this is what the statistics say.

Q. Do you or do you not agree with these statistics?

A. No, I make this point, that there are——

Q. Can you answer yes or no?

A. No, I can't answer yes or no.

[fol. 3603] Q. All right, go ahead.

A. I make this point that I think in this category above $175,000 or $200,000 there are other markets available to these borrowers, and it is their choice not ours. Now, we try to keep them here. I agree with that.

Q. This is potential competition?

A. That is right.

Q. You heard Dr. Harris' testimony, didn't you?

A. Yes.

Q. And that is potential competition rather than——

A. It is real competition.

Q. It is real competition, yes, it is, but, nevertheless, isn't it a fact that the most important source of business for the Philadelphia National Bank for loans in this category is the four-county area?

A. Based on these statistics and based on the location of the customer, this is what this says.

Q. And you agree that is a fact?

A. Well, I agree that the statistics are right.

Q. And you agree that it is the most important source of your business?

A. I tried to explain, Mr. Reycraft, that I don't think that can be categorically answered, because these customers of ours do have many choices.

[fol. 3604] Q. As far as the choices which they actually exercise——

A. This might be true. We try to make it attractive enough so that they stay with us.

Q. And you have succeeded, haven't you?

A. I think, based on these statistics, we have.

Q. To the extent that this is the most important source of business for your bank in this category?

A. Sir, I tried to answer it the best I can.

Mr. Reycraft: I might point out that this is a defendants' exhibit and not a Government's exhibit.

Q. Mr. McDowell, for the over-all category of commercial and industrial loans as shown by D-30 the amount of business which the Philadelphia National Bank obtains from within the four-county area is 53.8 per cent. Would you agree that the four-county area is the most important source of business for the Philadelphia National Bank for commercial and industrial loans?

A. Mr. Reycraft, if you will look at the breakdown here, $500,000 loans and over, we show 52 per cent outside the four-county area. That is a pretty large total, and there again these customers have all sorts of choices throughout the entire United States.

Q. My question is, for the entire category of commercial and industrial loans D-30 shows 53.8 per cent within the [fol. 3605] four-county area. Do you agree that this is the most important source of business of this type for the Philadelphia National Bank?

A. Well, now, this is what this shows, but I must make the point that, particularly on the larger loans, they have many choices other than Philadelphia National Bank. We try to keep as much of the larger loans as we possibly can here through good service, broad lending policy, and proper competitive rates.

Q. As far as the source of business which your bank actually gets, for whatever reason, isn't it a fact that the most important source is the four-county area?

A. Well, the location of our customers is in the four-county area, and based on this the 53.8 per cent came inside the four-county area, of all of our customers, but if you will look at these percentages, Mr. Reycraft, the smaller loans, you notice, were 24.8 outside. Then the mobility develops as you get into the larger loans. 35.7 were outside. When you get into the $500,000 and over, 52.4, which shows the mobility of these people to bank wherever they want to bank and get their loans wherever they want.

Q. For the over-all category, however, isn't it a fact that the most important source of the business of your bank is [fol. 3606] the four-county area?

A. Well, based on these statistics, we have more loans in the four-county area as of this date than we do outside.

Q. And it is therefore the most important source of your business?

A. Well, I won't accept that.

Q. Do you have any figures which show the loans which originate in the six counties of the ten other than Philadelphia, Bucks, Delaware, and Montgomery?

A. No, I do not.

Q. Do you know for any of these categories the loans or deposits which originate in the other six counties?

A. No, I do not.

Q. And you didn't rely on any statistics of this type in reaching your conclusion?

A. I did not.

Q. For example, in making a distinction between the Philadelphia metropolitan area and the Delaware Valley, you had no statistics of this type that you relied on, did you?

A. I did not.

Q. Now, with reference to loans to individuals, category 6a through d on page 3, it shows that 75.2 per cent of these

[fol. 3607] loans originate within the four-county area. Can you tell me what the basis was for your conclusion that the appropriate market area is the Delaware Valley?

A. 6e?

Q. 6a through d, loans to individuals, installment.

A. Well, these are loans principally for home modernization, appliances, automobiles, and since many times the financing is arranged through dealers, and the people around the four-county area have freedom of action to buy in the whole trade area, we felt that their opportunities for financing these individual appliances rested in the Delaware Valley.

Q. Now, who is "we"? Who participated?

A. Excuse me. I did.

Q. You did?

A. Yes.

Q. Entirely on your own?

A. Mr. MacLaren and I did this together.

Q. And that is all who participated?

A. Yes.

Q. Only you and Mr. MacLaren?

A. That is right.

Q. And you and Mr. MacLaren prepared the Exhibit D-41?

A. Yes. The first I saw the exhibit he had it partially [fol. 3608] prepared, and I completed it, supervised it from that point on.

Q. You don't know who prepared D-30, I assume?

A. No, I do not.

Mr. von Starck: Mr. MacLaren testified that D-30 was prepared under his supervision.

Mr. Reycraft: I remember.

By Mr. Reycraft:

Q. Now, Mr. McDowell, you had no facts, if I can summarize your testimony as I understand it, to distinguish between the four-county area and the ten-county area with reference to 6a through d, loans to individuals, and so on?

Mr. von Starck: May I ask if this question is limited to statistical facts?

By Mr. Reycraft:

Q. You state any facts that you relied on, Mr. McDowell.

A. I did this from my own personal experience and judgment.

Q. Would the same answer then apply to 6e, loans to individuals—single-payment?

A. Yes.

Q. And D-30 shows, does it not, that in that category 76 per cent of the business of the Philadelphia National Bank [fol. 3609] originates within the four-county area?

A. It does.

Q. And you don't know how much originates in the other six counties which go to make up the ten-county area?

A. I do not.

Q. Do you have any statistical information on which you relied for your conclusion, the various conclusions you have set forth in column C on D-41, competition other than commercial banks?

A. In which category?

Q. Any of them.

A. None except what we read from the Federal Reserve Bulletin.

Q. Do those figures show anything with reference to the amount of competition in the Delaware Valley?

A. Not Delaware Valley.

Q. Or in the four-county area?

A. No.

Q. Now, can you tell me, with reference to category 7 on D-41, all other loans, what was the basis for your conclusion that the appropriate market for all other loans in the United States?

[fol. 3610] A. Well, you will recall that this is the catchall category and principally includes financing of churches, hospitals, and educational institutions, and from my experience it seemed very clear to me that we had no captive market in the four-county area for this kind of loan.

[fol. 3611] Q. Did you use any statistics?

A. No.

Q. Do you know how much of the business of this type originates within the ten-county area?

A. No. I do not.

Q. And you don't know how much originates within the four-county area?

A. Total origination in the four-county area or just—

Q. Of Category 7.

A. All the business that originates or just what we do?

Q. What your bank does.

A. Oh, I did know that we had this much outside when I made up the United States.

Q. Did you examine the statistics which were offered as part of the Government's case in the first or the early exhibit numbers?

A. No. I did not.

Q. And you never made any inquiry about it?

A. No.

Q. You didn't think it was important in reaching these conclusions on market area and competition to inquire into the figures as to the source of the business?

A. Well, Mr. Reycraft, having been in the banking business for 38 years in Philadelphia, this is what we think the [fol. 3612] Philadelphia competition is.

Q. And the statistics show that perhaps you weren't right?

A. I haven't seen any statistics that show that I am wrong.

Q. All right.

Now with reference to total loans, as shown on D-30, Exhibit D-30 indicates, does it not, that 51.9 per cent of all the Philadelphia National Bank's business originates within the four-county area?

A. Yes, it does.

Q. Would you agree that as far as the Philadelphia National Bank is concerned, the four-county area is the most important source of its gross loans?

A. No. I will not.

Q. You don't think 51.9 per cent is the most important part?

A. I think this is a pretty representative total here, and, as I have made the point, many of our areas of these categories here have other sources that they can go to and they are not captive of our area banks.

Q. Isn't the reason for your answer, because they are not captive to your bank?

A. No. I think that they have alternate sources, and, therefore, have the right to choose; and that doesn't particularly make it our important source.

Q. And you don't agree that the sources, the geographic area from which you get 51.9 per cent of your business, are [fol. 3613] the most important source of your business?

A. Well, statistically, I think it indicates that.

Q. I might point out also that Table 22, which is Government's Exhibit 22, indicates that 63 per cent by number of all loans in this category originate within the four-county area.

Would you like to examine that?

A. I would not be surprised because, based on the kind of service we try to give to our small customers, why, obviously, the numbers are very great.

Q. Mr. McDowell, do you have a copy of D-43 with you?

A. Yes, sir.

Q. Now, will you refer to the footnote which begins with the word "Source"?

Now, can you tell me what records of the defendant were used as the source for this exhibit?

A. Yes. We went through our IBM cards showing all depositors having accounts over $100,000. Then we went through our cards showing all borrowers having either loans or lines of credit of $500,000 or more.

Then we went through and talked with our control officers——

Q. With whom, please?

[fol. 3614] A. One of my associates—I didn't do this personally. They made up cards for me.

—went through our credit records and also, if they had any doubt at all, to the control officer to find out if they had other banking relationships outside of Philadelphia.

Many times our credit records show whether or not their headquarters or major branch or an important subsidiary is outside of the ten-county area; and also our credit records show whether or not our customer is a subsidiary of a company located outside the ten-county area.

They made up cards showing all of this information.

Q. So that Category (b) has, "Known banking connections outside of the ten-county area"; and that is known to whom, if I may ask?

A. That is known in our credit files, where we know they have lines of credits and deposits outside; and many times the credit officers, from their own personal knowledge, know whether or not their customers have outside banking connections.

Q. The credit officers know it on the basis of some discussions they have had or their experience?

A. Negotiations with other banks in previous loan arrangements.

[fol. 3615] Q. But it is not necessarily incorporated in the business records of your bank?

A. Well, many times it would be. Sometimes it would not be complete.

Q. And in those cases where it is not complete, you relied upon the knowledge of the control officers?

A. That's right.

Q. Did you make any analysis for the Delaware Valley as distinguished from the four-county area?

A. No. We did not.

Q. Will you explain to us what this exhibit is intended to convey?

The Court: Are you talking about forty——

Mr. Reycraft: D-43, Your Honor.

The Court: D?

Mr. Reycraft: D, D-43.

The Witness: This exhibit portrays the amount of business that we have in demand deposits of partnerships and corporations and commercial and industrial loans outside of the four-county area.

Then it also (the second item here, Mr. Reycraft) shows the 153 customers we have within the four-county area which we think are national-character customers, that they do not have to do business in the four-county area. Their [fol. 3616] credit standing is such, their deposits are such, their services are such, and their loan requirements are such that they have freedom of action to go any place in the United States to get their banking.

Q. Now, was this exhibit prepared under your direction?

A. The customers located outside the four-county area was.

Q. Do you mean the selection of the names of the customers?

A. Yes, definitely mine.

Q. And as to the rest of the exhibit, was it prepared under your direction?

A. No. I think the—well, the customers located within the four-county area was a statistical figure that I did not supervise—within the four-county area.

Outside the four-county area——

Q. Who furnished those figures to you?

A. One of my associates.

Q. Do you recall his name?

A. Bill Whiteford.

Mr. von Starck: He does know it. You are asking him D-30, which is the exhibit you were cross-examining on.

Mr. Reycraft: He doesn't seem to know that.

Mr. von Starck: He does know it. You are asking him underlying that.

[fol. 3617] The Witness: Sorry.

By Mr. Reycraft:

Q. So that as far as the companies selected are concerned, they are based on the opinions of you and of the associates who worked with you on the exhibit?

A. No, outside the four-county area it was my opinion alone.

Q. Your opinion alone?

A. Yes.

Q. Can you tell me what statistical information you relied upon to reach that opinion?

A. Personal knowledge and their deposits and long-time relationships we have had with them.

Q. Your background and your experience?

A. That's right.

Q. Mr. McDowell, do you have D-40 with you?

A. D——

Q. D-40?

A. No. I don't believe I do.

The Court: Do you have the key with it?

The Witness: This is the Girard?

Mr. Reycraft: Yes. I realize that.

I also hand you D-26 revised of the Philadelphia National Bank. You may look at both of them.

The Witness: Yes, I do have a copy of this. I didn't know [fol. 3618] what is was. I think I do have a copy of this.

By Mr. Reycraft:

Q. Mr. McDowell, let me ask you, do I understand your testimony to be with respect to D-26 that these companies would open large lines of credit or might do so if the proposed merger of the banks might go through?

The Court: Read the question back.
Your voice is falling.

(The pending question was repeated by the reporter.)

The Witness: I testified that some of those would.

By Mr. Reycraft:

Q. I want to refer you, Mr. McDowell, to No. 16, Customer No. 16 on D-26. I show you the key to D-26 so you will know the name of that customer.

A. Yes.

Q. May I have it?

A. No. 16?

Q. Yes, No. 16.

Now, is it your opinion that if the proposed merger is approved that customer will open a larger line with the combined bank?

A. He has a substantial line now with Girard Corn and he will take a larger line from the combined bank; that's [fol. 3619] right.

Q. You don't know, do you, whether he presently has a line with the Girard?

A. I am sure he has loans. I don't know whether he has a line.

I would be surprised if he didn't have a line. I would suspect he has a line and a loan, yes.

Q. Therefore, you don't know how much he would increase his total line from the two banks?

A. No, I do not. I don't know what their line is to this customer.

Mr. Reycraft: May I read into the record the amount of his line with the Girard, sir?

The Court: Do you have the Girard in front of you?

Mr. Reycraft: Yes, sir.

Mr. von Starck: He doesn't have the key, Your Honor.

The Court: Look at H.

The Witness: H? Yes, $5½ million for H.

By Mr. Reycraft:

Q. $5½ million?

A. Yes.

Q. So you would agree that if the banks were combined this customer would not be able to increase his total line of [fol. 3620] credit very much?

A. He would be able to.

Q. How much?

A. A million and a half.

Q. And that is pretty substantial, is it?

A. That's right.

Q. Now with reference to Customer No. 17 on D-26, do you know whether that customer has a line?

A. Yes. At Girard?

Q. Yes.

A. Yes, it has.

Q. Do you know how much?

A. No. I do not.

Q. And you don't know how much that customer would be able to increase its line if the banks were to combine, do you?

A. No, because, remember, that's the one that has the V loan and you have to work out the arithmetic as to how much is guaranteed to know how much more we could give them in the combined bank.

Q. His existing loan with the Girard is $4 million.

A. Well, some of that is the V loan, I would guess.

Q. At the Girard?

A. At the Girard, I don't know, but we have part of the [fol. 3621] V loan and the other principal banks have part of the V loan and I would be surprised if Girard didn't have

a part of the V loan; so that part of their loan would be guaranteed and that part, as you know, which is guaranteed is not part of your legal lending limit.

Mr. von Starck: Your Honor, I don't think it is fair to cross-examine this witness along this line unless he is given the key to the Girard exhibit.

Mr. Reycraft: I don't object to him having a key to the Girard exhibit.

Mr. von Starck: Do you have an extra one? I don't have any.

Mr. Reycraft: I have one, which is all that was given to me. Does Girard have a copy?

The Court: Look at AA.

The Witness: AA?

The Court: At the bottom of the sheet.

The Witness: Yes. AA, Mr. Reycraft, is $4 million, but I have no knowledge of how much of that is V loan.

By Mr. Reycraft:

Q. If part of it is V loan, then he could increase his loan limit at the present time by an amount greater than $2 million, couldn't he?

[fol. 3622] A. The exhibit doesn't show that any part of this is a V loan, does it?

Q. It just shows straight deposits and straight average loans.

A. That's right. I wouldn't know whether it is just a line of credit.

The Court: All right.

By Mr. Reycraft:

Q. Now, on those cases in D-26 where a V loan is involved, it is indicated in the footnote, is it?

The Court: It is on the Philadelphia National.

The Witness: The reason we did it there, Mr. Reycraft, is because we showed over our line. See, we had to explain, we thought, the fact that we were $9 million to this company, and it was due to the fact that we had a commitment on a V loan.

Now, Girard didn't necessarily have to do that because they are not in excess of their line.

By Mr. Reycraft:

Q. Now, will you refer to Customer No. 22 on D-26? I will show you the key so you will know who that customer is.

A. Yes, I have it here.

Mr. Reycraft: May I hand him the key to the Girard's exhibit?

[fol. 3623] Mr. von Starck: Yes.

Mr. Reycraft: Mr. Price?

Mr. Price: I have no objection.

The Court: What number?

The Witness: 22.

Mr. Reycraft: 22.

The Court: That is V on the other one, isn't it?

Mr. Reycraft: Yes, sir.

Mr. von Starck: What is that letter?

The Court: V.

Mr. Reycraft: V like in Victor.

The Court: V as in Vincent.

The Witness: Yes, sir, $5 million for V.

By Mr. Reycraft:

Q. So that company has $8 million with the Philadelphia National and $5 million with the Girard at the present time; isn't that right?

A. That's correct.

Q. So the maximum it could increase its lending limit after the merger would be $2 million?

A. That's right.

Q. And $1 million of that would be from the sale of new capital?

[fol. 3624] A. (No response.)

Q. By the combined bank; isn't that right?

A. No, oh, no.

The Court: Read the question.

The Witness: No, we are not selling any stock in connection with this merger.

By Mr. Reycraft:

Q. Transferred from undivided profits?
A. Well, that's right.

The Court: All right.

By Mr. Reycraft:

Q. Will you refer to Customer No. 24 on D-26?
A. Yes.
Q. Now, that customer has an $8 million line with the Philadelphia National Bank, does it not?
A. That's right.
Q. Will you refer to Customer I on D-40?
A. I? Yes.
Q. That is the same customer, is it not?
A. Yes.
Q. And it has $5.5 million with the Girard?
A. That's right.
Q. So that the most that customer could increase its lending limit would be $1.5 million?
[fol. 3625] A. That's right.
Q. And a million of that would be the result of the transfer from undivided profits?
A. That will be our new lending limit, yes.
Q. As a result of the transfer from undivided profits?
A. Yes, yes.
Q. Will you refer to Customer No. 1 on D-26, which is Customer A on D-40?
A. Yes.
Q. Now, that customer has a line of $8 million with Philadelphia National and $6 million with Girard, does it not?
A. That's right.
Q. So it has a maximum line from both banks at the present time?
A. That's right.
Q. And the increase in line after the merger would only be that million resulting from the transfer from undivided profits?
A. $1 million.
Q. Now, have any of these customers ever indicated to you that they are inconvenienced by having two banks rather than one for these lines of credit?

A. I don't think these customers have.

Q. Now refer to Customer 24 on D-26. Do you know how [fol. 3626] many lines of credit in how many banks that company has throughout the United States?

A. Customer 24?

Q. 24.

A. No, I have no idea.

Q. Would you say it would be in the hundreds?

A. I don't think it would be that big. This line——

May I explain in 24?

Q. Yes.

A. It might—they have an acceptance company here, a finance company, and we are one of the acceptance company's principal banks and there is need in Philadelphia for a $15-million line to take care of this acceptance company and their swings in commercial paper. I am sure I testified to that before.

Q. Yes. They now have $14 million combined line with the two banks; isn't that right?

A. Let me see.

The Court: I.

The Witness: No, they have $13.5 million.

The Court: Wait a minute. Maybe I made a mistake.

The Witness: I has—no. You are right, Your Honor, $13.5 million.

[fol. 3627] By Mr. Reycraft:

Q. $13.5 million is correct?

A. Yes.

Q. Now G-200, which is the answer of the Girard to Question 6 propounded by the Government, indicates that that customer has lines with 600 banks in the United States, so one bank more or less wouldn't really make very much difference, would it?

A. Well, I think those lines would be for the sale of installment paper. This is a mail-order house and they sell substantial paper to banks and I would be convinced that these are the banks to which they sell their installment paper.

Q. And they are lines of credit?

A. No, not necessarily.

Q. Well, you think Girard's answer to Question 6 may be inaccurate, in which they say 600 banks?

A. I don't know.

Mr. von Starck: Oh, I object to that. He has never seen that.

Mr. Reycraft: I will be glad to show it to him.

The Court: Is it a matter of great moment?

Mr. Reycraft: Not the precise number, no, sir.

Mr. von Starck: Your Honor, I don't see why this witness [fol. 3628] should be held in any way responsible or required to answer any questions with respect to evidence which has been submitted by Girard.

Mr. Reycraft: I have Philadelphia National's exhibit, which I will show him.

Mr. von Starck: That's fine.

The Court: If it shows 625, you will be sorry.

Mr. Reycraft: This is Government's Exhibit 245.

By Mr. Reycraft:

Q. Refer to No. 64 on Government's Exhibit 245 and without counting them you will agree that they are in the hundreds there, won't you?

A. It would appear so, yes.

I think this requires some explanation.

[fol. 3629] Q. Go ahead.

A. We have two lines to this mail order house, and I think these other banks, many of them, have lines, and one line covers the purchase of installment paper in which there is a cash reserve setup and the mail order house is not responsible. There is no contingent liability. That is one line you fix for purchase paper.

Then we have this other line which appears on our Exhibit D-26, which is used, as I explained before, by the acceptance company. One class of granting of credit comes under your legal limit, the other does not, and it makes a big difference.

Q. You don't know what D-40 shows, then, do you?

A. D-40? No, with Girard, I do not.

Q. Do you know what D-26 shows as far as the——

A. Yes.

Q. You testified earlier that you made these footnotes only

in those cases where you exceeded your legal limit; isn't that right?

A. Yes, we did.

Q. So that as to any of those that are $8 million or less do you know whether the same qualification applies?

A. Well, there may be.

Q. But you don't know?

[fol. 3630] A. I would have to analyze that, whether or not we purchased installment paper that doesn't come under our legal limit or whether or not we have a line of credit where they can borrow unsecured and be directly liable.

Q. And you haven't made that analysis?

A. Well, for instance——

Q. Can you answer yes or no?

A. Yes, I made the analysis. I know what they are.

Q. Tell me which ones, then, have secured paper in those lines?

A. Where we have purchased paper, installment paper?

Q. Right.

A. No. 19.

Q. How much?

A. The peak outstanding in 1960 was $20,325,000.

Q. The footnote on the exhibit indicates that, doesn't it?

A. Yes. That explains it, because we were above our $8 million.

Q. Do you know as to any of them which are $8 million or below?

A. Where we have purchased paper?

Q. Yes.

A. Yes. For instance, 24 is below $8 million, Mr. Rey [fol. 3631] craft, and we designate it there.

Look over under average loans for 1960 and you will see $2,713,000 C.P. That indicates to you that we have purchased customers paper.

Q. As to those which aren't indicated, do you know whether there is any commercial paper involved?

A. The only other one would be 26, where we do gas station financing for the owner of the station with the guarantee of the oil company.

Q. And that is not indicated by a footnote, is it?

A. No, but it is indicated by the amount outstanding here.

Q. Does it indicate that he could have a higher line of credit than is indicated on the exhibit?

A. I know this, that on purchased paper we can go above our legal limit.

Q. My question is, could 26 have a higher lending limit than is indicated on the exhibit?

A. $8 million? No. We could have a higher amount outstanding——

The Court: Are you asking, does he have credit which would justify loans in excess of $8 million? That is the connotation I drew out of your question.

[fol. 3632] By Mr. Reycraft:

Q. Due to the fact that there is commercial paper involved, could you have a higher lending limit than $8 million, higher line?

A. No. We could buy commercial paper much above the $8 million, but the amount we can take on direct obligation from him is $8 million, and this would be one company we would be delighted to give our full lending limit to.

Q. Mr. McDowell, does your bank compete with other banks in Philadelphia for the business of these national bank customers?

A. National?

Q. National customers.

A. Yes, we do.

Q. You do compete with the other banks?

A. Yes.

Q. Which other banks in Philadelphia do you compete with for that business?

A. First Pennsylvania, Girard Corn, Provident Tradesmens, Fidelity-Philadelphia Trust, Central Penn.

Q. Are there any others?

A. I think Broad Street Trust to a lesser degree, Liberty Real Estate to a lesser degree.

[fol. 3633] Q. And they are in active competition with you for the business of national customers?

A. I think the first five that I mentioned are very active.

Q. And you think that the lending limit is an important factor in getting this type of business?

A. Yes.

Q. And you think that a higher lending limit would give you a competitive advantage over these banks?

A. It would be one of the tools we would use to try to bring them to our bank.

Q. You would certainly use it, wouldn't you?

A. We would use the tool.

Q. And it would give you a competitive advantage over the other banks?

A. I said we would use the tool.

Q. You can't answer my question yes or no?

A. No, I can't.

Q. You don't know what a competitive advantage is?

A. Yes, I do, but I think this would be—this is a whole relationship, not just a lending limit, and that would be one of the things that we would——

Q. That isn't the most important factor?

A. I think it is an important one. I don't say the most [fol. 3634] important one.

Q. Fairly important?

A. Well, reasonably.

Q. Would you say it would give you a substantial competitive advantage over these other banks?

A. I think it would be helpful in soliciting.

Q. You might get some business you might not otherwise get by having a higher lending limit; isn't that right?

A. I hope that is right, yes.

Q. And some of it might come from these other banks?

A. I didn't say that.

Q. You don't think it would?

A. No. If they have relationships with these customers now, I am not sure they are going to change to us just because we have a higher lending limit.

Q. So the lending limit might not succeed in getting that business?

A. Away from them and bringing new business into Philadelphia, so that we get up into the status where we compete with——

Q. You think a higher lending limit would help you with the Detroit banks and not with the Philadelphia banks; is that right?

[fol. 3635] A. I think this, Mr. Reycraft, that, looking ahead here, the banking business is going to have giants in

New York, Chicago, the West Coast. I think they are then going to have——

Q. These giants are now getting business away from you, aren't they?

Mr. von Starck: Wait a minute.

Mr. Reycraft: He is not answering my question.

Mr. von Starck: Let him finish.

Mr. Reycraft: Read my question, please.

(The reporter read as follows:)

"Q. These giants are now getting business away from you, aren't they?"

Mr. Reycraft: Read my previous question, please.

(The reporter read as follows:)

"Q. You think a lending limit would help you with the Detroit banks and not with the Philadelphia banks; is that right?

"A. I think this, Mr. Reycraft, that, looking ahead here, the banking business is going to have giants in New York, Chicago, the West Coast. I think they are then going to have——

[fol. 3636] "Q. These giants are now getting business away from you, aren't they?"

Mr. von Starck: Wait a minute. I have an objection.

Mr. Reycraft: With reference to my first question, will you answer my question yes or no.

The Court: Just a minute. If there is an objection, wait.

Mr. von Starck: I think this witness is entitled to finish his answer when he is asked a question and he is responding to it. Every time Mr. Reycraft gets an answer he doesn't like he immediately breaks in.

The Court: I will be the judge of that, Mr. von Starck. You object to it on the ground that he is not permitted to finish his answer?

Mr. von Starck: Yes.

Mr. Reycraft: And my position is it is not responsive.

The Court: Well, I think we better start all over again, because I think both questions are so garbled at this point that we better start all over again.

I will sustain the objection to both questions and throw out the answers and we will start all over again.

[fol. 3637] By Mr. Reycraft:

Q. Do I understand, Mr. McDowell, that you think a higher lending limit would help you in competition with the Detroit banks but not with the Philadelphia banks?

A. I think it would help us more with the banks that have larger lending limits than it would with the banks that have lower lending limits?

Q. Do you think it would help you get some business away from Philadelphia banks?

A. I am not sure that that would do it.

Q. You hope so?

A. I don't know. This would not be our target for the new lending limit. It would be other areas other than trying to get the customer of Detroit that deals with First Pennsylvania. We are not at all confident we can drag him away, but we think that customers throughout the country might be attracted to Philadelphia as they are to Pittsburgh and Boston because of the attractive lending limit in Philadelphia.

Q. You think you will have a harder time getting the business away from a local bank with a $7 million lending than you will getting it away from a bank with a $20 million [fol. 3638] lending limit?

A. I think if the bank in Philadelphia already has the account, yes, we would have a harder time.

Q. So that a lower lending limit wouldn't prevent them from keeping the business?

A. Well, if they have had a long-time relationship, I am not sure they are going to change to our bank in the same city to take care of their banking in this city solely because of an increased lending limit in one bank.

The Court: We will take a ten-minute recess.

(A 10-minute recess was taken at 11:00 o'clock A.M.)

By Mr. Reycraft:

Q. Mr. McDowell, with reference to national customers who open new lines of credit in the Philadelphia area, do you

believe that your combined lending limit that would result in the merged bank would give you a competitive advantage in obtaining that business over other Philadelphia banks?

A. I think it would be one of the valuations the customer would make in coming to Philadelphia, particularly for a large customer that needed a large line. For a customer that [fol. 3639] would be handled by a smaller line than $8 million or $7 million, I think he would have freedom of action to go wherever he thought he could get the best service.

Q. And it would therefore give you a competitive advantage?

The Court: That is a conclusion which he does not have to answer.

By Mr. Reycraft:

Q. Now, Mr. McDowell, will you refer to D-43. You assumed, did you not, with reference to the first line of figures, that is, customers located outside the four-county area, that all customers located outside the four-county area are in the national market?

A. Yes.

Q. So that if a customer of your bank was located in Camden, New Jersey, you assumed that he was in the national market?

A. Based on this exhibit, that is right.

Q. Well, the exhibit is based on your study.

A. No. You will recall that $140,977,000 was taken from, as Mr. von Starck pointed out——

Q. D-30?

A. From D-30.

[fol. 3640] Q. So that the fact that customer is located in Camden County was sufficient, in setting up D-43, to place him in the national market, in your opinion?

A. Yes.

Q. And the title of the exhibit indicates that these are customers whose choices include banks outside Delaware Valley, which is the ten-county area; is that right?

A. That is right.

Q. So the fact that the customer is located in Camden was sufficient to indicate to you that he had choices outside Delaware Valley; is that right?

A. I think that is right, yes, sir.

Q. And this conclusion was also based on your background and experience, was it?

A. Yes.

Q. And you had no statistical information other than what is shown on D-43?

A. None.

Q. How big a bank do you think you would need to compete with the giants you referred to earlier in your testimony?

A. May I tell you what I started to tell you?

Q. Go ahead.

[fol. 3641] A. As I see this developing, I think there are going to be giants in New York, Chicago, the West Coast.

The Court: What do you call them now? Pigmies?

The Witness: I think there are going to be other large regional banks—Detroit, Boston, Cleveland, Pittsburgh. There will be area banks that will cover smaller geographic regional areas, and then there will be the unit bank—all of which I think have a purpose in our economic development here.

I think in this case we are at the crossroad—whether or not Philadelphia is going to be limited to an area bank as this country grows and requires more in the way of services and loans, and that in order for us to be in that second grouping with Detroit, Cleveland, Pittsburgh, Boston, that we should have a larger bank in Philadelphia so that we can compete with the second group banks and better compete with the giants in the larger cities.

Q. Do you think that your $15 million lending limit is going to be enough?

A. I think it is going to be very effective, yes.

[fol. 3642] Q. Despite the fact that some of these banks you refer to have lending limits of $20 million and $25 million?

A. Yes, but $15 million, even with the large ones, is a very respectable lending limit.

Q. With reference to the limitations on your bank's ability to compete regionally, isn't it a fact that state law, and the state policy embodying that law, is an important limiting factor as to branching?

A. Oh, branching? As to branching?

Q. Yes.

A. Yes. State law prohibits branching. I am not talking about branching.

Q. But as far as branching is concerned, state policy limits you to the four-county area?

A. Oh, yes.

Mr. Reycraft: That is all.

Redirect examination.

By Mr. von Starck:

Q. Will you turn again to D-43. Will you point out where the $140,977,000 of demand deposits of partnerships and corporations that appears on D-43 as being from customers located outside the four-county area appears on Exhibit D-30?

[fol. 3643] A. That appears in item No. 2 there under demand deposits, partnerships and corporations, total PNB, $141 million.

Q. That is page 2 of Exhibit D-30 and it is under item 2 there; is that correct?

A. That is right.

Q. Going down that same line on D-43, you will see that the total demand deposits of partnerships and corporations is there stated to be $414,785,000. Where does that appear on Exhibit D-30?

A. Oh, it appears under 2 on the second category there, total PNB demand deposits, partnerships and corporations, $414,800,000.

Q. Moving over to commercial and industrial loans on D-43, where does the $141,547,000 of commercial and industrial loans to customers located outside the four-county area appear on D-30?

A. Well, that appears under item 5, outside the four-county area, PNB, $141,500,000.

Q. Where does the total commercial and industrial loans for partnerships and corporations appearing on D-43, that is, $306,329,000, appear on Exhibit D-30?

A. That appears in the next total, the next line to the right, under PNB, total $306,300,000.

[fol. 3644] Q. You have been asked by Mr. Reycraft certain questions as to the way in which information with regard to the demand deposits and the loans of customers located inside the four-county area who were not limited to a choice of banks in the ten-county area was prepared. Do you remember those questions?

A. Yes, I do.

Q. I think you testified that the list was made up for you of all customers who met this qualification here in the footnote. What did you do on receiving that list?

A. They were made up cards, every customer meeting these qualifications. I went over these cards many times, and in order to be very conservative, I threw out many customers both in our branch system and customers in our main office and some that I knew personally and handled personally. My principal reason for throwing them out was that I didn't quite think they met the credit standards to be national companies. I honestly think that this figure of 153 companies is a very conservative figure.

Q. Did you apply standards in effect other than those which appear in that footnote?

A. Yes, I did.

[fol. 3645] Q. And they were more strict standards?

A. Stricter, that is right.

Q. What can you say with respect to the possibility of their being national type customers which do not or did not in September of 1960 carry a $100,000 deposit balance?

A. I think there are many customers not listed in these 153 which would be attractive in the national market and obviously are being solicited by our competitors from out of the four-county area.

[fol. 3646] Q. Now, you said with respect to customers of this type, the merged bank would be in competition with other banks in Philadelphia to solicit this type of business or to hold this type of business; do you recall that?

A. Yes.

Q. What other banks in the United States would the merged banks be in competition with for this type of business?

A. For the 153 customers?

Q. Yes, sir.

A. All of the major banking centers have solicitors here.

I don't think they just work on the accounts that have $100,000 or above. I think they work on any account that would be profitable; and in calling on some of our customers we see large stacks of calling cards, and these customers are attractive in the national market.

The other test I did apply, Mr. von Starck, was that I said to myself, "Would these customers that we would have on our prospect list to call on in Pittsburgh, Detroit, and Cleveland?"

And they were the ones that went on there.

Q. Mr. Reycraft took you through Exhibits D-30 and D-41 on a comparative basis.

What, in your opinion, is the relationship, if any, between Exhibit D-30 and Exhibit D-41?

[fol. 3647] A. You will recall I testified that I supervised the preparation of D-41 without having knowledge of the results on D-30.

In reading over the testimony over the week end you could see I acted pretty unintelligently in answering these questions on Friday because there is no connection, as I see it. One shows the location of our customers and the other that I prepared shows our market area and who competes with us in that market area; and I saw no connection between the two.

Q. What was your concept of the market area in D-41 as distinguished from the actual location of the customers shown in D-30?

A. Well, what I did in 41 was set forth the choices that our customers had in the various categories of deposits and loans, choices they had to go to.

Q. Now that you have been taken over the statistics on Exhibit D-30 have you seen any there which would cause you to change your opinion as expressed in D-41?

A. No. I have not.

Q. With respect to the relevant market area?

A. I have not.

Q. Which, in your opinion, is more important from the competitive position of the merged banks, that is, is it more [fol. 3648] important in the competitive position to be advised or to know the location of the customer or is it more important to take into consideration the geographical area in which the customer in question has a choice?

Mr. Reycraft: I object to the question as leading.

The Court: Let him finish.

Mr. Von Starck: Will you read the question?

(The pending question was repeated by the reporter.)

The Court: I sustain the objection.

By Mr. von Starck:

Q. In your opinion, is the information on D-30 more important than the information on D-41?

Mr. Reycraft: Oh, I object to that as leading.

The Court: Overruled.

The Witness: I have no doubt the information on D-41 is much more important than D-30.

Mr. von Starck: That's all.

Recross-examination.

By Mr. Reycraft:

Q. Mr. McDowell, you testified earlier, I believe, that the list which was used for D-43 was prepared by Bill Whiteford; is that right?

[fol. 3649] He was the one that helped me with it and these figures were on it when I—I furnished the second figure, not the first figure. I furnished this figure here.

Q. The figures indicated on the second line?

A. The first figure was on there when I saw it.

Q. The figures on the second line of D-43?

A. Yes. They were the figures that I worked on and furnished.

Q. But the list of customers was prepared initially by Bill Whiteford; is that right?

A. That's right. The cards were prepared, I sorted them out, based on an evaluation of whether or not I thought they were in the national market.

Q. And he prepared the list by reference to the standards referred to in the footnote entitled, "Source"; is that right?

A. As a basis for determining what might be considered in the national market; then I eliminated some of those from that.

Q. You applied additional standards?
A. Yes, I did.
Q. Are they indicated in the footnote?
A. No, they are not. They were personal feelings—discretion I had that some of our customers had substantial [fol. 3650] loans, some of them problem loans, and I didn't think they would be in the national market.
Q. So that all of the standards applied to the list of customers which were actually selected are not contained in the exhibit, are they?
A. Well, yes. These are contained in here, but some that qualified I took out.
Q. There are additional standards which were applied which are not indicated in the exhibit?
A. That's right; conservative standards.
Q. Now, you testified also, I believe, that you had no knowledge of D-30 at the time D-41 was prepared?
A. Yes.
Q. Is that correct?
A. Yes, sir.
Q. But D-43 is based in part on D-30, is it not?
A. Yes.

Mr. Reycraft: That's all I have.
Mr. von Starck: You are excused.
Mr. Littleton: Mr. Mason.

[fol. 3651] Albert T. Mason, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Littleton:

Q. Mr. Mason, where do you live?
A. 1209 West Wynnewood Road, Wynnewood, Pennsylvania.
Q. What is your occupation?
A. Banker.
Q. By what bank are you employed?
A. Liberty Real Estate Bank & Trust Company.

Q. In what capacity?

A. President.

Q. How long have you been president of Liberty Real Estate Bank & Trust Company?

A. Since April, 1954.

Q. 1954?

A. 1954.

Q. And before that?

A. I was executive vice-president of the same bank, and prior to that vice-president and treasurer; prior to that vice-president.

Q. How long have you been in the banking business?

A. Since leaving high school; my entire working lifetime.

Q. Will you briefly sketch your experience in banking?

[fol. 3652] A. Yes. I started originally with the First National Bank as a clerk. I was there about a year and a half and went with a smaller bank, the Wyoming Bank & Trust Company, where I worked in every department of the bank, ended as vice-president, secretary, and treasurer.

From there I went to the Liberty Title & Trust Company as vice-president, and you have my experience from then on. I became vice-president and treasurer; then executive vice-president.

We merged with the Real Estate Trust Company and I became executive vice-president of the combined bank, and in 1954 I was made president.

Q. What is the present size of your bank, first, in terms of assets?

A. About $123 million.

Q. In terms of loans?

A. $59 million to $60 million.

Q. Deposits?

A. $109 million.

Q. Your capital and surplus and undivided profits?

A. As of June 30th, $10,300,000 some.

Q. What type of services does your bank offer?

A. We offer complete banking and trust services.

Q. I will put it this way:

[fol. 3653] Describe for us, if you will, the competition which your bank encounters in offering these services with respect to each service, if you can.

A. Well, I think it's complete and keen, not only from all the banks but from other financial institutions.

Q. Who are your competitors, first, in terms of commercial banks?

A. Well, I think they all are; the entire——

Q. You are talking about all in Philadelphia?

A. Yes.

Q. Do you have competition from anywhere outside Philadelphia?

A. Not to any extent. I would say we do not. We only have one office outside of Philadelphia, and that is on the very edge, at 69th Street.

Q. How about other financial institutions? Do you encounter competition from other financial institutions, other than the commercial banks in Philadelphia?

A. Oh, yes. The federal savings and loans are constantly seeking savings deposits, which we are quite interested in.

Q. What is the intensity of the competition which you receive from other commercial banks?

A. Well, I don't know what degree I should indicate, but it is constant. We feel that it is keen.

[fol. 3654] They constantly have new-business men on the streets calling on customers. Their advertising program is constant.

Q. Let's speak of it in terms of periods of time. How does the intensity of competition now compare with, we will say, ten years ago?

A. I think it's keener now than it was ten years ago.

Q. Well, during the past ten years, how has your bank fared in the face of this keener competition?

A. Well, we have been very fortunate. We had a continual and constant growth every year in resources, deposits, loans and earnings.

Q. Do you have any figures giving any comparisons of your assets and your growth in the last five or six years?

A. Yes. Our last annual published report covers from the time of the merger with the Real Estate Trust Company and our total resources have gone from $90 million to $123.5 million in 1960 from 1954.

Our deposits have gone from just under $80 million to $111 million.

Our loans have risen from $39 million to $64 million.

Our earnings have gone from $662,000 after taxes, our operating earnings, to $1,058,000.

[fol. 3655] Q. During this period from 1954 to 1960 was there any merger of any large bank in Philadelphia?

A. Yes. There were a number of them.

Q. In 1955 there was a merger of the First National with the Pennsylvania Company, was there not?

A. That's right.

Q. Were you aware of suffering any as a result of that merger?

A. No. It has been our experience that we have derived certain benefits from each of the mergers that have taken place in Philadelphia.

Q. What are those benefits?

A. Well, we have, without an exception, gotten new customers because of the merger; and, frankly, we step up our solicitation and competition each time there is an announcement of such a merger.

Q. What is your lending limit in your bank?

A. $726,000 to one customer, unsecured.

Q. Would you consider your customers to be what has been classified here as small or intermediate-sized customers for loans?

A. Very definitely.

Q. You are familiar with the proposed merger of the Philadelphia National and the Girard Trust Corn Exchange Bank, of course?

[fol. 3656] A. Yes.

Q. In your opinion, will that proposed merger have any disadvantageous effect on the competitive position of your bank?

A. I see no disadvantages whatsoever to our bank.

Q. Do you anticipate any advantages?

A. Yes. I hope to get some customers from them.

We have had a fine relationship on a correspondent basis and I am hoping that if the merger is successful and if they are successful in attracting new businesses (industry) into the community, that we, as one of the banks, will benefit in the over-all improvement in the economy through pay rolls and consumer purchases, and I also am hopeful that if they attract some of these national accounts they may permit we smaller banks to share in a participation on loans.

Q. Have you had that experience before with either of these existing banks?

A. Yes. We have participated with most of the banks in Philadelphia on loans.

Q. That is to say, when you have a loan which is over your limit, do you take it to one of them or is it——

A. We have only taken our loan applications that are in excess of our lending limit to the Philadelphia National [fol. 3657] Bank.

Q. Have they ever turned down such a request from you?

A. No; and that's the reason we have only gone to the Philadelphia National Bank. In my experience we have never been turned down on any requests that we have made for participation.

Q. Have you been included by the Philadelphia National Bank at any time in any of their loans?

A. Yes, we have. We have had part——

Q. How does that come about?

A. Well, I presume it's because it may be in excess of their lending limit that they have called us and asked us if we would take part of the loan; and we have taken it.

Q. Have you ever indicated to them that you had some excess funds available for lending?

A. Yes, I have.

Q. And have they let you in on some of their loans on that basis?

A. They have offered to let us participate in some of their large collateral loans and they have, when occasions come up—in fact, we have had one in the last three weeks in which they had a large application for a loan and they asked us if we wanted part of it; and we did take part of it.

Q. You have enjoyed this happy correspondent relationship with them for years?

[fol. 3658] A. When our bank was formed in 1885 Philadelphia National was chosen as our correspondent bank, our main correspondent; and they are still our main correspondent.

Q. You heard Mr. McDowell testify this morning, did you not, Mr. Mason?

A. (No response.)

Q. You heard Mr. McDowell?

A. Yes, indeed.

Q. And you heard him testify with respect to what he called from time to time "national customers."

Mr. Littleton: I am referring, Mr. Reycraft, to D-43.

By Mr. Littleton:

Q. I may state to you that these are customers that are partnerships or corporations which are located inside the four-county area of Philadelphia, Delaware, Bucks, and Montgomery, but who were not limited to a choice of banks in the four-county area; and the bases or criteria of selection were customers with deposit accounts in Philadelphia banks exceeding $100,000, and beyond that the criteria were that they also had a loan or a line of credit of $500,000 or had known banking connections outside the ten-county area or had headquarters, a main branch, or subsidiaries outside [fol. 3659] the ten-county area (being the Delaware Valley) or itself was a subsidiary of a company outside of the Delaware Valley ten-county area.

I ask you if that is a definition of national customer, do you make loans to any such companies?

A. Yes. We have a number of national accounts that deposit with us and also that we make loans to.

Q. With whom do you compete for the business of those depositors or borrowers?

A. Well, we compete directly with the Philadelphia banks, but I assume in a broad sense we are competing with a lot of large banks.

Q. Do you know that you are actually in competition with out-of-town large banks?

A. I would have to answer that this way—we know that they are here in Philadelphia and that they call on the same people that we have these accounts with.

Q. When you say "they," you mean representatives of large banks where? In New York?

A. New York primarily.

Q. Any other city?

A. Chicago men are here, yes.

Q. In your opinion what effect will this proposed merger have on the ability of small and medium-sized business to [fol. 3660] obtain financing?

A. With the exception of eliminating one of the two

banks in this merger, I don't think the effects will be detrimental at all. There will still be quite a number of banks to which they could go.

Q. Will there be any advantageous effects there?

A. Advantageous from the standpoint of competition?

Q. Advantageous from the standpoint of the borrower. Suppose it is a risk loan.

A. Well, there is the possibility that with a large bank they will be willing to take certain exposures that a small bank may not be willing to take.

Q. A bank such as yours, for instance?

A. That's right.

Q. The loan might be within your lending limit——

Mr. Reycraft: I object to leading him.

By Mr. Littleton:

Q. Have you had any experience where it was a loan that might be within your lending limit that you didn't take for some reason?

A. Oh, yes. We have turned down applications for loans and there are some that we know have gone to other banks and the loans have been approved.

Q. Were these loans that in so far as your lending limit [fol. 3661] was concerned you could have taken?

A. Yes, within our lending limit.

Q. But you didn't feel that you could take the risk because of your smaller size?

A. Well, they——

Mr. Reycraft: I object to it.

The Court: Overruled.

The Witness: Well, they didn't come up to our standards in our credit men's estimation. Passing credit, we do not all think alike, and you can get a dozen credit men in a room and give them examples and unless it is a AAA company you may not get the same answer from all of them.

By Mr. Littleton:

Q. Have you referred any such prospective borrowers to any larger bank?

A. No. If we feel that the quality is not good enough for

our bank, we do not suggest any other bank to them. We let that to the choice of their accountant or their attorney.

Q. Or themselves?

A. Or themselves, yes.

Q. In your opinion will this proposed merger have any effect on interest rates charged on loans to small or medium-sized business?

A. No. I don't think it will affect it at all because interest [fol. 3662] rates are a question of regulation by Government, number one, and what the competition is charging generally, and the interest rates that are prevailing on investments.

Q. Did you ever lose the opportunity to make a loan by reason of your interest rate?

A. No. If the application is presented to us, other than the limits as set by law, we can use our own judgment as to what we think the going rate is and the fair rate; and the customer has the right to shop around if he feels that the rate is not fair and see if he can do better elsewhere.

Q. Have you ever cut an interest rate in order to get a loan?

A. We have cut the proposed rate where an established customer has been taken or has gone to another bank and they have quoted a lower rate than we did. We have lowered the rate, so that we would not lose the account.

Other than that, we do not make a practice of lowering or quoting a rate below what the applicant states he has been getting at his present bank.

Q. In other words, your general policy is not to cut rates?

A. That's right.

Q. In your opinion, what effect, if any, will the proposed merger have on the interest rates on savings and time deposits?

[fol. 3663] A. I don't think it will have any effect on it. The maximums are prescribed by law and the competition generally is another governing factor, and the rates that we can get on loans and investments govern our policy as to how much we can afford and should pay to our savings and open-time-account customers.

Q. Is the competition in the savings and time field intense in Philadelphia?

A. Yes, yes. I would say it's very intense.

Q. And your competition other than the commercial banks is what?

A. Well, the savings and loans are probably the stiffest competition; and they are quoting higher rates than the banks are permitted by the law to pay.

Q. Is there any other competition for the savings besides the savings and loans and the commercial banks?

A. At the minute, I can not think of something——

By the Court:

Q. How about the Philadelphia Saving Fund Society?

A. Well, of course, all the mutual—you are right, Your Honor, all the mutual-savings banks.

By Mr. Littleton:

Q. In your opinion, Mr. Mason, what effect, if any, will the proposed merger have on the service charges charged by [fol. 3664] banks?

A. I don't believe it will have any effect.

Q. Why do you say that?

A. Well, we get back to the competition factor again and if you have service charges that are not within reason and competitive you will just lose the account.

The customer always has the privilege of seleeting what bank he wants to do business with.

Q. In your experience do smaller borrowers differentiate in the banks from whom they borrow money on any definite basis or rationale?

A. No. I think it is a matter of choice, basically, and convenience. Personalities enter into it, the type of solicitation; but I do definitely feel that certain small businessmen would rather do business with a small or medium-sized bank than they would with a large bank; not by any means all, but there are some.

Q. What will be the effect of this merger on that situation, if any?

A. That is one of the benefits that I earlier said we hope we derive. I think in any merger there is a certain number of customers that will leave the merged bank. We hope that they come to Liberty.

Q. Besides you, are there other alternative choices in [fol. 3665] Philadelphia to which they could go?

A. Oh, yes, yes. We have many banks, smaller and larger than we are.

Q. In your opinion would this merged bank, if, as, and when this merger is approved, prevent prospective depositors from making deposits in any other banks?

A. No restrictions whatsoever.

Q. There is no way in which the merged bank could bring this about?

A. I know of none. I can not visualize any.

Q. Could the merged bank prevent prospective borrowers from having their borrowing needs adequately served by the other banks in Philadelphia?

A. Absolutely not.

Q. Could the merged bank in any way control or fix the rates of interest that borrowers would have to pay to the other banks?

A. Absolutely no. Each bank sets its own policies and it is owned individually; and I see no way in which they could control.

Q. Is there any way in which the merged bank could prevent the other banks in Philadelphia from performing the other banking services in which you engage?

A. None whatsoever.

[fol. 3666] Q. Is there any evidence at the present time of any such restraints being practiced in Philadelphia?

A. Not to my knowledge.

Q. Is there any evidence that any of the mergers that have taken place heretofore, such as the Girard-Corn Exchange in 1950 and the First Pennsylvania in 1955, or any of the others, have created any such restraints in Philadelphia?

A. No.

Q. In your opinion, Mr. Mason, would this merger have the effect that existing and potential competition generally in commercial banking in Philadelphia would be substantially and unreasonably lessened?

Mr. Reycraft: I object. He is asking for legal and economic conclusions and he hasn't defined——

The Court: Read the question back carefully.

(The pending question was repeated by the reporter.)

The Court: The objection is overruled.
You may answer.
The Witness: No, it would not.

By Mr. Littleton:

Q. In your opinion, would this merger have the effect that concentration in commercial banking in the Philadelphia area will be substantially and unreasonably complete?
[fol. 3667] Mr. Reycraft: I object to this entire line.

The Court: You may have your exception. Objection overruled.
The Witness: No, it would not.

By Mr. Littleton:

Q. Plenty of all sized banks will remain after the merger?
A. What is that?
Q. Plenty of all-sized banks will remain after the merger?
A. Quite a number of banks and of varying sizes that will be competing actively for the business in the area.

Q. Would the fact that the merged bank will have about 35 per cent of all the banking assets in Philadelphia affect banking competition in Philadelphia?
A. I don't believe so, no.

Q. Will the merger have the effect that existing and potential competition in the commerce and industry served by commercial banks in the Philadelphia area will be substantially and unreasonably lessened?
A. Would you repeat that, please?

The Court: Read the question back.

(The pending question was repeated by the reporter.)

The Witness: No, I do not think so.
Mr. Littleton: Mr. Price?

[fol. 3668] By Mr. Price:

Q. Well, Mr. Littleton has added the words "substantially and unreasonably" in each of the last three questions that he has asked you. I would like to know whether you would

think that the existing and potential competition generally in commercial banking in Philadelphia will be affected at all by this merger or whether the competition will continue as before.

A. Well, as I see it, it will only be affected to the extent that the Girard and Philly will not be competing against each other.

Other than that, I do not think it will lessen in any way the competition from the remaining banks.

Q. And so far as concentration of the commercial banking by virtue of the merger of the two banks, the Philadelphia National and the Girard, would you consider that that concentration, whatever it is, would have any adverse effect either on the businessman who wanted to do business with the banks or on the other banks in Philadelphia?

A. No, I don't think so.

Q. And so far as competition in commerce and industry generally, would you think that that would be affected at all by this merger, that is, commerce and industry competition, but not banking competition?

[fol. 3669] A. Well, as I said earlier, and I want to make sure I follow the question, I think it might help bring some commerce and industry into the area.

Q. But so far as having an adverse effect is concerned——

A. I don't foresee any.

Q. All right.

Now with reference to bringing industry into the area, what is your opinion about the ability of a bank with a lending limit of approximately $15 million and the resources which such a bank would have to attract industry which is not now attracted by the existing banking facilities?

A. Well, I think it would be helpful because the larger the bank and the larger the capital and surplus, the better position they are in to take more risk loans or loans with greater exposure; and that may bring an industry in here because they would be willing to help finance them, whereas a smaller bank may be hesitant.

Q. Now with reference to the absolute limit of lending capacity of a bank, is it your experience that borrowers usually like to borrow from a bank that has an ample margin between their top loan and the absolute maximum in the form of their lending limit?

A. Well, I think that definitely is a factor. Without [fol. 3670] mentioning names, just this Monday we increased the line to one of our customers to the lending limit, which will take care of him now; but he immediately said, "What do I do if I need more than that?"

So he is concerned that he is up to our legal limit, so I think they do like to see a margin there so that they don't have to rely on a participation where they may not be known, or seek new capital.

Q. And that would require deposits and other problems which wouldn't exist if they could stay at one bank?

A. That's right.

Q. Now, when you spoke about participations a few moments ago, with Philadelphia National being your correspondent bank, you would naturally turn to them first, would you not?

A. That's right.

Q. Which is the more numerous participation, the overlines where you need additional help because your limit is low, or the participations in which the Philadelphia National gives you a part of a much larger loan than they can handle?

A. We go to Philly for participation in our loans more often because they are over our lending limit.

Q. And the other type in which they share a loan with you is something that they handle because you need some additional investment or they have a little bit more than they want at the moment?

[fol. 3671] A. It could be both, but primarily the cases that come to my mind have been because I believe it was more than they wanted or it was above their legal limit.

Q. But you couldn't take very much above their legal limit, could you?

A. That's right.

Q. In any event, that arrangement has been continued for so long as they have been your main correspondent?

A. That's right.

Q. Philadelphia National?

A. That's right.

Q. So there is nothing new about that situation?

A. That's right.

[fol. 3672] Q. In addition to the types which Mr. Littleton

asked you about, you participate in the consumer credit activity, personal loans for automobiles, and what not?

A. Yes, for our sized bank we have a large Consumer Credit Department.

Q. That is a very active part of your business, is it not?

A. Yes, indeed.

Q. And you are in active competition with other banks on that score?

A. Yes, indeed.

Q. Do you consider that that would be affected in any way by the merger?

A. No.

Q. Competition would be just as keen?

A. Yes.

Mr. Price: That is all. Thank you, Mr. Mason.

By Mr. Littleton:

Q. Mr. Mason, I neglected to ask you: You are here under subpoena, are you not?

A. Yes, indeed.

[fol. 3673] Cross-examination

By Mr. Reycraft:

Q. Mr. Mason, when were you asked to testify in this case?

A. What was this?

Q. When were you asked to testify?

A. I was asked—I am guessing now—but maybe a month ago, if I would be willing to testify.

Q. And you were willing?

A. Yes.

Q. And whom did you discuss your testimony with?

A. I discussed it with Mr. Snyder, Mr. Masterson, Mr. Littleton, and one other gentleman. At this minute I can't think of his name.

Q. Was it one of these gentlemen who was the one who asked you to testify?

A. No.

Q. Who was it who asked you to testify?

A. Mr. McDowell.

Q. Of the Philadelphia National Bank?

A. That is right.

Q. And your bank has been a correspondent of the Philadelphia National Bank since 1885; is that right?

A. That is right.

[fol. 3674] Q. Does your bank now keep a deposit with Philadelphia National Bank?

A. Yes.

Q. For what purpose?

A. We are not members of the Federal Reserve Bank, and they clear our checks for us, and in addition to that we are required to carry our reserves. Not being members of the Federal, we have to have correspondent banks, approved correspondent banks, to make up our reserves unless we want to keep it all in cash.

Q. And the Philadelphia National Bank fulfills this function for your bank?

A. With a number of other banks, yes.

Q. Are there any other banks in Philadelphia?

A. Yes.

Q. Where are they?

A. Provident Tradesmens, Central Penn, Fidelity. In fact, every bank in the city that is in the correspondent bank business, we have some deposit account with.

Q. Do you have a correspondent relationship with the Girard?

A. Yes.

Q. How much of a deposit do you have with Philadelphia National Bank?

[fol. 3675] A. Well, that varies, but I would say that the average for the year 1960 was somewhere in the neighborhood of $4 million, and that is an estimate. I do not have the figure, sir.

Q. And this balance would be in compensation for the services which the Philadelphia National Bank performs for your bank?

A. That is right.

Q. What are your deposits with the Girard at the present time?

A. They average in the neighborhood of $300,000 to $400,000.

Q. What is the second largest deposit you have with a correspondent bank after the Philadelphia National Bank?

A. That average is $1,300,000, $1,200,000.

Q. With what bank?

A. Provident Tradesmens Bank and Trust Company.

Q. Is there a Mr. Ralph Earle who is a director of your bank?

A. The 3d, I believe it is.

Q. I have the 2d here.

A. All right, that's it.

Q. He is with Mr. Littleton's law firm, is he not?

A. Yes.

[fol. 3676] Q. How long has he been a director of your bank?

A. Since about a year, I would say.

Q. His grandfather used to be president of your bank?

A. Yes, I think it was his grandfather.

Q. Do I understand from your testimony that you compete in the Philadelphia area for the business of national accounts?

A. Yes, we have a dozen of them, and we feel that it is a constant competition to keep them, and, of course, if we can get new ones, we are trying all the time.

Q. And in attempting to get these new accounts are you in competition with the Philadelphia National Bank and the Girard?

A. Yes.

Q. And is your loan limit a significant factor——

A. I would like to qualify that a little bit. We are in competition, but in most instances I think those banks already have a deposit relationship and we are trying to get one too. To that extent we are competing.

Q. Now, as a correspondent bank of the Philadelphia National Bank does this have any effect on the degree of your competition with the Philadelphia National Bank?

A. No. We will take any account we can get from them.

Q. And they will take any account they can get from you?

[fol. 3677] Mr. Littleton: He doesn't know that. I object to that.

Mr. Reveraft: He knows what accounts——

Mr. Littleton: I object to the question whether they will

take any account that they can. He can't tell the state of mind of the Philadelphia National Bank.

The Court: The objection is sustained.

By Mr. Reycraft.

Q. Have you ever lost any business to the Philadelphia National Bank?

A. Yes.

Q. What type?

A. Commercial accounts, deposits, and borrowing customers.

Q. Had your loan limit been a factor in that?

A. No, I don't believe so. I can't recall any.

Q. What happened?

A. Well, I know of several cases where our lending officer felt, based on the statement, that he did not want to increase our line of credit, and they went into the Philadelphia National, and that particular lending officer saw fit to give them their request, and so they went with Philadelphia [fol. 3678] National.

Q. So that this was business you turned down, in effect?

A. We turned down the increase. We would like to have kept the account and were quite willing to lend what we thought was a reasonable amount based on the statement.

Q. And was your lending limit any factor in that loss of business?

A. No. Well, no, with the exception that with our capitilization we are careful who we give our lending limit to. I feel certain that we would not take as many borderline loans as a real large bank would take, because a loss of one of them would be quite a blow to our capital structure where it would be a minute *finger* to theirs.

Q. Do I understand that as far as the business which you testified you lost to the Philadelphia National Bank, your lending limit was not a factor?

A. Of the cases that I can think of now, no, it was not a factor, and I am quite sure of that statement because, as I testified earlier, if we thought the credit was good and we approached Philly National, they would never turn us down in a participation.

Q. Do your customers object to having Philadelphia National Bank participate in your loans?

[fol. 3679] A. Very few of them know it or realize it, and in those cases where they do know it, there has been no objection.

Q. So that there have been cases, if I understand you correctly, where you have given loans in excess of your lending limit, where you have given participations out?

A. Yes.

Q. And your customers have known about it and haven't objected?

A. In some cases they have known about it. In the cases where we felt it was the thing to discuss with them, they have not objected.

Q. Have any objected?

A. None that I can recall.

Q. Now, you expressed a number of conclusions with reference to competitive effects or lack of them on the proposed merger; is that correct?

A. I gave my opinions.

Q. Can you tell me what type of study you conducted to form your opinion?

A. The only study I have made has been what I have read of people that I felt had the wherewith to get statistics, had a reputation for being knowledgeable, and for the million and one financial articles that we read annually—[fol. 3680] that is how I drew my conclusion, not by charts or percentages.

Q. Are you referring now to the type of publications which you read ordinarily as bankers in the normal course of your business?

A. Yes.

Q. Are you referring to the "Wall Street Journal," financial publications?

A. Yes, those and reports from the Federal Reserve System and the various banking magazines, speeches that are made constantly throughout the area by well known financial men and economists.

Q. And in any of these publications or speeches that you have read have you heard any discussions of this merger?

A. Yes, I have read some of the testimony, for instance, of Dr. Harris and Dr. Goodman, and so forth. I mean I have read those, what they said.

Q. What other testimony did you read?

A. Well, I read snatches of a lot of it as it is in the American Bankers or Eastern Bankers Magazines and occasionally what is written in the "Bulletin" or "Inquirer" here.

Q. And did you examine any statistics concerning the [fol. 3681] markets of the respective banks involved in this proposed merger?

A. Not examine them, no. I have read some of them. For instance, when the case started there was something along the lines that the Philadelphia National had a certain percentage of the deposits in Philadelphia. I read that.

Q. You indicated that you relied to some extent on publications of the Federal Reserve System; is that right?

A. I read this, yes. I take the composite and try to analyze the conditions in this area.

Q. Can you point to any particular publication of the Federal Reserve that you relied upon?

A. No.

Q. Did you read the report of the Federal Reserve Board on this particular merger?

A. No.

Q. You did not?

A. No.

Q. Do you know what the Federal Reserve Board's opinion was as to the effects of this merger?

A. I was told that the Federal Reserve Board voted against it.

Q. But you didn't read it?

[fol. 3682] A. I did not have access to it.

Q. Did you read the report of the Federal Deposit Insurance Corporation on this particular merger?

A. No. When I say "No," if they were reprinted, I probably read part of them. I mean if they have been in the newspaper or these magazines.

Q. I would point out to you that they are in the record of this case but I don't believe they have been published.

A. Then I have not.

Q. Now, in your opinion, I believe you stated that the fact that the combined bank would have 36 per cent of the assets in the Philadelphia area would not amount to undue concentration; is that correct?

Mr. Littleton: 35 per cent, Mr. Reycraft.

A. No, I don't think it would.

By Mr. Reycraft:

Q. In your opinion, would any increase in that percentage result in undue concentration?

A. Any increase?

Q. Yes.

A. Well, that depends what you mean by any increase. If you mean another 1 per cent or 2 per cent or 5——

Q. Suppose it went up to 50.

[fol. 3683] A. —I would say no, but if you said it went up to 95 or 90, it probably would. I do not know where the line of demarkation is, whether 35 is as high as it should be, or 45 or 55, but my own feeling is that 35 is not a concentration that should be feared.

Q. But you think that at some point there would be an undue concentration?

A. Oh, sure. If we had a hundred per cent, it would be undue, without question. I don't know where the dividing line is.

Q. You wouldn't care to express an opinion as to how much short of a hundred per cent you think would be undue concentration?

A. No, I do not think I am qualified for that.

Q. You don't have an opinion, for example, as to whether 80 per cent would be undue concentration?

A. I have an opinion, but I have nothing to base it on other than my own personal thoughts. I think 80 per cent would be entirely too high.

Q. How about 70 per cent?

A. Well, I am going to answer the same way down to 70, 60—I do not know—but I have a feeling that 35 is not a concentration.

Q. In reaching your opinion that there is some point at which there would be undue concentration, why, in your [fol. 3684] opinion, would that be disadvantageous or undesirable, if you think it would?

A. Well, I think any thing that gets to a point where it would be a monopoly, which is certainly 90 per cent or 95 per cent which I believe you said, would be getting very close

to a monopoly and it would eliminate the choices. As I see it, in Philadelphia I believe the testimony said there are 17 banks. If this makes it 16, they still have multiple choice, but if you get down to where one bank has 95 per cent, you eliminate the multiple choice, and then the public would be pretty much under their dictates as to interest rates, and so forth.

Q. If one bank had 80 per cent of the business and 12 others had the rest, do you think that would be an undue concentration situation?

A. I think it could be, yes.

Q. You think it could be?

A. Yes.

Q. Despite the fact that all these alternative choices are available?

A. Well, they don't have much of an alternative, because when you get down to those percentages, those other 12 banks would have to be reasonably small, and they couldn't go in there to get a medium-sized loan.

[fol. 3685] Q. They could be about the size of your bank, couldn't they?

A. I don't have the figures here in total, but what does 20 per cent represent?

Q. In terms of assets? Dollars of assets? The total for Philadelphia County, according to D-15, is $5,322,000,000, and your bank represents $123,455,000 of that.

A. What percentage is that 123?

Q. I get under 2 per cent. Our slide rule indicates roughly about 2 per cent.

Anyway, with one bank having 80 per cent and the remainder divided up among 10 banks the size of yours, do you think the alternatives would be adequate?

A. No.

Q. Why not?

A. Well, we would be more or less restricted to one bank for participation in loans in this area, whereas today we can go to Provident and Central Penn and Fidelity. We also can go to the New York banks.

Q. Is it important to a bank of your size to have alternative sources within the area for participations?

A. Well, it hasn't been up to date, because, as I mentioned, we have never been turned down.

Q. Did I understand you to testify earlier that all of your [fol. 3686] participations are given to the Philadelphia National Bank?

A. That is right.

The Court: We will recess till 2:00 o'clock.

(Recess taken at 12:30 P.M. until 2:00 o'clock P.M.)

[fol. 3687] [File endorsement omitted]

AFTERNOON SESSION

Present: Counsel as before noted

ALBERT T. MASON, resumed.

Cross-examination. (Resumed)

By Mr. Reycraft:

Q. Mr. Mason, I believe before the recess the last question I was asking you had to do with your opinion as to whether there would be undue concentration of commercial banking in the Philadelphia area if one bank had 80 per cent of the bank assets and there were ten remaining banks who divided the rest of the business among them.

A. I believe I answered that one and said that I thought that would be an undue concentration.

Q. Can you tell me why, sir?

A. Well, I don't think there would be sufficient large banks—your question, I believe, was if the twelve remaining banks were the size of Liberty.

Q. Yes.

A. They would be restricted to the banks that they could go to for participations.

Q. Do you think it would be an undue concentration as it [fol. 3688] applied to the remaining banks?

A. That's right.

Q. Because the remaining banks would have only one bank they could go to for over-line participation?

A. That's right; in this area.

Q. In this area?

A. That's right.

Q. In your opinion, would there be undue concentration as it affects borrowers in the area?

A. Well, that would be where the concentration is. I don't think there would be in ordinary services, but if the request for credit was beyond the lending limits of these ten or twelve smaller banks, they could only go in this area to the one with the 80 per cent, if there was such a concentration.

Q. For example, your bank has a lending limit of $726,000. For all borrowers below that amount, you would think there would not be an undue concentration?

A. That's right.

Q. The answer is that's right; all right.

How many alternative sources among the large banks do you think it is necessary to have in order not to have undue concentration?

A. Well, I think it would depend somewhat on the eco-
[fol. 3689] nomic conditions. With our own experience we have found one to be enough.

By Mr. Littleton:

Q. One to be what?

A. Enough, since I previously mentioned we have never been turned down on a request to participate.

By Mr. Reycraft:

Q. And you have given all your participations to the Philadelphia National Bank as far back as you can remember?

A. That's right.

Q. So that as far as your particular bank is concerned, if there should be only this one bank with 80 per cent of the business, there wouldn't be any effect on you, would there?

A. Not if the policies of the remaining bank stayed as they are now.

Q. And on that assumption there would be no undue concentration as far as your bank is concerned?

A. That's right.

Q. And there would be no adverse competitive effect on your bank of such a concentration; is that right?

A. That's right.

Q. Mr. Mason, how many branches does your bank have?

A. We have nine branches, ten offices.

[fol. 3690] Q. Were some of these branches established in recent years?

A. Yes. Six of them were established in the last five years.

Q. Were they de-novo branches?

A. Sir?

Q. Were they de-novo branches?

A. Yes.

Q. Can you tell me what commercial banks are in competition with your Frankford office?

A. Second National Bank, Frankford Trust Company, Girard Corn Exchange, Germantown Savings Fund, and I believe it's Western Savings Fund.

Q. Does the Girard have two branches near to that office?

A. They have two up there in the Northeast, yes.

Q. What do you consider to be the area of a branch office?

A. Well, there is no set rule on that. We hope to have an area from 1½ to 2 miles.

However, we have opened branches directly in the communities where other banks are established, in fact, across the street from them because it is not only a question of getting new busines, it's a question of servicing and retaining the accounts that we now have.

Q. So on the question of retaining accounts that you now have, do you have business throughout the Philadelphia [fol. 3691] area, irrespective of the location of your branches?

A. Yes.

Q. And your business is not necessarily dependent upon it being within a mile or two of a branch, is it?

A. To a large degree, it is, because we found that we were losing deposit accounts regularly from our in-town offices because other banks were opening or had offices in other sections of the city; and in order to retain those accounts and to get additional business we felt it was necessary to establish branches.

Q. And this is one of the reasons you gave the State authorities when you were applying for branches—to protect existing business?

A. That's right.

Q. Mr. Mason, does your bank have any industry specialists at the present time?

A. No, we do not.

Q. Do you think you need that in order to service adequately the customers that you now have?

A. No.

Q. Can you tell me why?

A. In our size bank, the lending officers are not specializing in a particular industry. They will handle many types of businesses as far as the loan applications are concerned.

[fol. 3692] Q. And you think that you can do that adequately without specialization?

A. Yes. We feel we do.

Q. Do you think it will be necessary for your bank to go into industry specialization?

A. No. I do not.

Q. Do you think that a bank which has industry specialists will have a competitive advantage over your bank?

A. I don't think they will, primarily because we will not be getting these large industries as their main bank. We won't have those.

Now, in a large bank, my own feeling is that they should have specialists and they should have a sufficient number of accounts in a particular industry that it would support a specialist.

Q. Your bank at the present time is not competing for any national accounts; is that right?

A. We compete as far as getting them and servicing them.

We can not compete as far as offering them their requirements in credit; and we do lend to them up to our legal limit, as I said, but we can't compete and hold them as our own where their requirements are large.

Mr. Reycraft: That's all I have.

[fol. 3693] Mr. Littleton: Just one or two questions, Mr. Mason.

Redirect examination.

By Mr. Littleton:

Q. I neglected to ask you, Mr. Mason, do you have a correspondent bank in New York where you keep deposits?

A. Yes, we have a number of them.

Q. You have a number of them?

A. Yes.

Q. May I ask, generally, what the purpose of that is?

A. Well, it varies. One is to clear certain transactions quickly in New York through debits and credits to our account; delivery of securities, where they are to be delivered in New York; and also we have found that the more friends we have in this business, the better off we are; and not being a member of the Federal Reserve System, those deposits are also counted as our reserve requirement.

Q. Now, in answer to some of Mr. Reycraft's questions you spoke of having read some of the testimony in this case. You don't mean you read the transcript of testimony, the official transcript?

A. No. I have read what the writer in the newspaper's accounts of the case have been. I have seen no official documents.

[fol. 3694] Q. As I understand it, the opinions which you have expressed here were based on what you have read plus your years of experience as a banker in Philadelphia; is that correct?

A. That is absolutely correct.

Mr. Littleton: Mr. Price?

By Mr. Price:

Q. Mr. Mason, Mr. Reycraft asked you about loans or a loan which your lending officer might not want to take because of the risk and its relationship to your resources, and that loan was taken by a larger bank which had larger resources.

I direct your attention to the other type of loan, where the loan may be small as contrasted with your resources, but still you don't want to take it. Such a loan would be classed, perhaps, as a non-bankable loan.

How many alternative sources do you think that a bor-

rower should have in order to determine whether any bank is going to make his loan or he has to go to some other source for his credit needs?

The Court: Read that question.

(The pending question was repeated by the reporter.)

The Witness: Well, that could probably be argued a number of ways, but I would think if there were three sources [fol. 3695] and he was turned down by all three, that he should be pretty well convinced that it is a non-bankable loan.

Mr. Price: That's all, thank you.

Recross-examination.

By Mr. Reycraft:

Q. You think three alternative sources are sufficient?

A. Yes. We are now talking about a small loan under $726,000. If he approaches three banks and an experienced credit man at all three banks turns down the application, I think it is reasonable to assume that the banks don't want that type of loan or that loan.

Q. For borrowers who want under $727,000, you think if there were three banks available as alternatives that would be sufficient?

A. Yes.

Mr. Reycraft: That's all.

Mr. Littleton: Thank you very much, Mr. Mason. That's all.

Mr. Littleton: Mr. Weinrott.

[fol. 3696] SAMUEL WEINROTT, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Littleton:

Q. Mr. Weinrott, where do you live?
A. In Narberth, Pennsylvania.
Q. What is your business or profession?
A. Well, I am both a banker and a lawyer.
Q. Well, which are you working at at the moment?
A. At banking.
Q. In what bank?
A. Industrial Valley Bank & Trust Company.
Q. And your position in that bank?
A. Chairman of the Board.
Q. That has been your position for how long?
A. About three weeks.
Q. Before that, your position?
A. I was president of the Industrial Trust Company.
Q. Do I understand the Industrial Trust Company merged with Jenkintown Bank & Trust Company?
A. That's right; as of June 30, 1961.
Q. To form the Industrial Valley Bank & Trust Company?
A. That's right.
Q. How long were you chairman, did you say, or president
[fol. 3697] of the Industrial Trust Company?
A. I was president from January 1, 1960—January 28, 1960, until June 30, 1961.
Q. Before that, your position in Industrial?
A. I was the senior vice-president, chairman of the executive committee, and trust officer.
Q. For how long?
A. Oh, five or six years.
Q. How long have you been in the banking business, Mr. Weinrott?
A. In this bank, for about twelve or thirteen years, thirteen years.
Q. That is the Industrial Trust Company?
A. That's right.
Q. In its now new merged title?
A. That's right.

Q. Before that did you have any banking experience?

A. Yes.

Q. Will you tell us about that?

A. I had considerable experience in negotiations with banks and as a result of that, of course, generally developed a concept of banking, the ideas that go with banking.

Q. But when you went to the Industrial Trust Company was that your first full-time position in banking?

[fol. 3698] A. Yes, working from the inside out.

Q. Do you hold any official positions in the banking world in the Commonwealth?

A. Yes. I am a member of the State Banking Board.

Q. How long have you been a member of the State Banking Board?

A. About two and a half years.

Q. Which type of member are you? That is, by whom were you selected?

A. I am a member-at-large, selected by the Governor.

Q. Which Governor appointed you?

A. Originally by Governor Leader; reappointed by Governor Lawrence.

Q. Now, will you tell us the size, generally, of the Industrial Valley Bank & Trust Company—assets, loans, deposits, capital?

A. The Industrial Valley Bank & Trust Company as of June 30th had total assets, including reserves, of approximately $92 million. The deposits at that time were approximately $80 million; loans of approximately $43 million; reserves of about $2.5 million.

It had capital funds of approximately $7.5 million, including undivided profits.

Q. Now, this is a bank that has been in existence only for [fol. 3699] the past three or four weeks?

A. As the Industrial Valley Bank.

Q. As the Industrial Valley Bank & Trust Company?

A. That's right.

Q. The Industrial Trust Company immediately prior to the merger was what size?

A. Immediately prior to the merger it was approximately $60 million.

Q. That is assets?

A. Total assets, yes.

Q. Can you remember its deposits approximately?

A. My recollection is that the deposits at that time would be about $54 million.

Q. And your capital and surplus at that time?

A. About $5 million, capital, surplus, and undivided; about $4.5 million.

Q. Can you recall what the figures were for those assets, deposits, capital, and surplus at the time you first became connected with the Industrial Trust Company?

A. If I am privileged to refer to some statements that I have pulled out of my files yesterday, the published statements—do you have any objection to it?

Mr. Reycraft: Oh, no.

The Witness: The statement as of June 30, 1950—I came [fol. 3700] with the bank, I think, in January of 1949—shows total assets of approximately $26 million.

In 1951 they had dropped back to $24.5 million; in 1952 they went to $25 million. They went to $26.5 million in 1953. In 1954 they dropped back about $300,000.

Then in 1955, in June of 1955, we moved into the center of town. We had our main office at that time at 1944 North Front Street, right next to what is now a branch of the Philadelphia National Bank.

We moved into the center of town and as of June our total assets (we came in the 15th of June of 1955) were $28,985,000. However, my recollection is that as of the end of the year 1955, with the acquisition of a small private bank of some $2 million, our total assets went well over $35 million in a six-month period.

Then in 1959 (I don't have the interim figures here but they show steady growth) our deposits, June 30, 1959, were $42.5 million. In 1960 they went $44.5 million, and in 1961, June 30, 1961, our total assets were $59,760,000, which included approximately $7.5 million that we got from the Perkiomen National Bank up in East Greenville, Pennsylvania, in the northwestern corner of Montgomery County.

So that if you deduct the $7.5 million and you want to use comparable figures, we went from $44.5 million to approximately $52.5 million in one year's time.

[fol. 3701] Q. In one year's time?

A. Yes, sir.

Q. And what has been the rate of increase since the time

you joined Industrial Trust Company down to the time when Industrial Trust Company merged with the Jenkintown Bank?

A. Almost a hundred per cent growth, slightly in excess of a hundred per cent growth.

Q. What was your ranking, do you know? What was the ranking of Industrial Trust Company in size at the time you joined it in Philadelphia?

A. Well, in 1949 we probably had something like 30 or 35 banks in Philadelphia alone, and I would judge we were well down that scale. We were probably one of the smaller banks in the City of Philadelphia, with $25 million. I think the Second National Bank, which is now smaller than we are, or were, as the Industrial Trust Company without merger, was slightly larger than we were, and then came the Frankford Trust Company and on up the scale. I don't remember the names of all the banks which merged in the last ten years, but they are rather considerable.

Q. In your experience with the Industrial Trust Company have you found that this relative small size the bank enjoyed when you first joined it has been any handicap in increasing the deposits and the loans of Industrial Trust Company [fol. 3702] during the period that you have been connected with it?

A. No question about it.

Q. No question?

A. No question. Size, smallness, doesn't permit us to acquire the type of customer——

Q. My question was, did you find it to be a handicap?

Mr. Reycraft: You are interrupting him. Let him complete his answer.

A. The smallness of our bank would tend to restrict our lending capacity, obviously.

Q. Have you grown during this ten-year period?

A. Considerably.

Q. Will you tell us about the establishment of the branch on Walnut Street.

A. We came into Walnut Street on June 15, 1955, just about six years ago, and the facts speak for themselves, and by the end of that year, as I indicated a few minutes ago, with the acquisition of a little private bank of some $2 mil.

lion, we had grown to something in excess of $35 million within approximately six months. I think those figures are correct.

The Court: Keep your voice up, Mr. Weinrott.

[fol. 3703] The Witness: I think those figures are correct, which show a growth of well in excess of $5 million in a short period of time.

When we came to the center of town, the newspapers talked about banking being in reverse, in the sense that we were moving from a little area into the center of town, where the big banks were associated, or were located, rather.

We found that no hindrance. We can compete with them. We don't find them any better than we are, but you have got to work at this business the same as you do everything else. If you work, you will do well, as we have done.

By Mr. Littleton:

Q. To what do you attribute your growth?

A. To hard work.

Q. Do I understand that the 15th and Walnut Street location is a branch or is it the main office?

A. It is a branch.

Q. And the main office is still where it was when you first joined the Industrial Trust Company or it was prior to the recent merger?

A. The main office of the Industrial Trust Company remained until June 30, 1961, at 1944 North Broad Street, [fol. 3704] next to the Philadelphia National Bank branch.

Q. After you joined the Industrial Trust Company we had one big merger here, didn't we, of the Girard Trust and the Corn Exchange Bank? That was in 1951?

A. Yes, sir.

Q. Did you find that that merger in any way stopped your growth or detracted from your ability to attract deposits and make loans?

A. No, sir.

Q. And the merger of the First National Bank and the Pennsylvania Company in 1955, did that have any adverse effect on your ability to make loans and attract deposits?

A. In 1955? Obviously not. We had our greatest growth in six months' time.

Q. That is the year that you put your branch in on Walnut Street?

A. That is right.

Q. Did your growth come from new customers?

A. Old and new.

Q. Did you attract customers from the larger banks in Philadelphia?

A. Yes.

Q. How did you do that?

A. Well, they wanted other smaller banks sometimes. [fol. 3705] Sometimes we had friends. But there is no set pattern how to get customers in the banking business. You do it like every place else.

Q. Service included?

A. Service and the ability to do a good job.

Q. From your experience, do you have an opinion as to whether size of a bank has anything to do with its ability to compete?

A. Well, when you talk about size, you got to talk about the kind of bank you are talking about. If you are talking about a small bank that just wants to do nothing, sit back, that is one thing. If you are talking about a bank that wants to get ahead, it doesn't make any difference what the other fellow is doing. You just do what you think you are going to do.

Q. I didn't hear that.

A. I say it doesn't make any difference what the other fellow is doing. You do what you think you ought to do and you will do well.

Q. Are you saying by that that size does not make any difference?

A. No, sir, not that kind of size. We are talking about resulting from merger.

Q. What can you say as to the intensity of competition in [fol. 3706] the Philadelphia area among commercial banks at the moment?

A. Extremely keen.

Q. Would you say it is greater or less than it was when you first joined Industrial?

A. Greater, much greater.

Q. You are aware, of course, of the desire of the Philadelphia National and the Girard Trust to merge. In your opinion and from your experience what will be the effect of that merger when consummated upon this competition?

A. It will get worse. Just competing even more intensely.

Q. You mean there will be a greater intensity of competition?

A. Oh, certainly.

Q. Tell us why.

A. Well, the general banking picture isn't restricted to an area fenced in. The whole structure of the banking industry is spread out, and by the rapid means of transportation, Philadelphia is no longer circumscribed by City Line at all. It includes places as far as Allentown, Harrisburg, and Wilmington, all the way up in Northern New Jersey. That is the area Philadelphia serves. We serve people that [fol. 3707] come from those areas too. Our area is not within the City of Philadelphia or within the contiguous counties. It may be beyond that, and the whole scheme of things is different.

The other part of it is that banking has changed tremendously. Years ago a man sat behind his desk, and when a man came in to borrow money he came in with temerity and timidity. Today the banker gets up and greets him—glad to see him. He goes out. He is afraid he is liable to lose a customer.

We all do that, I am sure. It is a different kind of thing.

Q. How far out does your bank go?

A. How far out? We have customers in Delaware, who work in Delaware. We finance a number of constructions in Delaware. We finance construction as far west as Harrisburg. We finance construction in Allentown. We have various loans in parts of New Jersey. We feel as though our area has a radius of maybe 75 or a hundred miles.

Q. In your experience are you aware of any bank from outside Philadelphia coming into Philadelphia to get Philadelphia business?

A. The City of Philadelphia swarms weekly with New [fol. 3708] York banks. No question about that. There isn't a week goes by that we don't have somebody from the New York bank come to visit us.

Q. They come to you?

A. Oh, sure.

Q. Do you know whether they come to your customers?

A. This morning we got a call from a New York bank. Every week, maybe two or three times a week.

Q. Do you know that they also go to your customers?

A. Oh, sure.

Q. Do they come from any other cities besides New York?

A. Yes. We have people coming from Pittsburgh seeking accounts, people from out in Long Island seeking accounts with us and others.

Q. Do you apprehend any disadvantageous result to your bank if this merger is approved?

A. Our bank? No, sir.

Q. Why not?

A. Because we are not worried about the merger. We just keep on working and go ahead.

Q. Do you anticipate any advantages from this merger?

A. Yes.

Q. Tell us what they would be.

A. Well, we would like to have a larger Philadelphia [fol. 3709] bank with whom we could participate. We have enjoyed participations, successful participations, with many banks, and the larger the bank the easier it is for us to participate. As a matter of fact, we have practically no participation with the smaller banks. You can't get them. They are not qualified. They are not set up to do it.

Q. As I understand your testimony, you make a great many construction loans?

A. Yes.

Q. Do you participate those loans?

A. Yes, sir.

Q. Where do you participate them now, the larger ones?

A. New York.

Q. If this merger is approved, would that be of any advantage to you in that connection?

A. Yes, sir.

Q. What advantage?

A. We think we would have larger loan participations with the Philadelphia-Girard merger in the Philadelphia area?

Q. Do I infer from your last answer that you prefer to do it in Philadelphia rather than New York?

A. Yes, sir.

[fol. 3710] Q. Why?

A. Well, facility. It is a lot easier to face a man and discuss your problem than take an hour or two or three hours to go over to New York and spend a half day about it.

Q. Mr. Weinrott, it has been suggested here that if this merger goes through, the merged bank will have approximately 35 per cent of the banking assets of Philadelphia. If that is a fact, is it such a fact as would disadvantageously affect banking competition in Philadelphia, in your opinion?

A. I don't think so.

Q. Tell us why or why not.

A. Because it is only just a part. It is another bank.

Q. Would there be ample competition left?

A. Oh, yes, yes, sir.

Q. For all classes of loans?

A. Yes, sir.

Q. Within the lending limits of the Philadelphia banks?

A. Yes, sir.

Mr. Littleton: Mr. Price.

By Mr. Price:

Q. Mr. Weinrott, you spoke about participations. Do you find that a small bank wants to participate or can par-

[fol. 3711] ticipate on loans with another small bank?

A. Very difficult.

Q. What effect do you think the merged bank would have so far as making the participations available to banks of your size and larger?

A. Facilitate the process.

Q. Is that a beneficial condition in the banking field or not?

A. Yes, sir.

Q. Do you think that if this merger took effect, the merged bank would have any power to prevent other banks from serving the community adequately?

A. No.

Q. Would it have any adverse effect upon the ability of other banks to serve their customers in the community adequately?

A. No, sir.

Q. Do you think that the merged bank would have any power to fix interest rates imposed or charged by other banks?

A. That is not fixed by banks. That is fixed by the Government.

Q. Would such a bank or a bank of that size have any power to influence adversely the other banks in the com [fol. 3712] munity from performing banking service?

A. No, sir.

Q. What has been your observation so far as the increased size of banks in Philadelphia from mergers in the last ten years with reference to their ability to affect the business of other banks not participants to the merger?

A. They intensify competition.

Q. Would you consider that if the merger took place, existing and potential competition generally in commercial banking in the Philadelphia area would be lessened in any way?

A. I think not.

Q. And would you consider that the concentration of commercial banking in the Philadelphia area would be substantially and unreasonably increased as a result of the merger?

A. I didn't get the first part of that question, Mr. Price.

Q. Whether concentration in commercial banking in the Philadelphia area would be substantially and unreasonably increased by such a merger.

A. No.

Q. Would you consider that the merged bank would have [fol. 3713] any effect on existing and potential competition in commerce and industry which is served by the commercial banks in the Philadelphia area?

A. It certainly would not slacken competition. You don't think these other banks are going to stand by and see you fellows get anywhere?

Q. You spoke about your bank having grown through hard work. Would you consider that the existence of other large banks or larger banks, banks the size of the proposed merged bank, would affect the ability of a smaller bank to prosper and grow, providing the management was willing to indulge in hard work and had a purpose to get ahead?

A. No, it wouldn't hurt us. I think we have amply demonstrated it not only wouldn't, it doesn't.

Q. Have you seen any adverse effect on either business in Philadelphia or other banks in Philadelphia as a result of any merger that has taken place in the past?

A. I haven't noticed anything appreciably.

Q. Have you noticed any benefits as a result?

A. Sure. Apparently the announcement of the merger has increased their deposits $8 million in a year.

Mr. Price: That is all. Thank you.

By Mr. Littleton:

Q. Just one question, Mr. Weinrott: You are here under [fol. 3714] subpoena, are you not?

A. Oh, yes.

Cross examination.

By Mr. Reycraft:

Q. Mr. Weinrott, is your bank a correspondent of the Philadelphia National Bank?

A. It is, sir.

Q. And for how long has it been?

A. I was not connected with the bank at the time, but I understand well over 50 years—the Philadelphia National Bank.

Q. And the Philadelphia National Bank performs many services for your bank, does it not?

A. Nothing for nothing.

Q. Nothing for nothing?

A. Oh, no. They don't do anything for us for nothing, we don't do anything for them for nothing.

Q. I assumed that.

How much of a deposit do you have with Philadelphia National?

A. It varies anywhere, I judge, from three-quarters of a million to a million and a quarter, depending upon the float and the collection of the float.

Q. And that is the compensation for the services they [fol. 3715] perform for you; is that right?

A. I beg your pardon, sir?

Q. Is that the compensation for the services they perform for you?

A. Yes, part of it.

Q. What is the other?

A. Well, you say it is for services.

Q. Yes.

A. Yes. If they didn't perform any service, we would take the money out.

Q. Is there any other compensation you give them for the services other than the deposit?

A. I don't know what we can get and we can give them.

Q. You don't think of any at the moment?

A. That we can give them?

Q. Yes.

A. Unless we give them loans when we have them and they need them, if that is compensation.

Q. Can you do this? Do you give them loans?

A. Sure. That's how we participate.

Q. What other banks do you give participations to other than the Philadelphia National Bank?

A. We give some participations to the Fidelity Philadelphia. We have had participation with other banks in [fol. 3716] Philadelphia. We shop around, get the best deal we can. We do a lot of participation with banks in New York, more substantially in New York than in Philadelphia.

Q. More substantially in New York than Philadelphia?

A. Oh, yes.

Q. Who is your correspondent in New York?

A. Bankers Trust, Marine Midland, Schroeder Trust Company, Irving Trust Company, First National Bank of Boston.

Q. Have you sent participations to all those banks within the past year?

A. Yes.

Q. Within the past year?

A. I don't know if we have had anything with Boston. I know we have considerable with Bankers. We have considerable with Marine Midland. It depends upon——

Q. How many loans in the past year?

A. I have no idea of the volume of the loans, but I can only tell you this. At one time we had as much as $25 million

of participation with Bankers Trust Company in one year.

Q. Out of what total loans of your bank?

A. Our total loans were less than $20 million—our loans. [fol. 3717] Q. And you had $25 million participation with one bank?

A. Sure. Those figures may be shy maybe two or three million dollars one way or the other.

Q. How many mergers has your bank engaged in in the past several years?

A. We had a so-called merger of convenience with the Rzepski Bank, a Polish bank up in a little area up around Richmond, a private bank.

We merged with the Perkiomen National Bank in December of 1960, December 30. We just recently merged with the Jenkintown Bank and Trust Company.

Q. I take it you don't think those mergers adversely affected competition?

A. With whom?

Q. With anybody.

A. Well, now, what do you mean, with anybody, if I may ask the question? I don't understand the question. You mean any banks? Where? What banks?

Q. Was there any adverse effect on banking competition in any way through those mergers?

A. No.

Q. Now, in your opinion, would the proposed merger between the Girard and the Philadelphia National lessen [fol. 3718] competition in any way?

A. Lessen competition in the banking industry in the Philadelphia area?

Q. Yes, sir.

A. No.

Q. You don't think it would?

A. No.

Q. It wouldn't even lessen competition between the two banks that are merging?

A. Well, certainly it obviously—I can't answer that question. It answers itself. If two banks would merge, certainly it ceases to be two banks. They don't compete as one bank.

Mr. Reycraft: That is all.

Mr. Littleton: Thank you very much.

WALTER RELLER, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Reller, what is your present occupation?

A. I am in the banking business.

Q. How long have you been in that business?

A. Since 1922.

[fol. 3719] Q. Where did you start?

A. In Ambler.

Q. What did you do in Ambler as your first job in the banking business?

A. Well, I started in as a clerk in the then Ambler Trust Company and remained with the Ambler Trust Company until 1941. I filled every position in the bank except president. The bank was then just a small bank, so our competition across the street came after me in 1941, asked our Board of Directors whether they would let me come across the street to run their bank. So in 1941 I moved up to the then Ambler National Bank and have been there ever since.

Q. What was your position when you first joined the Ambler National Bank?

A. Executive vice-president.

Q. How long have you held that position?

A. About 15 years.

Q. And then what happened?

A. Then I became president.

Q. How long were you president of that bank?

A. Until the time of the merger.

Q. What time was that?

A. In 1957. I guess I will have to retrack. The executive [fol. 3720] vice-president was not quite 15 years. That was probably closer to 12 years. I have forgotten those dates. I haven't gone over this. But I was president of the Ambler National Bank about five years prior to our merger with Girard, which was in October of 1957, I believe.

Q. Then you were with the Ambler National Bank for a number of years in an executive capacity before the merger took place?

A. Oh, yes.

Q. And you were familiar with its field of operation?

A. I hope so.

Q. What was the territory that the Ambler National Bank served before the merger?

A. Well, we served, using Ambler as a hub, we served Ambler, Flourtown, and Fort Washington areas principally, having branches in those three places. We felt that our trading area as far as Ambler was concerned was probably a three or four-mile radius.

Q. You had three branches then as branches before the merger took place?

A. Well, we had Ambler, Fort Washington, and Flourtown, three all together.

Q. Three offices?

A. Three offices.

[fol. 3721] Q. A main office and two branches?

A. That is right.

Q. And the main office, of course, was in Ambler itself?

A. That is correct.

Q. And the Fort Washington branch was established when?

A. In 1957.

Q. Just about the time——

A. Shortly before the merger with Girard.

Q. Just shortly before the merger with Girard?

A. Right.

Q. Now, Mr. Reller, when the merger took place with the Girard—and I am assuming that was the first merger the Ambler National Bank had while you were an officer?

A. That is correct.

Q. What effect, if any, did that have on your capacity to serve the community and the customers of that bank?

A. Well, it improved our capacity very definitely.

Q. Can you tell us how that showed itself? How were you better able to serve the community?

A. Well, in a number of ways. Loaning authority, for instance. Before the merger we could loan $50,000 and that was our total lending limit.

Q. That was the limit of the bank?

[fol. 3722] A. That was the limit of the bank, and that, of course, was not sufficient to take care of particularly the new industry that was coming into our area at that time.

[fol. 3723] Q. What did you find in that regard?

A. Well, I can cite one instance where $50,000 almost lost us a very good account.

Q. How was that?

A. One of our local industries was faced with an expansion program and they needed a $300,000 loan. Now, this is prior to our merger with Girard by several years. So they came to us and, of course, I took their application and proceeded to start processing it.

Q. Were they a customer of your bank at that time?

A. It was a customer of our bank at the time.

Q. And had been since they moved in there or were they a late customer?

When did they first become a customer of the Ambler National Bank?

A. Well, they became a customer of the Ambler National Bank when they started in business, about fifteen years prior to this date of application.

Q. And had been your customer right along?

A. Oh, yes, yes.

Q. All right. Then what happened to this case?

A. Well, they applied to us for a $300,000 loan. Of course, I told them what we could do.

We first had to have it approved by Ambler National and [fol. 3724] then apply to some other bank to participate with us in this loan; and while we were in the process of doing this they, on their own, applied to one of the other Philadelphia banks, who, I think, had been trying to get this account away from us for some time and gave them a very quick answer before I could get back to them on an approval through my bank.

They accepted their proposition prior to it being possible for me to give them an answer.

Q. The Philadelphia bank took the whole loan?

A. They took that whole loan.

Q. Did you have any other experiences of that nature, where your lending capacity was embarrassing or troublesome for the growing business of the area?

A. That is the only one back in that time that I can recall, although I did set up on several occasions larger loans than we could take, not on a participation basis, but set up or recommended these borrowers to other local banks, par-

ticularly Norristown—Montgomery Bank & Trust Company now.

On several occasions I referred loans to them which they took.

Q. They took the entire loan?

A. They took the entire loan. We didn't——

[fol. 3725] Q. And you were unable to do so?

A. That's right; it was too large for us.

Q. Now, since the merger have you been able to serve customers better than that?

A. Oh, very definitely.

Q. Have you illustrations of such service?

A. Well, we have, on a number of occasions, approved loans for much over our old lending limit.

Q. What was your individual authority, your personal authority, before the merger?

A. $5,000 to one borrower.

Q. And over that what did you have to do?

A. We had a weekly meeting of our Loan Committee who then, of course, would approve loans up to $50,000.

Q. How long did that take for the Loan Committee to act and give either approval or disapproval of such a loan?

A. Well, we had to wait until our next Loan Committee meeting, which happened to be once each week.

Q. So it might have been as much as a week?

A. Yes.

Q. What is your present procedure?

First, what is your present authority?

A. Well, at the present time my personal lending authority on an unsecured basis is $50,000 which, of course, we can [fol. 3726] give them immediately.

Q. Do you have to consult with anybody else to make a loan, unsecured, of $50,000?

A. No, sir.

Q. How about secured loans?

A. $200,000, I believe, is my lending limit on secured.

Q. So that you can act within that limit of $200,000 for secured without consultation with anyone else?

A. Right.

Q. And then, over that, loans in excess of $50,000 unsecured and $200,000 secured, how are they handled? Do

you think they are handled more expeditiously than your loans of $3,000, $5,000, and $50,000 could be before?

A. Oh, very definitely.

Q. How is that done?

A. Now if I have to go—well, I can cite you an example.

One of our companies, who never borrowed from us at any time, came to me and wanted a quick $200,000 loan. They had been a good customer of ours for a long time. We had all of their financial statements and everything that we needed in our credit file.

All I had to do was to make a phone call to our loaning officer in town and we approved it in two minutes.

Q. Could anything like that have been done before?

[fol. 3727] A. No, sir.

Q. All right.

Now, can you give us any illustrations of other types of service which your think have been improved with the merger?

A. Well, there is one big area in the Trust Department that is really a real benefit to a lot of our customers, which we just didn't have before. We had no Trust Department.

We have done a real job for a lot of our customers in estate planning in the trust field since our merger with Girard; and that is a service that in a lot of cases has been most important to them.

Q. You had no Trust Department before?

A. We had no Trust Department.

Q. Now, you have the services of what group?

A. Well, we have the services of what we think is the best Trust Department in this part of the country, the Girard; their entire Trust Department.

Q. What about the commercial field? Can you give any illustrations of any improved situations in the commercial-banking area?

A. The what?

Q. The commercial-banking area; any illustrations of improved service that you were unable to render before the merger.

[fol. 3728] A. Well, we are, of course, in the industrial—the Fort Washington Industrial Park are doing quite a lot of business that we couldn't have done before.

One thing that we find is that prior to the merger it was

difficult for me or us to talk our industry into keeping over $50,000 balances with us; we weren't big enough.

Now we have no problem. We have, in lots of cases, been able to have them build that up many times over the $50,000.

Q. What about small-business financing? Did you do any of that before the merger?

A. Well, we have always tried to take care of the small business in our area, which we still do on the same basis. Small business has never been a particularly difficult problem in Ambler.

Q. Can you handle financing of business customers any better now than you could before?

A. Oh, yes. I think so. In fact, I know we do.

I can cite an example of one of our furniture companies, who we were trying for several years to finance their retail sales of furniture, and because of our setup in Ambler National we could do only a fair job. In fact, we didn't have the personnel, we didn't have the collection facilities. We [fol. 3729] just weren't set up to handle this retail-financing paper on a basis on which it ought to be handled.

We referred that to our Second Street office several years ago and the Ambler Furniture Company are most happy with the setup. They tell me that if we never do anything else for Ambler or for them we have done a real job because they are very happy with the job that our Second Street office is doing for them, which is far better than we could have done in Ambler, and that we did do.

Q. As you say, it's a better job.

Can you indicate the kind of thing which you are doing now which you didn't do effectively before?

A. Well, that's handled through our Installment Department.

Q. I mean this particular furniture company, what do you do for it now that you couldn't do before?

A. We are financing the furniture on a basis that is a much more satisfactory plan to them than we were handling before.

Q. How is that handled? On the basis of installment payments, installment loans?

A. That's right.

Q. Or how? How is it done?

A. Well, we had set it up on a 12-, 24-, or 36-month basis,

with a certain amount down; and our problem came, as the little Ambler National Bank, pretty much in the collection [fol. 3730] end. We weren't——

Q. Were you equipped to do that?

A. We weren't equipped to do anything more than send out notices or make phone calls.

Apparently our Second Street office follows it up on a basis where they have a much, much better collection experience than they had with us.

Q. What effect has that had on that customer and its business?

A. Well, it has an effect on our customer; an effect that as far as he is concerned, he thinks we are now doing a much better job for him than we did as Ambler National Bank; and he is happy with it.

Q. Are there any other services that you think of that have been added as the result of the merger, which you either didn't supply or couldn't supply before?

A. Oh, yes. We have Ready Credit and Charge-Rite. Those are two particular services that we couldn't have before.

Q. I can't hear you.

A. I say Charge-Rite and Ready Credit are two services that we have now which we didn't have before, which are a big help to a lot of our customers.

Q. What about the effect of the merger on your personal activities in the bank? What is your present status now [fol. 3731] with the bank? What is your official title?

A. I am vice-president in charge of the Ambler Division.

Q. What about your present duties in your occupation? Do they differ from what you did before or not?

A. Well, yes. I am really able now to do a much better job for my customers because I have more time. I am not spending nearly the amount of time on administrative detail and things that we had to do as Ambler National Bank which now, as a branch, it relieves us of a lot of detail responsibility; so I am enabled to spend a lot more time calling on our customers and helping solve their problems on a much better basis than I could have done before because of time.

Q. What about your contact with the downtown main office?

A. Well, our contact with the main office has been most helpful. I normally spend one morning a month at the vice-president's meeting to keep me up to date with policy and what's going on at the main office.

Once a month we have a representative of the main office, usually a senior vice-president or the president or the chairman of the Board come out and discuss some phase of the banking business with our executives or our local committee which has been most helpful, not only to me, but also to our committee. It keeps them much closer in contact with banking affairs that are a little bit over and beyond what [fol. 3732] the local situation is that we have in Ambler.

Q. Does that make any difference in your ability to serve the community?

A. I think so.

Q. In what way does it help? Does it operate beneficially or otherwise?

A. Oh, beneficially, of course.

Q. What about the Advisory Board? Have you an Advisory Board?

A. Oh, yes. I say the Advisory Board is also helped by a representative once a month coming out to our division and talking to our Advisory Board.

Q. Does the Advisory Board take an active interest in the operation of your bank?

A. Oh, very definitely.

The Court: Let's take a ten-minute recess.

(A recess was had.)

By Mr. Price:

Q. Mr. Reller, I would like to ask you about service charges. There has been some talk in this case about service charges.

What has been your experience at Ambler with service [fol. 3733] charges?

A. Well, there have been some changes.

Q. Did you have them in the Ambler National Bank?

A. Oh, yes. We had service charges.

Q. How long had you had them?

A. We originally put service charges in in the Ambler National Bank in 1925.

Q. 19-what?

A. 1925.

Q. 1925?

Then, when the merger took place with the Girard, what changes, if any, occurred?

A. Well, they were changed slightly. Take, for example, special checking accounts. Our Ambler National service charge was 10 cents per check and 25 cents a month service charge or maintenance charge.

The change there was to 50 cents a month service charge and 8 cents a check.

Q. How did that average out in the long run?

A. It averaged out very closely to the same. On the average, the average cost to the customer was very close one way as against the other.

Q. And over-all, the changes in the service charge had what effect on the service charges, the amount of service [fol. 3734] charges you had had before the merger?

A. The effect was not very great. I mean, there wasn't very much. It may have gone up slightly, but not very much. I don't have those figures:

Q. I am sorry.

A. I don't have the figures, but our rates, our costs on our regular checking account were practically the same prior to the merger as they were after the merger, or very near.

Q. What effect, if any, did that have on the business that you did? Did you lose any customers?

A. Very, very little that we could trace to service charges.

Q. Did you have any power to impose your rates of service charges on any of your competitors?

A. On our competitors!

Q. Yes.

A. (No response.)

Q. I can't hear you.

A. I didn't follow the question exactly.

The Court: Read the question, Mr. Lennox.

(The pending question was repeated by the reporter.)

The Witness: No, sir.

By Mr. Price:

Q. Have your competitors service charges of their own?

[fol. 3735] A. Oh, yes.

Q. Do you find that the amount of service charges varies from yours or makes any appreciable difference in the competition you have with those other banks?

A. I wouldn't think there was enough difference in the service charges, and I haven't checked our competition service charges for some time.

But the last time I saw their schedule, they were very close to ours. I wouldn't say enough difference to really affect any accounts.

Mr. Price: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Reller, were you a stockholder of the Ambler National Bank when it was acquired?

A. Yes, I was.

Q. Were you the largest stockholder in the bank?

A. Oh, no.

Q. You were a substantial stockholder?

A. Well, our policy at Ambler National Bank, when I was in there, was not to leave anybody get control.

Nobody had more than 5 per cent of the stock.

Q. Did you have 5 per cent?

A. No.

[fol. 3736] Q. What per cent did you have?

A. I will have to figure it out.

Between—personally, I had probably 2 per cent. Between my wife and myself, probably pretty close to 4 per cent.

Q. Was this a family-owned bank?

A. Oh, no.

Mr. Price: I can't hear you, Mr. Reycraft.

Mr. Reycraft: I asked whether it was a family-owned bank.

The Witness: Oh, no; definitely not.

By Mr. Reycraft:

Q. At the time of the merger with the Girard you received stock of the Girard in exchange for your stock; is that correct?

A. That's right.

Q. And all of the stockholders did?

A. That's right.

Q. You are now a stockholder of the Girard?

A. I am.

Q. At the time of the merger you also received an employment contract for life; is that right?

A. For what?

Q. For life.

[fol. 3737] A. For life?

Q. Until retirement.

A. (No response.)

Q. Did you receive one until retirement?

A. No, sir. I didn't ask them for it and they didn't offer it to me, so I am employed on an annual basis only.

Q. Do you know Mr. Jim Henderson?

A. Yes, I do.

Q. What bank is he with?

A. Well, he used to be with Broad Street. I guess he still is.

Mr. Price: I am sorry, I can't hear you, Mr. Reller.

The Witness: Broad Street Trust.

Mr. Price: Thank you.

By Mr. Reycraft:

Q. The Broad Street, though, wanted to acquire your bank, didn't they?

A. Oh, yes.

Q. And they made you an offer?

A. Oh, yes.

Q. And they did offer you a contract until your retirement date?

A. Oh, yes; and for a lot more money than I took with [fol. 3738] Girard, too.

Q. And the Philadelphia National Bank wanted to acquire your bank, too, didn't they?

A. Oh, yes.

Q. Did you give them all an opportunity to bid when you finally decided to sell your bank?

A. We didn't ask anybody to bid. They made us offers. When they made us an offer our Board would consider it and decide what they wanted to do.

Q. Did any of your directors, so far as you know, ever promise Mr. Potts that when the time came to sell the bank they would give Philadelphia National Bank an opportunity to bid on it?

A. (No response.)

Q. Now let me show you a certain memorandum. 79-G was our original number.

Mr. Price: What is it?

Mr. Reycraft: 79-G.

Will you mark as Government's Exhibit 248 a memorandum from Mr. Harry Kilpatrick to Mr. Geoffrey S. Smith as of May 26, 1955.

(Memorandum dated May 26, 1955, from Harry Kilpatrick to Mr. Geoffrey S. Smith was marked Exhibit G-248 for identification.)

[fol. 3739] By Mr. Reycraft:

Q. Would you examine that document, sir?

Would you read the last sentence of that memorandum aloud, sir?

Mr. Price: Objected to.

The Court: Read the question.

(The pending question was repeated by the reporter.)

The Court: Then there is an objection to it?

Mr. Price: Yes, sir.

The Court: I will sustain the objection.

By Mr. Reycraft:

Q. Mr. Reller, do you recall telling Mr. George Scherff of the Ambler Trust Company that Messrs. Coxe, Ingersoll, and Wear, who were directors of the Ambler National Bank, had promised Fred Potts of the Philadelphia National Bank that at any time they considered selling the bank they would give him an opportunity to make a bid?

Mr. Price: Objected to.

The Court: Overruled.

The Witness: That, I don't think—I don't think this is quite the way this happened. There was discussion on this amongst us.

The Court: Keep your voice up.

[fol. 3740] Read that answer so far.

Keep your voice up.

(The testimony was repeated by the reporter as follows:

"The Witness: That, I don't think—I don't think this is quite the way this happened. There was discussion on this amongst us.")

The Court: Go ahead. Finish your answer, if there is any more to it.

The Witness: As far as I knew, there were no definite commitments made on anybody's part.

By Mr. Reycraft:

Q. That is the best of your recollection?

A. That's right.

Q. And reading this exhibit does not refresh your recollection as to that?

A. As far as I know, there were never any definite commitments made.

Q. Do you have any knowledge of whether Mr. Potts did, in fact, discuss acquiring your bank at all with the directors?

A. I didn't get that.

Q. Do you have any knowledge as to whether Mr. Potts did discuss acquiring your bank with these directors?

A. I believe that there were discussions. At least, my [fol. 3741] directors at that time (these directors involved), at least one or two of them told me that they had discussed it with Mr. Potts.

Q. They did tell you?

A. That they had discussed the merger with Mr. Potts.

Q. Yes. And it was your position at the time, was it not, that you weren't prepared to sell your bank, not quite yet?

A. Well, we felt at that time we were doing a pretty good job out there; we weren't too sure we ever wanted to sell at that time. We hadn't made up our minds.

Q. You were quite satisfied with the way your bank was progressing?

A. We were doing a nice job and we were happy with it.

Q. You thought you were doing a good job for your community and for your customers?

A. (No response.)

Q. What is your answer?

A. Yes, sir.

Q. Did you receive an offer from the Girard in 1955?

A. I would say that we received an offer and I would suppose that's about the time. I am not sure of the date.

Q. Did your bank reject the offer?

A. Yes, we did.

Q. So that within the same year you had discussions with [fol. 3742] both the Philadelphia National Bank and the Girard Trust with regard to the acquisition of your bank; is that right?

A. That is correct.

Q. Did you have a formal offer from the Girard?

A. (No response.)

Q. Will you state your answer orally, please?

A. Yes, sir.

Q. What premium were you offered by the Girard in 1955; do you recall that?

A. 1955? I can't tell you. I have forgotten.

I don't know whether it was fifty-five or what it was. I have a record of it somewhere, but not here. I don't remember.

Mr. Reycraft: Will you mark as Government's Exhibit 249 a letter dated November 28, 1955, signed by Geoffrey S. Smith to Mr. Walter Reller, President, Ambler National Bank.

(Four page letter dated November 28, 1955, from Geoffrey S. Smith to Walter Reller, President, was marked Exhibit G-249 for identification.)

Mr. Price: If Your Honor please, I object to this type of examination or this line of examination. It has nothing whatever to do with any of the issues involved in this case [fol. 3743] I don't mind Mr. Reycraft asking him anything as long as it relates to what we are trying here; but I object to this on the ground that it is irrelevant.

The Court: What is the purpose of this, Mr. Reycraft?

Mr. Reycraft: I beg your pardon. It shows, Your Honor, the competition among several banks in the Philadelphia area to acquire this bank; and this is one method of competition among them. They are all trying to pick up these small banks.

It shows that they are paying very substantial premiums, for example, in this case the Girard offered 89 per cent over the current net worth, 6.9 per cent over the deposits of this bank.

I think that this line of questions shows that this is the motivation for the merger and not any desire to increase the service for the community or to assist depositors in the area.

The Court: You mean to make profit?

Mr. Reycraft: I beg pardon?

The Court: To make profit?

Mr. Reycraft: Yes, sir.

The Court: The fundamental basis is so that they could make a profit.

[fol. 3744] Mr. Reycraft: Yes, sir.

The Court: I don't think that that is in dispute from the very first word spoken in this case.

Mr. Reycraft: It goes, Your Honor, to his opinions as to the effect of the purpose of the merger and the effect on competition.

The Court: Make your examination on this very short. I am going to permit it, but keep it very short.

Mr. Reycraft: All right, sir.

The Court: I don't think it has any great value.

By Mr. Reycraft:

Q. Do you recall the fact that your bank was offered a premium of 89 per cent over the current net worth in 1955 by the Girard?

A. I know that we were offered a premium. I am not sure that is the correct——

Q. If you will refer to the second page of this letter to you I believe the paragraph in the middle of the page may refresh your recollection.

The Court: He said it would be a premium of a hundred per cent of market value. That is the third from the bottom.

[fol. 3745] By the Court:

Q. That is the statement made in there, isn't it?

A. Yes. 89 per cent of our current net worth is stated in here, and I presume that was a correct figure at that time.

By Mr. Reycraft:

Q. And if based on market value it would be a hundred per cent over market value?

A. Yes. I believe it would work out about on that basis.

Q. Now, did you, Mr. Keller, in 1957, have any discussions with Mr. Smith as to opening branches, new branches of the Ambler Bank?

The Court: I wasn't paying attention. Will you read that question back?

(The pending question was repeated by the reporter.)

The Court: Thank you.

The Witness: After our merger was approved by both Ambler National Bank and the Girard, yes, we had discussions.

By Mr. Reycraft:

Q. When was the merger approved?

The Court: He said October of 1957.

The Witness: No, that is when it became effective. It was [fol. 3746] approved by our Boards probably three or four months prior to that time.

I don't have those dates here at my fingertips.

By Mr. Reycraft:

Q. But prior to that time you don't have any recollection of discussing any branches with the Girard?

A. Between the time, yes—between that time, then we discussed it, I am positive.

[fol. 3747] Mr. Reycraft: Will you mark as Government's Exhibit No. 250 a memorandum signed by Geoffrey S. Smith dated January 4, 1957.

(Memorandum signed by Geoffrey S. Smith, dated January 4, 1957, re Ambler National Bank, was marked Exhibit G-250 for identification.)

By Mr. Reycraft:

Q. Will you refer to the second paragraph of that memorandum and see whether it refreshes your recollection.

A. Yes, I guess we had discussion prior to that, early in 1957. We had approval for a branch there a year and a half before we actually opened it. I think we had three six-month extensions.

Q. And you had this discussion before the merger was approved?

A. Apparently, according to this letter, we did, this discussion.

Q. You now recall that?

A. Yes.

Q. At that time the Girard was one of your competitors, weren't they?

A. To a degree, yes.

Q. And your purpose in discussing this branch opening was to make your bank more attractive as a merger candidate; isn't that correct?

[fol. 3748] A. That probably was a consideration, but certainly with the Industrial Park coming in the area we knew that we would have to open a branch in there if we wanted to take care of the industry coming in.

Mr. Reycraft: I have no further questions.

Redirect examination.

By Mr. Price:

Q. Mr. Reller, you said that in 1955 somebody was asking you about the possibility of a merger. You said you thought you were doing a pretty good job in the community.

A. Right.

Q. After the merger took place you found you hadn't been doing as good a job as you thought, didn't you?

A. Yes, but after the merger we continued to do a good job and in certain areas a better job, because we couldn't do some of the things as a little community that we can now do as a branch of a larger bank.

Q. Are you doing a better job now than you were doing before?

A. We are doing a better job and it is much more inclusive. We are able to give our customers now a much broader service than we could give them before.

Q. And as far as the price was concerned, that has proved [fol. 3749] a profitable investment for the Girard, has it not?

A. Well, I hope so.

HERBERT W. RITTER, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Ritter, what is your present occupation?

A. Vice-president in charge of the Consumer Credit Department of the Girard Trust Corn Exchange Bank.

Q. How long have you been connected with the Consumer Credit activities of the Girard?

A. Since August of 1953.

Q. Will you give me briefly a description of the activities of your department and the area in which you operate.

A. We are responsible for the cultivation and servicing of both direct and indirect installment loans to individuals and business.

Q. And over what area do you operate geographically?

A. I would say we operate over an area of about five or six states.

Q. Which are they?

A. Pennsylvania, Delaware, New Jersey, Maryland, Virginia, and in some cases into Ohio.

[fol. 3750] Q. You spoke of direct and indirect activities. Will you define first the direct.

A. The direct activities would be those activities in which we contact or the indivlduals contact us directly for their loans. In other words, they come into the bank themselves to arrange for the loan. An indirect loan would be a loan which we would purchase from a dealer or a contractor, modernization contractor, or someone of that type.

Q. Then would it be correct to say in general that the direct lending is the personal lending to an individual, whereas the indirect is the financing of a purchase through a dealer with whom the individual has had the contact?

A. That is correct.

Q. You have no contact with the individual in the indirect type of loaning?

A. The only time would be when we were trying to collect a loan.

Q. Confining yourself to the direct lending first, what is the volume of that business?

A. In the direct business?

Q. Yes.

A. On our direct business I would say that that makes up about one-third of our total volume. Our total volume at [fol. 3751] the present time of outstandings is approximately 73½ million.

Q. 73½?

A. That is correct.

Q. And a third of that is the direct?

A. That is correct.

Q. What type of financing does that represent? What are the loans made for?

A. The loans in our direct category would be personal loans, direct automobile loans, revolving credit loans, and our Charge-Write loans.

Q. You spoke of automobiles particularly as a commodity which is being financed. Are there any other commodities that are financed in that way?

A. As a direct basis?

Q. Yes.

A. There could be some loans that people would come in directly to borrow money for appliances or for home modernization and things of that type, yes.

Q. But is that largely done by the indirect method?

A. That is correct, yes.

Q. Then for the direct method what are the types of loans that you make, the amounts and rates, and so on?

A. Well, on the direct loans, loans in the direct loan category would go up to approximately $3500. The rates on [fol. 3752] those are governed by law, up to 6 per cent.

Q. Are those loans always made to purchase a piece of equipment like an automobile or a washing machine?

A. No. Mostly on personal loans they are for personal reasons—for medical bills, hospitalization, vacations, personal needs, as opposed to buying durable goods, such as an automobile or an appliance.

Q. How does that kind of loan get into your department, Consumer Credit Department?

A. Those loans come into the department usually through advertising in our local newspapers, through our branches, local papers, the major papers, radio advertising, and so forth. The individuals come into our bank and apply to our loan interviewer or the branch or assistant branch manager for the loan.

Q. Why are they handled in the Commercial Credit Department rather than the general commercial banking?

A. They are handled in the Consumer Credit Department.

Q. Consumer Credit, excuse me, instead of the Commercial Banking Department.

A. Because they are installment in nature, payable over a 26 or 36-month basis.

Q. Then all of your loans are installment?

[fol. 3753] A. That is correct, sir.

Q. Are they ever made for general business purposes, as distinguished from buying a piece of equipment?

A. Yes, we do. We have approximately one-third of our loans for business purposes.

Q. How are they secured?

A. They are secured with liens on equipment, conditional sales agreements, and so forth.

Q. Does that cover in general the direct lending activity?

A. Yes, sir.

Q. And with what other institutions are you in competition for that type of business?

A. Consumer credit business I think is one of the most competitive businesses in the City of Philadelphia or in any area of the country. Our competition in Philadelphia would

be all of the commercial banks—Philadelphia National, First Pennsylvania Company, Provident Tradesmens, Central Penn, Fidelity-Philadelphia, Liberty Real Estate, Industrial Trust, Broad Street Trust, Second National, all of them, including all of the suburban banks who are interested in personal loans, banks such as Peoples Bank in Norristown, Delaware County National Bank, Bryn-Mawr Trust Company, Doylestown National Bank, and Bank of Levittown and also we have competition from First Camden and [fol. 3754] Camden Trust in New Jersey.

Q. They all handle this type of loan?

A. That is correct. Now, we also have competition from hundreds of small loan companies and consumer discount companies in the area. Those companies are almost too numerous to mention, but they are such companies as Household Finance, Seaboard, Lyons, Ritter, Ellis, Aetna, Public, Beneficial, and many others.

Q. Now, with reference to the indirect financing, what does that usually cover? What type of equipment is financed there and what are the different groups, if they are divided into groups?

A. You are talking now about dealer business, indirect loans?

Q. Yes.

A. In the dealer business that would cover many areas, such as automobiles, mobile homes, modernization loans.

Q. What is a mobile home?

A. A mobile is a house on wheels, in effect.

Q. You mean a trailer?

A. It is a house trailer, that is correct. They dignify it by calling it a mobile home.

Q. Is there any kind of trailer besides a house trailer, [fol. 3755] that is, some special category?

A. Well, there are mobile banks. They have portable cars that they have for railroads, for use in facilities for dressing purposes for road crews. They have portable offices and items of that type.

Q. I interrupted you. What other type or classification of equipment is financed this way through the dealers?

A. We finance prefabricated homes, appliances, furniture. Also we finance our tuition loans on an indirect basis.

Q. I would like to know the nature of the competition

that exists for these various types of loans and whether it differs by type or whether the competition is the same for all of the various categories that you mentioned.

A. The competition varies from type to type. Some of the competition is the same and some of it is varied. In the automobile business your competition in Philadelphia and its surrounding territory would be from those banks who are on an indirect and direct basis, such as the First Pennsylvania Company, Philadelphia National, Central Penn, and Provident Tradesmens.

In addition to that, all of the banks in Philadelphia are out looking for direct automobile loans which is in competition to the indirect, so that Broad Street Trust, Fidelity, Liberty Real Estate, Industrial Trust, and all the other banks, in-
[fol. 3756] cluding the suburban banks, such as Delaware County National, Bryn Mawr Trust and so on, would be in competition for these loans.

In addition to that, there is competition from Allstate Insurance Company under a bank agent's plan, and also competition from the Keystone Insurance Company with their bank agent plan.

On top of that you have G.M.A.C., Ford Acceptance, C.I.T., Commercial Credit, Commercial Banking Corporation, Automobile Banking Corporation, and many, many others.

Q. They are all active competitors for that type of business?

A. For the automobile business, that is correct.

Q. Give me another type and tell me whether the competition is different or if it is the same.

A. We discussed mobile homes. Mobile home competition is wide and varied, because you have to reach out for that business. It goes over several states. Our competition there would be Philadelphia National Bank, Wilmington Trust Company of Wilmington, Equitable Trust Company of Baltimore. On a national basis it would be from Michigan National Bank and Union Bank of Michigan, American Security of Washington, the First National Bank of New Jersey, New Jersey Bank and Trust Company, Trenton
[fol. 3757] Banking, and many others.

Q. That is the mobile home you are speaking of?

A. That is correct. In addition to that there are finance

companies who finance mobile homes. Most of them are usually subsidiaries of the manufacturers themselves. There is Crusader Finance Corporation, Farmers and Merchants Investment Corporation, who are subsidiaries of Vought Industries. Detroiter has a company, Mobile Home Finance Company. There is Spartan and Pioneer Finance, and there are many local national banks who finance certain dealers in their own particular area.

Q. That seems to be a somewhat larger area of competition than automobiles themselves?

A. Yes, it is.

Q. Why is that?

A. Well, it is because mobile homes you won't find concentrated in a city area. There are certain zoning restrictions, so that they are restricted to suburban or out on the farm areas or out along the highway somewhere, so that your areas are spread. The big areas are mostly New Jersey, Western Pennsylvania, only one that I know of in Philadelphia. They are scattered down through the South. They are mostly concentrated around service installations [fol. 3758] and construction work and things of that type.

Q. You mentioned a Michigan bank. Did I hear you correctly?

A. That is correct.

Q. What brings a Michigan bank into the eastern part of the United States?

A. Michigan National and Union Bank of Michigan are the pioneers in the mobile home field, and at one time they controlled the mobile home business throughout the country. Slowly but surely other banks became interested in the field, and over a period of time competition became keener and keener, so that now they are no longer the factor in this area that they were before, because local banks and regional banks along the east coast are taking care of the needs of their own mobile home dealers in their areas.

Q. When the mobile home financing started were these two Michigan banks the only ones that financed that type of equipment?

A. I can't say for sure, but they were the pioneers, and there were very, very few who got into the field at that time, and it took a lot of convincing on many people's part to do a job.

Q. Approximately how long ago was that?

[fol. 3759] A. I would say that up until about 1952 they had the field pretty well to themselves. Back in 1953, 1954, 1955, more banks started to get interested in that field. We ourselves went into the field in 1955.

Q. But you didn't finance mobile homes before that?

A. No, sir, and I had a hard job convincing management to finance them at that time.

Q. Since that time the competition has been increased, as you described it?

A. Yes, sir.

Q. What is the relative position now of these Michigan banks?

A. I would say they still hold a strong position, but I think they are concentrated more in the West and the Southwest and they are along the east coast at the present time.

Q. But originally did they finance these pieces of equipment along the east coast as well?

A. That is correct.

Q. All right, another type of competition.

A. The next category, and one which is a large category would be the financing of modernization loans, which is not equipment or things of that type, but it is modernization of homes with porches or garages or a new kitchen, and so [fol. 3760] forth.

Q. That is modernization of dwelling houses?

A. Dwelling houses, that is correct.

Q. Is there any distinction between that and the modernization of business places?

A. We would carry that in our commercial modernization, because you are dealing with business as opposed to an individual.

Q. This modernization covers what area geographically?

A. I would say that on modernization we are restricted principally to about three states, Pennsylvania, Delaware, and New Jersey.

Q. And your competition there is what?

A. Competition on modernization loans again would be the First Pennsylvania Company, Philadelphia National, Central Penn, Provident Tradesmens, Frankford Trust Company, and Second National Bank. Again, the banks in

the suburbs, because again they make direct loans for modernization. Your competition also would be your small loan and your consumer discount companies, because they all make loans for those purposes. In addition to that there are some of the national finance companies, like C.I.T., Commercial Credit, Allied Builders Credit Corporation, [fol. 3761] and the Commerce Investment Company, who make loans of this type.

On top of that you have all of your federals, and savings and loan associations, plus your building and loan associations; so it is a very crowded field competitionwise.

Q. What is the next category?

A. The next category would be your prefabricated homes. This is a category which is again widespread. There are at this point not too many banks that have gotten in, although more and more I would say that prefabricated homes are at the point now where mobile homes were four or five years ago. Our competition on that would be from First Pennsylvania Company and Central Penn. Wilmington Trust Comapny and Equitable Trust of Baltimore are companies that also finance it, and finance companies would be two insurance companies, Stuyvesant Insurance Company of Allentown and the Guardian Life Insurance Company of New York City. Barco, which is a subsidiary of Bankers Securities Corporation, Certain-Teed Products Corporation and Allied Builders Credit Corporation, C.I.T., and Commercial Credit.

Q. What is the geographical area in which those houses are scattered?

[fol. 3762] A. At the present time they are in Maryland, Delaware, Pennsylvania, New Jersey, I believe some in Ohio, not too many.

Q. The next category.

A. The next category would be appliances. Appliances can be handled either on a direct or an indirect basis. Your competition as far as indirect would be First Pennsylvania Company, Provident Tradesmens, Central Penn.

Q. The same group?

A. The same group as before. In addition to that you would have your small loan and your finance companies again, in addition to such national sales finance companies

as General Electric Credit Corporation, Philco, Westinghouse, Sears, and Redisco.

Q. When you speak of Philco and Westinghouse and General Electric, you mean they are financing their own sales?

A. That is correct, sir, for the dealers.

Q. Next.

A. The next category would be tuition. This is a field that we are in more or less on an indirect basis while most of the other banks are on a direct basis. We operate directly through the schools and colleges and universities. We are in [fol. 3763] competition with direct loan plans from all of the banks, without repeating them, in Philadelphia, many of the suburban banks. In addition to that there is national competition from Tuition Plan, Incorporated, of New York, which is a subsidiary of C.I.T. and the Knight Plan of Boston.

Q. Over what area do the institutions extend which are financed in this manner?

A. I would say most of the colleges and universities and schools are within a 200-mile radius of Philadelphia, but the students come from all over the United States and out of the country.

Q. Any other categories?

A. That would complete the indirect.

Q. Let me ask you, before you get to the next one, is that a substantial volume of financing?

A. Yes, it is a substantial volume, but it starts at a peak in the fall and runs down toward spring. In other words, last year we put on approximately 7½ million dollars in loans. At the present time they are down to a million 7.

Q. Any more?

A. We have a third of our business in direct and indirect loans to business. This would be the financing of equipment, [fol. 3764] such as machinery and equipment, heavy commercial vehicles, tractors, trailers, heavy road construction equipment, the fleet rentals of automobiles and trucks, tractors, and trailers. This, naturally, is one of our largest categories, and it is directly to business as distinct from an individual. You are doing business with commercial houses or commercial companies.

Q. How large do some of these individual loans run?

A. They can run as high as two to three to four million dollars.

Q. Big heavy equipment?

A. That is correct, and because they are installment in nature they are handled in our department.

Q. Anything else?

A. The only other category—would you want the competition on that, the heavy equipment?

Q. Yes.

A. We can bundle it together, because most of the companies run together. Again in our department we handle these installment loans to businesses. Well, as in most other commercial banks, they are handled in the Commercial Department. Because of certain specialization in our department we are able to handle those loans in our own division.

[fol. 3765] The competition here would be all of your commercial banks. Again First Pennsylvania Company, Provident Tradesmens, Philadelphia National, and so forth.

Q. Don't mention them again if they are the same category.

A. There is a great deal of competition from national sales finance companies such as J. I. Case, American Acceptance, Yellow Manufacturing Acceptance, Keystone Acceptance, G.M.A.C., Ford Acceptance, Fruehauf Trailer Credit Corporation, International Harvester.

Q. You didn't mention the wholesale category.

A. We carry that in our commercial division. It is a type of financing, and we offer exactly the same thing as we do in order to get the retail business. Your competition there is the same as it would be in the retail automobile, because it is tied directly in with the automobile business.

Q. What has been the change, if any, in this type of financing in the last ten years?

A. I would say it is getting more and more competitive all the time.

Q. More and more people are getting into it?

A. That is correct, sir.

[fol. 3766] Q. What is the average term of the loan that is made in your department?

A. Well, it would vary according to category. It could be

anywhere from 12 months up to five years. In some cases we go to seven years.

Mr. Price: Cross-examine.

Cross-examination.

By Mr. Reyefaft:

Q. Mr. Ritter, of the categories of loans that yo[u] described, how many of them fall into the category of loans to individuals, installment, under $50,000?

A. How many would fall under that?

Q. Yes, sir.

A. I would say—this would have to be an educated guess—

Q. Surely.

A. The loans, installment, to individuals—do you want the direct or indirect?

Q. Both.

A. I would say on the direct that practically all of them would fall under $50,000 in category. On the indirect I would say again they all fall under $50,000. The only time that we would go over $50,000 in loans in our department would be in our commercial categories.

[fol. 3767] Q. All of the loans you have been discussing are loans under $50,000?

A. With the exception of the business loans. They would be the equipment loans and fleet rentals, and so forth.

Q. Do you know what percentage of the business of the Girard Trust Corn Exchange Bank in that category originates in the four-county area?

A. I wouldn't know offhand, sir.

Q. Have you examined any statistics to see?

A. No, I haven't.

Q. I would like to have you refer, if you will, to D-30. On the third pa[ge] of D-30 will you refer to category 6a through d, loans to individuals, installment, under $50,000. That category indicates, does it not, that 55 per ce[nt] of all the Girard's loans in this category originate within the four-county area?

A. I don't see the figure 55 here. Yes, I do.

Q. The figure 45 appears, and that is outside.

A. Yes.

Q. So you would agree that that exhibit indicates that 55 per cent of all of this business originates within the four-county area.

By Mr. Price:

[fol. 3768] Q. Have you ever seen this exhibit before?

A. No, sir. In fact, I don't know who prepared it.

I would say approximately that it would be correct, though.

By Mr. Reycraft:

Q. And it indicates, as far as Philadelphia National is concerned, about 75.2 per cent originates in the four-coun' area, doesn't it?

A. I don't know anything about Philadelphia National figures.

Mr. Price: The exhibit speaks for itself. The witness never saw it before, and I object to his being asked to interpret something he knows nothing whatever about.

Mr. Reycraft: The exhibit does speak for itself, and it shows 75.2 per cent, and it indicates also, as far as the combined banks are concerned, 65.4 per cent would originate within the four-county area.

By Mr. Reycraft:

Q. Now, for any of the categories of loans that you referred to in your direct testimony, Mr. Ritter, would any of those come under the category of commercial and industrial loans?

[fol. 3769] A. I would think that the commercial categories which I mentioned at the end of my testimony would come under that classification.

Q. And what would be the range in terms of dollars of the largest loans?

A. Those loans would run anywhere from as low as $5000 on up to several million, as I mentioned in my earlier testimony.

Q. And D-30 indicates, if you will refer to category 5, that 66.9 per cent of Girard's loans in the under $50,000

category originate in the four-county area and 69.7 per cent of the loans of $50,000 to $500,000 originate within the four-county area, and with the combined bank 70.3 per cent of the loans, commercial and industrial loans under $50,000 each, would originate within the four-county area.

Now, may I ask you, sir, whether you examined any of these statistics before your testimony on the sources of your competition?

A. No, sir.

Q. You don't have any reason to doubt their accuracy, have you?

A. No, I don't.

Q. Will you agree that, as far as the categories of loans [fol. 3770] that you have described, the four-county area is the most important source of business for your bank?

Mr. Price: Objected to.

A. No, I would not.

By Mr. Reycraft:

Q. Would you agree that if is the largest source of business for your bank for loans of this category?

A. The largest source came from what category?

Q. Originates within the four-county area for the categories that you have testified about.

A. No, I would not.

The Court: Did he go into any specifics on that or was he called to give the type of competition that he had?

Mr. Price: He was called to give the types of competition for the various classes and categories of installment loans, that is all.

Mr. Reycraft: And he testified about the market area also, about geographic sources of competition.

The Court: He said he did business within those. He didn't specify how much at any time.

Mr. Reycraft: No. That is right.

The Court: And I don't think he has tried to break it down. He just gave it to us by states.

[fols. 3771-3772] Mr. Price: That is right.

The Witness: That is correct.

The Court: He didn't go beyond that. He stated where he

did business, without reference to any particular amount, percentage, or anything else.

Mr. Reycraft: Yes, I don't think he went into those.

The Court: All right. There has been an objection to this line of inquiry of this witness from Exhibit D-30, and I am going to sustain the objection, and with that we will adjourn court.

(Adjourned at 4:00 o'clock P.M. until Wednesday, July 26, 1961, at 10:00 o'clock A.M.)

[fols. 3773-3774] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

[Title omitted]

Civil Action No. 29287

TWENTY-THIRD DAY

Philadelphia, Pa., July 26, 1961

Before Hon. Thomas J. Clary, J.

[fol. 3775] HERBERT W. RITTER, resumed.

Cross-examination. (Continued)

By Mr. Reycraft:

Q. Mr. Ritter, yesterday in your testimony you indicated types of competition which your bank received in the loan activities in which you are engaged. Will you tell me whether you have any statistical information concerning sources of that competition.

A. Statistical information?

Q. Yes.

A. The names and the information that I gave yesterday were from my own practical experience and knowledge of our competition.

Q. Yes, I understand. You have made no statistical study of the quantity of the business that is in competition with your bank, have you?

A. No, I have not.

Q. Or the geographic area from which it originates?

A. I know from practical experience.

Q. You know that there have been loans from certain areas from time to time?

A. That is correct.

Q. But you don't know how many in the aggregate?

A. That is correct.

[fol. 3776] Q. Do you consider that branches of the Philadelphia National Bank and Girard Trust Corn Exchange Bank which are as much as five miles apart compete for this type of business?

A. In the general field of personal loans I think all of the banks in all of the areas are competing with each other, because of the type of advertising that is done. It depends on location, and it is mostly a matter of convenience, and the people will go to the closest branch to them.

Q. But you think they are in active competition throughout the area for business of this type?

A. I wouldn't want to say as far as four or five miles or any amount of miles, as far as distance is concerned.

Q. I believe I understood you to testify yesterday that, for example, a Michigan bank was in competition with your bank for loans of this type; is that right?

A. That is correct.

Q. And would you agree that a branch bank which is five miles from another branch is also in competition for this type of business?

A. I think when you are talking about a Michigan bank you are talking about mobile homes, which is widespread over many states in a wide area. When you are talking about competition with branches, you are discussing personal [fol. 3777] loans, and I think they are two entirely different subjects.

Q. So that for personal loans, then, you think the competition is more restricted?

A. I would think it is confined to a much closer area than it would be for mobile home loans, yes.

Q. Would it be limited to the four-county area, in your experience?

A. No, it would not be.

Q. It would include banks, for example, outside the four-county area?

A. Yes, sir.

Q. Would it include branches of the Girard which are, say, five miles from a branch of the Philadelphia National Bank?

A. I would say it would, yes.

Mr. Reycraft: That is all I have.

Hubert J. Horan, Jr., having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Horan, you are a member of the Bar?

A. I am. I have been a member of the Bar since 1911.

[fol. 3778] Q. And you became a banker when?

A. I was elected to the presidency of the Broad Street Trust Company in May of 1938.

Q. And since that time have you been president of the bank?

A. I have been president up until about a year ago, when I became chairman of the Board and chief executive officer.

Q. Mr. Horan, will you tell us something about that bank after you became president, with particular reference to its condition at the time you did become president.

A. The day that I was elected president of that bank, first of all, I discovered over the weekend that the bank was insolvent, which I didn't know. I was the lawyer. The bank had deposits which aggregated $1,827,000, and today, at the close of business Monday, which is the last day that

I have gotten the report, because I don't get it until around 11:00 o'clock, we had deposits of $146,188,000, of which $73 million as a result of mergers that we had with different banks. The remainder was growth of itself which represented approximately one-half of the total deposits outstanding at the present time.

[fol. 3779] Q. What was the approximate payroll at the time you took the bank over?

A. I think it was $30,000, $30,000 or $35,000 a year, including the officers and employees.

Q. And now it is approximately what?

A. I am sorry to say that it is now running at the rate of $241,672 a month, or last year the total payroll was $2,900,000, including a bonus.

Q. During the period of this growth of your bank did any substantial bank mergers take place in Philadelphia?

A. Yes, sir, a great many. The Pennsylvania Company grew to be over a billion dollars. The Girard Trust Company had quite a number of mergers, and practically every one of us had mergers of different degrees.

Q. And in 1951 the Girard merged with the Corn Exchange?

A. Yes, a very large one.

Q. And then the Pennsylvania Company likewise had mergers?

A. They merged with the First National and a lot of smaller banks.

Q. What effect did those banks, both before and after the mergers, have on your business?

[fol. 3780] A. They had no harmful effect of any kind or description.

Q. Was the condition changed at all by the merger that took place?

A. In many instances it did us good.

Q. How?

A. For example, the Pennsylvania Company took over the old Kensington National at Front and Girard Avenue. We had an office, which was then our main office, at Broad and Stiles, which is a half square north of Girard Avenue. We tried to get as much business as we could. We got some, but as long as the ex-president worked with the Pennsylvania Company, we had difficulty getting it, but when he died, we

were able to get a very considerable amount of business from the old Kensington National, because the people were nearer the main office and came in contact with the principal officers of the Broad Street Trust rather than with people whom they didn't know. They had known the old president and they stuck there till he died.

Q. Was there any similar situation connected with any of the Girard mergers?

A. Yes, we have taken some accounts from them. As a matter of fact, I know of four or five accounts—I have been [fol. 3781] told; I don't know personally, for I haven't talked to the people, but I have been told by our officers—four or five accounts of substantial amount, which have primary and secondary accounts, as large depositors generally do, one in the Girard and one in the Philadelphia National, who have promised us the secondary account if and when the merger goes through.

Q. Is that a common or an unusual occurrence to take place after a merger of two large banks?

A. It all depends upon the question of the personalities involved. If someone is a friend of mine and he has been dealing with, we will say, the Kensington National Bank, and the Kensington National is taken over by the Pennsylvania Company, and he knows no one in the Pennsylvania Company, he will come to Broad Street Trust—or a friend of some of our officers—and the same thing is universally true.

Q. You indicate from that that it is a matter of personal contact rather than other considerations?

A. I beg your pardon?

Q. You indicate that it is a matter of personal contact?

A. There is absolutely in my mind no question about it.

[fol. 3782] Q. What in your opinion would the size of a bank have to do with its ability to get deposits away from another bank?

A. Well, of course, it would depend upon the size of the company. We have a lending limit now of $1,200,000 on an unsecured basis, and we can lend an additional 25 per cent of the $12 million on collateral of an ascertained market value. Now, the people who would be borrowing that kind of money represent the overwhelming majority in numbers

of the corporations and individuals in the country, and therefore there would be no reason why they would have to leave Broad Street to go to Girard, because they could get all the accommodation they could use or anybody would lend them, and therefore they would stay with us or come to us if we had contacts that justified them in coming.

Q. Well, assuming that the customer was in the group that you have just described and therefore didn't need an accommodation in excess of a million dollars, would there be any power on the part of a much larger bank to take that customer away from your bank?

A. I think it would be just the opposite effect. I think that the man would very much prefer staying with us, if he had been with us for years, because there would be no motive [fol. 3783] for his going to the larger bank, of any kind or description. He wouldn't get anything that we couldn't give him. He wouldn't get any more than he needed in the way of accommodation.

Q. Aside from that, would the larger bank have any advantage over the smaller bank, in your opinion?

A. All I can say is that there is scarcely a location that we have that isn't in active competition with some of the larger banks in Philadelphia. We opened an office in April of 1960 at the southeast corner of 4th and Market. At the northeast corner of 4th and Chestnut is the Provident. The Girard is down there at 2nd and Chestnut. The Pennsylvania Company is between 3rd and 4th on Chestnut. The Philadelphia National is at 4th and Chestnut, and the Fidelity is at 5th and Chestnut. The Pennsylvania Company is at 6th and Chestnut.

In spite of that competition in that neighborhood, we have actually built up in a period of about 14 months something like $2,700,000 worth of brand new business, and we have granted loans in that office, commercial loans, aggregating $2,757,000, with all these banks right around us and with the First Camden directly across the street.

We have granted in addition to that consumer credit loans [fol. 3784] aggregating $2,741,000. $2,178,000 we would have had if we hadn't the office, because it came through one of our customers, but the remainder of $600,000 was brand new business that walked in there without any ad-

ditional expense, because I used the people that handled the $2,178,000 at Broad and Thompson to handle the entire department down at 4th and Market.

We have in addition to that opened 91 Vacation Clubs at that location, 310 Christmas Clubs, and 49 Hanakah Clubs, representing the Jewish holidays which come in about the time of the Christian Christmas.

Q. That was a de novo branch, was it not?

A. I beg your pardon?

Q. That was a de novo branch?

A. Brand new. The building was built during the 20's and was occupied by a bank that failed, and had been standing all those years, and we bought it in 1960 and moved in there, opened it in April of 1960.

Q. Can you give me any other illustrations of competition in your branches?

A. Well, our office at Broad and Market is within a half square of the Girard, the side entrance of the Girard Trust. We are directly across the street from the Philadelphia [fol. 3785] Saving Fund, which is paying, as you know, 3½ per cent interest, and we are paying 1 per cent interest, and we have today between 16 and 17 million dollars worth of saving fund accounts on which we are paying 1 per cent interest, and here is the Philadelphia Saving Fund right directly across the street.

We opened a little bit of an office out at Academy Gardens in the extreme northeast. Because of delay on the builder's part, the Western Saving Fund opened three months ahead of us, with 3½ per cent, directly across the street from us. The Western Saving Fund, after struggling there for about a year, closed its office, and we are paying 1 per cent and they were paying 3½ per cent.

Q. Have you any other branches that you would like to refer to?

A. Well, we opened an office on May 8, 1961, down on South Broad Street, at Broad and Castle Avenue, and since May 8, up until the close of business on July 24, we had opened $1,519,000 worth of initial deposits, not one dollar of which came from our office down at 8th and Christian, which is in the general Italian neighborhood. I couldn't believe it were possible, but last week or the week before last I had that office audited to find out whether that quantity of money

[fol. 3786] was there or whether it really represented money that was put in to boost the boys that were starting the office, and I found to my surprise that there was practically the same amount of money on deposit two weeks ago as there was represented by this opening; and we have down there granted $164,000 worth of consumer credit loans, of which 24 were automobile loans, 87 were personal loans, two were equipment loans, and 39 were time sales.

We are within two squares, approximately, of the Central Penn, which is over $100 million bigger than we are, and we are within about four squares of the Liberty Real Estate, which is about $50 million smaller than we are. We have granted $108,000 worth of commercial loans, and we have opened 139 Vacation Clubs.

Q. Did you say the amount of your saving funds?

A. The amount of our saving funds was $92,398, and 90 per cent of the people that opened those saving fund accounts are Italians, who are supposed to be very rate conscious.

Now, I am not claiming that we haven't gone down in saving fund deposits, but it has, in my opinion, been profitable to stick at the 1 per cent, except in public funds, on which I had to meet the competition of the other banks.

[fol. 3787] Q. But you pay 1 per cent only in all your savings deposits?

A. Not all of them, no, because there are, for instance, school districts, and people like that where we have to meet the competition and pay 3 per cent. Our savings funds amount to almost $19 million, but between 16 and 17 million of it we only pay 1 per cent on it, because, in my opinion, it is cheaper to borrow Federal funds at a quarter of one per cent, as I had to sell them for yesterday—not borrow but sell them—than to pay 3 per cent on saving funds.

I may be wrong.

[fol. 3788] Q. But did you not include time money with savings in that total figure?

A. No. The $18 million is exclusive of time deposits, certificates of deposit.

Q. The $18 million is pure savings?

A. They do not—they generally are higher than the 1 per cent.

Q. Now, what has been your experience outside of Philadelphia? Have your branches outside of Philadelphia any competition?

A. We have got three offices in Delaware County. A little over a year ago the Philadelphia National Bank asked the Comptroller of the Currency, and very much over my objection the Comptroller granted them permission to open an office which was, I think 9/10 of a mile from one of our offices, 6/10 of a mile from another one of our offices, and a mile from a third one of our offices.

I started suit against the Comptroller and I don't know whether I should tell this or not, Your Honor, but our three heads of our offices down there came in and told me if the Philadelphia National Bank got that office we might just as well close the other offices, and I got mad and I said, using profanity, that I thought the competition was the best thing in the world and that therefore, if the Philadelphia Saving [fol. 3789] Fund came in there——

Q. Philadelphia National?

Mr. Littleton: Philadelphia National?

The Witness: The Philadelphia National—I mean, if they got in there we ought to get busy and do some work.

The result of it was that we had been lying there stagnant and much to my surprise our deposits increased in the last thirteen months by $479,000 net of the loss that I took on the saving-fund accounts, with the Philadelphia National right in the middle of our three banks.

By Mr. Price:

Q. That increase that you speak of took place after the opening of the Philadelphia National branch?

A. What I did was, I went in there—for instance, there had never been a drive-in window in any of the offices. I went in there and I put in drive-in windows, I put in parking area, I took one of the offices off of a little alley and put it on the same street that the Philadelphia National is on, right near the Pennsylvania Railroad station at Morton; and the result was that the growth was natural growth that came because we went after the business and because we had better facilities.

Philly has the same thing. They have got an enormous

[fol. 3790] parking area there and they have got a drive-in window; but, nevertheless, the actual figures were—I think it was $479,000 more in the thirteen months.

Q. That was in Delaware County?

A. Delaware County, yes, sir.

It was $471,000. I beg your pardon, I am a liar. It was $471,550.07 increase from May 5, 1960, to June 9, 1961, net of a loss of $390,000 in the saving fund due to the 1 per cent as compared to the 3 per cent.

Q. And all of that took place after the Philadelphia——

A. I beg your pardon?

Q. All of that took place after the Philadelphia National——

A. After they came in there, yes.

Q. What did you——

A. They went in there, I think, toward the close of last year.

Q. What has been your observation, let's say, in Delaware County, for example, of the effect of competition from a large Philadelphia bank on local banks?

A. It was rather amazing. In 1951 none of us were allowed to go into Delaware County. Between 1951 and today the Philadelphia banks have pretty well saturated Delaware County. We are scattered from one end of Philadelphia County to the other.

[fol. 3791] Q. Delaware County.

A. I beg your pardon?

Q. You said one end of Philadelphia County——

A. The Philadelphia banks are scattered from one end of Delaware County to the other; but in spite of that, Your Honor, the independent bank that is left down there, the Delaware County National Bank, has grown from $30 million in deposits to $71 million in the period of time in which all of these banks have moved in there, and what they did was exactly what I did.

Before we moved in there they were perfectly satisfied to sit there with an office. Then, when I took over the Interboro Bank they went to work and they opened a branch down there on MacDade Boulevard and, as a matter of convenience, people who dealt with us at the Interboro Bank began to deal with them; and the same thing happened in other parts of Delaware County.

They got on their toes because competition forced them to.

Q. Then what is your opinion based on your observation of the effect of competition in Delaware County?

A. Well, it certainly didn't hurt the Delaware County National Bank. It trebled their deposits or doubled them.

Q. Did the Delaware County National Bank have any [fol. 3792] mergers during that period.

A. None to my knowledge.

Q. Prior to this year you speak of, 1953, was it, the Philadelphia banks were not permitted——

A. I think it was the latter part of 1952 or the beginning of 1953 before any of us were allowed to cross the county line because the Secretary of Banking of Pennsylvania in the beginning was very much opposed to cross-county mergers.

Finally, around 1952 to 1953 we began to have the right to merge or open branches.

Q. What is your opinion as to the ability of the smaller banks in the surrounding counties adequately to serve their customers before they merged with some larger bank?

A. They weren't able to do it. You take one bank I remember particularly, that we took over. They had no consumer-credit department because, after all, a man who can run a consumer-credit department has to be paid a pretty good salary because he is an expert. They couldn't afford to pay, and, therefore, they didn't have that, which is one of the most lucrative parts of banking today in the United States—the consumer-credit loans.

There are various other departments that they couldn't do. You take a $10-million bank, it can no more keep an adequate, proper commercial-loan department than the [fol. 3793] devil himself could. They just can't do it and the proof was that when the poor banks that were $10 million were in existence they were buying 67-72's at 109 and we saw them go down to 79 because they couldn't make loans. They didn't know how to do it. They didn't have the moneys to do it.

You have got to have a credit department. We must have a dozen people at least just in our credit department alone.

Q. What would you say about the effect on the communities and the general public dealing with banks in the

surrounding counties of the effect of the mergers of the larger Philadelphia city banks?

A. It has been very helpful, in my opinion, to the communities. It certainly has been helpful to the stockholders of those banks because those stocks in those banks were practically non-salable. You just had to go out and find some friend who wanted to buy 10 shares of the stock, and then you were lucky. It had no market whatever, none whatsoever.

Q. Have you any comments you would care to make about the effect of competition in Montgomery County, similar to Delaware County?

A. Montgomery County has shown the same thing. The Montgomery Trust has grown tremendously. The little bank over there in Bridgeport, which is just across the river from [fol. 3794] Norristown, has shown something like a 40-percent increase in the period of time that we have all been moving into Montgomery County.

Q. There has been a large movement into Montgomery County, has there?

A. Oh, very.

Q. And what was the condition——

A. I have got the figures, if you want them.

Q. Yes. All right. Excuse me. I didn't mean to interrupt you.

A. The misfortune of having been a lawyer, Your Honor, is that he tends to argue.

Taking Delaware County, the Broad Street Trust Company has opened three offices, the Bryn Mawr Trust, which is a Montgomery County bank, has opened one. Fidelity has opened eight; the First Pennsylvania has opened seven and has gotten permission to open another one. The Girard Trust Corn Exchange has opened twelve or has twelve branches, due largely to the merger with the Upper Darby. The Liberty Real Estate has opened an office.

The Philadelphia National has got five offices; the Provident has got five offices. The Philadelphia Saving Fund has got three; the Western has got two; and the Beneficial [fol. 3795] Saving Fund has got one.

In spite of that there has been an increase in deposits of the Delaware County National Bank of 114.5 per cent.

Now, in Montgomery County there's a number of independent banks still out there. The Bridgeport National Bank which, as I said, is just across the river from Norristown, has increased its deposits from 1951 to 1960 by 37.8 per cent. The Bryn Mawr Trust has increased its deposits by 44.23 per cent. The Cheltenham National Bank has increased its deposits by 118.97 per cent; and the same thing was true of the Jenkintown Trust, which has recently been merged with the what-do-you-call-them here in Philadelphia, the Industrial.

In spite of that we find that—and the Montgomery County Trust has had mergers, so you can't count that so much, but the Peoples, to my knowledge, has had no mergers, and they have increased 103.46 per cent.

Now Broad Street Trust Company has one branch there. Central-Penn has one branch. Fidelity has four, First Pennsylvania has four, Girard has six, Industrial has one—of course, it is now a Montgomery County bank; Philadelphia National has seven, Provident has three.

The Philadelphia Saving Fund has four offices, the [fol. 3796] Germantown Saving Fund has three, the Western Saving Fund has one.

In spite of that the local banks have thriven, as I pointed out.

Q. Now turning back to Philadelphia, your bank, the Broad Street Trust Company, is a correspondent of the Girard, is it not?

A. Yes. That's our main depository.

Q. What could you say about competition between Broad Street Trust Company and Girard?

A. Well, I have never hesitated in taking anything that I could grab that was deposited in Girard, and I am quite sure that they have never hesitated to take anything they could from me.

Q. If this proposed merger between the Girard and the Philadelphia National Bank takes place would you consider that it would have any effect on interest rates?

A. Industry?

Q. Interest rates.

A. No. I don't pay the slightest attention to what the Girard is paying. The best example is the fact that I am paying on the overwhelming number of our accounts 1 per

cent in the saving-fund department and the Girard is paying 3, I guess.

[fol. 3797] It's of no interest to me whatsoever.

Q. Would you consider that it would have any effect on the interest rates generally in Philadelphia?

A. No, not a bit because the competition will be, if anything, keener than it was before.

Q. What effect, if any, do you think it would have on service charges?

A. Again, I don't think it would have the slightest effect. We make our own minds up as to what the service charges are that we are going to make.

We have to take into consideration what the other banks are charging, particularly in small communities, because we don't want to take a chance on the people moving out of our bank and going into theirs with a less service charge; but we only consider it. We are not bound by it in any manner, shape, or form.

Q. What effect do you think the proposed merger would have on the Philadelphia community in general?

A. I think it would have a most beneficial effect, and the reason that I am so vociferous is this:

Philadelphia has been awfully good to me and my family for almost two hundred years, and I hate to see Philadelphia second rate, and today we are in that position. We have got places like Cleveland, Boston, Pittsburgh with banks much [fol. 3798] bigger than ours. We have got two banks in Chicago, each of which is twice as big as the Pennsylvania Company; and San Francisco, with the biggest bank in the world, and with all the banks out there very prosperous.

Q. There are a number of small banks in California, are there?

A. Yes. Certainly, there are. There are, comparatively speaking.

Q. Do you consider that Philadelphia needs a larger bank?

A. I do.

Q. Why?

A. I think it's a crime to think that a man who wants to borrow $15 million has to go to New York or has to go to Chicago or has to go to Pittsburgh. I think it's a sin and a shame.

Q. Would you consider that the merged bank would have any power over depositors in other banks?

A. Not a bit. Not a bit. If I can accommodate them and if I treat them decently they are going to stay with us or come to us.

Q. Well,——

A. And, as I say, I would hazard a guess that 90 per cent of the businesses in this country could be accommodated in the way that I can accommodate them, namely, with the 10 per cent of $12 million and 25 per cent on collateral of an [fol. 3799] ascertained market value.

Q. Would you consider that the merged bank would have any power to affect adversely the customers of other banks?

A. No, in no way, shape, or form.

Q. Could they prevent prospective borrowers from having their borrowing needs adequately served by the other banks in Philadelphia?

A. They could not.

Q. Could they have any adverse effect on other banks so far as the other banks performing their banking services is concerned?

A. Of course, they couldn't. There would be no way in the world they could.

Q. Have you seen any evidence of any such interference with banking business or restraints as a result of mergers that have taken place in the past?

A. I certainly have not, because certainly I think Broad Street Trust is a very good example of what can be done in spite of all the growth of the other banks.

As a matter of fact, our earnings on our assets were the highest of any bank in New York or Philadelphia.

Q. Assuming that the merger took place, would you say that the existing or potential competition generally in com- [fol. 3800] mercial banking in the Philadelphia area would be substantially and unreasonably lessened?

A. Of course not. Of course not. You have got a $450-million bank in Provident, you have got about the same amount at the Fidelity. You have got us with $170 million—168 million the day before yesterday; and right straight down the line.

You have got banks that are as small as $2 million.

Q. Would you say that the existing and potential competition will be lessened at all if the merger takes place?

A. It wouldn't.

Competition would be increased because we would be out trying to take as much as we could away from them.

Q. What can you say about concentration in commercial banking in the Philadelphia area if the merger takes place? Would it, in your opinion, be substantially and unreasonably increased?

A. I think of large centers of industry in the United States it would still be the lowest concentration, very close to it.

Q. Would you consider the concentration that would exist [fol. 3801] to be beneficial or hurtful to the community?

A. I beg your pardon?

Q. Would you consider the concentration that would exist after the merger to be beneficial or hurtful to the community?

A. I think it would be helpful to the community, decidedly helpful.

As Dr. Harris pointed out, one of the arguments that was used by the Department of Commerce of Philadelphia was that we had adequate banking facilities to accommodate any business that would come in here; and we haven't adequate banking facilities at the present moment.

Q. When you say "we haven't adequate banking facilities," are you speaking now of the large borrower or the small borrower?

A. I am talking of a large national company that needs big credit, that has to go elsewhere and make Philadelphia second rate.

Q. What can you say about the existing and potential competition in the commerce and industry served by commercial banks in the Philadelphia area?

A. I think it would be helped, that there would be more businesses come in here, there would be more people willing to make this their headquarters.

[fol. 3802] Mr. Price: Cross-examine.

Mr. Reycraft: Do you have any questions, Mr. Littleton?

Mr. Littleton: No I have nothing.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Horan, does your bank own any stock in the Girard Trust Corn Exchange Bank?

A. I think we own about 1200 shares.

Q. Your annual report indicates 6600.

A. I own stock in two banks, the Provident; and I think I own more in the Provident than I do in the Girard, and that represents a fraction of 1 per cent of our total resources because——

Q. Would you agree with me, sir, that your bank now owns 6600 shares of Girard Trust Corn Exchange Bank; and I will show you your annual report?

A. Yes. That must be true when it is in there. I thought we owned more of Provident than we did of theirs, and we own 2486 shares of Central-Penn and 1,000 shares of Provident.

Then we have bought more Provident since then because I think our stock is now $512,000 instead of $500,000; so there is another $10,000 worth of stock, but it represents such an infinitesimal part of our resources, it certainly doesn't affect my judgment.

[fol. 3803] Q. You own stock in your own bank, sir, do you not?

A. In my bank?

Q. Yes.

A. Certainly.

Q. Do you own individually any stock in the Girard Bank?

A. Not a share, unfortunately. I have no money. If I had, why,——

Q. I assume that your answer would be the same if I asked you whether you had any direct or indirect interest?

A. I beg your pardon?

Q. Any direct or indirect interest also; you have none?

A. I didn't catch that.

Q. You have no indirect stock interest in the Girard?

A. Oh, no; none whatsoever.

Q. Your bank is a correspondent of the Girard, isn't it?

A. Yes; and it's also a correspondent of the Provident, it's a correspondent of the Central-Penn. It is a correspondent of Chase-Manhattan, and I guess there are a couple of others.

Q. What bank is your principal correspondent?

A. The principal depository—listen, to get this straight, the Girard is doing us no favors. We are doing the Girard favors because we keep $6 million to $7 million in there. We don't owe them a cent. They owe me [fol. 3804] $7 million, in all human probability, this morning.

Q. And they are your principal correspondent?

A. They are the principal depository.

Now, what do I have a correspondent for? I don't use them for anything—they collect some deposits for us, and that's all.

Q. Why do you have $6 million or $7 million on deposit with the Girard?

A. Because I have to do that to take care of my clearings. You see, I am not a member of Federal, thanks be to God; and therefore I am able to keep large deposits in banks, and I am the largest bank—I am certainly the largest in the State of Pennsylvania and probably one of the largest in the United States that is not a member of Federal, and it's going to take an Act of Congress to get me in there.

Q. Do you mean, just for the record, sir, that you are not a member of the Federal Reserve System?

A. I am not a member of Federal, and, therefore, all of our money is deposited in banks.

Now, I am sorry—yes, I think I have it. Well, I had $457,000 in the Provident at the close of business on Monday, the 24th; I had $124,000 in the First Pennsylvania, $378,000 in Chase-Manhattan. I had $562,000 in [fol. 3805] Central-Penn, and I had in the Irving Trust a deposit, in the Manufacturers' Trust a deposit.

In the Fidelity I had $99,000. The Chemical I didn't have anything there. Camden, Camden Trust, I had a deposit.

But our clearings go through Girard principally, but they also——

Q. Mr. Horan,——

A. But they also go through to some extent the Provident.

Q. Why aren't you a member of the Federal Reserve System?

A. I beg your pardon?

Q. Why aren't you a member of the Federal Reserve System?

A. Because I think it's a complete—well, don't tempt me. I don't want to get arrested. I don't want to get arrested.

I am afraid of defamation of character. You know, after all, that does, as you and I as lawyers know, constitute a crime.

Q. Mr. Horan, let me ask you whether, in your opinion, any of your existing customers would get any better service from the merged bank than they do from your bank.

A. Get any what?

Q. Any better service from the Philadelphia National-Girard Trust Corn Exchange Bank than they do at the present time from your bank.

[fol. 3806] A. Our customers?

Q. Yes, sir.

A. No.

Q. You think your bank is every bit as good?

A. I have never, to the best of my knowledge, participated in a loan with either Philadelphia National or the Girard. In the first place, I don't like participation loans because if there is going to be trouble I don't want the Girard to tell me how I shall get myself out of a mess that I got in. I want to be the sole guy that's got the loan.

Q. Sir, for any borrowers who need $1.2 million or less, can he get as good service from your bank as from the Girard or Philadelphia National?

A. He get what?

Q. As good service.

A. As he gets service?

Q. As good.

A. I can't understand what you are saying.

Q. Is your bank as good as these two banks for loans under that amount?

A. Are what?

The Court: Read the question to him, Mr. Lennox.

(The last question was repeated by the reporter.)

[fol. 3807] The Witness: I think we are.

By Mr. Reycraft:

Q. You are pretty sure you are, aren't you?

A. I beg your pardon?

Q. You are pretty sure you are.

A. That we are as good?

Q. Yes.

A. I think so. I think we have got, for instance, $27 million worth of loans in our Time Sales and we have got 1/100 of 1 per cent of the balances due on the notes that are 30 days overdue.

Q. Did you say that 90 percent of all the borrowers could be accommodated by your lending limit?

A. That's a pure, simple guess.

Q. That is based on your many years of experience?

A. From my experience, I would say that that is largely true, but there is another 10 per cent that can't get accommodated or 15 per cent, whatever it might be, in Philadelphia.

Now, of course, I have no facts to bear that out.

Q. And those are the only ones that you think might be benefitted by a merger?

[fol. 3808] A. All I can figure is, knowing how poor I am, I figure that the rest of the people must be poorer.

Q. And the latter group is the only group you think might be benefitted by the merger?

A. I beg your pardon?

Q. The latter group is the only group of borrowers that you think might be benefitted by the merger?

A. The big?

Q. Yes.

A. They would be benefitted.

Q. Yes.

A. And the community would be benefitted.

Q. Well,——

A. Yes.

Q. As far as borrowers are concerned?

A. Yes.

Q. The 10 per cent or so that you mentioned?

A. Whatever it may be.

Q. Yes.

A. And, of course, I am only guessing. I have nothing to base it on.

Q. I assume that for all of your testimony, sir, you are relying on your background and experience.

A. Yes, but that one particular thing is a pure, unadul- [fol. 3809] terated guess as to how many people in the country need $15 million. I have no earthly idea.

Q. Mr. Horan, has your bank ever had or have you or anybody representing your bank ever had any merger discussions with the Girard?

A. Ever had any what?

Q. Merger discussions.

A. Discussions?

Q. Yes.

A. No, definitely.

Q. Have there been any discussions looking toward a merger between your bank and any other bank in this city?

A. Yes, several.

Q. Several?

A. And I have turned them down without even taking them to the Board.

Q. Why did you turn them down?

A. Because there was nothing that our shareholders could gain. We are in earnings, I think—although the Girard may not agree with me—the second highest earner on a comparative basis in the City of Philadelphia for the first six months of this year.

Q. Did you think the community might benefit if you merged?

A. No, I don't think it's necessary.

[fol. 3810] Q. Wouldn't it give you a higher lending limit?

A. Yes, it would.

Q. And you don't think that would benefit the community?

A. I don't think that it's necessary for us to merge, because if this merger goes through then there is enough to take care of it between them and the Pennsylvania Company, of the fellows that need the big money.

Q. Do you think the Pennsylvania Company is now able to take care of the fellows that need the big money?

A. Is what?

Q. Is now able to take care of the fellows who need the big money?

A. To some extent, yes; more than I am.

Q. Do you have any knowledge of the number of borrowers who would need between $8 million and $15 million?

A. I haven't the slightest idea.

Q. So you don't know who would be benefitted by the merger?

A. No. I haven't the slightest idea. All I can do is guess from general experience.

Q. You think there must be a few, at least?

A. There must be some. Sure, there are. There is no doubt about that. I know that definitely.

Q. You don't have any particular ones in mind, though, do you?

[fol. 3811] A. No, because any of the guys that can borrow $15 million haven't come in to see me.

Q. Now, Mr. Horan, I believe you have also testified that you think Philadelphia should have a bank as big as Cleveland and Pittsburgh and Boston; is that right?

A. That's right.

Q. And if you think it is necessary to do it by merger it should be done?

A. I think—I certainly think it's the only way that it can be accomplished.

Q. It is the only way that a bank that big can be created; is that right?

A. It's the only practical way that it can be accomplished in my lifetime, anyway.

Q. And you think if it required several mergers it ought to be done?

A. We would have one bank, then, that would be $1,800,000,000, we would have another bank which would be $1,100,000,000 or $1,200,000,000, and we would have five banks ranging from $500 million, roughly, down to two million.

Q. After the merger, would Philadelphia have a bank as big as Pittsburgh?

A. It would be a trifle larger, I think, the last time I looked at Mellon's statement.

[fol. 3812] Q. A trifle larger than Pittsburgh?

A. I beg your pardon?

Q. I believe you would find it would be smaller still.

A. Would it?

Q. Yes, sir.

A. Well, that's all——

Q. I will be glad to show you an exhibit.

A. I looked at it a year ago and I didn't think they were up to $1,800,000,000.

Q. Here is Defendants' Exhibit No. 24, the Mellon National Bank & Trust Company has a lending limit of $25 million.

A. Yes.

Q. Do you agree with that?

A. Well, that's all the more shame that we should be held down under $15 million.

Q. And you think that even after the merger, if the combined bank has a lending limit of $15 million, it still ought to get as big as Mellon, do you?

A. No. I think that if we had this $15 million lending power it certainly, as far as I can see for the immediate future, plus what Pennsylvania can lend, plus what I can lend, plus what Provident can lend—that we have got a very healthy condition.

Q. You think, then——

[fol. 3813] A. Today we have a very unhealthy condition, in my opinion.

Q. You think that if the combined lending limits of the merged bank and the First Pennsylvania and your bank and a few others are considered Philadelphia would then have adequate capacity to take care of these large borrowers?

A. In my opinion, I think it would be adequate.

Q. You think it would be adequate?

A. Yes.

Q. You don't think that any further increase would be necessary after this merger?

A. All I can tell you is that Broad Street Trust Company is not going to go into mergers with anybody. Now, I can't answer for anybody else.

Q. Assume, as far as the community is concerned, however, do you think it would be beneficial to have a bank with a lending limit as high as the Mellon Bank?

A. It certainly doesn't sit very nicely on my stomach to think that Pittsburgh is $10 million ahead of us.

Q. You would like to have a bank as big as the Pittsburgh bank?

A. I certainly like to think that Philadelphia is not a second-rate city. It is no longer the green country town that William Penn visualized.

Q. And you think you ought to have a bank with as big a [fol. 3814] lending limit as Boston, Cleveland, and Pittsburgh; isn't that right?

A. There is no reason in God's world why it shouldn't.

Q. And if it is necessary to merge to accomplish this you think it would be beneficial?

A. There is no other way in the immediate lifetime of any of us that are sitting in this courtroom, in my opinion, that we can grow without a merger to that extent.

Q. And you think it ought to be done?

A. I certainly do.

Q. And you think it would be beneficial?

A. As a citizen of Philadelphia who has been very much interested in the welfare of the city all my life.

Q. And you think it would be beneficial to have a bank with a $25 million lending limit if it required merger?

A. As a matter of pride, yes.

Q. And as a matter of competition?

A. As a matter of competition, I don't know. I don't know whether it is necessary.

That would be for somebody else to decide, not me.

Q. You have no opinion on that?

A. No.

Q. Dr. W. Carlton Harris, who testified here, is a director [fol. 3815] of your bank, is he not?

A. Yes; yes, he is.

Q. And he holds other positions with your bank?

A. He is what?

Q. He holds other positions with your bank?

A. He's Chairman of the Auditing Committee and he's Chairman of the Salary Committee.

Q. And he also owns stock in the Broad Street Trust, doesn't he?

A. Yes.

Q. You don't know whether he owns stock in the Girard?

A. No; and I don't know how much stock he owns in Broad Street, to tell you the truth.

Q. Mr. Horan, when were you first asked to testify in this case?

A. I voluntarily wrote a letter to Mr. Gidney advocating the merger at the time that the matter was still in abeyance and then, subsequently, when the suit started, there was some discussion asking me to testify.

Q. What led you to write the letter to Mr. Gidney?

A. I wrote the letter to Mr. Gidney in January, 1961.

Q. Yes, sir. Why did you write that letter?

A. I did it for the very reason that I gave you—that I am very proud of Philadelphia and I want to see Philadelphia first-class, not a second-class city.

[fol. 3816] Q. Did you discuss your letter with any representative of the banks that you mentioned?

A. I did not. The first time that any of them saw it was when I sent a copy of it to Mr. Brown and a copy of it to Mr. Potts.

Q. Now, you said also that you filed suit some years ago against the Philadelphia National Bank?

A. That is correct.

Q. You also filed suit against the Comptroller, didn't you?

A. Yes.

Q. You filed a complaint in Washington, in the District of Columbia, didn't you?

A. That is correct.

Q. What relief did you ask for in that complaint?

A. I beg your pardon?

Q. What remedy did you ask for in that complaint?

A. I asked that the Comptroller be restrained from granting permission to the Philadelphia National Bank to open an office on Kedron Avenue which is, as I say, 6/10 of a mile from one of our offices, 9/10 of a mile from a second one, and 1 mile from a third one, on the grounds that there was no need for the office.

[fol. 3817] The Comptroller, in his wisdom, saw fit to

overrule me and then I brought suit against him, and then, as I say, the boys that ran the three offices came in crying the blues and telling me that I had to fight this thing to the bitter end.

Q. This was after you filed your suit?

A. After I filed the suit; and I got mad and I telephoned Wolf, Block, Schorr & Solis-Cohen, our local attorneys, and told them to notify the people in Washington, the lawyers in Washington, that we were calling the suit off.

Q. So you think now that you were wrong in filing that suit?

A. I think that they have done me no harm.

Q. Well, you think you made a mistake to file that suit?

A. No. I probably would have gotten a few dollars that I wouldn't have otherwise had, if I had won, if they had not been in there; but it didn't amount to anything because I did go up, as I say, $471,000 net in deposits.

Q. Now, after you wrote your letter to the Comptroller in relation to this particular merger you were asked by one of the defendant banks to testify here; is that right?

A. That is correct.

Q. Which one asked you to testify?

A. Girard was the one that asked me to testify.

[fol. 3818] Q. Were you asked to testify by one of the attorneys?

A. I beg your pardon?

Q. Were you asked to testify by one of the officers of the bank?

A. Yes.

Q. Who?

A. I was probably asked by Mr. Brown or Mr. Smith, and I want to correct one statement. I did read this letter to Mr. Smith, who is chairman of the Board of the Girard, before I sent it.

Q. Before you sent it?

A. Yes, but I wrote this letter voluntarily.

Q. Yes, I don't doubt that.

Before you wrote the letter, did Mr. Smith suggest it might be a good idea for you to write that letter?

A. Not to the best of my recollection. There was no conversation between us.

Q. You recall no conversation at all with Mr. Smith?

A. No, and I called him on the phone and I said, "I am writing this letter. What do you think of it?"

And he said he thought it was very good, and I sent it off.

Q. What was the Comptroller's reply to that letter? [fol. 3819] Did you receive a reply?

A. He merely acknowledged receipt.

Q. He didn't give you any indication——

A. Oh, no, of course not.

Q. —whether he would take action on it or not?

Did you discuss your testimony here, sir, with Mr. Carlton Harris?

A. As a matter of fact, I read Carlton Harris' testimony. I asked counsel, Mr. Price, if he would send me the testimony. I didn't know Carlton Harris was going away. As a matter of fact, the first time I discovered it was through the Girard Trust. I didn't know it myself.

Q. Who is running the Finance Committee while he is away?

A. I beg your pardon?

Q. Who is the chairman of the Finance Committee while he is away?

A. James D. Henderson, Jr., I think is chairman of the Finance Committee and vice-chairman of the Board.

Q. He is the gentleman who discussed the proposed merger with the Ambler bank some years ago?

A. I beg your pardon?

Q. Didn't he have some discussion with the Ambler Bank about a merger a couple of years ago?

[fol. 3820] A. Ambler Trust Company. I think it was several years ago.

Q. Your bank was interested in acquiring that bank?

A. Yes, we were anxious to buy it, and we had agreed on price and everything else, and the next thing that happened, the Girard Trust walked into the picture and they argued with them, and then the next thing we all woke up and found the Provident had gotten it.

Q. Is that the Ambler Trust, sir?

A. Was it? Or Ambler National?

Q. I thought you were talking about the Ambler National.

A. Ambler National. I think Girard got the Ambler Trust and Provident got the Ambler National.

Q. Girard got Ambler National, which I believe was the one your bank was talking to.

A. No. The one that I was talking to was the one that was gotten by the Provident.

Q. But Mr. Henderson, according to an exhibit which was introduced yesterday, talked to the Ambler National, and the Girard——

A. He merely mentioned to the Ambler National at the time we thought we had the Ambler Trust, or vice versa, I forget, that it would be very nice if both banks [fol. 3821] came with us, but we had no formal discussions of any kind or description.

Q. Well, be that as it may, your bank at that time was competing with the Girard and the Philadelphia National to acquire the Ambler National, weren't you?

A. At the beginning we were in the picture all by ourselves, and, as a matter of fact, an agreement was drawn up, which was approved by the president, vice-president, counsel, and a majority of their Board, and then the Girard got after them later, and then the Girard thought they had a deal, and then the Provident walked in and took the property.

Q. Now, with respect to the Ambler National——

A. I don't know which it is, whether it is the Ambler National or Ambler Trust. We had no formal negotiations of any kind or description with the one that was taken over by, whether Philadelphia National or Girard. The one that was taken over by Girard, we never had any formal negotiations with them at all.

Mr. Reycraft: I have no further questions.

Redirect examination.

By Mr. Price:

Q. Mr. Horan, you are here under subpoena, are you [fol. 3822] not?

A. That is correct.

Q. This letter that Mr. Reycraft was asking you about, did that express the opinion that you entertained at the time you wrote it?

A. It certainly did.

Q. About the merger?

A. It certainly did.

Q. And have you the same opinion today?

A. I certainly have, and the more experience I have had——

You have got to remember this, Mr. Price, that in point of service, in point of years, I am the oldest chief executive officer of any bank in Philadelphia, and as a practicing lawyer I lived through 1931 representing banks, and I know what it means to have small banks hanging around your neck.

Q. Will you read the letter that you wrote to Mr. Gidney, please.

A. Read it?

Q. Yes.

A. "My dear Mr. Gidney;

"Broad Street Trust Company is of the opinion [fol. 3823] that it is to the——

Q. Did you give the date of the letter?

A. The date of the letter is January 20, 1961, addressed to the Honorable Ray M. Gidney, Comptroller of the Currency, Treasury Department, Washington, D. C.

"My dear Mr. Gidney:

"Broad Street Trust Company is of the opinion that it is to the best interests of the City of Philadelphia that the proposed merger of Philadelphia National Bank and Girard Trust Corn Exchange Bank & Trust Company should be approved.

"Boston, Cleveland, Pittsburgh and San Francisco, all smaller than Philadelphia, have banks that are very much larger than our largest bank.

"In Chicago there are two banks, each of which are twice the size of First Pennsylvania Banking & Trust Company.

"Philadelphia is handicapped because very large borrowers have to go to New York or elsewhere to obtain loans.

"The proposed merger will not hurt other Philadelphia banks.

[fol. 3824] "In San Francisco is located the largest bank in the world and there are any number of banks there, of considerable size, all of which are doing a good job.

"From past experience I think it would be helpful to a bank with the resources of Broad Street Trust Company and to banks with less resources if the merger were approved.

"The merged bank would seek wholesale business and middle size business would gravitate toward banks of our size.

"I have seen this happen after other mergers were approved.

"Small corporations or individuals get overwhelmed by a huge bank and come to a bank like ours.

"That this statement is correct is shown by the fact that in December 1950 Broad Street Trust had Capital, Surplus and Undivided Profits of $3,000,000 and in December 1960 had Capital, Surplus and Undivided Profits of $12,500,000 and the deposits in the same period have grown from $54,473,000 to $144,786,000.

[fol. 3825] "If the merger is approved, there will be in Philadelphia thirteen corporations and two partnerships engaged in the banking business.

"Brown Brothers Harriman Company have resources as of June 1960 of $237,000,000.

"The Corporations engaged in banking as of the same date range in size from the Sonsitaly Bank & Trust Company and Citizens and Southern Bank, each of which has resources of approximately four and three quarter million dollars, to the First Pennsylvania Banking & Trust with resources of $1,149,000,000.

"In between these two extremes are Provident Tradesmens with resources in excess of $522,000,000 and Fidelity Philadelphia Trust Company with resources of over $472,000,000.

"We have also the branch of a New Jersey bank operating in Philadelphia that has resources in excess of $128,000,000.

"These banking institutions are highly competitive and the merger would not, in our opinion, create a monopoly or anything approaching the same.

[fol. 3826] "I am enclosing herewith a copy of Broad Street Trust Company's report to shareholders as of December 31, 1960.

"Yours sincerely,

"Chairman of the Board and Chief Executive Officer."

Recross-examination.

By Mr. Reycraft:

Q. Mr. Horan, did anyone assist you in preparing a draft of that letter?

A. I beg your pardon?

Q. Did you receive any assistance in preparing the draft?

A. No. Why would I need assistance? I happen to be a lawyer, and I want to tell you something: I don't think that Mr. Brown and Mr. Potts put together have got as much knowledge of the inner workings of their bank as I have of the inner workings of ours.

Q. The bigger a bank gets the more difficult that is?

A. I beg your pardon?

Q. I say, the bigger a bank gets, the more difficult that is?

A. Certainly it is. For instance, at Broad and Thompson, which is theoretically our main office, because that is where [fol. 3827] I got the operations, my office is right on the first floor, and everybody that walks in the door can see me, and all a guy has to do is walk past a palm in order to get—and it is a genuine palm, not a rubber one—to get in to see me.

Q. And you think this is beneficial to your customers if they have this access to you, don't you?

A. I said yesterday to the president of our bank that the day that one of our customers wouldn't do what happened yesterday, when one of our customers came in and he introduced a man to us and said, "This guy gets a terrible lot of business from me, and I told him unless he transferred all his business from"—I will tell you which bank—"to Broad Street Trust Company, he is going to get no more business from me."

Now, the reason the guy did that is he feels he can walk in and sit down and talk to me. He is as old as I am if not

older, and he calls me Pop. Now, I can't imagine that I would be so sacrilegious as to call Mr. Potts Pop.

Q. I would just like to nail one thing down, if I may, as far as this letter that you read is concerned. I understand that no one assisted you in drafting it, no one did any research for you in getting these figures?

[fol. 3828] A. I dug every bit of it out myself, and all I had to do was lift up that little book, you know, that has the banks of the United States in it, which is on my desk, and I picked it up and I worked it out.

Q. All right.

A. You can't imagine the advantage it is to be a lawyer——

(Laughter)

—and at the same time president of a bank.

(Laughter)

I qualified it. And at the same time president of a bank.

Q. Mr. Horan, did this sentence appear in that letter:

> "Smaller corporations or individuals get overwhelmed by a huge bank and come to a bank like ours"?

A. I think that the guy—I am not talking now about the guy that would borrow a million dollars; I am talking about the guy who would borrow $50,000—I think that he feels more at home. I think I used that expression.

The Court: We are 15 minutes past our recess time so [fol. 3829] we will take a ten-minute recess.

(A 10-minute recess was taken at 11:15 A.M.)

By Mr. Reycraft:

Q. Mr. Horan, during your testimony you referred to a letter of January 20, 1961, which I would like to have marked for identification.

May we have it marked as a defendant's exhibit?

Mr. Price: Yes.

(Letter dated January 20, 1961, from Hubert J. Horan, Jr., to Honorable Ray M. Gidney was marked Exhibit D-44 for identification.)

By Mr. Reycraft:

Q. Mr. Horan, in the letter of January 20, you made a statement, "Smaller corporations or individuals get overwhelmed by a huge bank and come to a bank like ours," didn't you?

A. Yes.

Q. And that is one of the reasons why you are in favor of this merger, is it?

A. It is one of the selfish reasons, yes, but when I referred to the individual as overwhelmed, understand, I am not [fol. 3830] talking about the man who can borrow the limit of our lending. I am talking about the man who wants to borrow 5, 10, 25 thousand dollars. He likes the idea of coming in and seeing the president and talking to him.

Q. You are talking about the borrowers within your lending limit; is that right?

A. I beg your pardon?

Q. The borrowers who are within your lending limit?

A. The guy that can borrow $1,200,000 would not be in that category of being overwhelmed by a big bank.

Q. What do you mean by a smaller corporation?

A. I mean a guy who could borrow, that we would be willing to lend up to 20 or 25 thousand dollars to. That guy is more familiar with me than he would be in a great big bank, in my humble opinion.

Q. And you said also, didn't you, in this letter, "The merged bank would seek 'wholesale' business and middle size business would gravitate toward banks of our size"?

A. Yes.

Q. What is middle sized business?

A. Middle sized business would be the man who wanted [fol. 3831] to borrow or the corporation who wanted to borrow 25 to 50 thousand dollars at the outside.

Q. And you think that these businesses would gravitate toward your bank because they would be——

A. Not necessarily toward our bank, but I mean they would gravitate toward smaller banks, I think, I hope.

Q. You said, "toward banks of our size."

A. Yes, I hope.

Q. And you think they would do that because they prefer

the personal service they could get from a bank of your size?

A. I think they would feel more at home, just as this man that I told you about who came in the day before yesterday.

Mr. Reycraft: That is all I have.

By Mr. Littleton:

Q. Mr. Horan, may I ask just a couple of questions: Mr. Reycraft interrogated you about Dr. Harris and his position as chairman of certain committees.

A. Yes.

Q. Those committees of which Dr. Harris is chairman are committees of the Board of Directors, are they not?

A. That is correct, yes, sir.

Q. He is not an employee of your bank, is he?

[fol. 3832] A. No.

Q. He is a director?

A. He is a director of the bank and chairman of those committees, and he gets paid for it.

Q. His director's fees and his committee fees?

A. No, he gets paid a direct salary, comparatively small. I think it is a couple of thousand dollars a year.

Q. Now, on another subject, in your opinion, does it benefit a large, growing industrial community to have banks of all sizes, from the largest to the smallest?

A. I think it does.

Q. Why?

A. Take the little corner grocer. He wants to borrow a thousand dollars on a demand loan. I am not talking about him going into the Budget Loan Department. I am talking about wanting to borrow a thousand dollars. It is going to be a great thing for him if he can walk into a middle sized or little bank, much smaller than ours, and borrow that thousand dollars. It is going to boost his ego. And I think that for the bigger man, the big bank is necessary, an absolute necessity.

Mr. Littleton: Thank you very much.

[fol. 3833] JOHN S. CARTER, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Littleton:

Q. Mr. Carter, where do you live?

A. I live in Moorestown, New Jersey.

Q. What is your present position?

A. I am president of the First Camden National Bank and Trust Company.

Q. And the First Camden National Bank, of course, is located in Camden, New Jersey?

A. Its main office is, yes.

Q. And it is the bank that has a branch in Philadelphia that we have heard about in this case?

A. That is correct.

Q. Where is that branch located?

A. At 223 Market Street.

Q. Approximately how old is the First Camden National Bank and Trust Company?

A. We will celebrate our 150th anniversary next year. We were founded in 1812.

Q. How long has your bank had a branch in Philadelphia?

[fol. 3834] A. It has had an office in Philadelphia since 1813.

Q. It is rather unique for a bank in one state to have a branch in another state. Would you mind telling us just as a matter of interest for the record how it came about, briefly?

A. As I have been able to reconstruct it from the old minute books of the bank, a great many New Jersey farmers brought their produce to market in Philadelphia. As a service to customers the bank originally opened a box in the market area down in Market Street where customers could leave notes to be discounted. The cashier would row across the river and pick those notes up and then the Board would pass on them. Later that grew to a branch and has continued till the present time.

Q. You have been permitted to continue it as a branch right up until the present time?

A. Yes, sir.

Q. How long have you been connected in any way with the First Camden National Bank?

A. I have been a director about 13 years, I believe, and I have been an officer or president of the bank for about 3½ years.

Q. And prior to the time that you became president [fol. 3835] of the bank what was your principal occupation?

A. I was employed for 23 years by Radio Corporation of America, and at the time I left Radio Corporation of America I was vice-president for Finance Administration.

Q. And have you in those 23 years been principally in what you might call the Finance Department of the Radio Corporation?

A. Well, I am afraid, like Mr. Horan, I started out as a lawyer, and I have had various other assignments with the company, but for the last ten years, I would say, with R.C.A., I was in the finance end of the business.

Q. Did that mean you were the one who had contact with the commercial banks on behalf of R.C.A.?

A. Yes. My assignment was in Camden, which was the old Victor Talking Machine Company, which later became R.C.A. Manufacturing Company and later the Victor Division of Radio Corporation of America, which was the division that did the manufacturing of products, and as such we had our own bank accounts and our own contact with banks, our own accounting, budgeting, and so forth, and those were the things that came under my jurisdiction.

[fol. 3836] Q. And during that period you became a director of the First Camden Bank and you since have become president?

A. That is correct, sir.

Q. About what is the size of the First Camden National assets, deposits, and so forth?

A. As of June 30 we had total assets of about $145 million. Deposits were $129 million. Our total capital funds, including reserves, were about $13 million.

Q. And since 1955, we will say, have you enjoyed growth in assets?

A. I think we have had a very satisfactory growth, a growth that is comparable to other banks in the area. We have averaged about a six-per cent increase in deposits each

year since 1955. 1955 was a year of two mergers. We have had no mergers since then.

Q. This six percent average increase in growth each year since 1955 was since the time of the last merger?

A. That is right. I think our deposits have gone from $100 million to $129 million in that period without merger.

Q. I assume that you have considerable deposit and loan business in Camden, and I would assume that you [fol. 3837] would have it also in Philadelphia County with that branch. Will you tell us where else you draw your deposit and loan business from. What areas do you cover?

A. As far as actual branches in New Jersey, we are limited, with the exception of the Philadelphia branch, to branches within Camden County. However, we do have customers of the bank from as far away as the seashore, as far north as Bordentown, Levittown, in that area. We have customers in Chester.

Q. That is Chester, Pennsylvania?

A. Chester, Pennsylvania. Conshohocken, out on the main line, South Philadelphia. So we cover a fairly sizeable area, although our branches are confined to Camden County and the one in Philadelphia.

Q. Do you consider your bank to be competing in the Philadelphia metropolitan area in banking?

A. I hope we are.

Q. Well, you are, are you not?

A. Yes, sir.

Q. Confining yourself for the moment to Camden County, what is your competition with commercial banks in Camden County?

A. Well, naturally, our immediate competition over there [fol. 3838] is with the banks that are in the county. Our principal competitor is the Camden Trust Company. There are other banks in the county, however, and we compete with them primarily through our branches. However, Camden living as close as it does to Philadelphia, and being as industrial an area, is subjected to rather intensive competition from substantially all of the banks in Philadelphia and a great many of the banks in New York, and even Chicago banks and Pittsburgh banks get in there to call on our customers.

Q. Are you aware of solicitation by New York banks for business in Camden, for instance?

A. Oh, definitely. Of course, when I was with R.C.A. I was on the other side of the fence, and I was constantly solicited by banks from pretty much all over the country, with a company that size, but in talking with our customers I learn of the solicitation activities, not only of the Philadephia banks, but of New York banks and Pittsburgh and Chicago banks primarily.

Q. And have you learned the same thing in talking with representatives of New York banks, we will say?

A. Yes. Oftentimes they will also call on us when they are in the area, because they are anxious to improve their [fol. 3839] correspondent relationship as well as to improve their deposits from corporate customers.

Q. And have they indicated to you that they think the Philadelphia area, metropolitan area——

Mr. Reycraft: I object to that.

By Mr. Littleton:

Q. What have they indicated to you as the reason for their solicitation in this area?

Mr. Reycraft: I object to that.
The Court: Overruled.

A. I had a conversation in April with officers of one of the large New York banks. I was out to lunch in their dining room. During the course of the conversation we talked about this pending case. I had made the statement to them that I felt that this was a natural and a desirable merger. They told me that they felt that Philadelphia was, in effect, their happy hunting grounds for business outside the City of New York, and it was due primarily to the fact that there were not larger banks down here and that business had to gravitate to the larger money center in New York.

Q. Speaking of the size of banks, what is the proportion of banking assets in the Camden area, Camden County, [fol. 3840] that your bank enjoys?

A. If I may speak [illegible] deposits——.

Q. All right, speak [illegible]om deposits.

A. We have approximately 41 per cent of the deposits in the City of Camden. There are three banks in Camden.

The largest bank, Camden Trust, has about 55 per cent, so the remaining 4 per cent represents the deposits of the Third National Bank.

Q. Does this have any disadvantageous effect on competition in the Camden County area?

A. I may be a little biased in answering this, but I feel that people who know about banking in this area will agree that banking competition in Camden is about as rugged as it is any place.

Q. And this in spite of the fact that Camden Trust has 55 per cent of the deposits?

A. About 55 per cent.

Q. And you have what?

A. 41.

Q. You are speaking there of Camden City?

A. Camden City.

Q. Would you look at Exhibit D-18, page 7.

A. Yes, sir.

[fol. 3841] Q. You will notice that the title of this chart is "Percentage Growth of Deposits of Banks With Main Office in Camden County, New Jersey, Compared With Growth of PNB and Girard Between 1951 and 1960."

I direct your attention to the vertical line which indicates the growth of your bank, of Camden Trust Company, and of other banks in Camden County.

A. Yes, sir.

Q. Does this chart in general reflect the observations that you have made as to the growth of banks other than yours and Camden Trust within this period of time?

A. I would think it does.

Q. How do you account for this when Camden Trust enjoys 55 per cent of the deposits and you enjoy 41 per cent of the deposits?

A. I am sorry?

Q. How do you account for this intense growth or relatively larger growth by these other banks in Camden County when Camden Trust Company enjoys, as you say, 55 per cent of the deposits and your bank enjoys 41 per cent. How do you account for that?

A. Well, in the first place, I think that the growth of both Camden Trust and ourselves has been a good growth. [fol. 3842] The growth of the other banks has been better.

In one case Peoples National Bank went to a 3-per cent interest rate quite a while before the other banks did and got quite a bit of growth from that. Haddonfield National has been a very aggressively managed bank. They have been expanding in branches. They have been in a good area. That has grown, and they have just taken advantage of the opportunity to grow, and the fact that the two larger banks happen to have that amount of the deposits did not preclude them from growing.

Q. Do you draw any conclusion from these figures or this chart in your own experience as to what effect, if any, concentration of banking assets has on competition?

A. I would certainly have to conclude that 55 per cent of the deposits in one city is not bad when you can watch the growth of the competing banks.

Q. What services does your bank offer, without enumerating them all? If you can do it by excluding any that it does not offer, maybe that is the better way to do it.

A. I think we offer a full line of banking services, including a Trust Department, mortgage and construction lending, consumer credit, commercial lending, savings, and so [fol. 3843] forth.

Q. What do you consider your competition to be for the services?

A. Well, the competition primarily is with the banks in Camden. Secondarily, and a very close second, the banks in Philadelphia. New York banks. In special fields such as mortgages there have developed in South Jersey some very active mortgage brokers who do a fine job and render real competition to us. We have finance companies that operate in our area. We have savings and loans. We have a great many building and loans in Camden. We have credit unions.

Q. Are they all prospering?

A. I think so. Some of the building and loans are not growing too much, but they are prospering, I believe.

Q. And you are increasing your volume of such loans and such business at the same time, aren't you?

A. Very definitely.

Q. Now, you have heard described very graphically by Mr. Horan the situation in the area of Philadelphia in which your Philadelphia branch is located, and I presume

you confirm what he said as to the competing banks in that [fol. 3844] immediate area?

A. That is true.

Q. What is the percentage of growth that your branch in Philadelphia has enjoyed over the past several years?

A. Our branch in Philadelphia has had about the same record of growth in commercial accounts. The record of growth in savings has not been quite as great as the Camden office, but in commercial accounts it probably has slightly exceeded the growth of the main office.

Q. What is your lending limit, Mr. Carter?

A. At the present time $750,000.

Q. Is the full extent of your lending limit available to customers who come to the Philadelphia branch?

A. If they are credit worthy, yes, sir.

Q. Do you have correspondent banks?

A. Yes, we have.

Q. Tell us which they are and which cities and for what purposes.

A. Our major correspondent bank is the Philadelphia National Bank. We have lesser relationships with Girard, First Pennsylvania Company, Provident, and Mr. Horan's bank.

In New York we have our major relationship with [fol. 3845] Morgan Guaranty, and we have lesser relations with Chase, First National City, Chemical, Irving, and Bank of New York.

We also have a relationship in Chicago, Newark, and San Francisco.

Q. Is your bank a member of the Federal Reserve?

A. Yes, sir.

Q. Nevertheless you continue these correspondent accounts for other purposes?

A. That is correct.

Q. In your opinion, is the effectiveness of competition dependent on size of bank?

A. It is not, in my opinion.

Q. Will you expand on that?

A. Well, I think that we could go back to the same chart that we talked about and show how banks have grown, including some of the smaller banks. I think that our bank itself has experienced a rate of growth that is substantially

in excess of the average rate of growth of the banks in Philadelphia during the past ten years. I like to think, like Mr. Horan, that in having this growth we have been a high-earnings bank, and, as a matter of fact, if I can remember the figures correctly, the Federal Reserve published, their [fol. 3846] Research Department, published a report sometime after the first of the year, and in that it appeared that our bank earned during the previous year 1.1 per cent on its total assets, and all the banks in the Third Federal Reserve District having assets of $100 million or more earned .76.

I point this out, that a smaller bank operating under what I consider to be very intensive competition, not only on our own side of the river but this side of the river, can still experience a very substantial growth and realize satisfactory earnings from that growth.

Q. In your opinion, if this present merger of the Philadelphia and Girard is effected, will that have a detrimental effect on competition in the Philadelphia area?

A. In my opinion, it will not, sir.

Q. Will it have a beneficial effect?

A. I think that it can have a beneficial effect. In addition to the element of pride that Mr. Horan mentioned, I think that anything that has the effect of making additional capital available to our area will have a beneficial effect on the area and on the other banks if they are aggressive [fol. 3847] and alert to their opportunities, and the bank that has a substantially greater lending limit, as the merged bank would have, or the proposed bank would have, will, in effect, be able to do a better job of active solicitation of national corporate accounts, and because of the size of the limit I would expect those corporate accounts who allocate their borrowings to banks over the country to make a greater allocation here; and coupled with that, deposit balances should be greater, and that is where the additional money will come from to help develop our area, and we will welcome that because we think that we can do our part to get our share of the business.

[fol. 3848] Q. There is a subject that you touched on there. During your period and your experience in the Finance Department of RCA did you become familiar with the borrowing policies of RCA?

A. I have participated in negotiations for loans for RCA. During the war I participated in my first one when we had to arrange a $75-million V loan for war financing; and that was done through a group of probably 30 to 35 banks headed up by——

Q. Did RCA select the banks?

A. Yes, sir.

Q. In allocating proportions of that loan, what did they take into consideration with respect to the banks to whom they were allocating?

A. Well, in the first place, they tried to be fair with those banks who rendered them services at their various plant locations, and they asked those banks if they wanted to participate.

With the larger banks, they set an arbitrary amount which they allocated to those banks that wished it.

Q. Did the amount of the allocation bear any relation to the size of the bank that was included or to the lending limit of the banks which were included in the participating loan?

[fol. 3849] A. In some cases, that did. For instance, the First Camden National Bank has serviced the RCA Camden plant for many, many years. Although its lending limit was relatively small, RCA offered them the full amount of the lending limit. They offered them in excess of the full amount of their lending limit because, as a V loan guaranteed by the Government, the bank could lend more than its lending limit.

Q. How about the other banks?

A. Generally speaking, the New York banks that participated in it, and I believe, if I recall correctly, two of the Philadelphia banks that participated in that did not lend to the extent of their limit because it was not necessary.

The Court: I don't believe that you have answered the question that was asked there.

The Witness: I am sorry.

By the Court:

Q. In making these arbitrary allocations, did the company and did your committee—I suppose it was a committee?

A. Yes.

Q. Did your committee take into account the maximum loan limits of the particular banks?

A. They took that into account as one element, Your Honor, but they did not necessarily allocate to that bank the maximum that they could.

[fol. 3850] Q. I would rather assume that they wouldn't.

A. That's right.

Q. But they had to know the lending limit of the bank before they made their allocations; is that right?

A. That's correct.

By Mr. Littleton:

Q. Was the allocation generally proportioned to the lending limit?

A. Not necessarily. We probably had a half a dozen New York banks whose lending limits might vary some, but whose participation in the loan was approximately the same.

Q. How about other groups in other, smaller cities, smaller banks?

A. They were scaled down, of course. The New York banks had the largest amount of the loan.

Q. The smaller banks had a smaller participation?

A. I think the smallest participation in that was $1 million.

Q. Has Camden Trust Company, enjoying 55 per cent of the concentration of banking assets in Camden City, been able to set interest rates for Camden, for Camden borrowers?

A. No, sir. They have not been able to set interest rates for our customers.

Q. Have they been able to set them for any other than their own?

[fol. 3851] A. Not that I know of. I don't believe they could.

Q. In your experience is a thing of that kind possible no matter what the size of the concentration, that you have experienced, I mean in Camden?

A. No, sir.

Q. How about service charges? Have they been able to set the service charges charged by any other bank?

A. No, sir.

Q. Do you have service charges in your bank?

A. Oh, yes.

Q. What do you relate them to, Camden Trust service charges?

A. Well, we try to study the rates in the area, but we also try primarily to study our costs and to have the service charges bear a reasonably accurate relationship to our costs for rendering the service.

Q. In your opinion, will the merger of the Philadelphia National and the Girard Trust be a good thing for the whole Philadelphia metropolitan business community?

A. I believe it will.

Q. In your opinion, if that merger becomes effective, will the merged bank be able to prevent prospective depositors from making deposits in other banks?

A. In no way, in my opinion.

Q. Will it be able to prevent prospective borrowers from [fol. 3852] having their borrowing needs adequately supplied by the banks?

A. No.

Q. Will it be able to do the thing I asked you about Camden Trust—will it be able to fix the rates of interest in terms of loans, imposed by other banks?

A. No.

Q. Will it be able to prevent other banks in Philadelphia from performing banking services?

A. No.

Q. In your experience, is there any evidence of such restraints being practiced in Philadelphia or in the Philadelphia metropolitan area at the present time?

A. I have seen none.

Q. Has there been any difference in that since the merger of the First National Bank and the Pennsylvania Company in 1955?

A. No.

Q. As a matter of fact, that was the time of your last merger and you have grown since that time, have you not?

A. Quite satisfactorily.

Q. In your experience, has there been any evidence that any of the mergers heretofore accomplished in the Philadelphia metropolitan area created any such restraints as [fol. 3853] I have suggested?

A. To the best of my knowledge, no.

Q. Now addressing yourself to these particular questions, if the merger is effected and carried out, would it have the effect that existing and potential competition generally in commercial banking in the Philadelphia area will be substantially and unreasonably lessened?

A. No, sir.

Q. Will it have the effect that concentration in commercial banking in the Philadelphia area will be substantially and unreasonably increased?

A. No.

Q. Will it have the effect—and listen to this one carefully—that existing and potential competition in the commerce and industry served by commercial banks in the Philadelphia area will be substantially and unreasonably lessened?

A. No. That sounds like you are saying that if this merger takes place there will be less competition between Philco and RCA, if I understood the question; and that would be ridiculous, in my mind.

By the Court:

Q. Are you remembering the patent-pool case?

A. Then I will make it Wanamaker's and Strawbridge's, Your Honor.

[fol. 3854] By Mr. Price:

Q. Mr. Carter, Mr. Littleton asked you whether you thought the existing and potential competition might be substantially and unreasonably lessened by virtue of the merger.

I will ask you whether you think it would be lessened at all.

A. I do not think it would be.

Mr. Price: That is all, thank you.

Mr. Littleton: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Carter, what are the deposits of your Philadelphia branch at this time?

A. I would prefer not to answer that. That is information that I think some of our competitors would like, and we do not give out deposits by branches.

Q. I respectfully ask that you answer the question.

Mr. Littleton: I object to the question. I don't see what the relevancy of it is.

The Court: Read the question.

(The question was repeated by the reporter as follows:

"Q. Mr. Cater, what are the deposits of your Philadelphia branch at this time?")

[fol. 3855] The Court: I won't require him to answer it.

By Mr. Reycraft:

Q. What are your loans in your Philadelphia branch at this time, Mr. Carter?

Mr. Littleton: Objected to.

The Witness: I would prefer not to answer that.

Mr. Reycraft: I make the same request, Your Honor, that he be instructed to answer.

The Court: I won't require him to answer it.

Mr. Reycraft: I would like respectfully, then, Your Honor, to move that his testimony with respect to his competition in the Philadelphia area be stricken.

Mr. Littleton: Your Honor,——

The Court: Denied.

By Mr. Reycraft:

Q. What is the largest loan made by your Philadelphia branch, Mr. Carter?

Mr. Littleton: Objected to.

The Court: Overruled.

This is without name—no customer name.

The Witness: I believe at the present time the largest loan outstanding in that office is about $200,000.

[fol. 3856] By Mr. Reycraft:

Q. When was that made?

A. That loan was made this spring. I don't know the exact date.

Q. What is the location of the company to which it was made?

A. In our area served by our branch, within a few blocks. I don't know the street address.

Q. In Philadelphia County?

A. Yes.

Q. Do you know what percentage of your bank's business originates in Philadelphia County?

Mr. Littleton: Objected to.

Mr. Reycraft: On what grounds?

Mr. Littleton: I don't think it is relevant.

Mr. Reycraft: You have offered him as a witness to testify as to his competition in the Philadelphia area. If you are withdrawing his testimony for that purpose, all right.

Mr. Littleton: The Philadelphia area, according to his testimony, includes Camden County.

I have no objection to you asking something that comprises the over-all figures in his bank, but as to winnowing out the branches just for Philadelphia alone,——

[fol. 3857] Mr. Reycraft: I ask that he answer the question.

The Court: What was the question?

(The question was repeated by the reporter as follows:

"Q. Do you know what percentage of your bank's business originates in Philadelphia County?")

The Court: He can give an approximation. I will overrule the objection, if he can do it.

The Witness: I don't believe I can give you that when you limit it to Philadelphia County. We have customers of our Philadelphia branch in other counties, and I would

have to do quite a bit of figuring before I could answer your question with accuracy.

By Mr. Reycraft:

Q. You don't know at the present time?
A. No, sir.
Q. You don't even know approximately?
A. No.
Q. Do you know how much of your business comes from Bucks County?
A. I would say little, if any, at the present time.
Q. Do you know how much comes from Delaware County?
A. The same answer.
[fol. 3858] Q. And Montgomery County?
A. The same answer.
Q. And that same answer is "little, if any," in each case; is that right?
A. Yes.
Q. So that any business that your bank gets in the four-county area of any significance comes from Philadelphia County; is that right?
A. The largest amount comes from Philadelphia County. I would like, for my own information—I don't know what county Chester is in.

Mr. Littleton: Chester is in Delaware County.

The Witness: You asked me about Delaware. Then I would have to say that we do have business in Delaware County.

By Mr. Littleton:

Q. And that business comes from Chester?
A. Yes, sir.

By Mr. Reycraft:

Q. Do you know how much business comes from Chester?
A. Yes.
Q. How much?
A. I would prefer not to talk about it because that is one customer.
[fol. 3859] Q. One customer?

A. Yes, a substantial customer.

Q. You have only one customer in Chester?

A. Yes.

Mr. Reycraft: I would like to have you furnish the name of the customer afterwards, sir, if you will. You don't have to say it on the public record at this time.

By Mr. Reycraft:

Q. How much in deposits does your bank have with Philadelphia National Bank?

A. That varies from day to day. I would imagine it's in the area of $3 million and it can go higher and sometimes lower.

Q. I believe that the answer of the Philadelphia National Bank to one of our questions indicates that your deposits as of June 30th of this year or of last year, 1960, were $4 million. Is this correct?

A. That could very well be on a given day.

Q. Is that the largest deposit you have with correspondent banks?

A. It is.

Q. What services does the Philadelphia National Bank perform for your bank?

A. In the first place, they do our check clearing for us. [fol. 3860] They render very valuable consulting services from time to time when we see fit to ask them for their advice.

They have, on several occasions, taken participations from loans originating with our customer, where the amount the customer required was in excess of our lending limit.

Q. And these are the services which justify your maintaining a $4-million balance with them?

A. Yes.

Q. What is your lending limit?

A. $750,000.

Q. Now, you testified, by reference to R-18, about the growth of banks in Camden County; do you recall that?

A. Yes, sir.

Q. As far as Atco National Bank is concerned, that is one of your competitors in Camden County, isn't it?

A. Yes, sir.

Q. And its deposits, as indicated by D-18, on December 31, 1960, were $5 million. Does that sound correct to you?

A. I think that's correct.

Q. And the Audubon National Bank had deposits of $10 million; right?

A. Yes.

Q. The First National Bank of Collingswood about $8 million?

[fol. 3861] A. That's right.

Q. The Merchantville National Bank about $13 million; right?

A. Correct.

Q. Peoples National Bank of Laurel Springs, $11 million?

A. Yes.

Q. Third National Bank & Trust Company of Camden, $8 million?

A. Yes, sir.

Q. And these are your competitors who showed growth during this period of time you testified about; is that right?

A. Those, and Camden Trust Company.

Q. And these figures that I have indicated to you are the figures after that growth; is that correct?

Mr. Littleton: Will you look at page 8 in the back of D-18?

Mr. Reycraft should have instructed you that there are two groups in D-18. The first group is the charts and the second group is the figures; and this is page 8 of the second group.

The Witness: Yes. I have it now.

By Mr. Reycraft:

Q. Now, Camden Trust Company, during the time indicated by Exhibit D-18, grew by $56 million, didn't it?

A. Yes, sir.

Q. And that is 49 per cent?

[fol. 3862] A. That's right.

Q. Would you answer orally, sir?

A. I said that's right. I am sorry.

Q. And the First Camden National Bank & Trust Company grew by $45 million during this period; is that right?

A. Yes.

Q. And that is a growth of 57.7 per cent?

A. Yes.

Q. What percentage did you say that Camden Trust Company had of all the banking business in Camden County?

A. I did not. I said they had 55 per cent of the deposits in the City of Camden. I have not computed what their percentage is for the county.

Q. And the percentage of First Camden for the city?

A. I believe it's about 41 per cent.

By Mr. Littleton:

Q. Of deposits?

A. Of deposits.

By Mr. Reveraft:

Q. Of deposits, so the two banks between them had 96 per cent?

A. Yes, sir.

Q. Of all the deposits in the City of Camden?

A. That's right.

[fol. 3863] Q. And their growth during the period you testified about is over twice the growth of all the remaining banks combined; isn't that correct?

A. In absolute dollars, yes; not in percentage.

Q. In dollars; that's right.

But between them they had growth of over $100 million, whereas the remaining banks combined had growth of about $41 million or $42 million; is that right?

A. I have not added these figures. I will accept that.

Q. And in your opinion a bank which has 55 per cent of the deposits in the community does not have an undue concentration of banking assets; is that right?

A. In my opinion, it does not.

Q. And this would apply to Philadelphia as well as to Camden, sir?

A. Yes.

Q. How big a lending limit do you think a Philadelphia bank needs at this time?

A. I don't know. I think there should be banks or a bank

in Philadelphia with a substantially greater lending limit, but I can not put a——

Q. Substantially what?

A.—a precise figure on it.

Q. Substantially greater than what?

[fol. 3864] A. Than now exists.

Q. Which is what?

A. I think about $8 million.

Q. And how much greater do you think it ought to be?

A. I think it should be at least $15 million.

Q. I assumed you did.

How much greater than that?

A. $20 million wouldn't bother me at all.

Q. $25 million wouldn't trouble you, either, would it?

A. I don't believe so.

Q. And you think if it is necessary to have mergers to reach this limit that this will be beneficial to the community; is that right?

A. I think so.

Mr. Reycraft: May we ask the witness, Your Honor, if he will tell me off the record at this time the name of the customer?

I am not sure that I want to go into it, but I would like to know before he leaves the stand.

The Court: What do you mean by "go into it"?

Mr. Reycraft: Well, I mean that I won't disclose the name without asking Your Honor's permission.

Mr. Littleton: I would ask further for his protection that he will not see the customer or have any of his people [fol. 3865] see any representative of the customer without first giving us notice and an opportunity to object to Your Honor and to get a protective order, if we see fit.

Mr. Reycraft: I will give you that notice.

The Court: Hand Mr. Carter a piece of paper, have him write on it, and let me look at it first.

Hand this back to Mr. Carter.

You may come up, Mr. Reycraft, and look at it.

Mr. Littleton: May I also see it? I don't know who it is.

The Witness: I am doing this very reluctantly, Your Honor.

The Court: You are representing a bank; you are not. You look at it; you do not.

Mr. Littleton: All right.
The Court: I see no reason to go into it.
Mr. Reycraft: I don't intend to, Your Honor.
The Court: All right.
Now you can put that away.
The Witness: Thank you.
The Court: I think you have been well protected.
The Witness: Thank you, Your Honor.

[fol. 3866] By Mr. Reycraft:

Q. Were you asked, sir, to testify by the Philadelphia National Bank?
A. Yes, sir.
Q. Did one of their officers ask you to testify?
A. I had written to Mr. Potts after this case was started and expressed my deepest sympathy, and also offered to be of assistance, if I could.
Sometime after that he called me and asked me if I would testify and I said I would.
Q. That is after the complaint was filed?
A. Yes, sir.
Q. And it is a fact that Philadelphia National Bank is your biggest correspondent?
A. Yes.

Mr. Reycraft: I have nothing further.

Redirect examination.

By Mr. Littleton:

Q. Mr. Carter, will you turn again to D-18 and go to page 8 in the back under the December 31st, 1960, column, deposits of the various banks in Camden County?
A. Yes, sir.
Q. What are the deposits of Camden Trust Company?
A. $170 million.
[fol. 3867] Q. What are the total deposits for Camden County?
A. $374 million—$375 million.
Q. Can you roughly or accurately determine what percentage of deposits Camden Trust Company held of all of the deposits in Camden County on December 31st?

A. (No response.)

Q. My figure says it's roughly 45 per cent.

A. I would say 45 per cent.

Mr. Littleton: Will you mark this for identification, please?

(8-page memorandum dated April 10, 1961, was marked Defendants' Exhibit D-45 for identification.)

By Mr. Littleton:

Q. You told Mr. Reycraft when he asked you about who asked you to testify that you had written to Mr. Potts. I show you D-45 and ask you if this is the memorandum that you sent.

Will you tell us what that is?

A. Originally, I wrote a letter to Mr. Potts such as I described. After Mr. Potts talked to me about testifying, I sat down and prepared in memorandum form some of the thoughts that I had on the advisability of this merger and why I felt the merger was a sound thing, and sent them to Mr. Potts.

Q. But that is not the letter that you wrote to him?

[fol. 3868] A. This is dated April 10.

No, sir.

Mr. Reycraft: May I examine it?

Mr. Littleton: I don't know whether I am going to offer it or not.

Mr. Reycraft: I would like to examine it.

Recross-examination.

By Mr. Reycraft:

Q. Mr. Carter, is it your opinion that the vast majority of bank customers would be served just as well by a $10-million bank as well as by a $10-billion bank?

A. Numerically speaking, yes.

Q. And these are people who use the banks for their personal requirements—savings, personal-checking accounts, safe-deposit boxes, and occasional loans or mortgages?

A. Yes.

Q. And for customers of this type, convenience and quality of service are the controlling factors rather than the size of the bank?

A. I lost you.

Q. I say for customers of this type, convenience and quality of services are the controlling factors?

A. I believe so.

Q. Now, numerically is the number of large corporate [fol. 3869] customers who need access to large sums of money large or small?

A. Numerically, and compared with the total number of banks' customers, it is small.

Q. How is your ability to compete in Philadelphia affected by your ability to open new branches in Philadelphia?

A. I think it's adversely affected.

Q. You couldn't open another branch in Philadelphia under existing law, could you?

A. No.

Q. And you couldn't have the branch you now have under existing law, but for an exception to the general law; is that right?

A. I believe that's correct.

Q. Can you move that branch?

The Court: Do you mean up or down the street?

Mr. Reycraft: Anywhere, I think, Your Honor.

The Witness: We tried to move it when we built or rebuilt our building down here. We took an option on a piece of property at Sixth and Market.

The first report we got from the Fed was that we could not move it. We lost the deposit on our option. Immediately after that happened, however, they called me and said they might reconsider; but by that time we had decided to go [fol. 3870] ahead where we were.

Whether we could move it or not, I don't know. We couldn't move it very far, in my opinion.

By the Court:

Q. Whose permission would you need? The Comptroller of the Currency?

A. I think we would need the permission of the Fed

and I think we would need the permission of the Comptroller, also; but the Fed could always classify us as a central-city bank if they wanted to.

Mr. Reycraft: That is all I have.

Mr. Littleton: May I have that back?

Mr. Carter, I will not examine you on D-45, but now that Mr. Reycraft has examined you about it I will offer it finally. I will give this back to the reporter.

If Your Honor please, I only have the one copy, so if I may either have the reporter have copies made or withdraw it to make copies——

Mr. Reycraft: I will have objection to it going into evidence. I don't object to its being marked.

If the witness is here to express opinions and has testified, I don't believe this memorandum opinion has any value.

The Court: You say you are going to examine briefly [fol. 3871] on it?

Mr. Littleton: I think I have examined him generally on things that are contained in there.

The Court: Have you used it at all in your examination of him?

Mr. Reycraft: Some questions that I asked him, Your Honor, occurred to me on reading the document.

The Court: Let it be marked.

Mr. Reycraft: I have gotten the testimony from the witness himself, though.

The Court: Let it be marked as an exhibit for identification, the same as all the rest of them; and we will pass on it when the time comes if there is an offer.

Mr. Littleton: If I may ask the witness just one question now,——

By Mr. Littleton:

Q. Are the opinions which you expressed in Exhibit D-45 today the same as they were when you expressed them before?

A. They are.

By Mr. Reycraft:

Q. Did you prepare the exhibit entirely yourself?

A. I wrote the exhibit, I then submitted it to Mr. Bell, who is the executive vice-president of our bank, for comments. He made certain comments, some of which I incor-
[fol. 3872] porated and rewrote the exhibit and mailed it to Mr. Potts.

Q. Did you discuss the question with any of the representatives of the banks before you completed your opinion?

A. No, sir.

Mr. Littleton: What banks?

Mr. Reycraft: The two defendant banks.

The Witness: No, sir.

By Mr. Reycraft:

Q. I notice the memorandum is mimeographed. What was the purpose of that?

A. That must have been done by the bank. I sent an original typewritten memorandum to Mr. Potts with my letter. Where this came from, I don't know.

Q. Mr. Carter, because of the physical and legal limitations that you have testified about as to your ability to compete in Philadelphia, does your bank work closely with the Philadelphia National Bank in promoting business in the Philadelphia area?

A. We work by ourselves in promoting business in our area.

Q. In Philadelphia?

A. And we compete with Philadelphia National Bank in that area and call on their customers.

Q. In Philadelphia County?

A. Yes.

[fol. 3873] Q. So your answer to my question is "no"?

A. That's right.

Q. You have already testified, I believe, that you participate, that you give over-line participations to the Philadelphia National Bank?

A. We have done that. We have done it with other banks.

Mr. Reycraft: That is all.

Mr. Littleton: That's all.

Mr. Price?

Mr. Price: No.

The Court: It is within two minutes of 12:30. We will recess until 2 o'clock.

(Recessed for luncheon at 12:28 o'clock P.M.)

[fol. 3874] [File endorsement omitted]

AFTERNOON SESSION

S. HARRY GALFAND, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Littleton:

Q. Mr. Galfand, where do you live?

A. I live at 502 West Allens Lane, Philadelphia.

Q. You are a member of the Bar?

A. I am a member of the Bar of Philadelphia County.

Q. Do you occupy any position with the Citizens & Southern Bank?

A. I am the Chairman of the Board of Directors of that bank.

Q. And are active in its management?

A. Yes, sir.

Q. How long have you been Chairman of the Board of Directors?

A. Since about the middle of 1956.

Q. Was that your first connection in that bank?

A. Yes, sir.

Q. Before that did you do any work of a financial nature?

A. Yes, sir, not with banks, but in finance companies, a [fol. 3875] small loan company, an acceptance company.

Q. For how long a period of time?

A. For a period of approximately four years prior to that.

Q. And you came into the position with the Citizens & Southern Bank as a result of what?

A. As a result of others and I buying a major interest in the bank.

Q. Where is the bank's principal office?

A. Its principal office is at 19th and South Streets in Philadelphia.

Q. Has it any branch in Philadelphia?

A. It has a branch at 20th and Chestnut Streets.

Q. At the time you became Chairman of the Board of this bank what was the approximate size of the bank?

A. In terms of assets or deposits?

Q. Both.

A. In terms of deposits it was approximately $2½ million.

Q. That was in 1956?

A. Yes. As a matter of fact, at the end of 1956 we had $2,600,000 in deposits.

Q. What are your deposits today?

A. As of June 30 of this year they were $5,200,000.

Q. What is your lending limit?

A. $34,000, sir.

[fol. 3476] Q. Has your lending limit been the same during all the period you have been connected with the bank?

A. No, it has increased over that period of years. When we first came in there it was $25,000.

Q. What are the principal activities of the Citizens & Southern Bank? What services do you offer?

A. It accepts deposits in the form of checking accounts, both regular and special. It accepts time deposits and offers certificates of deposit. It has some safe deposit box facilities at its South Street office. It makes loans to consumers for the purchase of consumer products such as automobiles and appliances. It finances the improvement of properties. It makes signature loans. It lends to small retailers and some small manufacturers and distributors and also makes collateralized loans based on stock exchange securities.

Q. The consumer loans represent what proportion approximately of your business?

A. Approximately 60 per cent of our total loan portfolio.

Q. Do you do small business financing through the consumer loans?

A. We do some of it through consumer loans and some of it through term loans. By term loans I mean both demand and 30, 60, and 90-day loans.

[fol. 3877] Q. Your largest loan is approximately what now?

A. About $32,000.

Q. Do you enjoy a good rate of return of interest on the loans that you make?

A. I would say that there are very few loans that we get less than 6 per cent simple interest on and that on our consumer business and loans up to $3500 that are on an installment basis we have what would be called a 6 per cent add-on rate.

Q. And during this period from 1956 to 1961, when you enjoyed 100 per cent increase in deposits, did loans increase proportionately?

A. Yes, sir.

Q. With whom are you in competition for these various services in Philadelphia?

A. Well, I would say that we are in competition with every bank in the City. Our 20th Street office, our 20th and Chestnut Street office, is located only three blocks from the Provident Tradesmens branch at 17th and Chestnut and approximately three blocks from a Fidelity-Philadelphia office at 1810 Walnut, and, in any event, we are only six blocks away from the concentration of all of the major central city banks at Broad and Walnut, Broad and Chestnut. Our South Street office, again, does a city-wide [fol. 3878] business, both in terms of deposits and in terms of loans and has immediate competition from the Fidelity-Philadelphia Trust Company at 24th and Manning Streets.

Q. In addition to the competition with other commercial banks of Philadelphia, what other kinds of competition do you encounter?

A. Well, we have to compete with the mutual savings banks, who pay a larger rate of interest on time deposits than we or any other commercial bank is permitted to pay. We have to compete with the savings and loan associations and building and loans who are offering 4 per cent and 4½ per cent on savings. We also compete with savings and

loans from a loan viewpoint, because they also make home improvement loans, and we are directly in competition with them. We are competing all the time for the savings dollar with such organizations as Teachers Service Organization, who advertise on a Pennsylvania only kind of investment, and all savings institutions. We compete with the small loan companies who are offering loan facilities to the small borrower. We compete with financial companies who buy, as we do in some cases, paper from dealers, which is generated through sales of automobiles or other consumer products.

Q. This competition that you get from commercial banks and from other financial institutions other than commercial [fol. 3879] banks, has this increased over the period of years that you have been connected with this bank?

A. In my opinion, it has become more intensive.

Q. In what year did you open the branch or determine to open the branch at 20th and Chestnut Streets?

A. We opened the branch in July of 1958. I would say that we began to think about opening it in late 1957.

Q. And what moved you to think that you could compete at 20th and Chestnut Streets with the other large banks that you have mentioned?

A. Well, we felt that we could offer convenience to people who were living in that area, that bank customers, we theorized, were people who like to bank at a place that is close by, frequently, and there was an area here that was being developed with apartment houses, a residential area. We selected, as the building in which we would locate, a building that had many tenants in the professional field, particularly the medical professional field. We also surveyed the area to see what small businesses might be close by. We also surveyed the competition and felt that we would not have too much difficulty in reaching a million to a million and a half dollars in new deposit money. Our principal aim was to get deposits there.

Q. And have you realized your aim and are you realizing [fol. 3880] your aim?

A. Yes, we are. We have a constantly advancing situation. We have presently about a million and a quarter in deposits brought entirely from that branch, not including any transfers of accounts from our existing facility.

Q. During the period that you have been with the bank have there been any substantial mergers of large institutions in the Philadelphia area, large commercial banking institutions?

A. In 1957 Provident and Tradesmens merged.

Q. One of their branches, you say, is quite near this branch you opened at 20th and Chestnut?

A. They are three blocks away.

Q. Did that merger in any way decrease your ability to increase your business?

A. No. We opened up right in back of their merger, three blocks away, and were nevertheless able to compete what we regard as effectively.

Q. What means did you use to develop deposits at this new Chestnut Street branch?

A. Well, when we opened the branch we had an opening ceremony with visiting dignitaries that we thought might attract some newspaper interest. We had a direct mail advertising program which went to some 5000 residents and businessmen in the immediate area. We tried some [fol. 3881] city-wide advertising in the form of broadcasts over Station WFLN. We also had some broadcasts over another station, but I don't recall just now which one it was. We started to advertise, when it came into existence, in a center-city newspaper, a newspaper for center-city residents, and we had a few give-away items. We gave away key chains and invited people into the bank to get them.

Q. Are you a member of the Federal Reserve?

A. No, sir.

Q. How do you handle your clearings?

A. Our clearings are handled through our correspondent.

Q. And who is your correspondent?

A. Our correspondent is First Pennsylvania Company.

Q. And you keep a deposit with the First Pennsylvania Company?

A. Yes sir.

Q. Does the deposit cover your clearings or does it cover other services besides that?

A. Oh, it is more than would cover our clearings. I don't regard it as being there to cover anything else. It is just the amount that we keep on hand. We do get other services from them.

Q. Do you keep deposits in any other Philadelphia banks?

A. Yes.

Q. Will you name them?

[fol. 3882] A. We have a deposit in the Philadelphia National Bank and we have a deposit in the Industrial Trust Company.

Q. Do you have any in New York?

A. Yes, we have a deposit at the Schroder Bank and Trust Company in New York.

Q. What is your purpose in having a deposit in New York?

A. Well, the purpose of our having a deposit in New York is to have facilities for such New York business as we get. We had a customer who had a fair number of New York clearings, and we wanted Schroder to take care of those for us. Schroder have also arranged some participations for us.

Q. You are aware of the fact that the Philadelphia National and Girard Trust are endeavoring to merge?

A. Yes, sir.

Q. Do you apprehend any disadvantageous result to your bank if that merger is effected?

A. Mr. Littleton, I can answer it by saying no and telling you that we don't see any greater effect than the Provident Tradesmens merger would have on us, and that had none.

Q. That had what?

A. That had none, no disadvantageous effect.

Q. Did you find any good effect from that?

A. Well, I guess every small bank finds, as we do, the effect that whenever there is a merger, somebody gets moved away from some particular office where some cus-

[fol. 3883] tomer has been particularly pleased to deal with him, and as a result we frequently end up getting a customer.

Q. And from your experience you could reasonably expect something of the kind if this merger becomes effective?

A. I could expect that, and I think that to the extent also that the merger might create a more satisfactory banking climate for the big business community, and to the extent that when big business is here in Philadelphia and when it prospers here, it means that they have more employees, there are more local suppliers, there are sometimes more local retail distributors, so that we begin to talk about peo-

ple of our size in our bank, and to the extent that that payroll is bigger in number and amount, we have more depositors generally.

Q. In your opinion, would this merger, if effected, have any disadvantageous effect upon the small businessman, the small business borrower?

A. Mr. Littleton, as long as we are still around, and as long as we are able to continue our rate of growth for what I regard as the small businessman, I would say no advantageous effect.

Q. And you think that besides yourself there are other alternative sources, such banks as yours?

A. Yes, I think there are other banks, for example, that [fol. 3884] while they are considerably larger than we are, are still interested in this type of business and happy to have it. There are other financial institutions.

Q. And if this merger should result in 35 per cent of the banking assets in Philadelphia being in the hands of one bank, as it has been stated here or alleged several times, would that, in your opinion, give such merged bank any power over determining the interest which your bank, for instance, would charge to a small business borrower?

A. We have a legal limit, and our bank tries to get the legal limit on all of its business, and I can't see that it would have any effect on us.

Q. Would it have any effect on the small businessman's ability to get loans from your bank or a bank similar to yours?

A. If he is a creditworthy risk, we would be delighted to lend to him, and I am sure there are many others who would as well.

Q. Is there any way in which this bank, after the merger, and with the concentration of 35 per cent of the banking assets suggested, could in any way disadvantageously affect your bank?

A. In the absence of some sweeping economically suicidal reduction of rates to an impossible place, I don't see any way it could hurt us.

[fol. 3885] Q. Is there any way in which they could disadvantageously affect the small business borrower?

A. I think that as long as there are some of the rest of

us around who are happy to have the business, I don't see how it will have any advantageous effect on them.

Q. If they, for instance, changed their policy towards small business borrowings to what you might call a tough policy rather than a cooperative policy, what would be the effect so far as those small business borrowers?

A. I would think they would come to us or they would come to Industrial or they would come to the Second National or Frankford Trust and be welcomed with open arms.

Mr. Littleton: Do you have any questions, Mr. Price?

Mr. Price: No questions.

Mr. Littleton: Cross-examine.

Cross-examination.

By Mr. O'Donnell:

Q. Mr. Galfand, have your savings deposits increased in recent years?

A. Our savings deposits have increased very slightly.

Q. What rate of interest do you pay?

A. We pay 1 per cent, sir.

Q. What are your total loans, Mr. Galfand?

[fol. 3886] A. Total loans at the present time are about $2½ million.

Q. These are primarily consumer loans you said?

A. About 60 per cent.

Q. How much are commercial and industrial loans?

A. I would say perhaps about 20 per cent.

Q. 20 per cent?

A. About 20 per cent.

Q. About a half million dollars or so?

A. That is right.

Q. And these are loans under $34,000?

A. Yes, sir.

Q. Do you expect to get more of this business as a result of the merger of Philadelphia National and Girard Trust?

A. I don't know that I have really formed an opinion as to whether we will get more of that type of business. We wouldn't be as interested in that type of business as we would in the consumer business, but if it comes and the

deposits come with it, which is generally the case, we will be happy to make some more of those.

Q. You cannot increase your loans without receiving more deposits can you?

A. We can increase the amount of loans without increasing our capital and surplus—the dollar amount of the loan. We can't increase the total amount of our loans without [fol. 3887] increasing our deposits. That is partly true. We can shift from our investment portfolio, from our bond portfolios into some loans. We have fluidity there.

Q. Do you intend to do that?

A. We would be prepared to do that. We feel that we haven't completely lent beyond reasonable limits our deposited funds.

Q. You have no present intention of doing it?

A. Only to say that I don't have a present intention not to. I haven't thought about it.

[fol. 3888] Q. You said that four years ago some other people and yourself took over the management of the Citizens & Southern?

A. That was approximately six years ago.

Q. Six years ago?

A. Yes.

Q. How long had the bank been in business prior to that time?

A. Since 1921.

Q. 1921?

A. Yes, sir.

Q. Did the prior management retire?

A. Not completely, no. Some of prior management are still on our Board of Directors and three of the officers are still officers.

Q. Would you and your associates hold a controlling interest?

A. Yes, we hold a controlling interest, not on the Board of Directors, but in terms of stockholdership.

Q. Did you bring in your own president, perhaps?

A. Yes, we brought in our own executive vice-president, with the former president remaining for a while; and then thereafter our man became president and I became chairman of the Board of Directors.

Mr. O'Donnell: No further questions.
[fol. 3889] Mr. Littleton: Any questions?
Mr. Price: No.

By Mr. Littleton:

Q. Just one question, Mr. Galfand.
A. Yes, sir. I am sorry.
Q. You are here under subpoena, are you not?
A. Yes, I am.

Mr. Littleton: Thank you very much.
Mr. Littleton: Mr. Jennings.

Lewellyn A. Jennings, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Littleton:

Q. Mr. Jennings, where do you live?
A. Dallas, Texas.
Q. How long have you lived in Dallas, Texas?
A. Since May 15, 1960.
Q. At that time you became what officer——
A. I became a senior vice-president in the Republic National Bank of Dallas.
Q. Since your graduation from school, Mr. Jennings, what has been your business experience?
[fol. 3890] A. I worked for approximately five years in the Silver Creek National Bank, which is west of Buffalo on Lake Erie.
Early in 1929 I became assistant national bank examiner with headquarters in New York City, the Second Federal Reserve District. For the next six years——
Q. May I ask you right there what comprises the Second Federal Reserve District?
A. All of New York State, the western part of Connecticut, and the northern section of New Jersey.
Q. Go ahead.

A. For the next six years, until 1935, I was employed as an assistant national bank examiner, working throughout the Second Federal Reserve District in all of the three states I mentioned, but concentrated rather heavily in the western part of New York State and in New York City.

In 1935, in March, I was commissioned a national bank examiner and functioned as a national bank examiner in the Second District until 1941. For a little over two years of that period I was engaged in the examination of the foreign branches of national banks located in South American, the Caribbean, and in Europe.

In 1941 I was called to Washington, July, 1941, as an assistant chief national bank examiner.

[fol. 3891] Q. Mr. Jennings, before you tell us about being called to Washington, would you tell us briefly, what does a national bank examiner do?

A. Well, a national bank examiner examines national banks for the Comptroller of the Currency. I could make you a rather lengthy answer as to what the examiner does, but just in a few words he is not an auditor or accountant as such.

A national bank examiner does a certain amount of auditing but his basic job is to appraise the soundness, the collectability of the bank's assets, and particularly its loans. He appraises, of course, the investment securities from the standpoint of credit quality, soundness, marketability. He goes into all other activities that have to be appraised.

He also goes into the management competency, the management policy, things that might indicate that the management is doing a very excellent job or it may be following policies that would seem to be destined for ultimate heavy losses on the part of the bank.

Really, his most important job is the appraisal of the assets, the appraisal of the policies of the bank, the appraisal of management, whether or not its cash dividends are in line with the earnings and the capital adequacy of the institution.

[fol. 3892] He covers in a very broad way those things that would have to do with the success or the failure of the bank in the months and years ahead.

Q. And if he discovers anything which he considers note-

worthy for one reason or another, what does he do then? Does he have any authority, or is it a reporting matter?

A. No, the examiner has a good deal of authority. A national bank examiner is requested and expected, during an examination where he finds things that are, let's say, past being moderately wrong but are rather seriously wrong, to cover all of those things, not only with the executive management of the bank, but with the directors of the bank.

Now, in smaller banks he would call a full Board meeting. In larger banks, in all probability, he might call together the Executive Committee rather than to have 25 directors at the meeting; but he is expected to cover those matters with the management, the directorate, the executive management, and outline in his report what the top management thinks about the things that he has set forth in his report as being weak or of a nature that might lead to losses, unwarranted losses.

So, he has a great deal of authority, and I might add that the losses that an examiner sets up in his report must be charged off unless the Comptroller of the Currency [fol. 3893] himself waives it. In other words, a group of bankers may not go to the Chief Examiner of the District and say, "We don't believe this $100,000 should be charged off."

As a matter of practice, they would work through the Chief Examiner, but the Comptroller himself would have to sanction not taking the necessary action to remove the losses as classified by the examiner. He has a great deal of authority.

Q. Now, you say in 1941 you became assistant chief national bank examiner in Washington. How long were you in that position?

A. I was in that position from July of 1941 until September of 1950, with three and a half years out for Army duty.

Q. Now will you tell us briefly what the duties and authority of the assistant chief national bank examiner are?

A. An assistant chief national bank examiner in the office of the Comptroller of the Currency occupies a very important post. There are usually six, sometimes seven. The assistant chief is assigned one or more Federal Reserve Districts. He is responsible for most of the contacts between Washington and the district chief national bank examiner

or examiners with respect to the examination work that is performed in a specific Federal Reserve District or Districts.

[fol. 3894] The examination reports, when they have been prepared, have been completed at the district level, are forwarded to Washington. The assistant chief reviews each examination report thoroughly. He is authorized, if he sees fit, to simply pass the report to the file after certain necessary records are made, without comment.

He has the responsibility of determining whether anything is sufficiently wrong to warrant action on the part of the Comptroller—a letter to the Board of Directors requesting correction. If so, he prepares it, but he does not sign it. He works under a Deputy Comptroller, who might have four Federal Reserve Districts under his supervision; but the Deputy Comptroller of the Currency having supervision of four districts has to depend on the ability of that assistant chief to make accurate analysis of the reports as they come before him and he must be in a position where he can write a letter that at least seven times out of ten is going to be an acceptable letter that would go out.

Every now and then, of course, the Deputy Comptroller will not agree with the approach of the assistant chief examiner, but usually the letters are agreed with and they do go out.

He follows up on the replies from the bankers in connec-
[fol. 3895] tion with such letters, and if degations come to Washington, as they sometimes do, the assistant chief invariably works with the Deputy Comptroller in connection with such delegation.

Q. Now, when you went to Washington as assistant chief national bank examiner in 1941, to which Federal Reserve District were you assigned?

A. I was assigned to the Third Federal Reserve District: (1) I was a newcomer to Washington in that position; (2) I think that there were more problem cases in number in the Third District at that time than in most of the other districts. There had been a greater problem in real estate throughout the district in the coal areas and there were a number of banks that the RFC and the FDIC were quite interested in; so it really was a full-time job.

I had that job of looking after the Third Federal Reserve

District matters until I went in the Army and then when I returned from the Army I had the Third Federal Reserve District under my wing until January of 1949.

Q. Did that imply that you made trips to Philadelphia and other places within the Third Federal Reserve District?

A. Yes. I made frequent trips to Philadelphia, met with the chief national bank examiner and the examiners and [fol. 3896] assistant examiners here, holding conferences, going over problem matters, keeping abreast of everything that was happening in the Third District.

Q. Did you become acquainted during that period and that experience with most of the banks in Philadelphia, national banks?

A. I did not during that particular period. I met some, but I cannot say that I met most of them in Philadelphia.

No, I would have to say "no"; I met some but not most of them.

Q. Thank you.

By the way, did you do anything having to do with banking or finance as part of your war service, briefly?

A. Yes, I did. I was at Eisenhower's headquarters a good deal of the time, first as financial intelligence——

Q. In what position?

A. Pardon?

Q. In what position?

A. I was first a financial-intelligence officer with the SHAEF mission to France, and also at Versailles as financial-intelligence officer.

When the war was over and we were in Frankfurt, I was chief of the Financial Institutions Branch of the Office of Military Government for Germany; and then in Berlin, [fol. 3897] under General Clay, I was chief of the Foreign Exchange & Blocking Control Branch for the Military Government of Germany.

Q. After you came back did you progress in the department.

A. Yes. I came back in the middle of 1946 to my old job, and on September 1, 1950, was appointed Third Deputy Comptroller of the Currency by the then Secretary of the Treasury, John Snyder.

Q. And you held that position how long?

A. Approximately one year. Then I was appointed Second Deputy owing to a vacancy; and then on, I believe April 18, 1962, I was appointed the First Deputy Comptroller of the Currency.

Q. What Federal Reserve Districts were assigned to you?

A. At that time, as the First Deputy, I carried the Philadelphia District, the Cleveland District, the New York District, and the San Francisco-West Coast District.

It was a very heavy assignment, and I might add that as time went on I had to have some relief, particularly when a good many legislative matters arose in Washington involving our department; and so for the last two years at least before leaving Washington I assigned the Third and Fourth Districts, Philadelphia and Cleveland, to our Chief National Bank Examiner, who normally did not carry such districts.

[fol. 3898] Subsequently, the Congress authorized the appointment of an additional Deputy Comptroller to relieve that situation.

Q. But during that period you were in charge of the Third Federal Reserve District, among others?

A. For most of the time.

Q. For most of the time.

Who was Comptroller when you became First Deputy?

A. Preston Delano.

Q. Was there a period when the office of Comptroller was vacant?

A. Yes. Preston Delano left in January of 1953. Mr. Ray M. Gidney became the Comptroller of the Currency approximately in the middle of April the same year; so for that short intervening period I was legally the Acting Comptroller of the Currency.

Q. Did you have anything to do with the FDIC or any duties with respect to the FDIC during that period?

A. Yes. From the time I became First Deputy Comptroller of the Currency in early 1952 until I left I attended the Federal Deposit Insurance Corporation Board meetings in the absence of the Comptroller, when he was away from [fol. 3899] the city or ill; and during the short period that I was legally the Acting Comptroller, of course, I was at that time legally the Acting Vice-Chairman of the Board of the FDIC.

Q. Now, as First Deputy Comptroller will you tell us briefly what your duties and what your experience were, particularly in the field of mergers?

A. As First Deputy Comptroller of the Currency I reviewed with great care all of the applications involving mergers, consolidations, or purchases and sales where the continuing bank was to be a national bank.

I met with delegations of bankers submitting the proposals. I was instrumental in devising many forms in connection with outlining the applications made by banks in connection with such proposals.

I, of course, discussed them carefully with the Comptroller of the Currency and gave him always my views and recommendations.

In a few cases, when the Comptroller was ill or away, I would act on such applications, although I should hasten to add that I did not act on mergers or consolidations without having discussed it with the Comptroller, where the merging banks were very large institutions.

Q. When did you terminate as First Deputy Comptroller?

A. I terminated on May 15, 1960, when I joined the [fol. 3900] Republic National Bank of Dallas.

Q. What is your position there?

A. I am Senior Vice-President, I am a member of the Executive Committee, a member of the Commodity-Loan Committee, a member of the Trust-Investment Committee.

I participate in connection with all lending activities and obviously, as Chairman of the Investment Committee, in connection with the bank's investment account I am in the top spot there under the president of the bank.

I work on special projects and plans. I am a director and vice-president of the Republic Small Business Investment Company recently formed.

Q. Tell us briefly about that.

A. Well, I believe it was early in 1959 that the Congress enacted legislation permitting groups of individuals to form small-business investment corporations. At that time banks were authorized to invest up to 1 per cent of their capital and surplus in the stock of small-business investment companies. Generally speaking, that would be in the singular because 1 per cent of a bank's capital and surplus, unless

it was indeed a large bank, would not be enough to do more than to invest in one small-business investment company.

We have recently formed such a company in Dallas. 1 per cent of our capital and surplus—well, it's actually some- [fol. 3901] what in excess of a million, but we rounded the figure off. We have $105 million of capital and surplus, but we invested $1 million in the capital structure of the small-business investment company, which is designed to make loans to small businesses as defined under the Act.

If you wish me to define that——

Q. No.

A. All right.

Q. You are here under subpoena, aren't you?

A. Yes, I am, sir.

Q. When were you asked to testify in this case?

A. You called me over the telephone approximately in the middle of April. I should have made a note of it, but I did not.

Q. That's perfectly all right.

A. But it was approximately the middle of April when you called over the telephone and I told you I would take it under advisement.

Q. When you were subpoenaed you decided to come?

A. When I was subpoenaed and learned that I could be subpoenaed in far-off Dallas in such a manner that I legally had to come, I decided that I would put in the necessary work so that I could be as effective a witness as possible.

Q. What have you done in the way of effective work?

[fol. 3902] A. Well, I have been in conversations with you and your associates and bank associates relative to the preparation of some of the schedules that I have no doubt have been placed in evidence here, merely from the standpoint of trying to arrive at the most effective presentation of the facts.

I have spent a good deal of time, of course, in going over details, attempting to refresh my recollection of Philadelphia banking and area banking.

Q. What was your experience or knowledge of Philadelphia banking? You say you wanted to refresh your recollection?

A. Well, of course, I had reviewed the reports of examina-

tions of Philadelphia banks—Philadelphia area banks for years. I had discussed matters involving such banks with our customers, with our District Chief Examiner.

I had, on many occasions, spent time in conferences with Philadelphia and Philadelphia area bankers and possibly last but not least many, many hours in connection with reviewing branch-application proposals and also merger proposals that were dealt with during the period I was in office.

Q. Did any of those things bring you into contact or information with respect to banks other than national banks; in other words, state banks?

A. Oh, yes. From time to time, primarily from the stand-[fol. 3903] point of a state banker protesting a branch application made by a national bank, feeling that his own area was being infringed upon; and as time went on at various meetings, gatherings, I did meet some state bankers, but not to the extent that I had with national bankers.

Q. Passing on such matters as mergers or applications for branches, would you there get involved in information with respect to the state banks?

A. Yes, to some extent I did, but the coverage would not have been complete.

Mr. Littleton: Cross-examine as to qualifications.

By Mr. Reycraft:

Q. Mr. Jennings, are you appearing here on behalf of the Comptroller of the Currency?

A. I am not.

Q. Or on behalf of his office in any way?

A. I am not.

Q. You are here as a private individual?

A. I am, sir.

Q. From 1952, when you were First Deputy, to the time you left the Comptroller's Office, approximately how many mergers were submitted for your consideration?

A. This is simply a rough guess, but I would suppose [fol. 3904] between 1952 and 1960, seven or eight hundred. It might have been six hundred between six and eight hundred, let's say.

Q. Did you personally have the opportunity to consider each of those?

A. I would say with a negligible number of exceptions I did have such an opportunity. A very few might have gone through while I was away from the office or on vacation.

Q. What sort of records were submitted to you with these mergers?

A. Well, of course, it varied some over the years. Toward the latter part of the period I served as First Deputy we had a regular, in effect, loose-leaf form on which schedules and questions appeared. The schedules had to be prepared by the banks; the questions had to be answered so that when the material did come into the Comptroller's Office it was easy to digest, easy to review as opposed to some of the procedures that preceded that period when we got all or at least most of the same information, but not in as nice form.

Q. Did you consider any information outside that particular report?

A. I would say that invariably we would check with the Federal Reserve people in Washington or the Federal Deposit Insurance Corporation people; quite frequently, the State Superintendent of Banks would get in touch with [fol. 3905] us. I don't know that we necessarily always got in touch with him during the entire period.

We would always honor the request of any individual or group that wished to come in to see us in opposition to the merger or a group who was in favor of it.

It varied. There were some small mergers, of course, where I don't suppose the outside contact amounted to very much. We made our own investigation.

Q. Did you receive reports from bank examiners in connection with these mergers?

A. During the early period I would say not. We always received, of course, the opinion of the District Chief National Bank Examiner. I would say in some cases, the examiner who had actually examined the bank was not questioned about it. We had his reports, a series of reports over the years in connection with the bank concerned, and we would review that.

Where we knew that the soundness and solvency of the bank or banks was not at question, we normally would not

go beyond the chief examiner, and really that's far enough because he is in charge and knows all of the circumstances regarding the banks in the district he supervises.

Q. Before you left the Comptroller's Office, did you have any opportunity to consider any bank mergers submitted [fol. 3906] under the recent amendments to the Federal Deposit Insurance Corporation Act?

A. I did not. That law became effective shortly after I left.

Q. Shortly after you left?

A. Yes.

Q. So you have no familiarity with it, do you, with the procedures now being followed by the Comptroller's Office?

A. A general familiarity. I happened to see a copy of the form that is now sent to the banks proposing a merger. I have not spent any real amount of time studying it.

Q. What were the criteria which were applied at the Comptroller's Office to mergers during the time you were First Deputy?

A. I would say that in all instances the more important questions revolved around the soundness of the banks, the adequacy of their capitalization, the soundness of the management, whether or not the resulting merged bank would be adequately capitalized, whether or not it would be a sound institution in an area where we believed it could go ahead.

Also, we gave very careful consideration to the terms of the merger, whether there was a swing in value from one group to the other. We gave careful consideration to [fol. 3907] determine that the shareholders voting on the proposed merger were adequately informed.

We gave consideration, of course, to the competitive situation that would arise out of the merger, if consummated.

Q. What type of consideration did you give to the competitive factor?

A. Well, naturally we considered the entire banking community an area, the number of banks in the area, the size of the banks, the size of the two banks that were proposing merger—the usual factors that would be considered in connection with a merger under the existing law in my opinion.

I do believe at the present time that certain details are gone into that were not gone into during most of the period

I served as First Deputy; but, as I am sure you are aware, during the latter part of that period I believe the Office of the Comptroller of the Currency and the other supervisory agencies were obtaining all or virtually all of the data that are now being obtained; some of it, I am sure, at the suggestion of the Department of Justice.

Q. You gave consideration to—I don't remember the number of factors, but to a large number of factors, as far as your testimony is concerned; and you considered these factors to be important; I take it.

[fol. 3908] A. We certainly did.

Q. And if any one of them did not meet with your standards, would you disapprove the merger?

A. Well, of course, it would depend on the seriousness of the deviation.

Q. So your answer is "no"?

The Court: Read the question and answer back.

(The testimony was repeated by the reporter as follows:

"Q. And if any one of them did not meet with your standards, would you disapprove the merger?

"A. Well, of course, it would depend on the seriousness of the deviation.

"Q. So your answer is 'no'?")

Mr. Littleton: Your Honor, I think here I want to interpose an objection because I don't think this is cross-examination as to Mr. Jennings' qualifications.

Mr. Reycraft: I don't have any more; it's all right. Go ahead.

The Court: Since we are going into a new department at this point I think we will take our ten-minute recess.

I suggest, Mr. Reycraft, that when a witness gives the [fol. 3909] kind of an answer that was given here you not categorize it. I will do the categorizing.

(A recess was had.)

[fol. 3910] By Mr. Littleton:

Q. Mr. Jennings, what is the nature of competition among commercial banks?

A. Keen, highly competitive. I think, from my own ob-

servation, that I have never known competition among banks to be keener than it is today. Now, if you wish the nature of it in detail, I will be happy to go into that.

Q. In what area does competition exist? In what area of commercial banking does competition exist?

A. I think the stiffest, sternest competition of all is in the field to obtain demand deposits and loans. Those are the two areas where competition is the keenest.

Q. What form does the competition take?

A. It takes many forms. If we are dealing with the deposits of large corporations, wealthy individuals, I would say that most, if not all, of the major banks of the country are competing for such deposits. The same would hold true as regards loans to those corporations or wealthy individuals.

If we go into the field of smaller loans, smaller deposits, the competition is more regional—wide but nevertheless regional—and there the large banks as well as the small banks are after that business with everything they have.

Today all banks are after what is commonly referred to [fol. 3911] as the mass banking business, and in the field of medium size and smaller deposits and loans every single bank in a community or area is competing for the business. They want it.

When it goes into an area where the lending requirements cannot be met by smaller institutions, almost automatically it emerges into an area where not only the large institutions of a single community are interested, but large institutions throughout a section of the country or the whole country becomes interested, and they are soliciting the business, so that basically we have a situation where banking business of all types and characters is sought after by the smaller banks at the more regional level and by the larger banks on a national level.

Q. What form does the competition take? Is it competition in price?

A. No, I wouldn't say that it is competition as to price. After all, interest rates are regulated at the top level by the laws of the 50 states. Interest rates at the bottom level have no legal limitation, but for practical purposes the prime rate, which is dictated in a major way by the rediscount rate of the Federal Reserve Bank, furnishes a very

effective floor. I would say that the area of competition for interest rates would range between, let us say, the prime [fol. 3912] rate of 4½ and 6 per cent for normal loans exclusive of consumer loans, where higher rates are permitted.

When we go over to the deposit side—we are still talking about price—interest may not be paid on demand deposits. It is set at a top limit by the Federal Reserve Board and the Federal Deposit Insurance Corporation for commercial banks at 3 per cent or less, depending on the length of time the time deposit is left with the bank.

In the area of service charges, I would say that banks are competitive in that field. They base their service charges primarily on their costs, but they have to maintain a weather eye to windward as to what the competitors are charging in the service charge field. The minute they get out of line in connection with service charges they find their customers will start to protest, and if something isn't done some of the customers will leave them for a differential in service charges of any significance.

I do not believe that competition is really affected by the price area. I think it is affected largely by the quality and the caliber of service that banks give and whether or not they feel they are being received in the right way, whether they are welcome in the bank. Personalities enter into it very heavily, but I do not think price as such is a major factor in banking competition. It is there, it is a factor, [fol. 3913] but not major.

Q. You were in the courtroom, were you not, when Professor Smith testified?

A. Yes, I was, sir.

Q. And you read his testimony. I believe he suggests that in the field or the area of the creation of credit, which he described as being unique in commercial banks, that in that area they compete with each other. Would you give us your opinion of that?

A. I disagree with Professor Smith. The fact is, and I believe a majority or possibly almost all of the experts agree, that a single bank as such does not create credit other than momentarily. Actually, credit is created by the entire banking system in conjunction with the Federal Reserve System, but I can assure you—and I am positive that bankers all over the country would agree with me—

that a bank may not expand its loans or its investments unless it has excess cash reserves available to take care of that expansion, and I just believe myself thoroughly and completely that the creation of credit is not a competitive factor that needs to be considered at all in connection with mergers or any other phase of banking.

Q. Professor Smith and also Dr. Harris each talked at some length about the regulations and restrictions under [fol. 3914] which commercial banking is carried on. It is not my intention to take you all through that again, but I would like you to give us your view on the effect of regulation in certain areas on competition among commercial banks, the area within which they compete. How is that affected by regulation? You have already spoken about interest.

A. I have already spoken about interest. Of course, banks must maintain their legal reserves either with the Federal Reserve authorities, or if they are state, non-member banks, with banks according to the provisions of the state law.

Q. Let me ask you, is there any regulation or ruling on liquidity which a commercial bank must have?

A. No, there is no regulation or ruling pertaining to liquidity. That is left up to a bank's management, other than to the extent that we might look upon the reserves maintained with a Federal Reserve Bank as a liquidity reserve. Actually, that is an erroneous conception, so I would say we might disregard that. Actually, liquidity has to be handled as a policy matter by a bank's management.

Now, liquidity, by classes of banks, does not vary too much. I would say that at the present time, if we lumped together all of the commercial banks of the country, we would find that all of their demand and time deposits were covered up to the percentage figure of 49 to 50 per cent by [fol. 3915] cash due from banks, their reserve balances, and their U. S. bonds. Obviously, because of that, because of the liquidity requirements, the necessity that a bank maintain a large amount of cash or due from banks balance in the Federal Reserve Bank, those are non-earning assets, and they cut down on the earning capacity of a bank so as to be able to maintain its liquidity. After all, a banker has to keep in mind at all times that deposit withdrawal de-

mands—on demand, so far as demand deposits are concerned, or within the terms of the savings or time deposit agreements—must be met or insolvency immediately occurs.

Q. Well, if the only reserve that the bank maintained were the reserve required by the Federal in the reserve cities, which I understand is presently 16½ per cent——

A. That is correct.

Q. ——would the administrative authorities, the Comptroller or the Secretary of Banking, have any authority to require the bank to keep reserves other than that?

A. I would say that that would constitute an unsafe and unsound practice and policy.

Q. What would?

A. Maintaining liquidity only to the extent of the reserve balance with the Federal Reserve Bank and with no additional liquidity of any consequence, the bank would be, in my judgment, in a serious situation in a very short period [fol. 3916] of time. Therefore the supervisory authorities would request that a greater amount of liquidity be maintained, because of the dangers inherent in such a situation. If it were not corrected, I have little doubt that the supervisory authorities, thinking of the Comptroller particularly, would warn offending bankers under Section 30 of the Banking Law, and if it were not corrected quickly, the facts would be cited to the Federal Reserve Board for the removal of the offending officers or the directors, because it is a desperate situation when a bank maintains liquidity only to the extent of the reserve with the Federal Reserve Bank.

Q. And that is why you say reserves are usually in the area of 49 to 50 per cent?

A. The liquidity situation over all will run around 50 per cent now. Actually for a number of years it ran somewhat higher.

Q. What effect does that have on the earning capacity of commercial banks so far as the use of their assets?

A. It cuts down the earnings substantially, because as we all know, interest rates on Government bonds are on the low side. No income is received from the reserve balance with the reserve bank. No interest is received on due from

bank balances from correspondent banks, and, obviously, nothing accrues from the cash.

[fol. 3917] Q. What effect does that have, if any, on competition?

A. Well, what it really does is narrow down the profit margin in commercial banks to a point where unbridled competition from the price standpoint cannot be indulged in. There is not a sufficient profit margin to allow wide variations in prices charged for services or money.

Q. What are the powers or the restrictions we will say, on commercial banks in the investment and securities as a means of using their assets to produce income?

A. There are no restrictions, of course, in connection with the purchase of U. S. bonds or general obligation municipal securities. However, banks are prohibited from buying corporate obligations or special revenue municipal obligations where the credit soundness characteristics are unduly speculative. As a matter of fact, that translates itself roughly into limiting banks to purchasing corporate securities that are in the first four investment grades.

Q. When you say securities, you are not including stocks?

A. Oh, no, just bonds. The first four grades would range from triple A down to triple B. If a bank buys a security below triple B, normally it will be looked upon as an illegal investment and must be disposed of without loss. There are minor exceptions to that, but there again it prevents a bank [fol. 3918] from investing unwisely perhaps in a securities area that always provides the highest interest rate. The lower the quality, obviously, the higher the rate, so the banks have to stay in the high-quality securities, where the rates are on the relatively low side.

Q. What effect does that restriction have, if any, on competition?

A. Well, I think that would be quite similar to what I mentioned a few moments ago.

Q. In the establishment of branches what are the regulations or restrictions, briefly?

A. A bank has to receive approval from its supervisory authority in order to establish a branch. There are many or at least several important things that are considered by the Comptroller before he acts on a branch application, but I would say that one of the more important areas would

rest in a determination as to whether the establishment of the proposed branch would have an unwarranted competitive impact on existing banks or branches in the area. If he finds that the competitive impact might make uneconomic existing branches or banks, he invariably will deny the application on the premise that safety and soundness, solvency, are paramount in banking. They are overriding, and competition simply cannot reign supreme. Safety and soundness must reign supreme.

[fol. 3919] Q. So far as you know, is this also the philosophy of various state secretaries of banking?

Mr. Reycraft: I object to his testifying as to the philosophies of state authorities by Mr. Littleton.

Q. In your experience, have observed similar philosophies——

Mr. Reycraft: I object.

Mr. Littleton: May I finish?

Q. ——on the part of the secretaries of banking in various states?

Mr. Reycraft: I object to that question.

The Court: Read the question back.

(The reporter read as follows:)

> "Q. In your experience, have you observed similar philosophies on the part of the secretaries of banking in various states?"

Mr. Reycraft: I object to his testifying as to the philosophy of anybody except himself.

The Court: Overruled.

A. I have had wide experience with state superintendents throughout the nation. I would answer that, generally speaking, that is the philosophy of state superintendents of banks.

By Mr. Littleton:

Q. Will you direct your attention to the insured deposits. What is the FDIC?

[fol. 3920] A. The Federal Deposit Insurance Corpora-

tion insures the deposits of insured banks up to $10,000. The banks that are insured have to pay an annual assessment to receive this insurance. The FDIC fund presently amounts to about $2,220,000,000. The FDIC has a call on the Treasury for an additional $3 billion.

One thing that has grown out of Federal Deposit Insurance is this: Years ago banks prided themselves and did a great deal of advertising from the standpoint of placing before the public the fact that they had very strong capital structures. Now, many banks still do that, but in view of the fact that so many of the depositors in banks are fully insured, they have lost their awareness, in part, as to the sound, large capital structure of a bank. They deposit their money feeling that they are completely covered by insurance, and so that has removed to some extent what used to be a competitive factor.

Q. Let me ask you about that. What is the present rate of assessment that FDIC imposes on banks?

A. It is a twelfth of 1 per cent of the average outstanding deposits over the year. However, when that amount is paid into the Federal Deposit Insurance Corporation, a rebate is made to the bank amounting to 66⅔ of the remaining amount after the FDIC has paid all of its expenses plus its losses for the year, so that there is quite a substantial [fol. 3921] rebate that goes to the banks after they have paid the basic assessment.

Q. Do I understand that that assessment is applied to all the deposits of the bank?

A. Yes, it is.

Q. And to what extent are the deposits of a bank insured?

A. I may be off a percentage point or two, but the total accounts as to number——

Q. First, before you get into that, what part of my deposit, if I were lucky enough to have one, would be insured?

A. Up to $10,000.

Q. So the deposits are insured only up to $10,000, although the assessment is applied against all the deposits?

A. That is correct.

Q. What is the effect of that, Mr. Jennings?

A. The effect of it is that the deposits of a small bank

are, for practical purposes, almost 100 per cent insured, whereas the deposits of a very large institution, an institution having very large balances of corporations, wealthy individuals, might be only 20, 30, 35, 40 per cent insured, yet the large bank is paying an assessment rate on the same formula or under the same formula as the smaller institution.

Q. What effect if any does this have on competition among commercial banks?

[fol. 3922] A. Oh, that is difficult to say, as to the effect it has on competition. Of course, it, in effect, makes the small banks very, very competitive with the larger institutions. It certainly does not reduce the strength of the small institution competitively. Of course, the large institution just has to have that very large capital structure in order to assure and insure its large depositors that may put 5, 10, 15, or 20 million on deposit that the bank itself is completely sound, because that deposit would only be insured up to $10,000.

Q. Now will you turn your attention, Mr. Jennings, if you will, to the desirability of large banks in an industrial community. Will you give us your view as to that?

A. I think it is essential that every industrial community have a bank that is sufficiently large, sufficiently well capitalized, to reasonably meet the borrowing needs, the deposit needs, of not only the corporation, but the various industries that would be in that community. It has been my observation over the years that if a community—and I am talking about communities generally, not just necessarily New York City or Pittsburgh, but communities generally—if they do not have a lead bank that can reasonably look after the larger needs of industry and commerce in that community, the people, those wealthy people or the larger corporations, look elsewhere for larger banks. I have ob-

[fol. 3923] served that on many occasions.

Q. Will you look at Exhibits D-25, D-15, D-24.

A. I have D-25, "A comparison of general economic growth with bank growth in the Delaware Valley."

Q. Correct. Will you comment on the facts shown by that exhibit, Mr. Jennings?

A. Yes. On the left-hand side, "General economic growth indicators," the No. 1 bar shows that total sales of large

corporations have expanded or increased between 1940 and 1959 in excess of 400 per cent.

The value added by manufacture, under bar 2, has increased, let us say, 475 per cent.

Q. Is that per cent or is it an index number?

A. Yes.

Q. I say, is it a per cent or an index number on the chart?

A. That would be an index number, I believe. Yes, it would be an index number.

Personal income, under No. 3, 1940 to 1957, the index number is slightly in excess of 400.

At the right-hand side, "Bank growth indicators," No. 1, total assets of the Philadelphia commercial banks, up to a figure of maybe 225, 230.

The lending limit of the Philadelphia National Bank, an [fol. 3924] index number of approximately the same 225, 230, and then at the far right, under No. 3, the lending limit of the Philadelphia National Bank-Girard (pro forma), which would bring the lending limit to a figure of 425, 430 on an index basis.

Q. What is your opinion, from the chart that you have been reading from, as to the desirability of this present merger for Philadelphia?

A. Well, it just seems to me that this clearly reveals the fact that commerce and industry in the Philadelphia area have far outstripped banking. Banking simply has not kept pace in the Philadelphia area with the growth of industry and commerce.

Q. Should it keep pace, in your opinion?

A. I think it should. I think the Philadelphia banking situation is well behind what it should be in relation to the needs that I am sure exist in Philadelphia for a larger lending limit and a larger financial institution generally.

Q. Does the larger lending limit have any beneficial effect that goes beyond the number of times that it is actually used during the year?

A. I think it does.

Q. Will you clarify that.

A. I would say that all large banks with large lending limits do not have too many opportunities during the course of a year to make what we might term limit loans; but the [fol. 3925] mere fact that a bank or banks in a community

have a substantial, a large, lending limit is bound to accrue to the advantage of the community, because industries and businesses like to feel that they can do business with a bank where, if the need does arise, there is a local bank that can take care of that need. They are a little restive when they are dealing with a bank and feel that if the need arises they may have to go elsewhere, unless we are dealing with a very large national corporation, where no one bank normally could take care of its needs.

[fol. 3926] Q. Before we leave that, are you familiar in general with the lending limits of the largest banks in other cities smaller than Philadelphia?

A. Smaller than Philadelphia?

Q. Yes.

A. Oh, I am to some extent, yes. Naturally, I am familiar, if you wish me to answer——

Q. Yes.

A. —with my own bank in Dallas. Our lending limit is $10,500,000. Our city, if we add in the county, has a bit under a million total population. We find that during the course of a year we have need for that $10,500,000 lending limit on a number of occasions. It has been most valuable to us.

I am quite sure that Cleveland, Ohio, has a bank with a larger lending limit than anything here in Philadelphia. I would have to check the statistics to name off other cities that are smaller. I would say that San Francisco, obviously, is much smaller than Philadelphia and yet it has a bank with a lending limit of around $50 million.

There are a number of others.

Q. Any other places in Pennsylvania?

A. Pardon?

[fol. 3927] Q. Any other places in Pennsylvania?

A. Oh, yes, the obvious one, the Mellon-Pittsburgh. Pittsburgh is a smaller city than under Philadelphia and yet it has a bank with a lending limit of $25 million or $30 million. I have forgotten the exact amount.

Q. Let me ask you, is there any difference in the general character of business and industry in these smaller cities that have banks with larger lending limits than Philadelphia, from what we have here in Philadelphia?

A. The only difference that I think it outstanding is the

fact that based on my own knowledge of Philadelphia, Philadelphia is far more of an industrial and commercial city than Dallas, San Francisco,——

Q. Boston?

A. Yes, even than Boston. Not Pittsburgh, of course.

Q. If you take not just Philadelphia, but if you take the ten-county area which we have referred to as the Delaware Valley, does it become even more so?

A. Oh, it becomes even more pronounced. After all, Philadelphia is the fourth largest city in the country and there are a fair number of smaller cities that do not compare with Philadelphia from the standpoint of its industry and the needs of the people, yet those other cities have banks with lending limits far higher than anything in Phila- [fol. 3928] delphia; and I can tell you from my own experience that those lending limits are needed.

I would just like to repeat and emphasize that even though not many occasions arise during the course of a year for a bank to make a legal limit loan, when it does arise it's worth a great deal and it keeps a lot of business at home rather than having it go abroad, to other banks throughout the nation.

Q. Does it have any effect deposit-wise?

A. Oh, I think it does, very definitely. We all know that capital attracts capital; and moreover, if a bank in a community, the lead bank from the standpoint of its lending limit, is not able to take care of at least the reasonable requests of borrowers, exclusive of the national accounts that need tremendous sums, it is necessary to enter into an arrangement with banks in other cities to take on a portion or portions of the loan; and it is inevitable that the bank or banks in the other cities are going to require that that borrower maintain a deposit balance while the loan is outstanding, and generally speaking that deposit relationship continues when the loan is paid off, so that the excess funds of the borrower will be found in two, three, four, or five other banks around the nation during the slack period of the borrower, when his loan has been paid, instead of in [fol. 3929] the bank in the home city where those excess funds could be used to good advantage.

Q. So that the effect is that you have local industry having to maintain deposits in foreign cities and not

having those deposits available for business in the local city; is that correct?

A. It works that way frequently when a loan must be participated out.

Q. Mr. Jennings, do you know what the percentage of the deposits, loans, and capital structure of the Philadelphia area banks will be in the merged bank without looking at the exhibits?

If not, I will have the exhibits presented to you.

A. The percentage—I would like to have the question repeated.

The Court: Read it back.

By Mr. Littleton:

Q. What percentage of the deposits would the merged bank have?

A. (No response.)

Q. In the City of Philadelphia?

A. Just the City of Philadelphia?

Q. Yes.

[fol. 3930] Mr. Reycraft: Would you read the question? I am not sure I understand it.

Mr. Littleton: Strike the question.

Will you show the witness G-2?

By Mr. Littleton:

Q. In the four-county area, so-called, and that is Philadelphia, Bucks, Montgomery, and Delaware, what percentage would the merged banks have, according to Exhibit G-2?

A. 35.8.

Q. What will the competition of the merged bank be in the four-county area?

A. Well, the competition would be fifteen additional banks, if this is what you are driving at. We have seventeen banks in Philadelphia——

Q. Will it compete with any other institutions in the matter of deposits?

A. Oh, I see.

Yes, it would compete not only with additionally the

banks, but it would also compete with the banks throughout the country for large deposits. It would compete locally for the funds of savers—the credit unions are active, the savings and loan associations, the large savings banks.

It will, of course, compete, in effect, against United States bonds. Many people prefer to place their money [fol. 3931] there rather than in banks.

Is this the line of reasoning that you are interested in, Mr. Littleton?

Q. Yes, yes.

A. It would compete at the local level against all of the commercial banks in the four-county area, and, as a matter of fact, to a certain extent in the ten-county area for both time and demand deposits and for loans and all other types of services that banks render.

Q. At any time in the course of your official duties, in the course of your work, have you, yourself, made a study of concentration in various cities in the country of banking assets or deposits?

A. Yes, I have, on various occasions, particularly while I was with the Office of the Comptroller of the Currency.

Q. What was the result of that survey? Was there a report made by the Comptroller of the Currency?

A. Yes. We made at least two complete reports, one involving reserve and central-reserve cities, which I am quite sure is one of the exhibits in this case.

In addition to that, I supervised the preparation of a study in 1957 covering all of the cities in the country having a population of 50,000 or more.

That study was made primarily to obtain information [fol. 3932] to be placed in the annual report of the Comptroller of the Currency for the year 1956. The study itself was made early in 1957.

Mr. Littleton: Will you mark that, please?

(Document headed "Recapitulation," containing 18 pages, was marked Exhibit D-46 for identification.)

By Mr. Littleton:

Q. Mr. Jennings, I show you the document which the reporter has marked D-46 for identification and ask you what it is.

A. It is the study I referred to. It deals with all cities in the country of 50,000 population or more; and I might add, in order to obtain full coverage, a very few cities having populations under 50,000.

It reveals the number of banks operating in these communities in 1946, the number in 1956; the percentage of total resources held by the largest bank in 1946, the largest in 1956; then the percentage held by the two largest banks in 1946 and 1956; and the percentage held by the remaining banks for 1946 and 1956; and then, showing the total of all the banks in the schedule, setting forth the total amount of resources of all the banks in a particular community as of 1946 and 1956.

I think, simply to summarize, that it is of interest to know that of the 224 communities for the year 1956, 190 of them, [fol. 3933] had lead banks that held 35 per cent or more of the total banking resources of the community.

Now, the 190 banks break down into an additional interesting statistic. 42 per cent of the 190 banks are in communities where the lead bank had between 35 per cent and 50 per cent of the total banking resources of the community.

43 per cent of the 190 banks were in communities where the lead bank held in excess of 50 per cent of the total banking resources of the community.

So that we come down to the final figure of 85 per cent of the 224 communities having a population of 50,000 or more were served by a bank having 35 per cent or more of the total banking resources of each community.

I might add that with the possible exception of a one-bank community or two appearing in the list, it was my judgment at the time the study was made (it continues to be my judgment) that the people residing in all of these communities were receiving the benefit of adequate banking competition.

Mr. Littleton: Will you mark that, please?

(2-page document, entitled "Assets of the Largest Commercial Bank as per cent of Total Assets of All Commercial Banks in Cities with Population Over 100,000," was marked [fol. 3934] Exhibit D-47 for identification.)

By Mr. Littleton:

Q. Mr. Jennings, I show you a paper which the reporter has marked D-47 for identification and ask you what that is.

A. It's a list entitled "Assets of the Largest Commercial Bank as per cent of Total Assets of all Commercial Banks in Cities with Population Over 100,000."

I did not prepare this exhibit, by the way. On the second page the sources are noted. I accept it as accurate.

I think there are several points of interest. One is that Philadelphia, Pennsylvania, appears as No. 79, as holding on a pro-forma basis, after giving effect to the merger, 36.2 per cent of the total assets of the city, the total banking assets of the community.

Then, going over to the beginning of the schedule and just thinking about Pennsylvania for a moment, we find that Pittsburgh, Pennsylvania, is No. 12. It has a bank holding 60 per cent of the banking resources of Pittsburgh.

Running on down the list, No. 18, Scranton, Pennsylvania —its lead bank holds 56.6 per cent of the banking resources of that community.

Running on down to No. 37, Allentown, Pennsylvania, [fol. 3935] the lead bank has 48.3 per cent of the total banking resources of the community.

Moving on down, Erie, Pennsylvania, 39.6.

I might just point out, because it is in the general Philadelphia area, Trenton, New Jersey—the lead bank has 37.8 per cent.

Q. How about Camden?

A. (No response.)

Q. No. 17?

A. Oh, yes, Camden, New Jersey, which is just across the river—the lead bank, as we heard this morning, has 56.6 per cent of the total banking resources.

Q. Do I understand from you and from this chart that every city in Pennsylvania over 100,000 population has a higher concentration in the first or lead bank than Philadelphia would have if the Philadelphia-Girard merger becomes effective?

A. That is correct.

Q. And two other cities within the Delaware Valley area, to wit, Trenton and Camden?

A. Camden, New Jersey, and Trenton, New Jersey, both

have lead banks having a greater concentration of banking resources than Philadelphia.

I think it is also very, very interesting simply to go down [fol. 3936] through the list to No. 78, looking at all of the important cities where the lead bank has a greater concentration of banking resources than would exist in Philadelphia if this proposed merger were to be consummated; and in my judgment, based on having seen examination reports from banks, I believe, from each of the cities concerned, the public is enjoying the benefits of adequate banking competition.

Q. Mr. Jennings, will you address yourself to D-46, the third page being the page headed "Cities with 50,000 to 100,000 Population"?

Will you pick up the third city in that list, which has an "x" alongside of it, and tell us what the meaning of those x's is.

A. There are a number of California cities with x's to indicate that the cities concerned are served by one or more, and I would say it would be more correct to say two or more branches of large California banks, and it is most difficult to obtain figures to incorporate in a schedule of this type.

Q. Now addressing yourself both to D-46 and D-47, will you tell us, why does this so-called banking concentration exist, in your opinion?

A. I have given a great deal of thought to that. When I [fol. 3937] first reviewed this schedule a number of years ago, I was a little surprised at the number of cities, 85 per cent, that had a concentration from the lead bank of 35 per cent or more; in 43 per cent the lead banks having over 50 per cent concentrations. It is my judgment that this situation exists because there is a need in these communities for a lead bank large enough to accommodate the borrowing needs, the general banking needs of commerce and industry in the communities. I just don't believe it happened.

There are many of these communities where there have have been no mergers, in my judgment, in recent years. The schedule is not set up on that basis, but I am quite sure that a study would reveal that to be true; but a city that does not have a bank that, from its legal lending limit, from the standpoint of its legal lending limit, can't reasonably meet a majority of the larger lending needs, that city isn't being well served. These banks grew out of that need.

Q. Now, on another subject, Mr. Jennings, or following along from this one, has the fact that 85 per cent of these cities have lead banks holding 35 per cent or more of the banking resources resulted in the smaller banks in those areas being unable to compete?

A. No, not in my judgment.

Q. Is your judgment backed up by the figures?

[fols. 3938-3939] A. Pardon?

Q. Is your judgment backed up by the figures?

A. Yes, it is. We made a recapitulation on that point. I do not believe, Mr. Littleton, that we incorporated it in this schedule. I may have the figures here to one side. I do no have them in my mind.

The Court: Suppose we pick it up at this point tomorrow morning. It is now 4 o'clock.

(Recessed at 4:00 P. M. until 10:00 o'clock A. M. on Thursday, July 27, 1961.)

[fols. 3940-3941] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

TWENTY-FOURTH DAY

Philadelphia, Pa., July 27, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 3942] LEWELLYN A. JENNINGS, resumed.

Direct examination. (Continued)

By Mr. Littleton:

Q. Mr. Jennings, do you have Exhibits D-46 and D-47 before you?

A. I do.

Q. Yesterday you testified that while you prepared D-46, you had not yourself prepared D-47. May I ask you, however, have you checked the figures on D-47 with your own work on D-46?

A. I have checked it.

Q. And are the percentages given for each of those cities on D-47, being cities presently over 100,000 population, the same as the cities from D-46?

A. They are all the same and correct.

Q. With the exception of Philadelphia, of course, which on D-47 is pro forma the merger; is that correct?

A. Yes, I believe I mentioned that yesterday.

Q. Looking at D-46, Mr. Jennings, in the column headed "Percentage Held by Largest Bank," I notice there are two columns, one for 1946 and one for 1956. What is the significance of the difference between the percentage figures

which follow for each of the cities listed between 1946 and 1956?

[fol. 3943] A. It reveals whether the largest bank in 1946 was able to maintain its position or whether it lost ground over the ten-year period. Actually, an analysis will show that more than half of the lead banks in 1946 lost ground in the ten-year interval and held a smaller percentage in 1956.

Q. What does this lead you to conclude?

A. Well, it leads me to conclude that smaller banks in the various communities are adequately and effectively competitive.

Q. What does it lead your to conclude with respect to concentration in the largest bank in each of the cities?

A. Well, it leads me to conclude that the concentration in the largest bank in each of the cities is not an effective deterrent in any way to the adequate functioning and the competitive position of the smaller institutions.

Q. Why, in your opinion, have the largest banks lost ground?

A. Well, I think it grows out of this, that it is perfectly obvious that if a bank in a community holds, let us say, 50 per cent of the banking resources of the community and area, that in order to maintain that position it must get out [fol. 3944] and obtain 50 per cent of all the new business coming into the community. It must hold the business it has, and that is indeed a very tall order, and it has been my observation over the years that under those circumstances, more often than not, the lead bank does lose ground to its smaller competitors.

Q. Mr. Jennings, there has been introduced and marked for identification in this case an exhibit known as D-21.

A. Yes, I have it.

Q. Do you have a copy of it there?

A. I have it, sir.

Q. Will you tell us what D-21 is.

A. D-21 is a comparison of the total assets of commercial banks in the central reserve and reserve cities throughout the United States as of June 29, 1946, and June 30, 1956.

Q. Who prepared this exhibit?

A. The office of the Comptroller of the Currency. It was

prepared while I was there and under my general supervision.

Q. And will you describe it to us and comment on it generally.

A. Yes, I will. The schedule includes details on the total [fol. 3945] assets of the largest five banks in each of the reserve or central reserve cities as of the middle of 1946 and the middle of 1956. It shows the percentage held by the No. 1, the No. 2, the No. 3 banks in 1946, going on through the five largest banks, and then a similar comparison is made ten years later, the middle of 1956, to show what the shift has been within that particular city or community.

My analysis has revealed that in 33 of the cities the leading bank in 1946 lost ground over the ten-year interval and held a lesser percentage of the commercial banking resources at the middle of 1956. In 21 cities the lead bank in 1946 either held approximately even or actually gained a little over the ten-year period. That, it seems to me again, serves to point out the fact that a bank that holds a fairly large percentage of the banking resources of a community has a very difficult job in maintaining that position as against smaller competitors. In other words, the small competitors are providing effective competition.

Q. What is your conclusion from that as to the effect of concentration in one large bank on competition by smaller banks?

A. My opinion is that the smaller banks are able to com- [fol. 3946] pete effectively against the large bank or banks in the community.

Q. Does D-28 indicate that they do?

A. In my opinion, yes.

(Book entitled "Annual Report of the Federal Deposit Insurance Corporation for the year ended December 31, 1960," was marked Exhibit D-48 for identification.)

Q. Mr. Jennings, you have before you a copy of a booklet which has been marked for identification D-48. Will you tell us what that is?

A. That is the annual report of the Federal Deposit Insurance Corporation for the year ended December 31, 1960. This report was prepared by the Federal Deposit

Insurance Corporation for transmittal to the Congress as required by law. As will be noted on the third page, the report was sent to the Congress on June 8, 1961. I might also add that as a matter of normal procedure, a copy of this report is sent by the Corporation to all insured banks.

Q. And your bank in Dallas receives copies of this report along with other F.D.I.C. banks?

A. We receive one copy, yes.

[fol. 3947] (Document headed "Table 26. Relative Importance of the Largest Commercial Banks in Continental United States, December 31, Selected Years 1920-1958" was marked Exhibit D-49 for identification.)

(Document headed "Table 28. Deposits in the Largest Commercial Bank and in the Five Largest Commercial Banks, in Each State, 1920, 1934, 1940 and 1958" was marked Exhibit D-50 for identification.)

(Document headed "Table 29. Deposits in the Largest Commercial Bank, and in the Largest Five Commercial Banks, in the Principal County (or Counties) in 48 Metropolitan Areas, 1920, 1934, and 1958" was marked Exhibit D-51 for identification.)

(Graph entitled "Concentration in Large Metropolitan Areas With Limited Area Branch Banking" was marked Exhibit D-52 for identification.)

(Document headed "Table 38. Relative Importance of the Largest Commercial Banks in the United States, December 31, 1960," was marked Exhibit D-53 for identification.)

(Document headed "Table 39. Commercial Banking Offices and Percentage of Deposits in the Largest Commercial Banks in each State, December 31, 1960," was marked Ex-[fol. 3948] hibit D-54 for identification.)

(Document headed "Table 40. Commercial Banking Offices and Percentage of Deposits in the Largest Banks in the Principal County (or Counties) in 65 Metropolitan Areas, June 15, 1960," was marked Exhibit D-55 for identification.)

Q. Mr. Jennings, will you look at the exhibit that has been marked D-49 and tell us what that is.

A. That is a schedule that sets forth figures designed to outline the relative importance of the largest commercial banks in the continental United States, December 31, selected years, 1920 through 1958. I think it is interesting in the first instance——

Q. Before you speak to it, may I ask you, is D-49 simply a blown-up autostat copy of the two tables appearing on page 51 of D-48?

A. That is correct.

Q. For ease in reading the tables?

A. Yes.

Q. Will you address yourself to Table 26 on D-49, which can also be found on page 51 in D-48, and tell us the significance of the figures which there appear.

A. First I think it is interesting and even significant to note that in 1920 there were 30,444 commercial banks, [fol. 3949] where as in 1958, the end of 1958, there were 13,499. The only thing I need mention there is the fact that in 1920 we reached the high water mark as to number of banks throughout the United States. We were very badly overbanked, in the opinion of most people, at that time, and even though the 1920's were relatively prosperous, there were 5500 bank failures during the 1920's that had nothing to do with the depression of the early 1930's.

Now, moving to the largest 100 banks, I think it is significant to see that the per cent of deposits of all commercial banks of the 100 largest banks in 1934 amounted to 53.6 per cent. It had moved up from 41.9 per cent in 1929, and that, of course, reflects the many bank failures and changes during the depression.

Then in 1940 we find that the 100 largest banks controlled an even larger percentage of the commercial bank deposits, 56.7, but then at the end of 1949 that concentration had dropped to 44.5. At the end of 1958 it had increased in a very minor way to 45.7.

The schedule, I think, is also of interest if we look at the [fol. 3950] largest ½ of 1 per cent of the banks, because it deals with 152 banks instead of merely 100. The percentages, however, follow along quite closely to those revealed in connection with the 100 largest banks, except when we go to 152 banks we find that the percentage in 1940 of 52.2 per cent of all commercial bank deposits in

the 152 banks was reduced to 40.3 in 1949 and had only changed to 40.4 per cent in 1958.

By the Court:

Q. Haven't those 152 banks been cut to 72 and 71 respectively in 1940 and 1949?

A. The 152 banks would, of course, include the same 100 banks plus 52 additional banks.

Q. That was in 1920. By 1929 ½ of 1 per cent meant only 121 banks, and in 1934, as I read this chart, it meant 78 banks; in 1940, 72; in 1949, 71; and in 1958, 67 banks.

A. That is correct, sir.

By Mr. Littleton:

Q. What do you conclude from this reduction in the percentage of deposits held by the largest commercial banks during that period of years of 1940 to 1958?

[fol. 3951] A. Well, I conclude very much the same as I mentioned before, that the largest 100 banks have found it most difficult to maintain their percentage position in the banking field. Competition has been effective and has reduced the percentage held by the 100 largest banks.

Q. On D-49 also appears Table 27, which is on Page 51 of D-48. Will you comment upon that.

A. That sets forth the relative importance of the largest commercial banks or bank groups from 1934 to 1940 to 1958.

Q. What does bank groups mean?

A. That would include bank holding companies and chain bank groups.

Q. Proceed.

A. In 1934 there were 15,006 commercial banks. That runs down to 14,099 in 1940 and to 13,097 in 1958. Now, the largest 100 banks or bank groups held as their percentage of the deposits of all commercial banks 56.7 per cent in 1934, 59.4 per cent in 1940—it went up slightly—and then dropped down to 49.1 per cent.

Now, if we go to the largest ½ of 1 per cent of the banks or bank groups, dealing with a somewhat smaller number, [fol. 3952] in 1934 there were 75 banks or bank groups. They held 53.1. There were 70 banks or bank groups in

1940 holding 54.7, and 65 banks or bank groups at the end of 1958, holding 43.3 per cent.

There again my conclusion would be the same, that these very large institutions are meeting effective competition, and rather than increasing their position, it is being decreased or it has decreased over the period under review.

Q. His Honor's comments as to the decrease in the all-over number of banks would be equally pertinent to this situation, would it not?

A. Yes, I believe it would, sir.

Q. Now would you look at Exhibit D-50 which is Table 28 of D-48, appearing on page 54 of D-48, blownup in size for easier reading, and will you tell us what that is.

A. This reveals the deposits in the largest commercial bank and in the largest five commercial banks in each state as of 1920, 1934, 1940, and 1958. It is broken down to distinguish between states where branch banking is prevalent, where only limited branch banking is permitted, which is the situation in Pennsylvania, and the states where [fol. 3953] branch banking does not exist.

On the left-hand side of the schedule is revealed the percentage of all deposits in the largest bank or bank group, and going down to the 16 states where limited area branch banking is prevalent, we find in the State of Pennsylvania that it held 13.4 per cent, the largest bank held 13.4 per cent, as of December 31, 1958.

Now, as of December 31, 1940, I believe an explanation is needed, because it shows a figure of 11.4 per cent, and then in parentheses 18.5 per cent, and it is my understanding that that is to reveal the situation that existed in Pittsburgh, Pennsylvania, where the Mellon National, and I believe it was the Union Trust, both owned by the Mellon interests, are included in the 18.5, whereas the 11.4 per cent figure would include just the larger of the two institutions.

The same, I believe, would be true for December 31, 1934, so I think in view of the fact that the Mellon and the Union Trust did consolidate in about 1946, we should consider the 17.7, the 18.5 figure, with the 13.4 at the end of 1958.

[fol. 3954] As we can observe, in the states where limited area branch banking is prevalent, the largest institution

in Massachusetts at the end of 1958 held 28.7. The following states had lead banks with a greater percentage of resources than Pennsylvania, namely, Michigan, Alabama, Georgia, New Mexico, New York, Louisiana; and, of course, if we consider the states where statewide branch banking is prevalent, we would find situations where the lead bank or group held substantially larger percentages of banking deposits than is the case in states where limited area branch banking is prevalent.

Turning to the percentage of all deposits in the largest five banks or bank group, and again turning our attention to the Pennsylvania situation, back in December, 1920, the largest five banks or bank group held 12.4. On December 31, 1934, 39 per cent, using the parentheses figures, for the reason I mentioned, and December 31, 1940, 42 per cent, and that had dropped as of December 31, 1958, to 37.3.

My conclusions again are the same as I have previously stated. It is most difficult for a large bank or even a group to consistently increase its position, and more often than not it is likely to decrease, and that is revealed in a close [fol. 3955] examination of the schedule in many instances.

Q. Which was the largest bank in Pennsylvania on December 31, 1958?

A. The Mellon.

Q. In Pittsburgh?

A. Yes.

Q. Now, Mr. Jennings, would you turn your attention to D-51, which is a blowup of Table 29 appearing on pages 56 and 57 of D-48, and would you tell us what that is.

A. In commenting on Table 29, Exhibit D-51, which is Table 29 in the F.D.I.C. report, this sets forth the deposits in the largest commercial bank and in the largest five commercial banks in the principal county or counties in 48 metropolitan areas from 1920 to 1934 and including 1958.

Now, in the 31 metropolitan areas in states with limited area branch banking prevalent we find that Birmingham—Jefferson County, Alabama—that a bank there holds the highest percentage of the deposits for the largest bank or bank group. It holds 62.1 as of December 31, 1958. In Birmingham it did hold 64 per cent, but there again we would have to use the parentheses figure 66.9, which I am [fol. 3956] sure represented two institutions that were commonly owned and were subsequently merged.

Going on down the list we find that Philadelphia and Philadelphia County——

[fol. 3957] Q. You know they are coterminous, don't you?

A. Yes.

Q. Philadelphia City and Philadelphia County?

A. This does not include Montgomery, Delaware, or Bucks; just Philadelphia County.

Working backwards for a moment, December 31, 1958, the largest bank held or bank group held 25.1 per cent——

Q. In Philadelphia there is no bank group, is there, Mr. Jennings?

A. There is no bank group, so I am sure that in 1958—I am quite sure that would have represented the First Pennsylvania. It might have been the Philadelphia National, I am not sure.

Q. No, sir.

A. But in any event, the largest bank held 25.1 per cent on December 31, 1958.

On December 31, 1934, the largest bank held 26.7, and, of course, if we go way back to 1920 the lead bank held only 10.3.

But then going on into the percentage of all deposits in the largest five banks or bank groups—and again we do not have a bank group—on December 31, 1920, the leading five held 31.6; on December 31, 1934, the leading five held 65.4; and on December 31, 1958, that had increased to [fol. 3958] 85.1.

As we look at the table, however, we find in many cities—Detroit is one example where the leading five banks held 89.4, and there are other large and important cities where the leading five banks hold a larger proportion or percentage of the total banking deposits in their communities or counties.

Q. In that connection will you look at D-52 and tell us what that is?

A. D-52 has been prepared to make it possible to more easily visualize the situation involving the 31 metropolitan areas in states with limited area branch banking prevalent, which includes, of course, the Philadelphia area. The bars that extend out show the percentage or the concentration held by the largest commercial banks, and I think there is one thing——

Q. Is that so, as far as the Philadelphia area is concerned?

A. No. I was just going to point out that in connection with the Philadelphia area it is not the same as Table 29.

Here, for obvious reasons, the Philadelphia National and the Girard have been included on a pro-forma basis, limited as to the county—I beg your pardon, I am wrong on that—not limited as to Philadelphia County, but including Delaware, Bucks, and Montgomery Counties; so, to that extent [fol. 3959] it is not strictly comparable to the remaining bars, but, if anything, it would show a more adverse position, vis-a-vis the remaining communities where the figures are by counties, single counties; and in the Philadelphia instances we have included the four-county banking area and the figures of the Girard and Philadelphia National.

As you can see, there again, there are a large number of very important areas where the largest bank well exceeds from the standpoint of concentration that which would exist in the Philadelphia area if the proposed merger were to be consummated.

Q. Now, Mr. Jennings, in connection with these charts and graphs that you have been describing, will you turn to page 58 of Exhibit D-48?

A. Yes.

Q. The annual report of the FDIC, and direct your attention to the latter half of the middle paragraph on page 58 and read it, beginning, "In all but——"?

A. "In all but two of the 48 areas the largest bank held a larger proportion of the deposits of all the banks in 1934 than in 1929, and in all but one the proportion held by the largest five banks also increased. But in 29 of the areas, the largest bank in 1958 held a smaller proportion than in [illegible] of the deposits of all the [fol. 3960] banks. Evidently, in the majority of these metropolitan areas, any increased concentration since 1934 consequent upon bank mergers has been more than offset by expansion of the smaller banks of the area."

Q. Does that conform to your opinion?

A. That conforms to my opinion.

Q. Will you go directly across to page 59 and read us the third paragraph on page 59?

A. "The three measures of concentration used above—proportion of deposits held by a specific number or percentage of banks in the nation, the proportion of deposits in each State held by the largest bank and the largest five banks in the State, and the proportion of deposits in the leading counties in each of 48 metropolitan areas held by the largest bank and the largest five banks in the area—all point toward the conclusion that there has been no general increase in bank concentration during the past twenty or twenty-five years. If increasing concentration is taken as evidence of declining competition, the data suggests that the banking system of the nation in the late 1950's, though less competitive than in 1920, was more competitive than in the middle 1930's or early 1940's."

[fol. 3961] Q. Now may I direct your attention to page 99 of D-48 and to pages succeeding that under the heading of "Banking Developments During 1960."

Will you look at D-53, which is a blow-up of Table 38 appearing on page 100 of Exhibit D-48, and tell us what it is?

A. Well, I might say first that in a sense it is a sequel to Table No. 28 that we have already reviewed.

Q. A bring-down?

A. Yes, a bring-down.

Q. To what date?

A. To December 31, 1960.

Q. Yes?

A. From 1958, the end of 1958.

I think the importance of the schedule may be revealed rather quickly in connection with the largest one hundred banks. At the end of 1958, I would like to refer back to Table 28 for just a moment——

Q. Might I direct your attention to page 99 of the text, the next-to-the-last——

A. All right. I think that is easier, yes. On page 99, the second paragraph as to the "Relative Position of Banks" points out:

[fol. 3962] "The largest 100 banks at the end of 1960 held 46 per cent of the deposits of all commercial banks, and constituted about three-fourths of 1 per cent of the number of banks. The largest bank held 4.5 per cent, and the largest ten held 20 per cent, of the deposits of all commercial banks. These various percentages differ only slightly from the corresponding percentages for December 31, 1958."

Q. And you conclude from that what?

A. Well, I conclude that between 1958 and 1960 the situation has changed very little, indeed.

Q. Now will you look at D-54, which is a blow-up of Table 39 appearing on page 101 of D-48, and tell us what that is?

A. This table sets forth the current situation, or as of December 31, 1960, "Commercial Banking Offices and Percentage of Deposits in the Largest Banks in Each State," and I think I might profitably read on page 100 the first paragraph appearing below the chart:

"In most of the States the percentage of the deposits of all commercial banks held by the largest bank, and the percentage held by the largest five banks, are similar to the corresponding percentages on December 31, 1958. In the majority of the States there was a slight decline in these percentages between the two [fol. 3963] dates. In fourteen States there was a slight increase in the percentage of deposits of all commercial banks held by the largest bank, and in twenty States by the largest five banks."

Q. Now will you look at D-55, which is a blow-up of Table 40 appearing on pages 102 and 103 of D-48, and tell us what that is?

A. This sets forth the situation broken down as to states, depending on the branch-banking situation prevalent in the various states. It shows the percentage of deposits in the largest banks in the principal county or counties in 65 metropolitan areas as of June 15, 1960.

I would refer particularly to Philadelphia, Philadelphia County, which appears in the grouping where limited branch banking is permitted; and it shows that the largest

bank on June 15, 1960, held 26.1 per cent of the deposits; the largest three banks held 63.7; and the largest five banks, 83.6.

Now, there is a footnote on the blown-up schedule which reveals that for Philadelphia, and giving effect to the proposed merger, the percentage of deposits of all commercial banks in the largest bank, the largest three banks, and the largest five banks in Philadelphia County would be respectively 37.5 instead of 26.1 as it appears in the tables; 74.6 [fol. 3964] per cent instead of 63.7 as appears in the table; and 89.8 per cent instead of 83.6 per cent.

I might also, on page 100,——

Q. Before you leave that, is that your footnote or did you receive that information from someone else?

A. No, sir, that is not my footnote. I accepted it as having been prepared by Mr. Milton Hoffa of the Girard Trust Company.

Q. May I ask you if the footnote on D-54, the preceding exhibit,——

A. The same would hold true.

Q. Right.

A. I accept it as having been prepared by Mr. Milton Hoffa.

Q. Right.

Now, you were going to read on page 100, were you, of D-48?

A. Yes, at the very bottom of page 100, the relative position of banks in metropolitan areas; and this refers, of course, to Table 40, and it states that:

> "Table 40 pertains to the number of offices and percentages of deposits in the 65 most populous metropolitan areas. It shows the number of commercial banks operating in the principal counties in those [fol. 3965] areas, the number of offices operated, the population per office, and the percentage of all commercial bank deposits held by the largest bank, the largest three banks, and the largest five banks. The metropolitan areas are placed in three groups, as in Table 39, according to the most prevalent type of banking organization, with the areas in each group listed in the order of the percentage of the deposits in the largest bank."

And then beginning on page 104:

"The deposit data in Table 40 are of a type not hitherto available, though for most of the areas in States with limited area branch banking or unit banking prevalent they are roughly comparable with those for earlier dates given on pages 56-57. Lack of strict comparability arises from the fact that the figures for the prior dates are computed from the total deposits of each bank with its head office located in the specified metropolitan area, including in some cases deposits in branches located outside the areas; while the deposits for June 15, 1960, pertain to those held by the banking offices located within the county, therefore excluding any deposits in branches of the same banks outside the specified counties. Though the data [fol. 3966] are not strictly comparable, they support the conclusion that in the majority of the leading metropolitan areas in 1960 there was slightly less concentration in the largest bank and in the largest five banks than in 1958. In only about one-third of the areas for which data are given for both dates was one or the other of these percentages higher in 1960 than in 1958."

Q. Now, Mr. Jennings, will you turn to page 59 of D-48 and read for us the first paragraph on that page under the heading, "Some Observations on Bank Competition"?

A. Yes.

"A general analysis of changes in bank competition during the last several decades is beyond the scope of this report on changes in number of banking offices and the relative position of banks. Nevertheless, the two subjects are related, since data on changes in the number and distribution of banks and branches are essential, though not sufficient, for an appraisal of changes in competition among banks. It has been asserted in recent years that there has been a marked decrease in bank competition as a direct result of the decline in number of banks since 1920. Information [fol. 3967] collected for this report does not support such an assumption."

Q. Will you also be so good as to read us the last paragraph on that page?

A. On page 59?

Q. Page 59.

A. "However, it should be kept in mind that there is no fixed relationship between changes in concentration and changes in competition. Other developments in the economy also have an impact on the degree of competition. To what extent, for example, has the quite remarkable change in transportation and communication facilities since 1921 altered the competitive picture? Is the banking situation in a town which had three banks in 1921 less competitive today with only one bank, but with two banks within easy driving distance? Banks in neighboring towns, in neighboring counties, and in neighboring States often compete with the local bank in today's market, at least for certain types of business, but there is no way of measuring the extent of this competition, nor is it possible to compare the degree of such competition with that which may have existed in 1921."

Q. Now just one more paragraph, being the last paragraph in the section appearing on page 61.

[fol. 3968] A. "No easy or simple answer can be given to the question of the extent to which bank competition has been affected by changes in the number of banks and in the relative position of banks since 1921. If there have been significant changes in the nature of competition among banks, or an appreciable reduction in the intensity of competition among them, the evidence of such changes must come from something other than an examination of changes in the number of banks and in their relative position."

Q. May I ask you, does your opinion conform with what you just read to us?

A. Yes, sir.

Q. Now, if I may direct you to another subject, at my request did you read the transcript of the testimony of Prof. Goodman?

A. I have read it.

Q. Will you listen while I read to you from page 1791 of the transcript? Prof. Goodman there said, in answer to the question, and I will not repeat the question:

> "I feel that the availability of bank credit to the small and intermediate-size business borrowers will be substantially affected as a result of this merger . . . My [fol. 3969] basis for that conclusion rests upon, Number 1, that small and intermediate-sized borrowers are restricted to the local market for their bank-loanable funds. Therefore, any change in the competitive availability of bank funds will be most felt by smaller and intermediate-sized business.
>
> "In this particular situation I examined the banking alternatives in Philadelphia and conclude that a substantial active competitor will be eliminated from the market. When a substantial active competitor of the competitive ability of the Girard Bank is eliminated from the market, there will be a decrease in competitive pressure in the market, and this pressure will most affect those borrowers who are limited to the local market."

May I ask you, Mr. Jennings, do you agree with that conclusion of Prof. Goodman's or with the reason which he assigns for it?

A. I do not agree with it. It is perfectly obvious that one bank disappears from the the competitive scene.

However, there will remain within Philadelphia County itself seventeen banks that, in my opinion, provide adequate alternatives for small and medium-sized business-men. I [fol. 3970] have seen no evidence anywhere that both the large and small banks are other than very competitive in that particular field. All of the banks want the business of small and medium-sized business concerns, as well, obviously, as the business of the larger concerns.

I don't believe it would alter the situation adversely from the standpoint of the small businessman.

Q. How about the intermediate-sized businessman?

A. And I do not believe it will alter it adversely there.

Q. How about the large ones?

A. Well, I would say in the larger field the competition will be increased because then we would have a bank that

would be more competitive against large banks throughout the nation.

Q. In your experience have you noticed any difference in the treatment of small and medium-sized business by a large bank, as contrasted with treatment by small banks?

A. No. Both are very active in that field. I just do not see any difference at all.

Q. Now, then, at page 1795 and 1796 of the transcript Prof. Goodman said:

> "Now, the interesting thing to me, and again a very important point upon which I rely for the anti-competitive effects of this merger, is that having wiped out [fol. 3971] the small banks, in my opinion, we now see an effect where the banks are now going to reduce competition at the high level in addition to reducing competition among the branches which have, to a degree, attempted to replace some of the competitive opportunities that were afforded by unit banks.
>
> "We see that if this merger is to go through, we see the beginning of the reduction in competition at the high level, at the level of banks who now can concentrate on the very large businesses, because they would be reduced from three to two."

Do you agree with Prof. Goodman's conclusion and opinion?

A. No.

Q. Or the reason therefor?

A. No, I do not.

Q. Why?

A. Well, to me, it is very obvious that at the higher level, if the proposed merger is consummated, the competition will definitely be increased locally and nationally; and that the other large banks in Philadelphia will very definitely be able to compete.

In addition, it is inevitable in mergers of this type that [fol. 3972] a certain percentage of the business of the merging institutions is acquired by other large local banks and small local banks; so I would foresee enhanced competition at all levels.

Q. Again, on page 1824 of the transcript Prof. Goodman, in speaking about these two merging banks, said:

"The disappearance of one of these, one I believe which controls approximately 20 per cent of all banking resources in the area, the other which controls approximately 17 per cent of all banking resources in the area, will materially affect the relative ability of a small business to secure funds, inasmuch as the disappearance of a very powerful, vigorous competitor, with the substantial resources of one of these banks, would affect him more substantially than the disappearance of another."

Do you agree with that conclusion and the reasons?

A. No, I do not. I do not agree with it.

I am firmly of the opinion, based on my experience, that there would be an adequate number of banks in this county and the four-county area actively competing for small-business loans and deposits and medium-sized loans and [fol. 3973] deposits.

I just can not see that the small businessman or the medium-sized businessman stands to be hurt one iota.

Q. In your opinion, how many choices should a small or medium-sized borrower have?

A. Well, of course, it would be easy to give a large number, but in my experience, in the great majority of instances, if two banks turn a man down on a loan after having carefully reviewed it—and, mind you, banks wish to make these loans—it is unlikely that it is a bankable loan.

However, to be on the safe side I would say that three choices would be adequate. Of course, in Philadelphia and in this area we have a far greater number than that.

Q. Now, again, Mr. Jennings, on page 2018 of the transcript Prof. Goodman said:

"It is therefore my conclusion that the consolidation of these two banks will materially affect their ability to be able to affect the price and the supply and the allocation of available bank credit in this area."

Do you agree with that?

A. I do not.

Q. Why not?

[fol. 3974] A. Now, as I understand it, he has stated that

the merged bank would be in a position to control credit, control prices.

Q. To affect the price and the supply and the allocation.

A. Affect the supply?

Q. And the allocation of available bank credit in this area.

A. Well, I just wholly disagree with it. It is not possible. I can not imagine any experienced banker agreeing with such a statement. There is simply too much credit, I mean too much competition available in this upper level and at the lower level to prevent any such thing occurring.

If a banker were to attempt to control credit in an area because he had 35 per cent, let us say, of the deposits or the capital structure, in my opinion within a year's time he would have lost a substantial amount of his business. You just can't operate that way in the banking field, so I think he is wrong.

Q. Is there anything in any of the exhibits which we have been discussing this morning which indicates that this is not the situation?

A. Well, I think it has been obvious through most of the schedules we have reviewed that the large banks in communities all over the country have to do their level best to [fol. 3975] hold even as against their smaller competitors; and more often than not, as I observed, they lose ground to their smaller competitors over a period of time, so I think that that does tie right into it.

Q. And in any of the communities where the largest bank had a concentration higher than these merged banks would have, does this dire situation that Prof. Goodman envisages obtain?

A. No. It does not exist, in my opinion, in any city in the country.

The only exception I might make (I don't know of any such situation), it might exist in a few of the 7,000-odd communities served by a single bank, the community being relatively remote. I don't know of any such situations, but conceivably it could grow out of a situation like that, but that would be a remote, small community served by one bank.

By the Court:

Q. Which would have a complete monopoly; is that it?
A. Yes.

The Court: All right. Ten-minute recess.

(A recess was had)

[fol. 3976] Q. Mr. Jennings, again on page 2021 of the transcript Professor Goodman stated:

> "If I were the president of this merged bank and I wished to exert my will on the other borrowers in this area, I would have to, as I pointed out yesterday, take into consideration the market in which I operate, the available competition, the available effective competition which I will face, and the relative ability of the customers to pay me for my merchandise, so that I can maximize my return relative to the amount of bank resources that I have available to commit to this area.
>
> "I know that I would have 35—what is it, 35 to 40 per cent—I will get the exact figure—I would have 35 per cent of the total capital of the area, total bank available capital in the area, and I would have 36 per cent of the total deposits, 32 per cent of the IPC deposits.
>
> "This to me indicates that I have a substantial control to the extent that, if people in this area wished to continue to borrow the same amount of capital that they have been borrowing before, they must come to [fol. 3977] me for at least a third of the total deposits, and they must come to me because I control a third or more of the total bank capital."

Do you agree with that opinion?

A. I do not. Obviously anyone who would make such a statement has never been a banker. A banker's commodity, in effect, is represented by his deposits, and he doesn't own his deposits. He owes his deposits, and any individual who attempted to run a bank on the basis that he was a czar because he had 35 or 40 per cent, or whatever the amount might be, of the banking business in the community and could impose his will on borrowers, depositors, customers, generally would find that he would, in effect, be liquidating

his bank. He just could not operate a bank successfully on that basis using such policies or with that attitude. It would be impossible.

Q. To your knowledge or from your experience in any of the cities or areas which appeared in the exhibits discussed this morning, where the largest bank has a concentration of assets or deposits which are in excess of what this merged bank will have, is such control being exercised by any such bank?

A. I have never seen control of that type exercised in [fol. 3978] banking.

Q. And as I understand your opinion, you don't think it could be?

A. I do not think it could be, with the one exception that I mentioned just before we recessed, a remote, small bank, the only bank in the community.

Q. And what is the thrust of that word "remote"?

A. Well, in the West and Southwest we have some areas where a bank will serve a community, and I suppose it might be 50, 60, or 70 miles to the next bank, but let me point out this: Such situations are very rare, but I have had occasion during the period I was with the office of the Comptroller of the Currency to survey and examine new charter applications, where the new bank was going into a one-bank community remote from other banks, and I have found that in those situations, despite the remoteness, that if the bank has not been serving the local community correctly, that a rather amazing amount of banking business is done elsewhere by mail. The public will stand about so much, and even though it is most inconvenient, such as the situation I am mentioning, they will handle their banking business elsewhere.

Q. Again on Page 2027 of the transcript—and this is the last one I will direct to you—Professor Goodman said;

[fol. 3979] "A. Banks are in a better competitive position than are manufacturing companies to control prices.

"Q. Prices of what?

"A. Prices of the goods that they make available.

"Q. What are they?

"A. Primarily money and services . . ."

Do you agree with that?

A. I do not. As I mentioned before, every bank owes all of its deposits. A bank may not operate without deposits. I think that a bank is in a much more competitive environment and that it is certainly not in a better position than a manufacturing concern to impose its will pricewise, creditwise, or in any other way on the banking community.

Q. Is it in as good a position?

A. No, I really don't think so. I think a business concern that has 35 per cent of the market or even 20 per cent of the market—we are talking nationally—is in a much better position than a bank—of course, we have no banks with 20 or 30 per cent of the national market—but it is in a much [fol. 3980] better position than a bank with, let us say, 35 or 40 or 50 per cent of the banking resources of a single community or area.

Q. Now, Mr. Jennings, in your opinion, if this merger becomes effective, will existing and potential competition generally in commercial banking in the Philadelphia area be substantially and unreasonably lessened?

A. No, I feel it will be increased.

Q. Will concentration in commercial banking in the Philadelphia area be substantially and unreasonably increased?

A. Oh, no, no, it will not.

Q. Will existing and potential competition in the commerce and industry served by commercial banks in the Philadelphia area be substantially and unreasonably lessened?

A. Well, I personally think that that is absurd. Naturally, the competition between competing commercial and industrial firms probably will not be affected a great deal one way or another. They are highly competitive now. They are going to continue to be competitive, and I really can't see how anyone could visualize a change in that situation by virtue of the proposed merger. I think it would remain as it is, highly competitive.

[fol. 3981] Q. In your opinion, is it in the public interest that this merger become effective?

A. Yes, it is.

Mr. Littleton: Mr. Price.

By Mr. Price:

Q. Mr. Jennings, will you turn to pages 52 and 53 of this Exhibit D-48, and I call your attention to the statement appearing in the second paragraph on page 52, that in the United States there is a tendency for the greatest concentration to occur in the states with statewide branch banking; and on page 53 in the first full paragraph referring to Table 28, it says that they show much more concentration in some of the states in which unit banking is predominant throughout the state.

Now, whether the concentration is due to statewide branch banking or unit banking, where the greatest concentration exists, have you in your experience found that there has been any adverse effect on the ability of the businessman, whether large or small, to be adequately served?

A. No, I have not. Of course, in the statewide branch bank states, that would include all of the states on the [fol. 3982] west coast, some few states in the East, there are states that are served by a relatively small number of banks from the standpoint of, let us say, eastern standards or standards where statewide branch banking is not permitted, but I have never seen an instance in those areas where business and industry were not receiving adequately competitive banking treatment.

Q. And in such areas of greatest concentration have you observed whether or not the smaller bank or the smallest banks have been able to compete and to grow adequately and freely without restraints exercised by the larger banks?

A. Yes, I have. I have observed it on many, many, many occasions, that aggressive and progressive well run small institutions can compete and compete effectively against very large institutions.

Q. Were you in court the other day when Mr. Mason was on the stand and was asked by Mr. Reycraft the hypothetical question based upon the assumption that one bank would have 80 per cent of the resources of a community and that

ten other banks would each have 2 per cent of the resources?

A. Yes, I was in court.

Q. I assume that may be considered a hypothetical [fol. 3983] situation.

A. Yes, it is hypothetical. I don't believe I can remember ever dealing or knowing about a community that was served in that way, 80 per cent of the resources held by one bank and ten banks holding 2 per cent each. That, I am quite sure, does not exist in actuality.

Q. If that situation were artificially created in some way, what in your opinion would be the result?

A. Well, I think the result would be this, that if all ten banks holding 2 per cent each of the banking resources were managed by people of equal ability and capacity, that as the years went on they would grow and increase their percentage of the banking business in that community and that the bank with 80 per cent of the banking resources would find itself steadily, year after year, holding a lesser percentage, because it is virtually an impossibility under those circumstances for a bank to get 80 per cent of all the new business and retain 80 per cent against ten aggressive, effective, progressive competitors. It just isn't being done in the banking business.

Q. And then if that 80 per cent bank tried to maximize its profits in the manner suggested by Professor Goodman, [fol. 3984] it would lose its business more rapidly, wouldn't it?

A. I would say that it very definitely would go down from 80 per cent to a substantially lower percentage much more quickly.

Mr. Price: That is all I have.

Mr. Littleton: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Jennings, what is the largest bank in Texas?

A. Republic National Bank of Dallas.

Q. And that is the bank of which you are senior vice-president at this time?

A. Yes, it is.

Q. What type of banking system does Texas have?

A. It doesn't permit branch banking in any way, shape, or form, and holding company banking is not permitted, so it is strictly a unit bank system.

Q. Has your bank been involved in any mergers?

A. The last one was in 1955, as I remember it. I was not with the bank at that time. It acquired a relatively small institution having total resources of approximately $40 million.

[fol. 3985] Q. Was there any other prior to that that you recall?

A. Going over the history of the bank, yes, but, for instance, back in 1929 there were some mergers—1930. It has had a certain number of mergers, but let me say that during the past ten years or even 15 years I believe the merger I referred to in 1955 was the only one of any consequence.

Q. So that its present asset position and its present lending limit substantially all is attributable to what we have referred to as natural growth?

A. Natural growth, that is correct.

Q. And the present lending limit of your bank is somewhat in excess of $10 million?

A. $10,500,000.

Q. And it has been possible to achieve this through natural growth; is that right?

A. It has, and I might add, if I may, that the bank commenced business in 1920. It was competing against an old, fine, well established institution, the First National Bank of Dallas. It still is a fine institution and a strong one. Yet the Republic National Bank of Dallas, primarily by virtue of its vigor, its agressiveness, its progressive policies, gradually moved on up, almost wholly by natural growth, [fol. 3986] reached and passed the old established institution of the First National Bank of Dallas, which shows that a small bank can compete against a large bank, because when it was chartered back in 1920 the First National Bank of Dallas was the outstanding financial institution in the Southwest.

Q. And your bank grew to be the largest bank in the State of Texas by natural growth and as a result of the

quality of its management and the quality of its policies; is that right?

A. Plus a few small mergers.

Q. Relatively minor?

A. Relatively minor mergers. Not only the largest in Texas, but I might add, the largest south of the Mason-Dixon Line.

Q. Mr. Jennings, I believe you testified that you have appeared here under subpoena; is that correct?

A. Pardon?

Q. You appeared here under subpoena?

A. Yes, I did.

Q. How many days have you attended the trial of this case?

A. This will be the fifth day. I attended two days when [fol. 3987] the case opened, and then, of course, I have been here Tuesday, Wednesday, and Thursday of this week.

Q. You went back to Texas and then returned?

A. Oh, yes.

Q. From some of your direct testimony I got the impression that you felt that you would be compelled to express your opinion on this case by subpoena.

A. Well, in considering the matter in my bank, the president of the bank felt that if I were to appear as a witness it should be on the basis of an enforceable subpoena.

Q. But you are not under the impression, are you, or haven't been, that you could be compelled to give your opinion?

A. Well, if I appear as a witness, I am going to give my considered opinion on questions that are asked me, to the best of my ability.

Q. You are doing so freely, and you don't feel that you are under any compulsion of any kind?

A. Oh, absolutely not.

Q. You have had an opportunity to study a number of the facts relating to this case; isn't that correct?

A. That is correct, I have

Q. You are familiar with the Philadelphia National Bank [fol. 3988] and the Girard Trust Corn Exchange Bank generally, are you not?

A. Yes, although, of course, I am more familiar, I suppose, with the Philadelphia National than with the Girard,

but I have reviewed the figures. I haven't attempted to memorize many of them, but I have reviewed the basic application, and I believe all of the exhibits.

Q. Do you have an opinion as to the financial soundness of the Philadelphia National Bank?

A. Yes, I have. I would regard it as being a eminently sound institution.

Q. Would you place in the top rank among financial institutions?

A. Yes, I would.

Q. Would you place it in the same rank with reference to the quality of its management?

A. The quality of its management is superb.

Q. And with respect to its ability to serve the community?

A. You are referring to simply the four-county area?

Q. Its ability to serve the area which it now serves.

A. I do not think it is in a position to adequately serve all the business that the Philadelphia National should be in a position to serve.

[fol. 3989] Q. Do you have an opinion with reference to the customers who require $8 million of loans at one time?

A. Do I have personal knowledge?

Q. No. Do you have an opinion as to whether the Philadelphia National Bank is able to give service which would be in the top rank for those customers who require $8 million of loans?

A. Oh, there is no question about it being able to give service to large borrowers. The only difficulty is that it has a legal lending limit in relation to the city, area, and nation that is inadequate. There isn't any question about its ability to serve up to $8 million. There would be no question about its ability to serve or service substantially larger loans.

Q. Would you have the same opinion as to the Girard with reference to its financial soundness?

A. Yes, I would. I am not as intimately familiar with the Girard as the Philadelphia National, but I would state that that would be my opinion.

Q. And also its ability to serve its customers up to its legal lending limit?

A. Yes, up to its legal lending limit or to a much higher legal lending limit.

[fol. 3990] 'Q. But up to its legal lending limit you would have no doubt that it is in the top rank among financial institutions with reference to its ability to serve its customers?

A. No, it is not in the top rank.

Q. With reference to the quality of its services?

A. No, I don't mean that at all. Let me make it clear that both of the institutions, in my opinion, have outstanding managements. They can handle any type of banking business that any other large institution in this country can deal with, but they are hampered, both of them, by having a legal lending limit that is too small for the needs of their community and the large concerns they must deal with around the country.

Q. Do you have any specific examples in mind?

A. No, only based on my long association with banking and my knowledge, general knowledge, that in a city such as Philadelphia it is necessary to have a larger legal lending limit than $8 million to effectively compete for national business throughout the United States. I know that from my own knowledge in connection with the Republic National Bank of Dallas, so I can say that I know it is so, but if you ask me to name ABC Company or DEF Company, I am not [fol. 3991] able to, but I know that a larger lending limit would attract business not now attracted to the two institutions, because the enlarged institution would have the ability, the capacity, to meet the larger needs that occasionally arise in the fourth largest city in the country.

Q. How high a lending limit do you think the bank ought to have?

A. Well, let me say this, that I think the merged institution, with a $15 million lending limit, is in a greatly improved position to compete. I would be quite happy if it were somewhat larger, but I think $15 million will serve at least to substantially correct the present glaring deficiency.

Q. Do you think $15 million is about enough?

A. That would depend on future requirements. You never can say flatly as of one given moment that a figure is all right for next year or five years from now, but I would say that the merged institution could very comfortably proceed on the basis that they were in a greatly improved

position. If subsequent events were to prove that they were wrong and that they needed a greater lending limit, they would have to determine what might be done about it.

[fol. 3992] Q. There are a large number of companies whose needs cannot be fully met by a bank with a $15 million lending limit; isn't that correct?

A. That is correct.

Q. Do you think that the bank ought to be in a position to serve these companies as well?

A. There comes a point where the rule of reason has to come into play. There are national concerns in this country whose borrowing needs far exceed the top legal lending limit of any bank in the United States; so I think that all we can hope to do is to try to approach it within reason to have a legal lending limit that is not glaringly below the banks that the Philadelphia institutions compete against in so many areas of the country, including cities with smaller populations, less important industrial communities than Philadelphia.

Q. Do you have an opinion as to the point at which this rule of reason comes into play?

A. I would be happy to say that for the present the rule of reason would stand at $15 million.

Q. You think $15 million is about right?

A. I would say that and for obvious reasons. If the [fol. 3993] merger were going to produce $14 million, I would be happy with that. I would be happier if it were going to produce $16 million or $17 million, but there is a rule of reason that has to be applied, of course.

Q. You stated that you consider a $8 million lending limit to be glaringly inadequate.

A. I do in Philadelphia, yes.

Q. Can you tell me what your basis is for that conclusion.

A. Well, possibly I can outline it a little more clearly in this way: I saw some figures the other day put out, I believe, by the Department of Commerce—maybe it was the Small Business Administration—and it pointed out that there were 4,700,000 business entities in this——

Q. I don't like to interrupt, but can you identify that source?

A. I can when I return to Dallas. I have it on my desk.

Q. Go ahead.

A. There are 4,700,000 business entities in this country. 75 per cent of them employ fewer than four people. Only 1 per cent, or about 46,000 or 47,000, employ 100 or more [fol. 3994] people, and they account for about 75 per cent of the employment in this country. So we have a business setup in this country where we have 45,000 to 50,000, let us say, of larger business concerns, and then we have this large group of smaller business concerns, but that large group, the 45,000 to 50,000, become very large at the top, and they are just as important, no more important, in my view, than this large group of small business entities; and it is necessary that the large banks of the country be able in their own areas, to the extent of being reasonable, look after their borrowing requirements. After all, a large institution in Philadelphia or Dallas or Chicago or Detroit has the responsibility first, I say, to the local community, the local area, its state, but it also has a responsibility to take care of the financing needs of national concerns, including those national concerns that may be in its own area, and it is my view that Philadelphia, as the fourth largest city in the country, a city that is most important industrially and commercially, needs a bank with a larger lending limit than $8 million in order to compete.

I am in Dallas. I am in a city, the fourteenth largest in the country. We have a lending limit of 10 million 5. When [fol. 3995] we are asked by the treasurers of large corporations to give them a line, lots of times our lines will be as much or more than the line given by a Philadelphia bank, and it could be that the concern would be more within the orbit of Philadelphia than Dallas. I don't think that is right. Certainly I wouldn't think it right in Dallas if we were asked to make a loan to one of our largest and finest corporations, to have to say "No, we don't have 10½ million; we have 3 million. We are way behind the parade, and you will have to go out and arrange for a group of banks to participate with us."

It makes a great deal of difference. Banks have dignity, along with everything else, and they don't like to be well down the line in relation to their own community, and it is important population-wise and industrially.

Q. Do you consider your own bank's lending limit of 10 million 5 to be glaringly inadequate?

A. No, not in Dallas. I would like to have it higher. We have to turn down loans now and then and participate loans out that go beyond that. Not in large number, I assure you, [fol. 3996] but we have some limit loans. I would like to see it a little bit larger, and the day will come when it will be larger, but we get along quite well with it, but remember, Dallas is not Philadelphia. Our population for the whole county is a little under a million. In your immediate four-county area you have 3½ million people. You have greater industry.

But we will catch up.

Q. Does your bank propose to catch up by merger?

A. I have no comment on that. We are not considering any at the moment.

Q. I don't believe I understand yet how you reach the conclusion that $8 million is glaringly inadequate and $15 million is adequate. Let me ask you, sir: Have you examined any particular statistics which would support this conclusion or are there any particular companies you have in mind to support this conclusion?

A. No. I would say that my conclusion on that score is based on the size of some of the very large corporations in this area, and I know very well they will borrow more than $8 million. They have lines of credit available to them far exceeding $8 million, and if I were a Philadelphia banker, I would look upon $8 million as glaringly inadequate as a legal lending limit. I really would. It is just not [fol. 3997] adequate.

You are confronted with banks in Boston, in New York, in Cleveland, in Pittsburgh, in San Francisco, in Dallas, that have larger lending limits and it just isn't the thing to do. It isn't good for the community. There isn't any doubt, Mr. Reycraft, that a larger lending limit will have a beneficial effect on banking and commerce in this city. It is difficult, possibly, to explain it, but it has a value that goes beyond the number of times it is used. A large corporation just feels more comfortable dealing with a bank that has a lending limit that is more nearly adequate or adequate to look after its needs.

Q. Do you have any particular company in mind for whom the $8 million lending limit is——

A. No, I don't believe I care to mention companies.

Q. May I finish my question?

A. Oh, I am sorry.

Q. Do you have in mind any particular company for whom the $8 million lending limit is glaringly inadequate, which does not require more than $15 million?

A. No, I don't know offhand.

Q. Don't most of these companies you are talking about require more than $15 million?

[fol. 3998] A. Some of them would, but the thing is, and I imagine it is so—possibly I shouldn't say it when I don't specifically know it, but I would believe that there might be companies in this area that don't do very much business with Philadelphia banks, and they go to New York, in all probability, because of its proximity, because Philadelphia has a $8 million lending limit. They think it is not quite in the big leagues, and they better go up there.

Now, some of those companies, not all, I think would take a different view of the situation with a larger bank and a $15 million lending limit. I just think that there isn't any question that they would take a different view, because they would feel more comfortable.

Q. Can you name one company for which the $8 million lending limit is inadequate, for which the $15 million lending limit would be adequate?

A. No, I am not in a position to name names.

Q. Well, you don't know?

A. I would say that that is correct, as to names.

Q. So that your testimony generally is based on your assumption that larger lending limits in general are a [fol. 3999] desirable thing; is that right?

A. Yes, that is correct, in view of the importance of Philadelphia.

Q. Yes, but you wouldn't know, for example, what number of the existing or potential customers of Philadelphia National Bank might require a lending limit in excess of $8 million?

A. No, I would not know.

Q. For example, you wouldn't know whether it was 1 per cent or perhaps less?

A. The 1 per cent, you mean, as to all borrowers?

Q. By number.

A. By number. Well, of course, it would be less than 1 per cent of all borrowers by number. If you include consumer credit loans and all the rest, it would be a very small percentage. It always is.

Q. Who would require more than $8 million?

A. Yes, it is less than 1 per cent, but it is a very important area that has to be taken care of, very important to the city, very important to the banking community.

Q. Do you know what percentage of the financial needs of large companies are supplied by commercial banks?

A. What percentage of the financial needs of large com-
[fol. 4000] panies?

Q. Yes.

A. Are supplied by banks?

Q. Yes.

A. No, I do not know the percentage.

Q. Do you know of any occasion where any large business of the type you had in mind has been unable to get its financial requirements by reason of the inadequacy of lending limits of any commercial bank?

A. In the Philadelphia area?

Q. Anywhere.

A. Anywhere? Well, let me answer it this way: I know of many situations where the lending requirements are not met, cannot be met, because of legal lending limits, and it necessitates the borrower going to various other banks and arranging either for one loan at a much larger bank or for participation through the local bank and participating out to other banks. I know, of course, of many situations like that. They are very common among the very large corporations.

Q. You testified that far less than 1 per cent of the borrowers by number would require a lending limit in excess of $8 million. Do you have an opinion as to the percentage
[fol. 4001] which would require between $8 million and $15 million?

A. The exact percentage?

Q. No, sir, I will take an opinion.

A. Oh, no. I don't have any idea of the exact percentage. To begin with, I suppose this bank may have 40 or 50 thousand notes in its consumer loan department, separate borrowers, and you get into a very large figure and work

it down to an infinitesimal percentage. I think that when we consider this field, we had better forget percentages and say, well, how many borrowers might there be in a community such as this who would require borrowings in excess of $8 million?

I don't know the answer to that—possibly the local bankers do—but that number, though small, is highly important to the community.

Q. Do you know, Mr. Jennings, the number of borrowers from the Philadelphia National Bank who had average loans in excess of $5 million in 1960

A. I saw a schedule, I believe, that was introduced—maybe I am wrong; I guess I am wrong. No, I wouldn't know. Unless I have seen it in the exhibits that have been presented here, I would not know the answer.

[fol. 4002] Q. Your only information would come from the exhibits which are in evidence in this case?

A. That is correct. I have no other information.

Q. Is D-26 one of the exhibits that you might have examined?

A. Yes. I reviewed that.

The Court: Being what exhibit?

Mr. Reycraft: D-26, Your Honor.

The Court: D-2?

Mr. Reycraft: D-26.

The Court: D-26 revised.

Mr. Littleton: May we have the question, please?

(The testimony was repeated by the reporter as follows:

"Q. Do you know, Mr. Jennings, the number of borrowers from the Philadelphia National Bank who had average loans in excess of $5 million in 1960?

"A. I saw a schedule, I believe, that was introduced—maybe I am wrong; I guess I am wrong. No, I wouldn't know. Unless I have seen it in the exhibits that have been presented here, I would not know the answer.")

By Mr. Reycraft:

Q. I might say to you, sir, that D-26 does not purport [fol. 4003] to show all loans of $5 million or more, but it

does show the loans for those customers with credit lines of $8 million, the top credit lines.

A. Yes.

Q. All right.

Mr. Littleton: Yes.

The Witness: It shows, as I understand it, 27 customers having lines aggregating $234 million and those customers had average deposits of $103,500,000. They had average outstanding loans during 1960 of $51,798,000; and they had an excess of deposits over loans, on an average basis, of about $51 million.

By Mr. Reycraft:

Q. Will you answer my question with reference to the average loans?

A. (No response.)

Q. Of these top-line customers, how many on that page do you see that had average loans of $5 million or more?

Mr. Littleton: Do you mean the average for the year, Mr. Reycraft?

Mr. Reycraft: The average for 1960.

The Witness: Well, I would say three—no, at the very bottom—I would say three.

[fol. 4004] By Mr. Reycraft:

Q. And of those three two are situations where they are secured by commercial paper; is that right?

A. Yes.

Q. Will you agree that as a general proposition the customers who receive the highest lending limit of the bank, the highest line of credit, are the ones who require it?

A. Who have acquired——

Q. Who require it.

A. Well, certainly, they are among those requiring it. There may be others who have gone elsewhere because of the inadequacy of the $8-million lending limit. This merely——

Q. You don't——

A. This merely reveals the situation as it is in the bank as of one given moment, one given date.

I don't believe you can draw very many conclusions from that as to the number of other concerns or individuals who might have need for or who actually are borrowing amounts in excess of $8 million from other sources.

Q. I point out to you first these are average loans for the year.

A. Yes.

Q. You have indicated it is as of one particular date. [fol. 4005] A. Yes, that is the average; so there would be times when they would be much higher and there would be times when they would be lower, I would guess.

Q. Now once again you don't know of any particular customer which went elsewhere because of the $8-million lending limit?

A. I do not.

Q. Now, you testified also, Mr. Jennings, with reference to D-47. Do you have that exhibit?

A. They are not in very good order here; I will take a moment.

Can I get some help? D-47, will you bring it up, please? That is correct. I testified.

Q. And you expressed the opinion, as I remember (and I refer to page 3324 of the transcript)——

Do you have D-46 there with you also?

A. I have D-46 and D-47 with me.

Q. Yes, sir.

Now, by reference to those exhibits, I believe you testified that at the time these studies were made the people residing in all of these communities were receiving the benefit of adequate banking competition; is that right?

A. I may have been as all-inclusive as that. I thought I [fol. 4006] indicated that there might be a one-bank community here or there that I would exclude, but ——

Q. With that exception——

A. But with that exception I would say that in my judgment they were receiving the benefits of adequate banking competition.

Q. And that is your opinion now?

A. And that would be my opinion now.

Q. Now, you include in that category Gary, Indiana, do you not?

A. I do.

Q. What percentage of the assets of all commercial banks in Gary, Indiana, is held by the largest commercial bank?

A. As of 1956, 88.4

Q. Do you know what has happened to that percentage between then and 1960?

A. I have quickly looked at that one just to refresh my memory. Actually, there was and is a savings bank there that did provide competition in the sense that savings banks provide competition for deposits, mortgage loans, possibly modernization loans.

Actually, a $40-million bank in a near-by, in a suburb really, has established a branch there rather recently, and, as I remember it, the concentration has gone down into [fol. 4007] the area of around 70 per cent.

Q. Are you talking now about commercial banks?

A. I imagine that I have included the savings banks in my calculations, but the branch of the bank that has gone in there is, in my opinion, doing a good job.

Gary is an unusual situation. It's not very large geographically and there are a lot of banks around the edge and people go in there and work in the steel mills and they live out in the suburban areas. There are a number of banks there that they have had access to.

I have felt that the people in Gary enjoy reasonably good competitive banking.

Q. In 1956, which is the time that the figures in D-47 are effective, you were in the Comptroller's Office; is that right?

A. That is correct.

Q. And you were familiar with banking competition in this particular area by reason of your affiliation?

A. Yes. I don't believe we were dealing with a per cent on a merger. We were merely supervising a very large national bank in a community and we knew generally the situation, both as to its condition and also the status of banks in the near-by area.

Q. And it was your opinion at that time that the people [fol. 4008] of that community were receiving adequate banking competition; is that correct?

A. I feel—yes, I felt at the time that they probably were because of the unusual situation of so many people com-

muting in to work and banks in the general area near by; and certainly I wouldn't look upon it in any sense as a monopoly.

Q. You don't think that is a monopoly?

A. There were adequate choices available in Gary.

Q. Do you think that anything short of a hundred per cent would be a monopoly?

A. Oh, it's most difficult to try to fix a percentage as being determining or indicative that a monopoly exists. It is quite obvious that you reach a point or you reach a set of conditions where it is not in the public interest; but you just don't do it by percentage only.

You have got to view the whole situation. The nearest that you can come to it is in a remote town with one bank.

Q. So that if you did have a hundred per cent in Gary, Indiana, that would not necessarily, standing alone, indicate an inadequate competitive situation?

A. I would say this, that if it held a hundred per cent and there were very near-by institutions that were competing effectively, I don't say that it would be wise, that [fol. 4009] it would be best, but I would say that it is a far cry from monopoly.

Q. You would say it is a far cry from monopoly?

A. Yes, if you have available to the people who are working there; but, of course, those things never really arise because when a vacuum is created by an institution that has too large a percentage of business, competitors flow in just like water seeking its own level.

In Gary I would say that today the percentage is not as large, and it just serves to prove what I said earlier.

Q. Now, you don't have those figures?

A. No, I don't.

Q. You don't know how many competitors——

A. No. I should have, because I wondered if you wouldn't question me on Gary, but I took a very quick look at the bankers' directory and I should have worked them out quickly, but I have not.

Q. You don't know how many competitors have flowed into that area?

A. No, I do not.

Mr. Littleton: Mr. Reycraft, could we ask the witness to look at D-55?

Mr. Reycraft: Certainly.

Mr. Littleton: D-55.

[fol. 4010] The Witness: D-55?

Mr. Littleton: Table 40, "Commercial Banking Offices and Percentage of Deposits in the Largest Banks in the Principal County (or Counties) in 65 Metropolitan Areas, June 15, 1960."

See if you find Gary on that.

The Witness: Oh, yes. This takes into consideration the full county, Lake County.

By Mr. Reycraft:

Q. That is not Gary?

A. That takes in Lake County.

Q. Not Gary.

A. Not Gary, but Lake County is the area I was thinking of. I couldn't remember the name of the county, and the largest five have 77.8 per cent and the largest bank 35.3 per cent.

Q. Do you know what the comparable figures were for 1956?

A. No, I do not, but I did not make a special study of Gary, Mr. Reycraft, before appearing here.

Q. No, but——

A. At the time we made up the study, no doubt I did look into it more carefully and my memory was a little faulty as to the number of banks in Lake County, but it appears here.

Q. The figure in D-55 is not comparable to the figure in D-47?

[fol. 4011] A. No, no. It is not, but it does show the competitive area far more thoroughly than Gary, Indiana, 88.4 per cent.

Q. It shows a larger area?

A. It shows a larger area and where the people have other choices.

Q. With reference to Dearborn, Michigan, is it your opinion that the people there are receiving the benefits of adequate banking competition?

A. I should say as much.

Of course, as you know, it's right in Detroit and owing

to the unusual branch-banking statutes one Detroit bank had a monopoly in Dearborn for years.

Under the Michigan branch-banking statutes, if a bank in Detroit went outside of Detroit and established a branch in another municipality such as Dearborn, when it got its first branch that excluded all other banks from going into that municipality, other than through the creation of a new unit bank.

So, for years this one bank received branch after branch after branch to serve Dearborn as Dearborn's needs increased and it was legally impossible to provide competition until a unit bank was established.

But with all of the banks and the branch offices in Detroit proper, mileage-wise it was almost a short walk to [fol. 4012] competition.

Dearborn looks bad on the face of it, but actually is a highly competitive banking area.

Q. My recollection is that it is about 15 miles from downtown Detroit to Dearborn; is that right?

A. Yes, that may be true, but you will find plenty of banking offices that are bordering right on Dearborn. You don't have to go to downtown Detroit to find them.

Q. Do you share the opinion that the service area of a branch is about 1 mile or 2 miles?

A. Under certain circumstances, that would be true.

Q. In other words, it is a local——

A. Maybe under many circumstances it would be true, but it is impossible to flatly generalize in that field.

Q. But for whatever reason you have referred to the state laws in Michigan, it is your opinion that as of June 30, 1956, the date of these figures and when you were in the Comptroller's Office, the public in Dearborn, Michigan, was receiving the benefit of adequate banking competition?

A. That is correct; and I might point out that the main factor in Dearborn is the Ford Motor Company and they have big banks from all over the country after their business 24 hours a day.

Q. And there are other people in that community, too? [fol. 4013] A. There are, but it's the Ford Motor Company basically.

Q. And you can't distinguish, can you, with reference to Niagara Falls, where the percentage is 79.2 per cent?

A. There are no national banks in Niagara Falls. I am not quite as familiar with it, but a bank that is a part of the Marine Midland Group, I am sure, is the major bank in Niagara Falls.

However, there is other banking competition there, and I believe that without any doubt the public is being well served competitively speaking by the banks in Niagara Falls.

Q. Do you know how many alternative choices a borrower in Niagara Falls has within Niagara Falls?

A. We will find out how many banks Niagara Falls has. That is the only way I can answer that question.

Well, at the end of 1956 there were three banks in Niagara Falls, so I would say at that time he had, depending on the type of loan he wanted, if it were strictly a bank-type loan, three choices; but depending on various other circumstances with which I am sure we are all familiar, he might have 15 or 20 commercial-finance companies; he would have to go a very short distance to Tonawanda, New York, to find a couple of additional choices.

Q. But in your opinion those three alternative choices, [fol. 4014] and with one bank having 79.2 per cent, provide adequate banking competition for Niagara Falls?

A. I say "yes" for this reason—I have never heard of a group of people in Niagara Falls banding together to get a charter for a new bank; and it is almost invariably true in a situation where the public is not being properly treated, adequately treated banking-wise, that it will give rise to the establishment of an additional institution or seeking banks near by to bring in branch offices.

I honestly believe—I know Niagara Falls very well—that the public there is well served.

Q. Just to go back to Gary for a moment, since we are on D-46, D-46 indicates that the two largest banks in Gary in 1956 had one hundred per cent of the banking assets.

Is that in accord with your recollection?

A. In 1946?

Q. 1956. They had 99.1 in 1946.

A. The two largest banks had one hundred per cent?

Q. In 1956, yes.

A. In 1956? Well, that would, of course, exclude, I am

quite sure, the mutual-savings bank and would exclude all of the banks in Lake County that converges very closely around that area.

Q. So that within Gary there were two choices?

[fol. 4015] A. For a strictly bank-type loan, let's say two choices within Gary, but alternate choices very close by.

Q. Now, if I were to ask you, sir, with reference to other cities indicated on D-47, such as Cambridge, Greensboro, Savannah, Birmingham, and so on down, it would also be your opinion, would it, that the people residing in these communities were receiving the benefit of adequate banking competition as of the date that these statistics are effective?

A. My answer would be yes.

Q. Now, you testified also yesterday that you had occasion to consider and pass upon most bank mergers which were submitted to the Comptroller's Office during your period of office; is that right?

A. I had occasion to consider and make recommendations.

Q. Make recommendations?

A. I question that I said "pass on."

Q. I agree with you on that.

You made recommendations and/or considered most mergers which were submitted to the Comptroller's Office, did you?

A. That is correct; almost all of them.

Q. And you had substantially the same opinions on banking competition at that time as you have now, did you?

A. With one great exception.

[fol. 4016] Q. What is that?

A. I thought when I was in the Comptroller's Office that by virtue of my experience as a national bank examiner in the field, meeting with bankers, I understood fully how competitive banking is.

I went to Dallas, Texas, a little over a year ago and I have had my eyes opened widely. I didn't know, I didn't realize how competitive banking really is until I got down there and have spent a year in it.

There are angles to the competition that I hadn't really thought of when I was serving in Washington as a Deputy Comptroller. It is one of the most intensely competitive

fields that I can imagine; so, to that extent, my opinions have changed a little bit. I think I have been tied right into an aggressive competition that exists in commercial banks and it is necessary to live with it a while to realize how keen it is.

Q. Now, during the time that you were in the Comptroller's Office I believe you testified there were how many bank mergers submitted for your consideration?

A. Well, I told you yesterday I would make an informed guess. I checked last evening with the 1959 annual report of the Comptroller to the Congress, which contains a table giving the number of all mergers on which the Comptroller [fol. 4017] has passed favorably from January 1, 1950, through the end of 1959, and the table indicates that through that period (and that would cover most of the period that I was passing—that I was reviewing, I should say, such mergers) and I think the figure was a little less than 850. Let's say it was 840, 830—in that area. I didn't memorize it.

The Court: Your educated guess was between six and eight hundred yesterday.

The Witness: I was a little on the underside yesterday.

The Court: I think it was pretty close.

Mr. Reycraft: Pretty good.

By Mr. Reycraft:

Q. Do you recall, sir, whether, in your opinion, at the time that you considered them, any of them adversely affected competition?

A. Yes. There were a few, a very, very few that we decided it would be unwise to approve; and they were denied.

Q. Can you give me the names of those?

A. No. I feel that that is a matter that the Comptroller of the Currency would have to handle.

Q. Now, these are public matters, are they not?

A. Well, let me say this—that appearing before congressional committees with the Comptroller on at least two [fol. 4018] occasions he has been asked to supply such data and in each case the congressional committee gave the Comptroller the right to give the committee by number

only, without identifying the banks, the number that he had disapproved and the reasons therefor.

So, at least congressional committies have considered that it is not a public matter and the reason for that is that almost all of the disapprovals of mergers are done on an informal basis. It doesn't reach the point of having been in the newspapers and then the Comptroller says "no."

The banker or the banks will review the matter with the Comptroller and if he feels that he can not approve it, he will tell them so; and that is the best way to deal with it because a bank could be injured or harmed through publicity accruing from the dissemination of information that he had turned down a merger.

Q. And in those cases no formal application is made?

A. I believe in all of the cases that were denied a formal application was not presented. I might be wrong in one instance, but almost always they do not go to the work of preparing a formal application because they were persuaded it would be unwise for them to do it.

Q. So that, the disapproval is given prior to the filing [fol. 4019] of any formal papers?

A. In most of the denials—now, of course, obviously, there have been a case or two where, after we got fuller information than was presented in the initial instance, it was decided we should not approve; but even at that point no publicity accrued, so that it was still done on a confidential basis between the Comptroller's Office and the banks.

Q. But as to all of those situations where applications were formally made, it was after the assurance had been received that they would be approved; is that correct?

A. Oh, I wouldn't say in all cases by any means. A good many applications came in in written form where the group had not come to Washington.

Q. Those would be a minority?

A. But those were, I think, situations where it was quite clear to the bankers concerned that they had a very sound, solvent banking situation; that they had excellent reasons for the merger, so they wrote before coming in.

But, of course, let me point out this—even though the Comptroller receives the application in writing he might

have additional questions if he were concerned as to whether he could approve the application. In some cases he would ask them to come in for a discussion, so that in almost—I would say all cases it was handled on a basis [fol. 4020] where if it had to be turned down the bank was not embarrassed.

Q. So, with unimportant exceptions the banks knew, when they filed the applications, whether that proposed merger would be approved?

Mr. Littleton: Objected to. I can't see the slightest relevance to this, if Your Honor please. The Comptroller of the Currency and his methods are not on trial here.

Mr. Reycraft: I am examining Mr. Jennings on competition.

Mr. Littleton: You are not——

The Court: Read the question.

(The pending question was repeated by the reporter.)

The Court: Do you object?

Mr. Littleton: I object to it.

The Court: I sustain the objection.

By Mr. Reycraft:

Q. Now, of all the mergers considered by you during the time you were with the Comptroller's Office, you did indicate that you had an opinion that a few of them would have adverse effects on competition.

Now, can you tell me (and I won't ask you at this point to identify the banks) what the reasons were that [fol. 4021] you felt that they would have an adverse effect on competition?

The Court: You are coming into that same area again. Here is a man who could only make recommendations.

Mr. Reycraft: Yes, but he is testifying on his opinion.

The Court: The wording of your question indicates that he made the decision. You said it was a fact.

Mr. Reycraft: I will reframe the question.

By Mr. Reycraft:

Q. When you were forming your opinion, Mr. Jennings, can you tell me what factors you took into consideration in forming your opinion?

Mr. Littleton: Forming his opinion of what?

Mr. Reycraft: His opinion that any of these mergers had adverse effects on competition.

Mr. Littleton: Objected to.

The Court: Overruled, provided it is limited to the factors that he considered in recommending.

Mr. Reycraft: I so limit it.

The Court: If he can remember enough details to do it.

The Witness: I can remember the details of one case.

[fol. 4022] The Court: All right.

The Witness: On which I formed my recommendation for a denial to the Comptroller.

There were two banks in a community of about 12,000 people, maybe 15,000. The nearest banks outside of the community were one that was about 30 miles to the west, and another possibly 12 to 15 miles to the east. It was a school town. During the school session the population of the community was somewhat greater than the 12,000 to 15,000.

The two banks decided they wanted to merge. One was slightly larger than the other, but I think the smaller of the two was about $8 million, the larger of the two about $12 million. It would have made a $20-million bank.

I felt that creating a one-bank town out of that community, with no really near-by alternative choices, unless it was achieved at quite a hardship, was unwise. I recommended to the Comptroller that he not approve.

Both banks, incidentally, were in sound condition. One had a more progressive and active management than the other.

The comptroller agreed with me, and it was denied.

That is just one example.

[fol. 4023] The Court: It is 12:30. We will take a luncheon recess until 2 o'clock.

(Recess taken for luncheon at 12:30 o'clock P. M.)

[fol. 4024] [File endorsement omitted]

AFTERNOON SESSION

LEWELLYN A. JENNINGS, resumed.

Cross-examination. (Continued)

By Mr. Reycraft:

Q. Mr. Jennings, prior to the recess you gave some testimony concerning one bank merger that you recall coming under your consideration at the time you were in the Comptroller's office, as to which, in your opinion, competition would have been adversely affected. Do you recall that?

A. You mean the case that I just described?

Q. You referred to a case, yes.

A. Yes.

Q. Do you recall any others?

A. Oh, yes. There are others. The details of the one I outlined, for some reason, are more sharply set in my mind than others, but there are others that came along where the recommendation I made was adverse and which was followed out or accepted by the Comptroller, and I did deny them.

Q. You did deny them?

A. Yes.

Q. For competitive reasons?

[fol. 4025] A. Yes.

Q. Did any of these occur, to your knowledge, between 1950 and 1955?

A. I am not certain.

Q. You were acting comptroller during a brief period during that time, were you not?

A. Yes, but that was a very brief period, January, 1953, until April, 1953.

Q. Do you recall the fact that of 376 bank mergers submitted to the Comptroller's office during that period 376 were approved?

A. During what period?

Mr. Littleton: May I ask what you are reading from?

Mr. Reycraft: May 1, 1955.

And I am referring to the Interim Report of the Antitrust Subcommittee of the Committee on the Judiciary of the House of Representatives, 84th Congress, First Session, 1955, and I will show you page 36 and ask you whether that refreshes your recollection.

The Witness: Do you wish me to read this out loud?

Q. No, sir. I ask you whether you recall that out of [fol. 4026] 376 applications there were 376 approvals.

A. "It shows that from May, 1950, to May 1, 1955, the Comptroller and his predecessors have approved 376 bank mergers and consolidations involving total resources of 7.4 billion dollars. It also shows that since 1950 the Comptroller's office has not disapproved a single merger application on the basis of a possible substantial lessening of competition."

Yes, I remember this. I will say this: I am not positive where they got their information, and I remember at the time reading it and wondering where they got their information, because, to the best of my knowledge, they didn't get it from the Comptroller.

Q. Do you have any question about the accuracy of the facts?

A. I would have to say yes.

Q. You do have a question as to the accuracy of the facts?

A. Yes.

Q. And in what respect do you question the accuracy of the facts?

A. I am not at all sure that during that period there were no disapprovals where, at least, in whole or in part, [fol. 4027] competition was not a factor—elimination of competition.

Q. You can't think of any at the moment?

A. No, I cannot remember, but I distinctly remember that particular booklet, the report, and I wondered exactly where they got their information, because I don't believe it came from the Comptroller's office.

Q. Which doesn't necessarily mean that it is not accurate?

A. No. I agree.

Q. Now, the case that you referred to in which you did have the opinion that a merger would have an adverse effect upon competition, was there a formal application made in that case?

A. Well, it all depends on how you define "formal." The group came to my office, discussed it fully. I discussed it with the Comptroller, and we indicated, or, rather, Mr. Gidney, the Comptroller, indicated that he didn't believe it would be wise to approve such an application.

Now, after all, it is somewhat a formality as to whether an application is presented in person or whether it is presented in writing. I would say that they presented their application orally and were told that it was wholly [fol. 4028] unlikely under the circumstances that we would approve. They would have had the right to have sent in a written application. They would have had a right, I suppose, to ask that we make a complete investigation. This group did not, but I think that is sort of splitting hairs as to whether they wrote in for our opinion or presented a specific application or whether they came in in person. It is an application.

Q. In that case it was an oral rather than a written application?

A. That is my impression. That is my memory of it.

Q. This was a frequent type of application which you received; isn't that right?

A. Oh, I would say not. There were many instances where the groups came to consider the matter, but remember we are a big nation, and we have, the Comptroller's office, has 12 district chief examiners located in the 12 Federal Reserve Districts around the country, and in areas more removed from Washington many times the groups would go to visit with the district chief national bank examiner, get his views. In those situations we were more likely to get the application in writing rather than have [fol. 4029] the group travel 500 or a thousand or two thousand miles. In the East it was quite usual, because of distances, to have them visit us, to have the applicants visit in Washington.

Q. And make oral applications?

A. That is correct, yes.

Q. Now, you testified yesterday that you had an opin-

ion concerning the philosophies of bank superintendents, bank supervisory people, and you found that these opinions generally coincided with your own. Is that a fair statement?

A. Yes, it is a fair statement.

Q. And you testified to some degree here about your own philosophy on banking competition, and this is the same philosophy that you applied while you were a member of the Comptroller's office; is that correct?

A. Oh, I don't think it is fair to say that. As I told you this morning I think I have a greater awareness of competition in banking than I did a year ago. We don't remain static. I don't believe it is quite a fair question to say that I have exactly the same outlook today that I had a year ago. I don't think it is vitally changed. I am just better informed.

Q. And that outlook, as far as you know, coincides with [fol. 4030] the philosophy which was applied by the Comptroller's office after you left?

A. Well, that is a very difficult question to answer. It is my philosophy today——

Q. You testified with reference to the coincidence of your philosophy with those of many state bank examiners, so I thought you might be able to do it with reference to those you worked closely with.

A. I think maybe the Comptroller should indicate what his philosophy is and indicate whether he thinks his philosophy agrees with mine, rather than the other way around. I don't suppose there is any great divergence, but it is a little bit difficult for me to say that my philosophy is now the same as that of my former superior officer. I think he is the man to make that statement.

Q. You didn't find any great divergence while you were there, did you?

A. Well, let me say this——

Mr. Littleton: Objected to.

Mr. Reycraft: He testified yesterday about the philosophies.

The Court: He may answer it if he can.

The Witness: Let me say this, that no man, no group of [fol. 4031] men, can work in a bank supervisory capacity,

whether it is at state level or federal level, and always agree, but on the whole we did see eye to eye.

By Mr. Reycraft:

Q. You did see eye to eye?

A. Yes, on the whole we saw eye to eye, and our philosophies were quite the same at that time, and I would assume they still are, but I haven't been very close to my former chief in the last year, so I can't bring that right up to date.

Q. Did you find that the philosophy applied by the Federal Reserve Board, for example, was similar to yours, that there was no wide divergence?

A. On the whole, yes, taking the Board as a group.

Q. Did you read the Federal Reserve Board's report on the merger which we have under consideration here?

A. Yes, I did.

Q. Did you agree with that?

A. No, I did not.

Q. In what respect did you disagree?

A. Well, the Federal Reserve Board did not consider that this proposed merger should be approved, and I disagreed.

[fol. 4032] Q. Can you point to any of the factors which they took into consideration with which you disagreed?

A. I disagreed with the conclusion reached. I suppose the statistics set forth are accurate. I didn't check them. I don't believe that I would care to go through item by item and indicate what I might think about certain statements made in the Federal Reserve report. After all, it was prepared at staff level and approved by the Board. They set forth certain facts and statistics that we are all familiar with. It is the conclusion I disagree with. I don't think that they have weighed and considered the facts in such a way as to arrive at the same conclusion I would. I just disagree with the conclusion.

Q. It is not a question of disagreement on facts but it is a philosophical disagreement?

A. Well, I suppose that that would be true in part. They surveyed the whole field and they decided that in their best judgment it would be wise to deny. I just do not agree. Based on all of the facts that I have seen and have re-

viewed, I do not agree with the Federal Reserve conclusion.

Q. Did you read the report of the Federal Deposit [fol. 4033] Insurance Corporation?

A. I did.

Q. Do you agree with their philosophy?

A. Well, as I remember the FDIC report, it was favorable to the merger. I would say that the conclusion reached was that the merger should be approved.

Q. That is the way you read it?

A. That is the way I read it, and if I read it and interpret it correctly, I agree with that conclusion.

Q. On the assumption that they think the merger should be approved, you agree with it?

A. That is correct, and I could not read into it anything that was a statement to the Comptroller of the Currency that he should disapprove. I read into it, if my memory serves me correctly, that it was a statement to the Comptroller on the favorable side.

Q. You consider that a favorable statement?

A. That is my memory of the FDIC report to the Comptroller.

Q. Would you like to look at it to refresh your recollection at all or are you satisfied?

A. It might be wise, if you regard it as important.

Q. It is Government's Exhibit 163. That is the report. [fol. 4034] (handing), and will you, to hasten this a bit, turn to page 4, and would you read the last sentence of the paragraph which appears in the middle of the page.

A. "The two consolidating banks are now strong competitors with each other, as well as with other Philadelphia banks, both directly and through extensive branch systems, and it appears that consummation of the proposal would lessen competition to a significant degree in the Philadelphia area."

Q. Do you agree with that?

A. No, I do not, as I testified this morning.

Q. And you consider that statement to be favorable to the merger?

A. Well, if we will go over to the final page, the final paragraph:

"Therefore, it is concluded that the effect of the proposed consolidation on competition would be adverse as to Philadelphia and immediate suburbs but not adverse in the regional, national, and international fields of competition."

Now, obviously that leaves it up to the reader's interpre- [fol. 4035] tation but it is my interpretation that, on the whole, there is a favorable recommendation, because, in my experience, in dealing with the Federal Deposit Insurance Corporation, when they decide to be adverse, they come out flatly and say that they are against it. Here they made a recommendation which indicated that they felt that in the Philadelphia area it would be adverse to competition. I don't agree with that. And then they went on to say that it would be favorable, beneficial, to competition in the international field and on the national level, and, in my opinion, I look upon it as a favorable recommendation to the Comptroller as saying, "Go ahead, use your judgment."

Q. Would you read the preceding paragraph, which begins, "On the other hand."

A. On page 4 or the last page?

Q. The last page.

A. "On the other hand, in Philadelphia and the three contiguous Pennsylvania counties in which Philadelphia banks can have branches, the number of banks has declined from 104 in 1950 to 46 at the end of 1959. Three processed applications to merge and this proposal [fol. 4036] would reduce that number to 42. Resources of the seven largest commercial banks in Philadelphia at 12-31-59 represented 89.7 per cent of the total resources in commercial banks compared to 60.8 per cent on 12-30-50. This trend in concentration suggests a lessening of competition in the immediate service area. Consummation of this proposal which will combine the second and third largest commercial banks in Philadelphia would contribute further to that tendency. The consolidating banks presently are strong competitors with each other and with other Philadelphia banks, both directly and through extensive branch systems, and consummation of the

proposal would adversely affect competition to a significant degree."

Q. Do you regard that as a favorable recommendation to the merger?

A. I regard that as a statement setting forth their views, but they have not finally and specifically recommended against the proposal. They have simply stated that in their opinion it will reduce competition at the local level and increase competition otherwise.

Q. You say it would increase competition otherwise?
[fol. 4037] A. Yes.

Q. I believe you will find they say it would not be adverse in the regional, national, and international field.

A. I stand corrected. Not adverse in the regional, national, and international fields of competition. Of course, I feel so strongly that in those areas there is no question that competition will be increased that I inadvertently slipped up on that, but I still hold to the same belief that the Federal Deposit Insurance Corporation in its statement to the Comptroller—and you know as well as I do, this is not a recommendation; it is a statement to the Comptroller of the views of the Corporation—there is no specific disapproval, and having many, many years of experience with FDIC, when that Corporation disapproves, it says so. Now, it has not come out with a flat statement approving the merger, but I would say the statement leaves ground for the assumption that they favor it.

Q. All right. You referred to your experience in receiving recommendations of this type before. If you were receiving a recommendation of this type when you were in the Comptroller's office, you would have considered it a [fol. 4038] favorable recommendation; is that right?

A. I think I would, yes.

Q. Is it a fact that the Comptroller is a member of the Board of the FDIC?

A. That is correct.

Q. How many members are there on that Board?

A. Three.

Q. Do you think the Comptroller agreed with all this?

Mr. Littleton: I object to that.
The Court: I will sustain the objection.

By Mr. Reycraft:

Q. So that at least it required two out of three of the directors to submit this report?

Mr. Littleton: I object to that.
The Court: Sustained.

By Mr. Reycraft:

Q. Is your bank in Dallas a correspondent of either of the Philadelphia banks?

A. The Republic National Bank of Dallas does a very moderate amount of business with the Philadelphia National. We clear some of our Philadelphia and Philadelphia regional checks through the Philadelphia National. They clear some of their southwestern items through us. [fol. 4039] We have in the past, although we have nothing outstanding at the present time, sold them or participated in the making of with them a few oil loans. They have all been paid off. We have no participation loans with them at the present time. So, yes, we do some business with them. We wish we were doing more, but it is not a substantial interchange of business.

Q. Do they maintain a deposit in your bank?

A. Only to the extent that they clear checks that they receive here, that are on the southwestern books temporarily. I say temporarily. There is a continuing balance there in connection with the clearing of checks that appear on our books, and there is a continual balance on the books of Philadelphia National in connection with clearing our checks. It is pretty much of a reciprocal arrangement.

Q. Is the Republic National Bank the correspondent bank for the Philadelphia National throughout the Southwest?

A. No, I wouldn't say so.

Q. How wide an area would you say you service for them?

A. That we serve the Philadelphia National?

[fol. 4040] Q. Yes.

A. Well, in connection with check clearances I think we would cover the Southwest. Now, I am not positive whether the Philadelphia National clears some of their southwestern items through a Houston bank or not. Maybe that is a trade secret, but they certainly clear some of theirs through us and we clear some or all of ours in this immediate through them. We have a very friendly working arrangement, and, as I said before, I wish we could do more, but it is not a substantial working relationship. After all, we are two banks of quite comparable size, and we send our men to Philadelphia regularly to solicit the business in this area, and I might add that we have quite a bit of it.

[fol. 4041] Q. You consider that you are in substantial direct competition with Philadelphia National?

A. For certain business we are, and I have little doubt that they see to it that they have people traveling in the Southwest from time to time in connection with certain corporations that would have business activity in this area; so, to a certain extent, we are in competition, yes.

Q. You don't——

A. Certainly, if it were a question of going out after a large account that was halfway between and there was a question of going to Philadelphia or to Dallas, they would find us and we would find them in heavy and hot competition.

Q. Do you know how much business your bank gets from the Philadelphia area?

A. No, I do not. I have not made a survey of it, but it is quite substantial.

Q. And by "substantial," what do you mean?

A. We have some very fine accounts from this area in our bank.

Q. By "substantial," what area do you have in mind? What area of money?

A. Oh, it would go—oh, I hate to make too much of a guess on it. I can't possibly. I had better not.

The accounts are substantial, with the names—and I [fol. 4042] am not free to name them—if I would name them you would recognize them instantly. They have their headquarters in this area, they do some business in

the Southwest, quite a lot of business, and it is important business to us.

If I had realized you were going to ask that question I would have had the figure run off so I could have had a dollar total for you, but unfortunately I do not. I am not in the national-account end of our bank, and I didn't think to ask about it.

It is important enough to the point where we have a man up here calling on these accounts at least once every three months, and usually oftener.

Q. Now, you are referring, are you, to business which your bank does for these Philadelphia-based companies?

A. That's right.

Q. Now, this is business you do for them in your area?

A. Well, of course, these are corporations who do a great deal of business through the Southwest.

Q. And they require——

A. They have banking business there and we do it for them.

Q. And they require a banking connection down there?

A. They require a bank in connection with that; that is very true.

Q. Do you think that after this merger that business [fol. 4043] will be taken away from your bank and given to the combined banks?

A. No, it wouldn't work that way. We would expect to retain that business.

Q. It wouldn't be affected in any way by the merger, would it?

A. The accounts that I am thinking of, I do not believe it would be affected. Whether or not we have lines of credit with some of the very large corporations in this area, lines of credit or deposits, where the companies themselves are not active in the Southwest or so, but we are carrying some of the financing, I believe we do have one or two—now, that type of business could be affected; but where a Philadelphia corporation is operating nationally and are in the Southwest, of course, they have to have Southwest bank business or a bank account.

But then we have situations where, I am quite sure, a Philadelphia corporation, a very large one, might not be

operating in the Southwest, or if in the Southwest not in the Dallas area, and would have an account otherwise, but might have asked us to take on a piece of a participation loan, and they carry a balance with us—it would be a kind of an inactive balance and we would carry the loan. I am not sure that we have any of those, but it wouldn't surprise me if we did, because we have some very fine [fol. 4044] accounts out of this area.

Usually you have the connotation that ties itself into the Southwest.

Q. Now, these Philadelphia corporations that do business on a nation-wide basis, requiring bank service throughout the country, don't they have to have banks in the areas where they do business?

A. Oh, yes.

Q. You don't have any doubt about that?

A. No, I don't have any doubt on it. Of course, there is a great deal of difference in the kind of accounts they carry. A Philadelphia corporation operating nationally, or let's say just in the Southwest, they like to have their money fly home pretty fast; and while the collections they make in the Southwest would flow into our bank, it flows out pretty fast.

Of course, they have to carry a balance and that would cover our expense of handling it and we are very happy and proud to have it; but we find that it funnels back here pretty fast. That is the usual situation.

Q. Now, these national companies require these bank services throughout the country even if all the banks in town merge, don't they?

A. Even if all the banks in town were what?

Q. To merge.

[fol. 4045] Mr. Littleton: And by "town" you mean Philadelphia, I assume, Mr. Reycraft?

The Witness: Oh, you wouldn't change that. A company that's operating nationally will have to have some bank accounts, but there are exceptions. There are national concerns, Mr. Reycraft, that dislike very much to be in over two or three banks. That might be on the West

Coast, it might be in Chicago, this might be in Philadelphia.

By Mr. Reycraft:

Q. These are national companies that dislike being in more than three or four banks?

A. Yes. They would have three or four main depositories. Sure, they would have some other accounts, but they would run out very fast. The money would funnel back to three or four basic banks pretty fast.

We have tried to convince some of them that they should open up a fourth one in the Southwest. That's the reason I know about it, that would be more permanent and larger.

Q. Mr. Jennings, I am going to refer you now to Government's Exhibits No. 126 and 126-A and ask you if you will examine those documents.

A. Very well.

Q. Do you recall the meeting which is referred to in your [fol. 4046] memorandum?

By the way, this is a copy of a memorandum which you wrote, is it not?

A. Yes, it is.

Mr. Littleton: Are you referring to 126-A?

Mr. Reycraft: I am referring to 126-A.

Mr. Littleton: If Your Honor please, I object to any cross-examination upon an exhibit which is an internal memorandum of the Comptroller of the Currency's office.

Mr. Reycraft: That is no ground for objection.

Mr. Littleton: I am making the objection.

The Court: Let me see G-126-A.

Mr. Littleton: I don't believe he is representing the Comptroller here.

I have an added objection, Your Honor, as to relevancy.

Mr. Reycraft: I might point out that this exhibit is already in evidence.

The Court: It has been admitted into evidence; but you are objecting to its use in the cross-examination of this witness?

Mr. Littleton: I am, sir.

The Court: And I sustain the objection. I don't see

where it has any relevance in connection with any testi- [fol. 4047] mony given by this witness.

By Mr. Reycraft:

Q. You testified, Mr. Jennings, with reference to competition between Philadelphia National Bank and the Girard Trust Corn Exchange Bank; is that correct?

Mr. Littleton: Direct him to the place you are referring to.

By Mr. Reycraft:

Q. Throughout your direct testimony you testified as to the effect on competition of this proposed merger; is that right?

A. Yes, I did.

Q. And you gave some testimony as to the competition that existed between the banks?

A. Yes, I did.

Q. Now, do you recall Mr. Potts telling you that the Girard Corn Exchange Bank was breathing down his neck in 1953?

Mr. Littleton: Objected to.

The Court: I sustain the objection.

Mr. Reycraft: I have no further questions.

Mr. Littleton: Mr. Price?

By Mr. Price:

Q. Mr. Jennings, Mr. Reycraft asked you about G-163 with reference particularly to the import of that report. [fol. 4048] Will you turn to the third page of that report and read, starting at the ninth line from the bottom of the page?

A. The FDIC report?

Q. Yes.

A. And the page is?

Q. The third page of the report, starting at the ninth line from the bottom, "If the proposal were consummated——"

The Court: G-163? I don't recall him examining on that.

Mr. Reycraft: That is the FDIC report, Your Honor, and I did ask him.

The Court: Oh, the FDIC report. Oh, yes. I have it straight now.

Mr. Price: Start with the last paragraph.

The Court: You are talking about this?

Mr. Reycraft: Yes.

The Court: Now, what page are you referring to, Mr. Price?

Mr. Price: The third page of the report, sir.

The Court: All right.

By Mr. Price:

Q. The eighth line from the bottom, starting with the words, "If the proposal were consummated——"

A. Yes.

[fol. 4049] Q. Will you just read that out loud, please?

A. "If the proposal were consummated, the resultant bank would rank only fifteenth nationally and there would be seven larger banks outside of New York. When the twelve largest metropolitan areas in the country are ranked on the basis of deposits, loans, and lending limits of the biggest bank in each area, Philadelphia stands tenth or eleventh in each category. Following the proposed consolidation, it would climb to only seventh or eighth position. As an interesting comparison, Cleveland's metropolitan area has a population equal to about 40 per cent of that of the Philadelphia metropolitan area; yet, Cleveland's largest bank is 19 per cent larger than Philadelphia's largest bank in assets and 25 per cent larger in capital and surplus. The desire to improve Philadelphia's competitive position nationally is stated to be the primary purpose behind the proposal."

Q. And now the first three sentences of the second full paragraph on that page, beginning, "Philadelphia's largest——"

Mr. Reycraft: Your Honor, before he goes to that I have some objection because this paragraph from which he just read is a summary of the contentions made by the [fol. 4050] merging banks and does not represent the con-

clusion of the FDIC, as a full reading of the paragraph will plainly demonstrate.

Mr. Price: That is a statement of fact that I asked him to read. The conclusions of the applicants were the earlier part of the paragraph, which I did not ask him to read.

Mr. Reycraft: The entire paragraph indicates, when not read out of context, that these are the contentions of the merging banks.

The Court: Wait a minute. Let me see what it says.

I see what it says. Go ahead. I put it in proper context.

Go ahead.

Mr. Price: Yes, sir.

By Mr. Price:

Q. Now the second full paragraph on that page, starting "Philadelphia's largest—" —just the first three sentences.

A. "Philadelphia's largest single industry is the petroleum industry with six major refineries in the area, yet only two of these companies are known to carry more than accommodation balances in any Philadel- [fol. 4051] phia bank. It is stated that 26 of the nation's largest manufacturing enterprises have headquarters nearer to Philadelphia than to any other major banking center, but as of 12-31-59 these had only 12.9 per cent of their cash on deposit with applicant and only 4.4 per cent with Girard. These concerns are heavily dependent on larger banks in other cities (notably New York) for their major financial requirements."

Q. Did you consider, in reading this report, that those statements and perhaps others like them threw some light on the conclusions that the FDIC itself reached, which was indicated by the last paragraph of their report?

A. Well, yes, I did consider that it threw some light on it.

Q. Mr. Reycraft asked you about Gary, Indiana, and I will ask you to look at Exhibits D-47 and D-55.

A. I have them.

Q. On D-47 Gary, Indiana, is shown to have 88.4 per cent of the assets——

A. That is correct.

Q. —of the bank in Gary, and on D-55 Gary——

The Court: Lake County?

By Mr. Price:

Q. —Lake County, Indiana, is the area for which the per-
[fol. 4052] centages are shown.

I will ask you whether you consider Lake County, Indiana, as a reasonable area, geographical area, to be used as the basis of relative banking concentration and banking activity.

Mr. Reycraft: I object to that. He said he hadn't studied Gary, Indiana; all he knows about is what appears in these exhibits.

Mr. Price: He is familiar with Gary.

The Court: Read the question.

(The pending question was repeated by the reporter as follows:

"Q. I will ask you whether you consider Lake County, Indiana, as a reasonable area, geographical area, to be used as the basis of relative banking concentration and banking activity.")

The Court: I will sustain the objection because he has already answered the question.

By Mr. Price:

Q. Based upon the two sets of figures in the two exhibits, what can you say about the validity of using percentage figures alone as a basis for determining the harmful or beneficial quantity of concentration or a tendency toward monopoly in the banking industry?

[fol. 4053] A. I think it is very dangerous; unwise, certainly, to rely on a percentage figure alone. As a matter of fact, it never should be done.

You must take into consideration all of the factors that have a bearing on competition in a city or a metropolitan area, and the fact that the lead bank has 50, 60, 70 per cent certainly is not sufficient evidence at all to indicate that

the public in that area is not receiving adequate banking competition. It goes beyond percentages.

Mr. Price: That's all I have.

Redirect examination.

By Mr. Littleton:

Q. Mr. Jennings, at the outset of his cross-examination of you Mr. Reycraft elicited from you the fact that during the past several years the Republic National Bank of Dallas has increased its lending capacity, its lending limit, by increasing its capital, either through a transfer from undivided profits to capital accounts or by sale of stock.

Would you tell us whether, in your opinion, it is possible or feasible or economic for the Philadelphia National Bank to acquire the increased lending capacity that it would acquire through this merger by the sale of stock?

The Court: Just a minute. Did he testify to any of those things this morning? I didn't hear him.

[fol. 4054] Mr. Reycraft: I didn't ask those things.

Mr. Littleton: Strike it.

By Mr. Littleton:

Q. Mr. Reycraft elicited from you that you had increased your lending limit by natural growth and without merger.

A. That is my remembrance.

Q. Did you do this by transfer from undivided profits to capital accounts or by the sale of stock?

A. We did it by both methods. Actually the bank, from 1950 to 1960, or let me go back a bit, since the war—in the last fifteen years—has certainly gone to market at least ten times and sold new common stock. There have been stock dividends involved because, after all, one basically increases capital structure by two methods—retained earnings or the sale of new capital.

I don't remember the exact amount that was raised in new capital since the end of the war, but it would be in the neighborhood of $20 million or $25 million that was raised from that source. We have, with our reserves now,

about $130 million, and I would think $20 million to $25 million grew out of the sale of the stock.

Q. $20 million or $25 million of stock or $25 million?

A. The proceeds from the sale of new stock, which would go to the capital account and surplus, because the stock [fol. 4055] was invariably sold at a premium over par.

Q. Which would increase your lending limit by how much?

A. Well, of course, our lending limit is now $10,500,000. I would say in 1950 the lending limit was well under $5 million. I'd say 3½ to 4.

Q. How much of the increase in lending limit came about as a result of the sale of stock?

A. Well, of course, if we sold $20 million of new stock, that was the total proceeds, that in itself would give us about a $2-million increase.

By Mr. Reycraft:

Q. Did you say $25 million or $20 million?

A. $20 to $25. Now I am speaking from memory. I haven't computed it.

Q. $25 million would be $2½ million?

A. If it were 25, it would be 2½ million. I would say on the conservative side that $20 million of new capital has been sold there since the end of the war.

By Mr. Littleton:

Q. In your opinion, would it be possible or economic or feasible for Philadelphia National Bank to increase its lending limit by the amount which it would be increased by this merger through a sale of stock?

Mr. Reycraft: I object. I object. He hasn't made any [fol. 4056] study of the capital structure of Philadelphia National Bank.

Mr. Littleton: How do you know?

Mr. Reycraft: You haven't qualified him; you are outside of the scope of the ~~cross~~-examination.

You haven't indicated on direct that he made any study and I submit that he has no knowledge.

The Court: Your objection is that it is not redirect examination?

Mr. Reycraft: Yes, sir.

The Court: Are you objecting on that ground?

Mr. Reycraft: Yes, sir. I am.

The Court: Your objection is sustained.

By Mr. Littleton:

Q. In your opinion, is there any difference in the conditions in the Philadelphia area and the Dallas area which would affect the sale of stock of a bank?

Mr. Reycraft: The same objection, Your Honor, on the same ground.

The Court: Is this something you forgot to cover on direct examination? If it is, you might as well face up to it.

Maybe I will let you reopen direct.

If you are trying to slide it in under redirect, you are [fol. 4057] not permitted, so we will stop right there.

Mr. Littleton: Very well. That's all, thank you, Mr. Jennings.

Mr. Reycraft: That's all.

Mr. Price: Let me ask Mr. Jennings one more question.

By Mr. Price:

Q. Mr. Jennings, you spoke in answer to Mr. Reycraft's question about not expecting to lose any business from Dallas to Philadelphia as a result of this merger. Did that indicate in any way that you would consider the competition for that particular company's banking business to be any less, either in Philadelphia or in Dallas?

A. Well,——

The Court: He is talking about a particular type. He spoke of two types, one which would be competitive and the other because of banking connections down there he would hope not to lose and wouldn't expect to.

The Witness: That's right.

The Court: That has been fully explained as far as I am concerned.

Mr. Price: I beg your pardon?

The Court: I say that has been fully covered for all the needs of the Court, Mr. Price.

[fol. 4058] Mr. Price: If it is covered in that way, I have nothing further to ask.

The Court: All right.

Mr. Littleton: Thank you, Mr. Jennings.

Mr. Littleton: Mr. McGinley.

EDWARD F. MCGINLEY, JR., having been duly sworn, was examined and testified as follows:

Direct Examination.

By Mr. Littleton:

Q. Where do you live, Mr. McGinley?

A. 304 Berwick Road, Merion, Pennsylvania.

Q. What is your present occupation?

A. President of the Beneficial Savings Bank at 12th and Chestnut.

Q. How long have you been in the banking business?

A. Oh, that's the only thing I have ever been in in my adult life; 1925.

Q. I was going to say, you were once an All-American tackle. Have you been in the banking business ever since then?

A. Yes. That's right; and I don't know which is the toughest.

[fol. 4059] How long have you been president of Beneficial Mutual Savings Bank?

A. February of this year, sir.

Q. Will you describe the various positions which you have held prior to that time, and start from the earliest.

A. Well, I started when I graduated. I went to New York with the National Bank of Commerce in a training program and later, in 1930, went with the Chemical Bank and left there in 1952.

Q. Before you leave there, in what capacity did you go there?

A. I went there really as a clerk.

Q. Did you become an officer?

A. Yes, sir. I became a vice-president in 1939.

Q. Go ahead.

A. I stayed there until January 1, 1952, when I went to Buffalo as president of the Liberty Bank of Buffalo.

I came back here five years ago as vice-president of Fidelity-Philadelphia Trust Company and in January of this year was elected president of Beneficial.

Q. Keep your voice up.

A. I am sorry.

Q. What were your duties and responsibilities at Chemical Bank?

[fol. 4060] A. I am sorry.

Q. What were your duties and responsibilities at Chemical Bank?

A. Primarily the development and handling of business from customers and also the solicitation of business from prospects, non-customers.

Q. Over what geographic area?

A. Primarily starting in three states—New York, New Jersey, Pennsylvania; and then later concentrating on Eastern Pennsylvania and South Jersey.

Q. How many other persons in Chemical were assigned to the Eastern Pennsylvania area?

A. Well, when I first started I was the only one and when I left in 1952 we had a half a dozen. I don't know it it was five or six.

Q. Did you cover the whole Third Federal Reserve District?

A. Oh, yes; very intensely, too.

Q. What type of customer did you solicit?

A. Oh, almost everything except personal business, and we would even try to get some of that from sizable individuals or wealthy individuals.

I would say the only thing we did not solicit was personal-trust business.

Q. About how many corporations or individuals were [fol. 4061] included in the group which you solicited?

A. Oh, well, your oil companies, your railroads, your insurance companies, Scott Paper Company—I say "insurance companies" and I had in mind life-insurance companies, but also fire, casualty; Electric Storage Battery,

Philco—all your larger and some medium-sized corporations.

Q. How successful were you in your solicitation?

A. Well, apparently the management thought well enough to take me from a representative to a vice-president in eight years, so I guess——

Q. Did you continue soliciting work in the Eastern Pennsylvania area after you were vice-president?

A. Oh, yes, very actively; and also that's when we had—when I had people supplementing my efforts; and then I became in somewhat of a supervisory capacity, but I doubt if ever a half a dozen weeks went by that I didn't spend a week or ten days in this area personally.

Q. At this time that you were vice-president and soliciting for Chemical, what was the size of Chemical and its relative position among other New York banks?

A. Well, in the early thirties it was approximately $300 million; by, oh, 1952 or '51, when I left there, I would say it was a couple of billion dollars, and now it's $4 billion plus or minus.

[fol. 4062] Q. To your knowledge, did other New York banks solicit in this area?

A. Oh, very intensely, sir, very intensely; both New York banks and other cities.

Q. Can you name any of the other cities?

A. Oh, sure—Chicago, Pittsburgh, Detroit, Kansas City, St. Louis, Atlanta, oh, San Francisco—all the larger cities in the country had representatives in this area.

Q. After you left Chemical and went to Buffalo, I won't ask you about that period; but then you came to Fidelity-Philadelphia Trust Company?

A. Yes, sir.

Q. As vice-president, in January of 1957, you said?

A. Yes, yes. January of 1957; that's right.

Q. After you became vice-president of Fidelity were you aware of the continuing solicitation by New York banks?

A. Oh, very much so, sir. There wouldn't be a week go by without two or three representatives of different institutions calling on me personally; and I am sure that I didn't see them all. I am sure that there were a lot of them that I didn't see that were calling on my associates.

Oh, the activity, the efforts on their part is tremendous, the competition.

Q. Were they people whom you knew?

[fol. 4063] A. Oh, very well, very well.

Q. Were they soliciting not only your bank, but any of your customers?

A. Yes, and would come in to exchange ideas and to find out who the right man to contact was, and also about the credit standing of these companies, and even ask your intercession for them, even ask you to introduce them.

Q. That is, ask you, not me.

A. Yes, I am quoting—it's myself, not you. That's right—ask me or ask my associates to intercede for them and introduce them to people.

Q. Would you say that this solicitation by New York banks is as great as or greater than it was when you were last actively soliciting for Chemical?

A. Absolutely, sir.

Q. Absolutely what?

A. What's that?

Q. You say "absolutely"——

A. I am absolutely sure that it is even more active now. The banks are more sizable, their staffs are larger and, oh, you can't walk up and down—I can't walk up and down Chestnut Street without seeing two or three representatives of different institutions throughout the country.

The Court: Let's take our mid-afternoon recess.

[fol. 4064] Gentlemen, I have a matter in chambers, and I will probably be delayed five minutes. I have a matter I have to attend to in the office, so we will make it fifteen minutes.

(A recess was had)

[fol. 4065] Q. Mr. McGinley, when you were soliciting for Chemical Bank, soliciting business for Chemical Bank in the Philadelphia area, you were soliciting for deposits as well as loans?

A. Deposits, loans, corporate appointments, registrar, transfer agent.

Q. What magnitude or order of deposits would you solicit in Philadelphia County?

A. Well, the larger, the happier they made you, but

we were naturally interested even in getting an account of nominal size with the thought that we could build it up.

Q. Have you any idea of the number of companies with whom you were successful in getting them as customers, coming from banks in this area?

A. Well, I have a great deal of pride in that regard. I would say 75 to 100.

Q. And what would be the order of their deposits in the aggregate?

A. Oh, from $10,000 to a million, a million and a half.

Q. Did you solicit banks as well as business corporations?

[fol. 4066] A. Very actively, sir.

Q. It all came within your area?

A. Yes.

Q. And did your assistants work actively in this same solicitation in the same area?

A. Yes; yes, sir.

Q. Of what order were the loans which were developed through your solicitation of these businesses?

A. What order?

Q. Of magnitude.

A. They would be anywhere from $10,000 up. We didn't get many loans under that. They would go primarily to the local bank, or if we got a loan smaller than that, it might be a participation through one of these correspondents, where we were taking an override from them.

Q. Now, turning to your work for Beneficial, in what type of service, if any, did Beneficial Saving Fund compete with commercial banks?

A. Savings accounts, of course, and our mortgage loans, and that competition is pretty keen.

Q. That is keen with the commercial banks?

A. Very.

Q. What is the nature of your competition other than [fol. 4067] commercial banks for savings deposits?

A. For our mortgage loans, for our loans.

Q. First I am asking for your savings deposits.

A. Yes. I don't understand, sir.

Q. What institutions compete with you for savings deposits?

A. Oh, everyone in the city. Besides the savings banks, the commercial banks are very, very active, and I think the newspaper ads confirm that.

Q. On the savings and loans, you mean?

A. No, I am talking about commercial banks.

Q. And then you said the savings funds also.

A. The savings banks, the other savings banks as well as the commercial banks are very keen competitors for deposits.

Q. You have heard of this proposed merger of the Philadelphia National and Girard. In your opinion, what effect will that proposed merger have on the competitive position of your savings fund society?

A. Oh, I think it will increase it, sir. Convenience is a great factor in our business. They would have a larger number of offices. They would certainly have a larger advertising budget, and, I would say, the competition, [fol. 4068] without reservation, the competition would be intensified.

Q. It will be increased by it?

A. Yes.

Q. In your opinion, will the proposed merger have any effect on the interest rates paid on savings deposits?

A. Not a bit, sir. That is in the hands of the supervisory authorities. A bank can pay lower rates, but they can't pay beyond the ceiling established by the regulatory authorities.

Q. Will the proposed merger have any effect on the interest rates charged on loans?

A. Oh, that is supply and demand, sir. That is purely supply and demand. No, no, that wouldn't be a consideration at all.

Mr. Littleton: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. McGinley, are you a director of any commercial bank?

A. No, sir.

Q. Are any members of your Board of Directors also directors of commercial banks?

[fol. 4069] A. Yes, sir.

Q. Which banks?

A. First Pennsylvania Company, Provident Tradesmens. We have one, I think, on Philadelphia National. I believe that is all, sir.

Let me look.

Yes, I think that's all.

Q. Did I understand you to testify that you were in direct competition with these commercial banks?

A. On savings, yes.

Q. You compete with them directly for savings accounts?

A. Yes, sir.

Q. And you have interlocking directorates with some of them?

A. Yes, sir.

Q. Does your institution have deposits with commercial banks?

A. From?

Q. Yes.

A. No, we are not allowed to take them.

Q. Do you have deposits with commercial banks?

A. Yes.

Q. Why do you have them?

A. We as a savings bank are not members of the Fed-

[fol. 4070] eral. We are not eligible to be members of the Federal, and they are reserve funds with us. They keep our reserve funds, and they take care of all our clearings.

Q. And you can't do that through your own institution?

A. Oh, no.

Q. Another savings bank couldn't do that for you, could it?

A. No.

Q. What commercial banks do you have deposits with?

A. Our most active account is First Pennsylvania. We have an active account with Provident Tradesmens. We have complimentary accounts, we call them, with Philadelphia National, Girard Trust, Broad Street. That's

about it. Oh, we have a small account with the Chemical Bank of New York. That's about it.

By the Court:

Q. Not with Fidelity?

A. Oh, that's right, Fidelity, that's right. That's an active account also. Thank you, sir.

By Mr. Reycraft:

Q. Do you have checking acounts with any of these banks?

A. Oh, they are all checking accounts. They are all demand accounts.

[fol. 4071] Q. Could you carry on the business of your bank without a checking account?

A. Oh, no, sir.

Q. You require the services of a commercial bank?

A. Absolutely. We would not have any way of getting the money out after we put it in.

Q. Is your institution allowed to own bank stocks?

A. We have a few. We have a small common stock portfolio. I think it is about $2 million out of a total portfolio of 120 to 125, security portfolio.

Q. And do you own stock in any Philadelphia bank?

A. Yes, a few. I think we have some stock in both Philadelphia National and Girard. If we do, it might be a thousand shares or so.

Q. And if they merged, you would receive stock in the merged bank?

A. What is that, sir?

Q. You would receive stock in the merged bank?

A. That is right.

Q. Does your bank have trustees?

A. We call them Board of Managers. I think we are talking about the same thing.

Q. Are any of those persons officers or directors of either PNB, Philadelphia National Bank, or Girard?

[fol. 4072] A. None in Girard. We have one Board of Managers director of Philadelphia National. I don't know whether he is still a director or not. He is an elderly man, retired.

Q. He either is or was?

A. Is or was, yes.

Q. Were any of the incorporators of your bank in the Philadelphia National Bank or Girard?

A. That is 108 years ago, sir.

Q. I will withdraw the question.

Are the incorporators elected every year?

A. What, sir?

Q. Are incorporators reelected annually?

A. Yes.

Q. Do you know whether any of the current incorporators are in the Philadelphia National Bank or Girard?

A. I would say no.

Q. When were you asked to testify, Mr. McGinley?

A. I called up and offered to testify. It seems to me it was on Monday morning, if this appeared in the paper Saturday. I called up and volunteered.

Q. Your bank makes solely mortgage loans; is that right?

[fol. 4073] A. Yes.

By the Court:

Q. You heard something about the mutuals making renovation and remodeling loans?

A. Oh, yes. We have 100 or 200 thousand FHA, Title 1, yes, a nominal amount.

By Mr. Reycraft:

Q. Just a nominal amount?

A. Yes, a nominal amount.

Q. On the basis of your knowledge of other savings banks in the area, would you say that the amount of home modernization loans that they have is also nominal?

A. I don't want to answer for them, but I would guess so. I don't think they are any more substantial percentagewise than we are. Could be.

By the Court:

Q. You haven't made a particular drive for it, I take it, have you?

A. That's right, sir.

By Mr. Reycraft:

Q. I believe you testified also, Mr. McGinley, that some of these New York bankers you referred to called on you from time to time to ask you whom to contact in the area?

[fol. 4074] A. That's right.

Q. This is when you were with the Fidelity?

A. Yes, still do, even currently.

Q. They do currently. At the time you were with the Fidelity did you consider them your competitors?

A. Very definitely. Now they are not competitors.

Q. Pardon me?

A. Now they are not competitors when I am at Beneficial, because we don't do corporate business now.

Q. You are not in competition with those New York banks?

A. Not now. Only for deposits and mortgage loans.

Q. And you are not in competition with any bank in this area except for that; is that right?

A. That's right, and I am certainly not in competition with a bank in Detroit and Chicago and elsewhere, like you are when you are in a commercial bank.

Q. These New York bankers that came to call on you when you were with the Fidelity were competitors of yours and yet you introduced them to your customers; is that right?

A. Yes.

Q. And you didn't mind doing that?

A. Not a bit because I had to travel quite a bit and [fol. 4075] ask the same favor of them when I was in Chicago or Detroit or New York.

Q. Your competitors in Chicago would introduce you to their customers?

A. Very definitely. They would go further than that and give you an automobile and driver to go see them.

Q. Did you consider this as strenuous competition?

A. You bet I did; you bet I did.

Mr. Reycraft: That is all.

Mr. Littleton: I have no other questions. Thank you very much, Mr. McGinley.

J. Milton Hoffa, having been duly sworn, was examined and testified as follows:

Mr. Reycraft: Your Honor, I might point out that Mr. Hoffa is not on the list of witnesses which was given to us, and I object to his testifying.

Mr. Price: He was on the original list. I guess it was so long ago Mr. Reycraft has forgotten. However, he is the comptroller of the bank, and he is simply going to explain his calculation of the pro forma figures on the exhibits that we referred to this morning.

[fol. 4075a] The Court: He has been present at every minute of every session of this trial, and he was on the original list. I thought you were cutting it down. I have been wondering who he was. Now I am satisfied. I am going to let him testify.

Direct examination.

By Mr. Price:

Q. Mr. Hoffa, I refer you to D-39——

The Court: Don't you think you better introduce him on the record?

Mr. Price: I beg your pardon, sir. I thought I had already introduced him.

By Mr. Price:

Q. Mr. Hoffa, your position with the Girard Trust Company is what?

A. Comptroller.

Q. And have been for how long?

A. Since 1952.

Q. I ask you to refer to D-39, which contains a list of 17 banks in New York with lending limits in excess of a million dollars.

A. Yes, sir.

Q. Did you at my request likewise ascertain the num-

ber of banks in addition to those 17 which have main offices [fol. 4076] in New York City?

A. Yes, I did.

Q. How many are there?

A. In addition to these 17, there were 29.

Q. And what were their aggregate assets?

A. $1,637,000,000.

Q. And their aggregate deposits?

A. $1,390,000,000.

Q. And their aggregate loans?

A. $784 million.

Q. Will you refer to D-54 and D-55.

A. Yes, sir.

Q. Did you make the pro forma calculations which appear in the footnotes on those two exhibits?

A. Yes, I did.

Q. And do they conform to the figures which appear on the respective exhibits themselves?

A. That is correct. They have been added.

Mr. Price: Cross-examine.

Mr. Reycraft: No questions.

Mr. Littleton: I have no questions.

By Mr. von Starck:

Q. Mr. Hoffa, I show you a copy of D-18, which is entitled "Comparison of Relative Growth of Deposits of [fol. 4077] Banks in the Delaware Valley with Deposit Growth of the Philadelphia National Bank and Girard Corn Exchange Bank" and ask you if you prepared the figures which appear in the back of that volume?

A. Yes, sir, I did.

Q. And the charts which appear ahead of that are based on those figures, are they not?

A. Yes, we verified the charts.

Mr. von Starck: That is all.

Mr. Reycraft: No questions.

JOHN P. ADAMS, having been duly sworn, was examined and testified as follows:

Mr. Price: If Your Honor please, I would like to have marked as D-12-A and D-13-A addenda to defendant's

Exhibits D-12 and D-13, which now corrects the three errors which Mr. Reycraft called attention to on the cross-examination of the witness who described these originally, plus two others, so that it makes them now accurate, and in order to keep them with the original exhibits, I suggest they be marked D-12-A and D-13-A.

The Court: They may be.

[fol. 4078] (Paper headed "Addendum to Defendants' Exhibit D-12" was marked Exhibit D-12-A for identification.)

(Paper headed "Addendum to Defendants' Exhibit D-13" was marked Exhibit D-13-A for identification.)

Direct examination.

By Mr. Price:

Q. Mr. Adams, what is your position with the Girard Trust Company?

A. I am a senior vice-president.

Q. And have been for how many years?

A. Since January of 1958.

(Document headed "Girard Trust Corn Exchange Bank Branch Area Deposit Survey" was marked Exhibit D-56 for identification.)

Q. I show you a table marked D-56 and ask you if that was prepared under your supervision and direction?

A. Yes, sir, it was.

Q. What is that?

A. Pardon me, sir. No, sir, not this exhibit. I looked at it too hastily. This exhibit was prepared under the supervision of the vice-president in charge of branch ad-[fol. 4079] ministration.

Q. Of the Girard?

A. That is right.

Q. Are you familiar with this exhibit, what it shows?

A. Yes, sir, I am.

Q. Can you tell me what it is?

A. This is a sample of a type of survey that is conducted occasionally by the Branch Administration Department in which they endeavor to determine the percentage of deposits within a certain area radius of the office. This particular survey has six suburban offices and five Philadelphia offices. It shows the total deposits of each office for regular checking demand and time deposits. It shows the deposits of the suburban offices in the two-mile radius circle of the office and a percentage represented of the two-mile radius as against the total.

For the Philadelphia offices it has similar total deposits and also the one-mile radius deposits and the two-mile radius deposits, and it shows a percentage of each, the one-mile and the two-mile, as against the total regular checking and time deposits.

[fol. 4080] Q. When was this study first projected?

A. This particular study was started last summer.

Q. Before or after the merger activity?

A. It was started before the merger activity.

Q. Did it have anything to do with the merger?

A. No, sir.

Q. I wanted to indicate whether or not it was initiated because of the merger or entirely independent of that.

A. It was independent of the merger.

Q. And that is the reason why all the branches were not examined?

A. Well, as I said, this is a typical type of such a survey, and they just happened to pick out these particular offices——

Q. Do you know why they were selected?

A. If you will notice, there is a certain grouping. For example, the Bala-Cynwyd, Narberth, Wynnewood offices are in the so-called Narbeth division. Now we call it the Main Line division, and the other three are in the Delaware County division. In the city the last on the list are relatively close together, so that it was a matter of con-

[fol. 4081] venience of those who were making the survey.

Q. I notice that in the percentage figures there are some that are conspicuously low and some conspicuously high in the last column. Have you any comment that you want to make with reference to those, the 65 and 67 per cent as against 83 and 86 per cent?

A. In the suburban group the Newton Square office is in a rather sparsely settled suburban community, so that it not being in as relative a popul-us area the residents are more spread out, so the deposits are more spread out.

69th Street is a transportation hub. There are many feeder lines into it from the suburbs through cars, buses, and automobiles, and coming west from the Philadelphia Transportation Company, so that a number of people journey to and from work and stop at the time and do their banking. They don't particularly live in the neighborhood. It is also kind of a commercial neighborhood in the immediate 69th Street area.

Q. And what about the 67 per cent for Arch Street in the city?

A. The Arch Street office is a central city office in a [fol. 4082] commercial neighborhood, and it is not much of a residential neighborhood, and a number of the people who would be associated with businesses in that office would use the banking facilities but might not necessarily live in close proximity to the office.

Q. Now, Mr. Adams, will you refer to D-43.

A. Yes, sir.

Q. That exhibit was identified and described by Mr. McDowell, and I merely want to ask you whether the figures that appear for the Girard Trust Corn Exchange Bank on that exhibit were calculated in the same manner as those for the Philadelphia National Bank, as described by Mr. McDowell.

A. Yes, sir, they were.

(Document entitled "Number of Girard Loans to Customers Located Within the Four-County Area, Distributed by Size and Type of Loan," was marked Exhibit D-57 for identification.)

Q. Mr. Adams, I show you a paper that has been marked D-57 and ask you what that represents.

A. This shows a number of Girard loans to customers located within the four-county area distributed by size, class, and type of loan. On the left-hand side of the ex- [fol. 4083] hibit are the size classes in two columns, and across the top of the exhibit are three major types of

loans—commercial and industrial, consumer installment, real estate, and collectively all others. There is a total on the right-hand side for each size class and a total at the bottom of each type of loan.

Q. And that corresponds with D-17 relating to the Philadelphia National Bank, does it not?

A. I will accept what you say. I don't have it here.

Mr. Price: Well, may I state of record that that is the companion exhibit.

(Document entitled "Girard Trust Corn Exchange Bank, Lending Authorities of Officers" was marked Exhibit D-58 for identification.)

Q. I show you an exhibit marked D-58, Mr. Adams, and ask you what that is.

A. This is a clean copy of an exhibit entered by the Government. It is exactly like the one, except in form and cleanliness, entered by the Government. We were requested by the Justice Department for a great deal of material, and we tried to get it to them as rapidly as possible. The other material we sent to them were pictures of records that we had, and it was an internal record, and there were some corrections, things crossed out, and [fol. 4084] so forth, where men had left. This is a correct, clean copy.

Mr. Price: And the Government's exhibit was G-83.

(Copy of letter dated May 15, 1961, from W. M. Taylor, Deputy Comptroller of the Currency, to Mr. George H. Brown, Jr., President, Girard Trust Corn Exchange Bank, was marked Exhibit D-59 for identification.)

Mr. Price: If Your Honor please, I would like to have marked as Defendant's Exhibit D-59 a copy of the letter from the Deputy Comptroller of the Currency, dated May 15, 1961, reading as follows:

> "All the documents relating to the subject consolidation enclosed with a letter dated May 12, 1961, from Mr. Carroll R. Wetzel, Attorney for your bank, are in acceptable form and the special meeting of share-

holders of your bank held on May 9, 1961, may be finally adjourned.

"Very truly yours,

"(Signed) W. M. Taylor, Deputy Comptroller of the Currency."

That confirms the date of May 9, which I think Mr. Brown referred to as the date of the meeting of stockholders.

[fol. 4085] Mr. Price: Will you mark this D-60, please?

(6-page document headed "Demand Deposits," was marked Exhibit D-60 for identification.)

By Mr. Price:

Q. Mr. Adams, I show you a 6-page exhibit which has been marked D-60 and ask you what the first sheet headed "Demand Deposits I" represents.

A. This is a geographical distribution of demand-deposit accounts of individuals and the dollar amounts is shown in thousands. It is for the demand-deposit accounts of individuals with the Philadelphia National Bank and Girard Trust Corn Exchange Bank and the totals for the combined bank.

On the left-hand side of the exhibit are the geographical areas for location of depositors. The first area is Philadelphia County, the next is Bucks, Delaware, and Montgomery Counties. There is a subtotal for the four counties.

The next area is the rest of the ten-county area, that is Chester County in Pennsylvania, Mercer, Burlington, Camden, and Gloucester Counties in New Jersey, and New Castle County in Delaware.

The next is the rest of the Third Federal Reserve District, that is, the areas outside of the previous areas mentioned, and would cover approximately the eastern half [fol. 4086] of Pennsylvania, the southern half of New Jersey, and the State of Delaware.

The next area is Northeast United States outside the Third Federal Reserve District, and that would include Ohio, West Virginia, Virginia, Maryland, the District of

Columbia, the western half of Pennsylvania, the northern half of New Jersey, New York State including New York City, and all the New England states.

The next area is the rest of the United States, which is, of course, outside the previously-described northeast area; and the last area is foreign, which is outside of the United States.

There is a column for the dollar amount in thousands for location of depositors by area for Philadelphia National Bank and alongside of it a column for the percentage that the deposits in that area represent as against the total.

There is the same thing for the Girard Trust Corn Exchange and the same thing for the combined.

At the bottom is a total of the demand deposits of individuals with the respective banks, the combined total, and a percentage total adding up to 100 per cent.

Q. Now as to those under $10,000, how were they determined as to location or allocated?

A. They were determined by a sampling method with [fol. 4087] which the Justice Department is familiar. We took one out of four hundred accounts and used that as a sampling.

Q. And as to those over $10,000?

A. Over $10,000 we have taken from the actual records.

Q. By the IBM?

A. The actual records were transferred to tabulating records.

Q. Now, the second page, "Demand Deposits II," what does that represent?

A. This is a geographical distribution of the demand deposits of partnerships and corporations with the Philadelphia National Bank.

The same as the previous exhibit, where dollar amounts are expressed they are expressed in thousands.

On the left-hand side, for the same geographical areas as in the previous exhibit.

Across the top are size of deposits of partnership and corporation demand deposits, by size class, the first one being under $10,000, and then there are three more. The last one is $500,000 and over, and on the right-hand side

is a total column for the total amount of all size classes for the geographical area and the percentage.

There are totals at the bottom of each of the columns for dollars and for percentage.

[fol. 4088] Q. Now, I note that at the bottom of the page the distribution of those under $10,000 was by sample and over $10,000 by actual records?

A. Records, yes, sir.

Q. Now will you turn to the sheet headed "Demand Deposits III" and tell me what that is?

A. This exhibit is the same format as the previous II, except that it is the partnership and corporation demand deposits of the Girard Trust Corn Exchange Bank.

Q. And the next sheet, "Demand Deposits IV"?

A. IV is a combination of II and III, the only difference being that the size classes are expressed only by two, under $10,000 and $10,000 and over, instead of splitting the $10,000 and over into several size classes.

Q. And the next sheets, "Demand Deposits V" and "VI"?

A. "V" or "VI"? There's just "V" here.

Q. Well, "Demand Deposits V"?

A. "V" is a geographical distribution of both Philadelphia National Bank and Girard Trust deposits, demand deposits, of states and political subdivisions, of domestic banks, and foreign banks.

It has the same geographical area that was in the previous exhibits.

The headings under each bank are three in number—[fol. 4089] the first, state and political subdivisions; the second, domestic banks; and the third, foreign banks.

Q. And then the second sheet of "Demand Deposits V"?

A. The second sheet is a combination of the two banks, under the same general format, taking the three types.

Mr. Price: I would like to state for the record, sir, that as a matter of convenience of reference these exhibits relate to the subject matter of the Government's exhibits that have already been offered and have already been received in evidence and marked G-28, G-29, and G-30; and so far as "Demand Deposits V" is concerned, G-28-A.

The material contained in the Government's exhibits are not quite the same as those that appear here because there are different types of deposits referred to. For example,

G-29 combined Philadelphia National Bank demand deposits, with only IPC demand deposits of Girard.

But with variations which will appear from the exhibits themselves, this covers the same general area but, as I have indicated, this is more complete.

Will you mark this D-61?

(Three-page document headed "Time Deposits," was marked Exhibit D-61 for identification.)

By Mr. Price:

Q. I show you a three-page exhibit marked D-61 and ask [fol. 4090] you what that is, Mr. Adams.

A. The first page is the geographical distribution——

Q. D-61?

A. D-61, yes. The first page is a geographical distribution of Philadelphia National Bank and Girard Trust Corn Exchange Bank savings and business time deposits.

On the left-hand side are the same geographical-area locations of depositors; there are two main headings, the first, savings deposits, under which is shown a double column for Philadelphia National Bank as to amount and percentage of the various geographical areas for allocation of savings deposits; the same for Girard Trust Corn Exchange Bank; and the third column is the combined totals and a percentage for the combination of both banks by area.

On the right-hand side the main heading is, "Business Time Deposits," and we have the same general setup there —a column for amount and percentage for Philadelphia National Bank, one for Girard, and one for combined.

The two-column leads, of course, the last is the Girard combined, with the total at the bottom of each column and a percentage addition to 100 per cent.

Q. Now the next sheet, "Time Deposit II," what does that represent?

The Court: Let me see this original D-61. Will you get [fol. 4091] it from the witness and bring it over?

Go ahead, Mr. Price.

Read the last question.

(The pending question was repeated by the reporter.)

The Witness: That is a geographical source of other time deposits of the Girard Trust Corn Exchange Bank and the Philadelphia National Bank.

It has on the left-hand side the geographical areas for location of depositor. It has across the top three main headings, "Time Deposits of States and Political Subdivisions," "Deposits of Domestic Banks," and "Deposits of Foreign Banks."

It has a column for Girard Trust for an amount for each geographical location and percentage of that area as related to the total. For Philadelphia National Bank it has a similar two columns for amount and percentage; and then a third combined amount and percentage.

There is the same setup for each of the banks and combined for deposits of domestic banks and the same for deposits of foreign banks, a column for each of the banks and a combined column.

At the foot of each column is a dollar total in thousands and a percentage addition to 100 per cent.

[fol. 4092] Q. Will you turn now to the third sheet, "Time Deposits III," and tell me what that is?

A. "Time Deposits III" of the exhibit shows the growth of personal-savings deposits in the four-county area, four-county Philadelphia area, for a period December 31, 1951, to December 31, 1959. The dollar amounts are shown in thousands.

In the left-hand column it has the closing date of each year, 12-31-51, going progressively, year by year, to 12-31-59.

It has a column for the amount of personal-savings deposits of the Philadelphia National Bank for each of these years as of that date; for the Girard Trust Corn Exchange Banks for each one of the years as of the date; for the mutual-savings banks, a total of the mutual-savings banks for each year as of the end of the year; and for the savings and building and loan associations a total for them as of that date at the end of each year.

At the bottom it shows the amount of increase for each of these four columns and the percentage of the increase from 12-31-51 to 12-31-59.

Q. The last two lines below the increase 1951-59 represent what?

A. That is the amount of the increase over the period. It shows for the Philadelphia National Bank 45.1 per cent; [fols. 4093-4095] for the Girard, 44.3 per cent; for the mutual-savings banks, 76.1 per cent; and for the savings and building and loan associations, 164 per cent.

Q. Is that the increase from the 1951 total to the 1959 total?

A. Yes, sir.

The Court: It is 4 o'clock. I think we had better recess for the day.

(Recess taken at 4:00 o'clock P. M. until 10:00 o'clock A. M. on Friday, July 28, 1961.)

[fols. 4096-4097] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

TWENTY-FIFTH DAY

Philadelphia, Pa., July 28, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 4098] JOHN P. ADAMS, resumed.

Direct examination. (Continued)

Mr. Price: At the end of the day yesterday we were speaking about D-61, and for the record I would like to note that "Time Deposits I," which is a part of D-61, corresponds with Government Exhibit G-15 and G-31; "Time Deposits II," there isn't a precisely comparable exhibit,

but some of the figures on G-15 are similar; and there is nothing comparable to "Time Deposits III."

(Document headed "All Time and Demand Deposits of Individuals, Partnerships and Corporations, Combined Share of Philadelphia National and Girard" was marked Exhibit D-62 for identification.)

Q. Mr. Adams, I show you a one-page exhibit marked D-62 and ask you what that is.

A. This is a comparison of the combined share of Philadelphia National Bank and Girard Trust Corn Exchange Bank of all time and demand deposits of individuals, partnerships, and corporations, compared with first demand deposits of all commercial banks with headquarters in Philadelphia County, secondly the four-county area, and, third, comparison in the ten-county area.

The second comparison is with time deposits of all com-[fol. 4099] mercial banks with headquarters in the three areas I have just mentioned.

The third comparison is with deposits of mutual savings banks with headquarters in the three areas.

With deposits of savings and loan associations and building and loan associations with headquarters in the three areas mentioned, and with members shares of credit unions with headquarters in the three areas.

There is a subtotal under the first three categories and a total under the five categories for comparison.

At the bottom there is the dollar amount of time and demand deposits combined of Philadelphia National and Girard, and below it the percentage comparison of that figure with all commercial and mutual banks in the three areas, and with all institutions in the three areas.

Q. Footnote 2, the blank there should be Defendant's Exhibit 32?

A. D-32.

Q. This comparison at the bottom, the percentages, will [fol. 4100] you describe that, please.

A. It shows that the time and demand deposits combined of Philadelphia National and Girard in Philadelphia County compare with the three classifications mentioned, demand deposits, time deposits of all commercial banks,

and deposits of mutual savings banks, in relation of 23 per cent of the total.

Q. So that that figure of $1,182,829 of the Philadelphia National and Girard is 23 per cent of the $5,055,711?

A. That is right.

Q. And 20 per cent of the $5,961,639?

A. That is right, and then it follows across that in the four-county area it is 22 per cent with all commercial and mutual banks and 18 per cent with all institutions.

In the ten-county area the comparison is 17 per cent with all commercial and mutual banks and 14 per cent with all institutions.

(Documents headed "Commercial and Industrial Loans," was marked Exhibit D-63 for identification.)

By Mr. Price:

Q. Mr. Adams, I show you a three-page exhibit marked D-63 and ask you what that is.

[fol. 4101] A. The first page of D-63 is a geographical distribution of the commercial and industrial loans of the Philadelphia National Bank. On the left-hand side are the same geographical areas we have had in previous exhibits. Across the top we have size classes of loans, starting out with under $50,000, then there are three more that run $50,000 to $99,999, and three different classifications divided by that total spread, and then the last one is over $1 million, and on the right-hand side there is a total of all the geographical areas for all the size classes. There is a total, and all amounts are in thousands on this exhibit. There is a total for each category and a percentage added up to 100 per cent, and a grand total added up at the end in the last column.

Q. And the second page is headed "Commercial and Industrial Loans II"?

A. The second page is a similar exhibit. This is for the commercial and industrial loans of geographical source of the Girard Trust Corn Exchange Bank.

Q. Set up the same way as the preceding page?

A. Yes, sir.

Q. And the third page is "Commercial and Industrial [fol. 4102] Loans III"?

A. The third page is a combination of the information set forth on the first two pages, combining the two banks.

Mr. Price: For the record, the first page of this Exhibit D-63, Commercial and Industrial Loans I, relates to the data which is given in part in Government's Exhibits G-19, G-22, and G-21. They cover portions of the same area, not completely.

As to Commercial and Industrial Loans II, that corresponds to Government's Exhibits G-19, G-23, and G-20, but they are only partially covered.

Commercial and Industrial Loans III—G-24 purports to combine G-22 and G-23, but the figures are not accurate. G-17 and G-18 likewise might be considered in connection with our Exhibit Commercial and Industrial Loans III.

(Document headed "Real Estate Loans" was marked Exhibit D-64 for identification.)

Q. Mr. Adams, I show you a single sheet marked D-64 and ask you what that is.

A. D-64 is the geographical distribution of real estate loans of the Philadelphia National Bank and the Girard [fol. 4103] Trust Corn Exchange Bank, and also shows the combination of the figures for both banks. The exhibit is set forth with the same geographical areas as in the previous exhibits and generally the same format. The totals at the bottoms of all columns is divided into two columns under each bank, one column for loans under $50,000 and the other column for loans over $50,000, and amounts are set forth in thousands under these columns.

Mr. Price: For the record, the Real Estate Loans I on this exhibit should be read in connection with or compared with Government's Exhibits marked G-20, G-21, G-25, G-26, and G-27.

(Document headed "Real Estate Loans, Comparison of Defendants With Certain Other Competing Institutions," was marked Exhibit D-65 for identification.)

Q. I show you an eight-page exhibit marked D-65 and ask you what that represents.

A. D-65 shows a comparison of the real estate loans of the combined Philadelphia National and Girard Trust Corn

Exchange Bank with certain other competing institutions in three areas, Philadelphia County, in the four-county area, and in the ten-county area. The comparisons that are made are listed on the left-hand side of the exhibit, [fol. 4104] the first one being commercial banks with headquarters in the three areas I have mentioned; with mutual savings banks with headquarters in the three areas; with savings and loan and building and loan associations with headquarters in the three areas; with three insurance companies with headquarters in the area; and then there is another category stated as outside institutional lenders including pension and profit-sharing funds, serviced by at least 17 local mortgage service agencies.

There are no figures in for this particular category.

There is a subsequent schedule attached. It has the number of these institutions in the respective three areas and the aggregate amount of the loans expressed in thousands of dollars.

At the bottom it has the combined total of Philadelphia National-Girard real estate loans, and in parentheses for each category is the percentage that the combined Philadelphia-Girard loans represent as against the aggregate amount of the figures in each one of the three categories.

Q. Then the total aggregate amount of real estate loans [fol. 4105] of the Girard-Philadelphia National Bank combined are 3.2 per cent of the total real estate loans of other commercial banks with headquarters in Philadelphia, of the mutual savings banks in Philadelphia, savings and loan and building and loar associations with headquarters there, and of these three insurance companies which have headquarters in Philadelphia, but so far as the insurance companies are concerned, it was impossible to determine where the real estate comprising the security for their loans actually was located?

A. That is correct.

Q. But they are the companies that are in active operation in Philadelphia in the real estate loan business?

A. They are three prominent local insurance companies.

Q. Then Schedule A attached to this exhibit is what?

A. Schedule A sets forth the real estate loans of mutual savings banks in thousands of dollars. It has the name of the four mutual savings banks in Philadelphia County

and the one mutual savings bank in Chester County. There is a subtotal for the Philadelphia County and a grand total for both counties.

Q. That is a breakdown of the figures appearing on line 2 of the first sheet?

[fol. 4106] A. That is right. In the footnote it is indicated as 2.

Q. And then Schedule B represents what?

A. Schedule B represents real estate loans of savings and loan and building and loan associations where dollar amounts expressed are in thousands. It shows the number of institutions in each of the four counties—Philadelphia, Bucks; Delaware, and Montgomery—with the total outstandings. There are subtotals for the number of institutions and the amount of outstandings, and then it shows the number of institutions and the amounts for Chester County in Pennsylvania, for Mercer, Camden, Burlington, and Gloucester, New Jersey; and New Castle County in Delaware.

Q. That is a breakdown of the figures that appear in line 3 of the first sheet?

A. That is right.

Q. Then Schedule C.

A. Schedule C shows the three insurance companies with headquarters in Philadelphia, with a total of all their real estate loans.

Q. There are other insurance companies in Philadelphia besides those for which figures were shown?

A. There is listed in Schedule C other such companies [fol. 4107] with offices in the Philadelphia area, with the name of the company and its street address.

Q. And the number of those on that list which have offices there have headquarters in the Philadelphia area also, have they not?

A. Yes, there are some who have headquarters here.

Q. Not all of them, but some.

By the Court:

Q. For instance, who has headquarters in Philadelphia?

A. Philadelphia Life Insurance Company.

Mr. Price: Philadelphia Life Insurance Company, Life

Insurance Company of North America, Pennsylvania Life Insurance Company, Quaker City Life Insurance Company.

The Court: All right.

By Mr. Price:

Q. Then Schedule D lists what?

A. Schedule D lists some of the prominent mortgage service companies in the Philadelphia area, with the name of the company and its street address.

Then II, under Schedule D, are some of the prominent real estate firms in the Philadelphia area with substantial mortgage activity. It lists the names of the firms and [fol. 4108] their street addresses.

Q. Number III.

A. III are some of the pension and profit-sharing funds which make mortgage loans in the Philadelphia area. It shows the name of the pension and profit-sharing fund and its address.

By the Court:

Q. What is your source of information for that?

A. The source of information, Your Honor, was, I directed the head of our Real Estate Division to make this study, and he has been in the real estate business for many, many years, and is completely familiar with all the avenues of mortgage financing.

By Mr. Price:

Q. So this shows the companies and individuals and others that are in the business of getting real estate loans, who have headquarters in the Philadelphia area or offices here?

A. That is right.

Mr. Price: For the record, there is no comparable exhibit of the Government on this point.

(Document headed "Loans to Individuals Geographical Distribution of Girard Trust Corn Exchange Bank's Loans [fol. 4109] to Individuals" was marked Exhibit D-66 for identification.)

Q. Mr. Adams, I show you an eight-page exhibit marked D-66 and ask you what this is.

A. The first page of Exhibit D-66 is the geographical distribution of Girard Trust Corn Exchange loans to individuals, broken down by the geographical areas similar to the previous exhibit. There are two major columns as to type of loan. The first, Consumer Credit and Other Installment Loans, and the second, Single Payment Loans to Individuals. There is a third column totalling the two main columns. There is a total at the bottom of each column for dollars in thousands of dollars and a total of 100 per cent where there is a percentage column.

Q. What is the second sheet, Loans to Individuals II.

A. The second sheet is a similar exhibit for the Philadelphia National Bank's loans to individuals. There is one difference in these two exhibits. There is, if you will notice, below the total of the four counties, there is the rest of the ten-county area, which is similar to the previous exhibits, and then it has one more category "Outside 10-County Area," in which everything was put into that, [fol. 4110] which would be equivalent to the rest of the Third Federal Reserve District for conservative purposes.

Q. Philadelphia National Bank's records were not broken down the way they were for the Girard?

A. It is possible to locate the borrower, Mr. Price. It was just that this is the way it was done to make a conservative estimate.

Q. The next is Loans to Individuals III.

A. This is a combination of the previous two exhibits, but as I have already mentioned, the amount shown under the geographical distribution of outside the ten-county area for the Philadelphia National Bank is put in the most conservative geographical area for distribution purposes —Rest of Third Federal Reserve District on Loans to Individuals III.

Q. The next sheet, Loans to Individuals IV.

A. Loans to Individuals V are Institutions Other Than Commercial Banks Engaged In Making Consumer Credit and Other Loans to Individuals, the first category being Credit Unions. This shows the number of institutions and the aggregate loans outstanding of state-chartered credit unions in Pennsylvania, Federal-chartered credit unions in

[fol. 4111] Pennsylvania, state-chartered credit unions in New Jersey, Federal-chartered credit unions in New Jersey, and Federal-chartered credit unions in Delaware. It totals the number of institutions and the aggregate loans outstanding. There are footnotes here to explain the source and additional footnotes in one of certain limited specific information we were able to obtain.

Q. The statewide figures were used because it wasn't possible to get a smaller breakdown for credit unions; isn't that so?

A. That is right, except where it is noted in Note 1. I believe that there are 40 such unions in Bucks, Chester, Montgomery, Delaware, and Philadelphia Counties.

Q. Yes, but the statewide figures are shown in the upper portion of this sheet?

A. That is correct.

Q. And the notes show what might be estimated for smaller areas based on total number of counties?

A. That is right.

Q. You referred to credit unions. The next is small loan companies, on the next page.

A. The small loan companies, it shows the number of [fol. 4112] institutions and the aggregate loans outstanding of such companies in Philadelphia, Bucks, Delaware, Montgomery, and Chester Counties in Pennsylvania; Mercer, Camden, Gloucester, Burlington Counties in New Jersey; and the State of Delaware. It shows the totals for the number of institutions and the aggregate loans outstanding.

C is Consumer Discount Companies, loans of such companies in Philadelphia, Bucks, Delaware, Montgomery and Chester Counties, with the total number and the aggregate loans outstanding, with notes as to the source of the information.

Q. Then it was possible to get the loans outstanding in the counties for those two classes?

A. Except for Delaware. On this particular category, New Jersey and Pennsylvania keep them by counties.

Q. The next page.

A. D are Sales Finance Companies with headquarters in the Philadelphia area. It has the name and location of these sales finance companies and their outstanding

receivables as of the date stated in parentheses alongside of each amount. It is assumed that these companies having headquarters in the Philadelphia area do a substantial [fol. 4113] percentage of this business in the Philadelphia area.

Q. Then the additional sales finance companies.

A. Under 2 it shows the names and locations, the outstanding receivables, of additional sales finance companies, with offices in the Philadelphia area with outstanding receivables, and the reporting date in parentheses alongside the amount. This is to indicate the size and character of the companies with which we are in competition in this area of business.

Q. What is No. 3?

A. In No. 3 are listed just the names and addresses of additional sales finance companies with offices in the Philadelphia area for which figures are not available.

Mr. Price: Now, for the record, Loans to Individuals I, sheet No. 1 of D-66, relates to the subject matter of Government's Exhibits 26 and 20.

Loans to Individuals II relates to the subject matter of G-21 and G-25.

Loans to Individuals III, the combination, relates to Exhibit G-27.

There is no comparable Government Exhibit relating to Loans to Individuals IV.

[fol. 4114] By Mr. Price:

Q. Mr. Adams, I show you a three-page exhibit marked D-67, and ask you what that is.

(Three-page document entitled "Other Loans," was marked Exhibit D-67 for identification.)

The Witness: D-67 is the geographical distribution of loans to financial institutions, to purchase and carry securities, to farmers, and miscellaneous loans, generally known as other loans, which is used as a heading.

It shows on the left-hand side the geographical areas as in the previous exhibit, and when I say that, Mr. Price, I mean it is not the one for the consumer credit for Philadelphia National, but all the other geographical areas shown.

Across the top are the types of loans, with a dollar amount and a percentage allocation for the particular geographical area. The dollars are expressed in thousands. There are totals at the bottom for dollars and totals for percentage.

The categories across the top are loans to domestic banks, loans to foreign banks, loans to other financial institutions, loans to purchase or carry securities, loans to farmers, and miscellaneous loans.

Q. And the second sheet of D-67, "Other Loans II," is what?

[fol. 4115] A. The second sheet is a similar exhibit for the same type of loans of the Philadelphia National Bank.

Q. "Other Loans III," the third page?

A. III is a combination of the two banks for the same types of loans.

Mr. Price: For the record, D-67 relates to the subject matter of G-26 for the heading "Other Loans I," G-25 for "Other Loans II," and G-27 for "Other Loans III."

By Mr. Price:

Q. Mr. Adams, I show you a one-page exhibit marked D-68 and ask you what that is.

(Document entitled "Lines of Credit," was marked Exhibit D-68 for identification.)

The Witness: D-68 is the geographical distribution of the lines of credit of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank and the combined lines of credit for the two banks by location of customer, the geographical areas being shown on the left-hand side; and they are the same as in the previous exhibits.

Mr. Price: For the record, that relates to the subject matter of Government's Exhibits G-17, G-18, G-20, and G-21.

By Mr. Price:

Q. Mr. Adams, I show you an eleven-page exhibit [fol. 4116] marked D-69 and ask you what that represents.

(11-page exhibit headed "Personal Trusts," was marked Exhibit D-69 for identification.)

The Witness: D-69 is the distribution of estates between individual and corporate executors for Philadelphia County, for estates of $50,000 and over during the period 1957 through 1959, both inclusive, setting forth the categories of individual executorships, corporate executorships, and intestacies, with the number of these to the percentage of the total of each class related to the total number, the amount, and the same percentage distribution according to the three classifications by amount in relation to the total.

In B, this table sets forth such distribution for estates of $100,000 and over in Philadelphia County during the period 1956 through 1959, both inclusive. It is the same format as the table shown in A.

Q. The second page of that exhibit is what?

A. The second page is companies, the value of whose personal-trust assets has been ascertained. They are trust companies in the Philadelphia area.

It gives the location of the main office, by location of the main office. It sets forth Pennsylvania, the trust companies in Philadelphia County, with an approximate ag- [fol. 4117] gregate value of personal-trust assets; and it shows Bucks County, Chester County, Montgomery County, and New Jersey, Burlington County, Gloucester County, and Mercer County.

It has the total at the bottom of the next page that gives the aggregate total of all the amounts set forth above.

Q. That is the aggregate of the trust funds that are held by those institutions according to their records?

A. Their personal-trust assets.

Q. Yes.

Then the next page headed "B"?

A. B lists other trust companies in the Philadelphia area, the value of whose personal-trust assets can not be ascertained by location, location being the same general type of breakdown as in the previous exhibits where we do have totals.

It shows the companies we know to be in the trust business, but we could not obtain the figures which we were able to obtain for the previous exhibit.

Q. The other figures were obtained from regular public sources, were they not?

A. Yes, sir. There is indicated alongside of each one a key which refers to the source at the bottom of II A.

Q. Yes.

[fol. 4118] Now, the sheet headed III, what does that represent?

A. III is the geographical source of Girard Trust Corn Exchange Bank's personal-trust business by number of accounts.

It shows an area distribution on the left-hand side of the page. It takes several pages to cover this, showing the ten-county area, the five counties in Pennsylvania that we referred to, the five counties in New Jersey, and New Castle County in Delaware.

It totals that and then it goes to the United States outside the ten-county area, taking the parts of the states that are not included in the ten-county area, with a total for that.

Then there is a category for foreign and a grand total of each type of personal-trust account across the top; and then there are subtotals for the geographical areas for each type and the grand total at the bottom for each type, and the aggregate dollar value, which is expressed in thousands for each type.

Q. Then, continuing on to the next page:

A. Next is a similar format for reporting the kind of information just described for the Philadelphia National Bank's personal trust business by geographical source and by number of accounts.

[fol. 4119] Q. Of the type of the accounts indicated at the top?

A. Yes, sir.

Mr. Price: For the record, there is no comparable Government exhibit for "Personal Trusts I." For "Personal Trusts II" G-33 covers that; and for "Personal Trusts III," the Government had an Exhibit G-41 which gave a count of dollars but no geographical breakdown of trust funds; but those two exhibits might be read in connection

with this "Personal Trusts II" and "Personal Trusts III."

Mr. Price: Off the record.

(Discussion off the record.)

Mr. Price: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Adams, is G-57 the first exhibit that you testified about?

A. I don't have any of those numbers here, Mr. Reycraft.

Mr. Price: 56, I think.

By Mr. Reycraft:

Q. 56, was it?

A. Yes—now, wait a minute. There was one before that. There was a branch sample.

The Court: What was the first one you said?

Mr. Reycraft: 56, sir.

[fol. 4120] The Witness: I remember one thing before the one he showed me, Your Honor. I think it was a branch sample. 56, I guess, was the number.

By the Court:

Q. Did you have anything to do with that one?

A. No, sir.

The Court: That is 55, so I think 56 starts it off correctly.

By Mr. Reycraft:

Q. Mr. Adams, with reference to D-62, the totals are a combination, are they, of time, demand, and savings deposits?

A. I don't have a copy.

Time and demand deposits of both banks. This is demand; this is time.

Mr. Price: Would you speak louder, Mr. Adams? I can't hear you.

The Witness: I am very sorry.

Mr. Reycraft, I believe, wanted to know whether it was the combined time and demand deposits. The answer is "yes."

By Mr. Reycraft:

Q. So that in some categories you have demand deposits, in others, time, and in others, savings?

A. Well, time and savings are generally the same cate-
[fol. 4121] gory, but that's substantially correct.

Mr. Price: This is the only exhibit where that combination is indicated.

Mr. Reycraft: Yes.

By Mr. Reycraft:

Q. There are substantial differences between time and demand deposits, of course.

A. Well, categorically speaking, but there is flow between them by customers taking money out of demand deposits and putting it in time, and taking it out of time and putting it in demand; so they are not strictly categorical.

Q. As far as demand deposits, of course, only commercial banks would have demand deposits?

A. That's my understanding.

Q. And for D-63 the percentages which are shown are the percentages of the dollar amounts of the loans and not percentages of the number of loans; isn't that correct?

A. D-63 are dollars.

Q. And I believe the percentages by number are shown in other exhibits in the record.

And that would be true also of D-64, real-estate loans, where the breakdowns are by dollar amounts and not by number; and I might say for the record that the distribution by number, I believe, is shown in Government ex-
[fol. 4122] hibits.

A. D-64, real-estate loans are shown in dollar amount.

Q. Yes, and you didn't make a breakdown by number?

A. No, sir. This exhibit deals with dollar amounts.

Q. And with reference to D-65, the companies shown in Schedules C and D, did I understand you to say that those companies were identified by a member of your staff?

A. Yes, sir.

Q. They are not derived from any published source which you can refer to?

A. Well, if you will note, the first three, Mr. Reycraft, the source is the annual statements of the three large insurance companies.

Q. Yes.

A. The others, I guess there were a number of sources to which he referred because of his many years' familiarity in the business.

Q. All right. One of your associates did that.

The percentages in D-66 are also by dollar amount rather than by number, and I assume you did not compute the distribution by number of loans?

A. No. The number only was related to the samples under $50,000 and then converted back into dollars, so the exhibit itself is in dollars.

[fol. 4123] Q. With reference to IV of D-66, will you refer to Footnote 1?

A. I have it.

Q. Can you tell me why you have included Chester with Bucks, Delaware, Montgomery, and Philadelphia Counties?

A. Well, the reason there was that I guess we were dealing with the five counties in the so-called ten-county area that are in Pennsylvania.

Q. There are the five of your ten-county area which are in Pennsylvania?

A. Yes.

Q. Did you have the figures for the four-county area?

A. I do not recall whether it was broken down that way or not, Mr. Reycraft.

Q. And the number of state-chartered credit unions which are referred to in IV are for the whole State of Pennsylvania; isn't that right, the 125 figure?

A. Yes.

Q. And the federals also; that is for the whole State of Pennsylvania?

A. Yes, sir.

Q. And the same for the figures of New Jersey and Delaware; they are for the whole states?

A. That is right.

Q. And at least as far as you know you don't have any [fol. 4124] figures on the amount of business any of them do in the four-county area?

A. No, I do not know what they do.

Q. And the sources of these figures are for the years 1958 and 1959 for the most part?

A. Yes, except for—I think we have one 12-31-60. The rest of them are before that.

Q. And on the next page, IV B and C, you included Chester for the same reason as you have already stated?

A. Yes. Under B it shows the ten-county area broken down into three groups by states, and under C it has the five counties in Pennsylvania because under C th ly information we set forth is from Pennsylvania.

Q. Do you have any information as to how muc i- ness the companies in the five counties in New Jers do in Philadelphia?

A. I do not know that we have that information.

The Court: We will take a ten-minute recess, gentlemen.

I may be a little late; I have to go down to see Judge Ganey for a few minutes.

(A recess was had.)

[fol. 4125] The Court: We had to swear in Judge Gleason's son on his admission to the Bar.

Mr. Price: Sir, my next witness has a very important engagement, and if Mr. Reveraft will agree that I may withdraw Mr. Adams, and with the Court's permission, I would like to put him on and resume Mr. Adams later.

The Court: Surely.

Mr. Price: Mr. Bradshaw.

T. F. BRADSHAW, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Bradshaw, you are the financial vice-president of the Atlantic Refining Company, are you not?

A. Yes, sir.

Q. And have been since when?

A. 1958.

Q. What other activities are you engaged in in Philadelphia in addition to those with the company?

A. In Philadelphia?

Q. Yes.

[fol. 4126] A. I am a director of the First Pennsylvania Company and president of the Chamber of Commerce of Philadelphia, a director of the Philadelphia Industrial Development Corporation and a member of their executive committee; United Fund trustee, and a few other things of that nature.

Q. Mr. Bradshaw, will you tell us a little about the Atlantic Refining Company, with particular reference to its financial situation, the needs?

First, could you give me the operating income? Has it changed materially in the last ten years?

A. The operating income, that is, the net income after taxes, in 1960 was $46.5 million.

It has changed. It has fluctuated, unfortunately, below that in the three previous years. In 1956 it was about at that level or a little bit higher.

Q. It has current assets now of about what, approximately?

A. Total assets?

Q. Yes.

A. Total assets at the end of 1960 were $820 million. This represents a rather—is a good deal larger than it has been. It represents a rather sustained growth over the past ten years. I think it has about doubled in ten years, rising, I think, exactly about 90 per cent in ten years.

Q. What is the debt of the company, the long-term debt?

[fol. 4127] A. The long-term debt is now about $175 million.

Q. Has it any bank loans or short-term debt outstanding?

A. At the moment there is no short-term debt outstanding, with the exception of a very small loan in the name of the Atlantic Pipeline Company, one of our subsidiaries.

Q. What, approximately, is the amount of cash that the company keeps on hand and is that invested in any short-term securities?

A. We keep about $20 million in cash, $20 million to $25 million in cash.

Q. Is that on deposit in banks?

A. Under normal circumstances, about $10 million, about $10 million to $12 million would be on deposit in banks.

Q. And how is the other held?

A. The other would be held in short-term securities.

Q. Of what nature?

A. Government securities generally, highly liquid.

Q. Any commercial paper?

A. And some commercial paper.

Q. How does the company meet its normal borrowing needs and what are those needs?

A. Well, there are basically two kinds of needs in so far as commercial banks are concerned. One is a normal seasonal, which is present in every oil company. Every [fol. 4128] oil company has to build up its inventories of heating oils during the summer season and sell them off in the winter. That means, of course, building up loans and then liquidating those loans in the winter season. That is a perfectly normal type of seasonal loan.

I'd say that under normal circumstances we would build up $10 million to $15 million in that kind of short-term loan.

Now, in addition to that there are needs brought about by special rather large kinds of situations. For instance, in 1956 we purchased the assets of the Houston Oil Company. This meant that we had to borrow from commercial banks $65 million. Now, this, of course, was in anticipation of permanent financing somewhat further down the road but that short-term loan was outstanding almost a year, a bit more than a year, I believe, before the time

was appropriate for long-term financing. Now, that kind of a deal, although perhaps not quite so large as that, is in the works at all times.

The company, for instance, bid on the uranium off-shore concessions in 1958 and did not get it. We bid on the Kuwait off-shore concession last year and did not get it; and more recently we bid on the Honolulu Oil Corporation assets and did not get that, either.

[fol. 4129] However, any one of those would have required a substantial amount of short-term borrowing at a moment's notice.

Q. And by "substantial," roughly, what range?

A. $40 million to $80 million.

Q. Has the company any lines of credit outstanding with any banks?

A. We don't have formal lines of credit. We have understandings with banks, I'd say. We have built up relationships over a long period of years with banks and I don't think we have on file any specific lines of credit letters or anything of that sort.

Q. What are those banks with whom or with which you do business?

A. In Philadelphia we do business with the First Pennsylvania Company, which is our work-horse bank, or working-account bank; and then in New York we do business with three banks—the Chase-Manhattan, the First National City and the Morgan Guaranty.

Q. How long has that relationship existed?

A. A very long time in all instances. In the case of the First Pennsylvania Company, the relationship stemmed from a relationship with the predecessor bank or one of the banks, which was the First National Bank, which is [fol. 4130] now a part of the First Pennsylvania Company.

With the other three banks, I would say that relationship goes back to the 1920's at least, possibly beyond that.

Q. Is the Pennsylvania Company the only company with which you do business in Philadelphia?

A. Substantially, yes. We have small business, a small amount of business with the Philadelphia National and

the Fidelity handles a small amount of custodian work, but basically it is the First Pennsylvania Company.

Q. Do the other banks do any lending?

A. No, sir.

Q. No borrowing from them?

A. No.

Q. But you do from the Pennsylvania Company?

A. Yes.

Q. And the other three banks in New York?

A. Yes, sir.

Q. Are those the ones that you maintain substantial deposits with?

A. We maintain deposits in the three New York banks of $2 million to $3 million generally at all times, and the deposit in the First Pennsylvania Company varies between $2 to $10 million because it is a working account.

[fol. 4131] Q. How do you handle borrowings when you need money?

A. Well, fortunately, it is a matter just of picking up the phone and calling the appropriate officers in each of the banks. They are close enough to what we are doing, and, of course, they are close enough to our particular financial situation so that we have this kind of a relationship.

Q. How much do you borrow from the Pennsylvania Company when you have occasion to make a loan? Do you get as much as you can from the Pennsylvania Company or how is that handled?

A. When we have need for loans, either the buildup of seasonal loans or some special type loan—and the two may be working together at the same time, of course—we borrow from each of the four banks equally until we reach the lending limit of the Pennsylvania Company, and then we divide the loans equally among the three New York banks.

Q. You have no other borrowings from any Philadelphia bank?

A. No, sir.

Q. Why did you establish the relationships with New [fol. 4132] York rather than Philadelphia?

A. Well——

Q. Perhaps I shouldn't ask you why you established it. You weren't there. Why do you maintain it?

A. Because our needs are very large. The lending capacity of the Chase Bank, for instance, is $62 million, which I imagine is almost twice the lending limit of the entire financial structure of Philadelphia. I don't think that we could even get together. There is no way of combining perhaps all the banks in Philadelphia and arranging for the amount of loans that we would need at any one time, and, of course, that would be an administratively impossible task.

Q. Have you obtained any other services from the New York banks that are now available that are unavailable in Philadelphia?

A. Yes, indeed. By virtue of their size, of course, the New York banks are able to provide services that are very essential to us and somewhat unique, I imagine, among banks. Both the Chase and the First National City, for instance, have petroleum departments which have petroleum engineers, petroleum economists. These are extremely helpful in any kind of oil financing. These people are [fol. 4133] well respected experts whose opinions are accepted by most oil people.

In addition, both those banks and, of course, the Morgan Guaranty also, have extensive foreign operations, and there they are most helpful to us. We are engaged in foreign activities, and we are constantly looking at new foreign areas, and whether the area be the Spanish Sahara or Argentina or Australia, we can go to one of those banks and very quickly get a picture of the financial or the economic situation of the country, the political situation. We can arrange for contacts with banks in those countries. We can arrange for letters of credit, and again by phone or by a quick visit to New York.

Q. Is there any bank in Philadelphia that has such service or comparable service?

A. I don't believe that there is any bank in Philadelphia that has a petroleum service of that nature. I am sure that there are several banks in Philadelphia that have foreign service, certainly not to the extent that those banks have, certainly not to the depth.

Q. Have you ever called upon the Philadelphia National Bank for foreign service?

A. We have called upon the Philadelphia National Bank [fol. 4134] for purchase of foreign exchange but not for foreign advice.

Q. These advantages that you get from the New York banks from these persons that are available, the experts, the various people, do you pay any special fee for the use of that service, or does that come as part of your deposit relationship?

A. I think that is very definitely a part of a long-term relationship and the fact that we keep deposits with those banks even when we are not borrowing, of course, from those banks. We, for instance, have not borrowed since March of this year and probably will not be borrowing until perhaps September, and during this period of time we have maintained balances of two to three million dollars in each one of those banks.

Q. What other services are rendered by the New York banks? Who is the registrar of your stock, for example, or transfer agent?

A. The registrar of the common stock is the Chemical of New York Trust, and the transfer agent is the Chase for the common stock.

Q. Is there a trustee of any security issue?

A. For each of the bonds a New York bank is trustee, each of the bond issues, a different New York bank for each one, but they are New York banks.

[fol. 4135] Q. And the only services that you get from Philadelphia are from the Pennsylvania Company and in connection with the pension trust from Fidelity?

A. The custodian of our retirement fund securities is the Fidelity.

Q. Is there any other bank in Philadelphia that is large enough to attract you either as a prospective depositor or borrower?

A. I don't think so.

Q. You have heard, I suppose, of this proposed merger of the Girard and Philadelphia National, which would produce a bank with a lending limit of $15 million. Would such a bank be large enough to supply some of your needs or attract you for some business?

A. We think so.

Q. What can you say about that and the effect of the difference in size on your possible use of that facility?

A. Well, our financial objectives, of course, are to maintain the greatest flexibility in terms of ability to borrow, together with the minimum deposit, which is the cost, basically, minimum deposits, and, of course, minimum administrative headache involved. This means that we should maintain relationships with a sufficient number of banks to meet our needs, but not too many, and we feel that the present grouping of one Philadelphia bank, which [fol. 4136] is our workhorse bank, and the three New York banks, meets our needs.

However, the company is growing very rapidly, and we think over the next several years we will have need for more banking relationships and more ability to borrow perhaps from banks. We would like, of course, to have one of those banks be in Philadelphia.

Q. And would a bank with a $15 million limit, such as this proposed merged bank, be large enough to be attractive to you?

A. I think so, I think so, because in the past our maximum borrowing, which was just for a one-year period, short-term borrowing, was, I believe, $70 million, and that is rather unusual, and I think that our borrowing is apt to settle, even for unusual items, at a somewhat lower figure, and I think a bank with a $15 million loan limit could be very helpful in a situation like that. A bank with a loan limit of that size would be worth the administrative problem, let us say, of developing the relationship.

I have perhaps not emphasized the fact that we are very close to these four banks. They know us very well and we know them very well, and it takes a good deal of time, and we think that to add another bank to that grouping, that bank must have a lending limit sufficient to offset the cost of the time and effort, certainly, that is involved in [fol. 4137] developing this kind of relationship.

Q. To make it what you would consider worthwhile devoting that effort?

A. Make it worthwhile, that is right.

Q. The principal office of the Atlantic Refining Company is in Philadelphia, is it not?

A. Yes, sir.

Q. And has been for a long time?

A. I think probably back to 1870.

Q. You have had experience and the opportunity to observe businesses in Philadelphia. Will you give us your opinion as to whether you think Philadelphia needs a larger bank than it presently has?

A. Well, I think the very fact that—certainly speaking for my company and I know for many others—that they have to go to New York for a good deal of their financial service, I think this is a fact that we would start with. It seems to me that if Philadelphia is to grow industrially, and I am sure it is, that an essential part of that must be the banking service to support that growth, and although that banking service can be obtained from New York today, I think it would be a far healthier situation if more of it could be obtained from Philadelphia.

Q. Do you consider that such a bank is needed by indus- [fol. 4138] try in Philadelphia?

A. I would think so. I would think from our point of view, as we grow in the future, if such a bank were in existence, we would like to consider it available for our use.

Q. Why would you prefer another Philadelphia bank rather than having another New York bank or simply increasing the commitments you would have to the existing New York banks?

A. Well, I was going to answer your question by saying it is a matter of developing relationships, and developing relationships is easier in the same city. That is only part of the answer, because we could presumably obtain our needs from the three banks where we now get them. However, I think there comes a time in the growth of a company when it must spread out its banks, and the time I think is fairly rapidly coming for our company when just in terms of diversifying our banks, we have got to spread our borrowing.

Q. And without a larger bank in Philadelphia, would that be done in Philadelphia or New York?

A. Without a larger bank in Philadelphia I think the answer is we would quite definitely go to New York.

Q. Are you presently solicited by New York banks for your business?

A. Yes, indeed.

Q. Frequently or occasionally?

[fol. 4139] A. Too frequently.

Q. And are they from one or more banks in New York?

A. They are from many banks in New York, many banks.

Q. Are you solicited by banks in cities other than New York?

A. We are solicited by banks from all over the country —Chicago, Denver, Dallas, Atlanta, all over.

Q. You said that you would like, with the prospects for expansion of your company in the future, to take on another bank, preferably in Philadelphia, as a matter of convenience, but if there isn't a big enough one you would go to New York. Would that have any effect on your relationship with the Pennsylvania Company?

A. I don't think so. We now borrow from the Pennsylvania Company up to the limit of its loan limit. We would continue to do that.

Q. So that this would take care of your additional needs and not have any adverse effect on your present banking relationship in Philadelphia?

A. Right.

Mr. Price: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Bradshaw, your counsel furnished to us schedules [fol. 4140] of your deposits and loans from all of your banks, which I would like to have marked for identification.

(Schedule of Deposits and Loans of Atlantic Refining Company was marked Exhibit G-251 for identification.)

By Mr. Reycraft:

Q. Mr. Bradshaw, can you tell me what the largest loan is that you had from a Philadelphia bank in the last five years?

A. I think it is the $5 million from the First Pennsylvania Company in 1956.

Q. What is the largest single loan you have had in any bank?

A. $20 million.

Q. And a loan of that type would be beyond the lending limit of the proposed combined bank; is that right?

A. No, sir.

Q. I might say the lending limit of the combined Philadelphia National and Girard would be $15 million if they were merged.

A. Yes.

Q. So a $20 million loan would be in excess of that lending limit?

A. Yes, sir.

Q. So you would have to go to other banks for a loan of that type?

[fol. 4141] A. We would have to go to the present banks with which we have the relationships.

Q. Isn't it a fact that your company has had relationships with the Chase and the First National City almost since the beginning of this century?

A. Yes.

Q. Probably since the beginning of the century; isn't that right?

A. Yes, I think so.

Q. And the relationships that you have indicated are of long standing and not easily broken and you have no intention of changing that relationship?

A. No, sir.

Q. And it is true also, isn't it, that both the Chase and the First National City have been dealing with oil companies other than yours since about the same time?

A. Yes, sir.

Q. And that they have oil departments which are probably unique in the country?

A. Yes, sir.

Q. Do you think there is any real possibility within the foreseeable future that the combined bank here could de-

velop an oil department of the capacity of the oil departments of either of those two banks?

[fol. 4142] A. I would doubt it.

Q. And for the foreseeable future don't you envision that you will continue to rely on the Chase and the First National City for the same type of oil advice as you have been obtaining in the past?

A. Yes, sir.

Q. The exhibit which has been marked for identification indicates, as far as I can tell, three loans in the amount of $20 million that your company has made in the last five years, and beyond that the next largest would be I believe $5 million; is that correct, do you believe?

A. $5 million from any one bank or one time? I am sorry; I don't quite understand.

Q. From any one bank.

A. I don't think that could be correct. We ended 1959 with $44 million in short-term loans outstanding.

Q. What would be the largest from any one bank?

A. That would be $10 million. No, it should be $13 million from each bank.

Q. Do you find that on the exhibit?

A. The exhibit is difficult. It was filled out in the form, I think, in which you requested it, but it just shows the date it was taken out and the date on which the note was paid.

[fol. 4143] Q. And how much is outstanding?

A. That is right.

Q. But as far as separate loans are concerned, each of these figures on the exhibit indicates a separate note?

A. Yes.

Q. So that to the extent that you have an administrative problem or an administrative burden in making the loan, you had it on each one of these separate notes?

A. A note is a phone call just followed up with a signature. That is *the* not the administrative burden I was referring to.

Q. You can do this with any of the banks with which you have a relationship; is that right?

A. Yes, sir.

Q. My examination of this exhibit indicates with three exceptions all of these notes are for $5 million or less

and only one is for $5 million. Do you agree with that?

A. I think so. I didn't examine this very thoroughly.

Q. Well, if you have any doubt about it, you have the exhibit. I think you will find it correct.

A. I think that is the customary amount for a note.

By the Court:

Q. If you have three notes outstanding for $13 million, you still feel you owe $13 million; is that it?

[fol. 4144] A. Yes, sir.

Q. I do too.

You are president of the Chamber of Commerce?

A. Yes, sir.

Q. Would you like to see a big bank in Philadelphia, as president of the Chamber of Commerce?

A. I think it would be very helpful to the business of Philadelphia.

By Mr. Reycraft:

Q. Do you think it would be helpful to a business which required a lending limit of less than $8 million?

A. I think it would be helpful in terms of the kinds of services which a larger bank can provide. Obviously, if a company has a lending need of less than $8 million, its needs can be satisfied, I presume, by a Philadelphia bank in terms of a loan, but beyond that there is a whole gamut of banking services which are provided by the Philadelphia banks but are provided better, I believe, by somewhat larger banks.

Q. Do you think that the change from a $8 million lending limit to $15 million would make a difference?

A. It could make some difference, depending upon how the bankers did it.

Q. You have been dealing with the First Pennsylvania for many years. Do they give good service?

[fol. 4145] A. They provide excellent services in the area in which we have asked for services, which is basically collections, disbursements, and matters of that sort.

Q. And what type of service is it that you are able to get better from New York than you can get from First Pennsylvania?

A. Well, I put it in these categories. First, of course, the specific oil service which, as I have mentioned, could not probably come to Philadelphia under any circumstances; secondly, foreign, which Philadelphia, I believe has certainly the opportunity, the need for expanded foreign service in its banks. This, after all, is the first or second largest port in the United States.

Q. And why is the merger necessary to provide those services?

A. It is not necessary to provide those services. Each of the banks now provides those services in some measure, but I think if a bank were somewhat larger it might be able to provide a somewhat better service, a wider service.

Q. Are there any peculiarities to New York's position in the financial community which make it likely that New York will continue to be the major source of foreign financial services?

A. I think New York will continue to be the major [fol. 4146] source of foreign services. Philadelphia is a tremendous bulk port. It is not a very large port in terms of exports and imports of many different kinds, and, of course, most of the import-export houses are located in New York City. New York will continue to be a very large center of international finance.

Q. And this would be true if all the banks in Philadelphia merged, wouldn't it?

A. This would be true, yes.

Q. Your company has deposit relationships with many banks other than those from which you have made loans in the past five years; isn't that so?

A. Yes, sir.

Q. And many of these banks have lending limits in excess of $8 million or $10 million, do they?

A. I don't believe so. In general, they are relatively small banks in relatively small communities. There are some that are not.

Q. And you maintain those deposits because you require local services from those banks?

A. Yes, sir.

Q. And not because you necessarily require loans from them?

A. We do not borrow from those banks.

[fol. 4147] Q. So that for those relationships as to which you have just testified, the lending limit is not important?

A. It is not important.

Q. Are any directors of your company directors of any Philadelphia banks?

A. Mr. Bickey, I believe, is a director of the PSFS, Philadelphia Saving Fund Society. Of course, he is not a director of any other bank.

Q. Mr. Ingersoll?

A. Mr. Ingersoll is also a director of the PSFS, I believe.

Q. He is also a director of the Girard Trust Corn Exchange Bank, I believe, is that correct?

A. Is he? I didn't realize that.

Q. And he is a member of your Finance Committee?

A. Yes, sir.

Q. Do you know what your total deposits are at the present time in the Philadelphia National, Mr. Bradshaw?

A. With the Philadelphia National?

Q. Yes.

A. I think it is a thousand dollars.

Q. I think that is right.

By the Court:

Q. What was that answer?

[fol. 4148] A. $1000, sir.

By Mr. Reycraft:

Q. Would you agree that the four banks that you referred to as being your existing banks have a lending limit of about $160 million combined?

A. I think so. The Chase is 62 and the First National City is 57, is it, something of that sort, and Morgan is 42, I think.

Q. That is right. So that even at the maximum borrowings that you have indicated, you are well within the lending limits of your existing bank relationship; is that right?

A. Yes, sir.

Mr. Reycraft: That is all I have.

Redirect examination.

By Mr. Price:

Q. And the largest loan you can get in Philadelphia is $8 million from one bank?

A. Yes, sir.

Q. These loans that you spoke about, that Mr. Reycraft asked you about, as being $5 million or less, your practice is to borrow a million or two million at a time from each of the banks and then build up an aggregate amount which is considerably excessive of $5 million at one time usually, is it not?

[fol. 4149] A. Yes, sir.

Q. So that it may go up to ten or twelve million dollars from one bank in New York?

A. Yes, sir.

Q. But you have got to stop at $8 million in Pennsylvania?

A. Yes, sir.

Q. That is the way these sheets indicate your loans were made—a loan made March 2, paid off in September, but before September came around you borrowed again in March, March, March, June, June, and so on, so that the amount was being built up all the time until the end of your demand, and *then* you begin selling oil again in the winter the loans are paid off?

A. Yes.

Q. That is the usual routine, is it not?

A. Yes. At any one time, of course, the figure we are interested in is how much we owe each bank in total, not the makeup in terms of notes.

Q. And the aggregate amounts you usually owe in your banks is substantially in excess, not only of $5 million, but of $8 million?

A. Yes, sir.

[fol. 4150] Recross-examination.

By Mr. Reycraft:

Q. As to each one of these notes, you can get it by phone call from any bank with which you have a relationship?

A. Yes, sir.

Mr. Reycraft: That is all.

JOHN P. ADAMS, resumed.

Cross-examination. (Continued)

By Mr. Reycraft:

Q. We were talking, Mr. Adams, about D-66, and would you turn to the section on loans to individuals, Roman IV D-2.

A. D-66, IV D-2.

Q. "Additional Sales Finance Companies With Offices in the Philadelphia Area."

A. I have IV D-2.

Q. Now, you show for CIT Corporation outstanding receivables of $2,202,000,000, and you don't know, do you, how much of that originates in the Philadelphia area?

A. No, sir. We put in because we have offices in Philadelphia and do business here, and that is the total figure. We didn't know what percentage.

The Court: Aren't these all national companies that we [fol. 4151] are talking about?

Mr. Reycraft: Yes, sir.

The Court: I don't know what page it is, but it is D-2. Is that what we are talking about?

Mr. Reycraft: Yes, sir, that is right.

The Court: Aren't they all national in scope?

Mr. Reycraft: I think we would all agree with that.

The Court: I don't know about Maryland Credit, but the rest of them are national in scope—International Harvester, General Motors, CIT, Commercial Credit, General Acceptance.

Mr. Price: Those in that D-2 category were national companies that had offices in Philadelphia.

The Court: Yes. I understood that is all it was supposed to show.

Mr. Price: That is all, yes.

The Court: And there is no reference of the amount of receivables that they had to the Philadelphia area.

Mr. Price: Not at all. That merely indicated the size of the company and that they were doing business here, but it had no relation or no intention to indicate that any [fol. 4152] particular portion of that aggregate was Philadelphia business.

The Court: Well, that is what I understood was intended.

By Mr. Reycraft:

Q. Many of these companies have loans and lines with either the Philadelphia National or the Girard or both; wou' 't that be true?

A. am not familiar enough with all loans and lines, Mr. Reycraft, to answer your question authoritatively.

(Discussion among counsel.)

Mr. Price: Answering Mr. Reycraft's question, I would say that those listed in category D-2, all but one have lines or loans with the Girard.

Mr. Littleton: And for Philadelphia National Bank, answering Mr. Reycraft's question, and referring to those listed in D-2, all but two have lines or loans with the Philadelphia National.

Mr. Price: During the intermission, sir, Mr. Reycraft asked Mr. Adams whether he knew how much of the business of the credit unions, consumer discount companies, the small loan companies, was done in Chester, and Mr. Adams didn't have the figures, but I happened to check since then and I can give you the answer to the [fol. 4153] question if you would like to have it.

The Consumer Discount Company loans in Chester County aggregated $716,356, and if that is subtracted from the figure on the exhibit, it will give you the figure for the four counties.

Small loan companies, the aggregate loans were $6,939,915. That is in IV-B of D-66.

And the credit unions, which would be note 1 of IV, loans to individuals, the aggregate is $452,406 out of the total of the $11 million shown in note 1.

By Mr. Reycraft:

Q. Will you refer to D-68.

A. I have it.

Q. Can you tell me who made the estimates which are referred to in the footnote?

A. For loans under $50,000?

Q. Yes.

A. They were made by people in the respective credit divisions of each bank.

[fol. 4154] Q. Do you know what the basis was for their estimates; what criteria they used?

A. I believe I have it. They were done by count, actual count.

Q. By actual count rather than estimates?

A. Yes. There weren't that many of them, I am sure.

Q. Now will you refer to D-69?

A. I have it.

Q. Will you turn to the ninth page——

The Court: How many pages are there in this exhibit?

Mr. Price: It is the next-to-the-last page.

The Court: All right. That is easy.

The Witness: Is that the one that is headed "Philadelphia National Bank"?

Mr. Reycraft: No, the one that has the grand total for the Girard.

Mr. Price: The third page from the last page.

The Witness: I have it.

By Mr. Reycraft:

Q. Do you know what percentage of the grand total on that page originates within the four-county area?

A. The breakdown, as far as the area is concerned, or the areas are concerned is by numbers of accounts.

[fol. 4155] Q. You don't have the percentages which originate in the four-county area?

A. I do not have that.

Q. We get, for grand total, about 69 per cent of the 10,068 total accounts and we haven't computed the other percentages, which we will submit for the record.

With reference to the Philadelphia National Bank, of the grand total it appears that 95 per cent of the grand total originate from the four-county area and we will also submit that.

Mr. Adams, would you go back for a moment to D-60? Perhaps you don't need to refer to the exhibit.

A. Here I only go back to 62.

Q. On both 60 and 61 you indicate deposits of foreign banks originating in the Northeast United States.

A. Yes, sir.

Q. On D-60, that is the last page. You have 12 per cent of foreign bank deposits originating in Northeast United States, outside Third Federal Reserve District.

A. Which page are you on, Mr. Reycraft?

Q. The last page of D-60.

A. That is the combined?

Q. Yes. You have 12 per cent of foreign bank deposits originating within the Northeast United States, outside [fol. 4156] the Third Federal Reserve District.

A. (No response.)

Q. Do you have that, sir?

A. Oh, yes.

Q. Can you tell me what foreign banks you have in mind?

A. There are foreign banks who have offices in New York and Washington, which, under our geographical breakdown, is in the Northeast United States; and we considered that those offices are the location for the deposit.

Q. That means foreign banks which have branch offices or establishments in New York or Washington?

A. That's right, sir.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1962

No. 83

UNITED STATES, APPELLANT,

vs.

THE PHILADELPHIA NATIONAL BANK, ET AL.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Volume III

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76	Document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated March 3, 1958, covering branch at 6908-10 Market Street, Upper Darby, Pennsylvania (excerpts)	5930	2620
76-A	Document of information dated March 3, 1958, from Girard Trust Corn Exchange Bank, covering branch at 6908-10 Market Street, Upper Darby, Pennsylvania (excerpts)	5931	2621
76-C	Document of information dated March 3, 1958, from Girard Trust Corn Exchange Bank, covering branch at 6908-10 Market Street, Upper Darby, Pennsylvania (excerpts)	5933	2622
76-E	Document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, concerning branch office at 1625 East Darby Road, Havertown, Pennsylvania (excerpts)	5934	2623
76-G	Document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, concerning branch at PTC Terminal Building, Upper Darby, Pennsylvania (excerpts)	5937	2626
76-I	Document of information, dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, covering branch at Glendale Road and Ludlow Street, Upper Darby, Pennsylvania (excerpts)	5940	2628
76-K	Document of information, dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, covering branch at Manoa Shopping Center, Havertown, Pennsylvania (excerpts)	5942	2630

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued:			
GOVERNMENT'S EXHIBITS—Continued			
76-M	Document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, concerning branch at 1021 Pontiac Road, Drexel Hill, Pennsylvania (excerpts)	5945	2632
76-O	Document of information, dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, covering branch at 3533 West Chester Pike, Newtown Square, Pennsylvania (excerpts)	5947	2633
76-Q	Document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, covering branch at Yeadon, Pennsylvania (excerpts)	5948	2634
76-S	Document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, covering branch at Lawrence Park Shopping Center, Broomall, Pennsylvania (excerpts)	5950	2635
76-U	Document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, concerning branch at West Chester Pike and Summit Avenue, Broomall, Pennsylvania (excerpts)	5952	2636
76-W	Document of information dated March 3, 1958, furnished by Girard Trust Corn Exchange Bank, concerning branch at Penn Fruit Building, Upper Darby Township, Pennsylvania (excerpts)	5954	2638
77-A	Document dated September 9, 1957, application to merge the National Bank of Narberth and location of branch at Haverford and Essex Avenues, Narberth, Pennsylvania (excerpts)	5956	2639
77-C	Document dated September 9, 1957, application relating to the merger or consolidation of the National Bank of Narberth, Pennsylvania, office at No. 1 Bala Avenue, Bala-Cynwyd, Pennsylvania	5959	2641
77-E	Document dated September 9, 1957, application relating to the merger or consolidation of National Bank of Narberth and permission to operate branch at 18 East Wynnewood Road, Wynnewood, Pennsylvania	5961	2643

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued			
78	Document dated April 12, 1957, application for permission to establish a branch at Washington Lane and Stenton Avenue	5963	2644
78-A	Memorandum dated February 1, 1957, from Robert C. Allen to O. H. Beadle	5968	2647
78-B	Memorandum dated March 29, 1957, from O. H. Beadle to Mr. Basil L. Harlow	5970	2650
78-C	Memorandum dated April 3, 1957, from O. H. Beadle to Mr. Geoffrey S. Smith	5971	2651
79	Document entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," dated February 28, 1956, covering branch at Suburban Station Building, Philadelphia (excerpts)	5972	2652
80	Document dated April 11, 1956, entitled "Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended," covering branch at 23rd, Passyunk, and Rittner Streets, Philadelphia (excerpts)	5976	2655
85	Document entitled "Information for Examiner in Connection with Proposed Branch of the Philadelphia National Bank in Ardmore, Pennsylvania" (excerpts)	5983	2660
88	Document entitled "Information for Examiner in Connection with Proposed Branch of the Philadelphia National Bank at 69th Street, Delaware County, Pennsylvania" (excerpts)	5989	2668
89	Document entitled "Information for Examiner in Connection with Proposed Branch of the Philadelphia National Bank Roosevelt Boulevard Office" (excerpts)	5998	2674
91	Document headed "Information for Examiner in Connection with Proposed Branch of the Philadelphia National Bank in Park Ridge Shopping Center" (excerpts)	6003	2678

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued			
93	Document headed "Information for Examiner in Connection with Proposed Branch of the Philadelphia National Bank in Ridley Township, Delaware County, Pennsylvania" (excerpts)	6010	2684
95	Document entitled "Retail Division Proposed Ridley Regional Office"	6016	2688
96	Letter dated April 30, 1959, from Hollis S. Haggard, Chief National Bank Examiner, to Mr. Frederic A. Potts	6020	2692
98	Memorandum dated May 18, 1959, from George H. Renninger to E. Lawrence Worstall	6021	2693
99	Letter dated June 3, 1959, from E. Lawrence Worstall to Hollis S. Haggard	6022	2694
102	Memorandum dated January 18, 1961, from Ellis B. Ridgway, Jr. to G. Edward Cooper	6024	2695
103	Memorandum dated December 5, 1960, from W. Bruce Fye to Ellis B. Ridgway, Jr., Vice-President	6026	2697
104	Memorandum from George M. Renninger, vice-president, Chester area offices, to Ellis B. Ridgway, Jr., vice-president, main office	6029	2700
105	Memorandum dated December 23, 1960, from Frank Dyer to Ellis Ridgway	6030	2701
106	Memorandum dated January 5, 1961, from Willard M. Bickel to Ellis Ridgway	6031	2702
107	Memorandum dated January 12, 1961, from Mr. Alan Resendorph, assistant vice-president, Hatboro office, to Mr. Ellis Ridgway, Jr., vice-president	6032	2703
110	Memorandum dated January 13, 1961, from Harold K. Koch to Ellis B. Ridgway, Jr.	6033	2704
111	Memorandum dated January 27, 1961, from Carl Holtby to Ellis B. Ridgway, Jr.	6034	2705
112	Document dated February 1, 1961, from J. M. Minster to Mr. Ellis B. Ridgway	6036	2707
113	Document dated January 16, 1961, from Cliff Gillam in Montgomery to Ellis Ridgway	6037	2708

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued			
115	Document headed "Exhibit I, Survey of Branch Area Competition"	6039	2710
116	Document headed "Dun & Bradstreet, Reports"	6045	2715
117	Document entitled "Excerpt from Minutes of Regular Meeting of the Board of Directors of The Philadelphia National Bank held on November 15, 1960"	6047	2717
118	Document entitled "Excerpt of Minutes and Resolutions Adopted by the Board of Directors of the Philadelphia National Bank, December 20, 1960"	6048	2718
119	Document entitled "Agreement of Consolidation between Girard Trust Corn Exchange Bank and the Philadelphia National Bank, Under the Charter of of The Philadelphia National Bank, Under the Title of 'Philadelphia Girard National Bank and Trust Company'"	6049	2718
123	Letter dated December 22nd, 1960, to Mr. Robert A. Bicks from Frederic A. Potts and Geoffrey S. Smith	6064	2728
125	Document entitled "Answer of the Philadelphia National Bank to Questions 9 and 10"	6070	2732
126	Letter dated July 16, 1953, from Arthur Littleton to L. A. Jennings, Esq.	6071	2733
126-A	Memorandum for the Files, dated July 9, 1953, signed by L. A. Jennings	6072	2734
127	Document entitled "Summary of Findings and Conclusions, Survey of Branch Banking in the Philadelphia Area, 1946 to 1957"	6074	2736
128	Document headed "Excerpt from the Minutes of a Regular Meeting of the Board of Directors of Girard Trust Corn Exchange Bank Held on November 15, 1960," dated December 13, 1960	6090	2756
129	Document headed "Excerpt of Minutes and Resolutions Adopted by the Board of Directors of Girard Trust Corn Exchange Bank," dated December 20, 1960	6091	2757
132	Document dated November 22, 1960, being from E. L. Worstall, subject: "Mutual Accounts—Girard Corn & P. N. B." (excerpts)	6092	2758

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
GOVERNMENT'S EXHIBITS—Continued			
133	Document being headed "Lines and Outstandings to Finance Companies, June 30, 1960"	6093	2759
134	Document headed "Dealers"	6100	2763
137	Document headed "Exhibit E, Classification of Regular Checking Accounts According to Size"—1. Personal 2. Business	6105	2766
137-A	Document dated July 28, 1960, to Mr. Frederic A. Potts, president, headed "Report of the Service Charges Committee"	6117	2778
138	Memorandum dated 12-2-60, entitled "Merger Memorandum, Re: Priority of Branch Sites"	6125	2790
141	Memorandum dated January 17, 1961, signed H. T. Enssler, to V. E. Furey and E. L. Worstall, re: Equipment Loans—Progress Report #1	6127	2793
142	Memorandum dated January 11, 1961, from Bill Whiteford to Mr. E. L. Worstall	6128	2794
144	Document dated January 16, 1961, the first line reading "Numbers Assigned"	6129	2796
146	Document headed "Answer of the Philadelphia National Bank to Questions 4 and 5 of Questions Propounded by Plaintiff"	6130	2796
147	Document comprising the questions propounded by plaintiff for answer by defendants	6132	2798
G-148	Transmittal letter from Morgan, Lewis & Bockius to George D. Reveraft, Justice Department, dated May 3, 1961 with memorandum entitled, "Modifications of Questions propounded by plaintiff on April 28, 1961, as agreed upon by counsel for the parties, May 2, 1961"	6142	2807
G-149	Transmittal letter from Morgan, Lewis & Bockius to George D. Reveraft, Justice Department, dated May 8, 1961 with memorandum entitled, "PNB—Girard Merger"	6146	2810
150	Two letters, dated December 9, 1953 and December 15, 1953, from Arthur Littleton to Mr. L. A. Jennings, Deputy Comptroller of the Currency	6150	2813

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued			
151	Letter dated July 22, 1955, addressed to the Honorable L. A. Jennings, Deputy Comptroller of the Currency, signed E. L. Worstall	6154	2817
152	Letter dated September 27, 1955, from E. L. Worstall to Honorable L. A. Jennings, Deputy Comptroller of the Currency	6156	2818
153	Letter dated July 18, 1956, from Frederic A. Potts to Honorable Ray M. Gidney, Comptroller of the Currency	6157	2819
158	Letter from Frederic A. Potts addressed to Honorable R. M. Gidney, Comptroller of the Currency, dated April 23, 1958	6159	2821
161	Transmittal letter dated March 1, 1961, from Board of Governors of the Federal Reserve System to W. Wallace Kirkpatrick, Esq., Acting Assistant General, with "Report by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency, etc."	6160	2822
162	Letter dated January 19, 1961, from Robert A. Bicks, Assistant Attorney General, to Hon. Ray M. Gidney, Comptroller of the Currency, together with a one-sheet summary	6171	2834
163	Document entitled "Analysis of Competitive Factors," the Philadelphia National Bank, Philadelphia, Pennsylvania	6181	2845
164	Document entitled "Advance Extract from Annual Report to the Congress of the Comptroller of the Currency"	6187	2857
165	Inter-office memorandum dated July 3, 1956, from Third & Arch Streets to Mr. R. D. Conner, Main Office, with sheet indicating the various percentages by locations (excerpts)	6191	2862
170	Document headed "Analysis Survey of Philadelphia Banks Regular Checking as of September 20, 1960"	6194	2865
171	Document entitled "Analysis Survey of Philadelphia Banks Regular Checking as of March 31, 1961"	6197	2867

Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
GOVERNMENT'S EXHIBITS—Continued		Original	Print
172	Memorandum re "Proposed First Pennsylvania Company Branch Springfield, Delaware County Shopping Center," dated September 3, 1958, from Robert C. Allen	6200	2869
173	Letter of Girard Trust Corn Exchange Bank, from Geoffrey S. Smith, president, to the Honorable Robert L. Myers, Jr., Secretary of Banking of State of Pennsylvania	6202	2871
174	Memorandum dated September 11, 1958, from Robert C. Allen to Mr. S. S. Gardner, vice-president	6204	2874
175	Memorandum dated February 10, 1959, from S. S. Gardner to Messrs. Geoffrey S. Smith; George H. Brown, Jr., and O. H eadle	6205	2875
181	Document headed "Number of Commercial and Industrial Loans of Philadelphia National Bank and Girard in Philadelphia, Bucks, Montgomery, and Delaware Counties, Pennsylvania, as of October 5, 1955"	6206	2877
183 (Revised)	Document entitled "Changes in the Number of Banks with Head Offices in Philadelphia Shown by Size of Bank"	6207	2878
184	Document entitled "Commercial Banks in the Four County Area (December 1960)"	6208	2878
185	Document entitled "Changes in Commercial Banking in Philadelphia Four County Area as Measured by Changes in the Number of Independent Banks with Head Office in the County"	6209	2879
187	Document headed "Commercial Banks with Head Offices in the Four-County Area and Location of Their Offices within the Four Counties (Decem 1960)"	218	2886
188	Transmittal letter of the Philadelphia National Bank from Frederic A. Potts to The Honorable Ray M. Gidney, Comptroller of the Currency, dated January 26, 1961 with "Comments regarding competitive factors in proposed merger between The Philadelphia National Bank and Girard Trust Corn Exchange Bank"	6222	2889

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
GOVERNMENT'S EXHIBITS—Continued			
191	Document headed "Loan Limits of Commercial Banks with Head Offices in Philadelphia, Montgomery, Delaware, and Bucks Counties, Pennsylvania, as of December 31, 1960"	6229	2897
192	Inter-office memorandum dated March 8, 1960, from S. S. Gardner to Mr. O. H. Beadle	6232	2898
194	Two-page memorandum, The Philadelphia National Bank, Robert B. Lowry to Henry Satterfield, dated February 20, 1961	6233	2900
195	Document headed "Proportion of Demand Deposit Accounts Under $10,000 of Philadelphia National Bank and Girard Trust Corn Exchange Bank Originating in Philadelphia, Bucks, Delaware and Montgomery Counties as of April and May 1961"	6235	2902
196	Document entitled "Concentration of Deposits Loans and Capital Funds of Commercial Banks in Philadelphia, Bucks, Delaware and Montgomery Counties as Shown by Relative Size of Six Largest Banks and Effect of Proposed Consolidation of Philadelphia National Bank and Girard Trust Corn Exchange Bank on Such Concentration as of October 3, 1960"	6236	2903
197	Document headed "Comparison of Growth by Acquisitions with Other Growth of Philadelphia National Bank and Girard Trust Company, December 31, 1949 to December 31, 1959"	6237	2904
198	Document entitled "Percentage Analysis of Growth of Philadelphia National Bank and Girard Trust Company, December 31, 1949 to December 31, 1959"	6238	2905
199	Document entitled "Answer of Girard Trust Corn Exchange Bank to Questions 4 and 5 Submitted by Plaintiff"	6239	2906
200	Document headed "Question 6"	6240	2906

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
GOVERNMENT'S EXHIBITS—Continued			
201	Document, the first page headed "Deposit Balances with Girard of 26 Corporations (All Demand Deposits, and Listed to the Nearest $1000)" and the second page headed "Answer of Girard Trust Corn Exchange Bank to Question 10 Submitted by Plaintiff"	6254	2918
206	Document, consisting of memorandum dated July 7, 1960, from S. S. Gardner to G. H. Brown, Jr.; memorandum from S. S. Gardner and R. C. Allen, dated July 7, 1960, re: Broad Street Trust Application—Drexel Pine Shopping Center; and a memorandum dated June 2, 1960, from S. S. Gardner to G. H. Brown, Jr. and O. H. Beadle	6256	2918
207	Letter dated July 26, 1960, from Hubert J. Horan, Jr. to George H. Brown, Jr.	6261	2924
208	Inter-office memorandum dated July 28, 1960, from S. S. Gardner to Branch Administration Files re: Competitive Banks' Locations—Not Protested	6262	2925
214	Memorandum dated November 22, 1960, from S. S. Gardner to Competitive Bank Sites	6263	2926
215	Memorandum dated December 19, 1960, from S. S. Gardner, to Mr. G. H. Brown, Jr. and Mr. O. H. Beadle, together with memorandum dated December 19, 1960, from S. S. Gardner to Branch Administration Files, re: Competitive Bank Sites—Not Protested	6265	2927
216	Inter-office memorandum dated January 5, 1961, from G. H. Brown, Jr. to Mr. S. S. Gardner, re: Stenton Avenue	6266	2929
217	Memorandum dated January 10, 1961, from S. S. Gardner to Mr. George H. Brown, Jr., re: Proposed Broad Street Trust Branch, Stenton Avenue near Washington Lane	6267	2930
218	Memorandum dated January 12, 1961, from S. S. Gardner to Competitive Bank Sites — Not Protested — File. Bank of Old York Road Application for a Branch at the Intersection of Routes 309 and 202—Montgomeryville, Montgomery County	6268	2931

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued			
220	Memorandum dated December 15, 1959, from Robert C. Allen to Mr. S. S. Gardner, re: Beneficial Savings at Lawrence Park	6269	2932
221	Memorandum dated December 9, 1959, from S. S. Gardner to Mr. G. H. Brown, Jr., President, re: Beneficial Mutual Savings Bank Application at Lawrence Park, & memorandum dated November 18, 1959, from Robert C. Allen, re: Lawrence Park Lease (excerpts)	6271	2934
222	Inter-office memorandum dated March 2, 1960, from S. S. Gardner to Mr. G. H. Brown, Jr. and Mr. O. H. Beadle, re: Beneficial Mutual Savings Fund Branch in Lawrence Park	6273	2936
224	Memorandum dated April 7, 1959, from S. S. Gardner to Mr. Geoffrey S. Smith, President, re: Saving Fund Society of Germantown Proposed Wynnewood Location	6274	2937
225	Inter-office memorandum dated April 8, 1959, from S. S. Gardner to Mr. G. H. Brown, Jr. and Mr. O. H. Beadle, re: Saving Fund Society of Germantown Proposed Wynnewood Location, (excerpts)	6276	2939
226	Memorandum dated January 15, 1960, from S. S. Gardner to Competitive Banks' Branch Locations—Not Protested File, re: Savings Fund Society of Germantown Wynnewood Shopping Center Branch	6277	2939
227	Memorandum dated December 4, 1959, from R. C. Allen to Competitive Banks' Site—Not Protested, re: Saving & Loan—New Office	6278	2940
231	Memo of July 11, 1956, to R. Strunce from Don Breth	6279	2942
232	Memo dated April 29, 1957, from F. G. Erb to E. L. Worstall with memo attached from E. L. Worstall to E. B. Ridgway, dated May 7, 1957	6281	2943
233	Memo dated April 16, 1958, from R. Lowry to W. E. Brown, and memo dated May 19, 1958, from R. Lowry to W. E. Brown	6283	2944

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued			
234	Document headed "Home Modernization—Girard Corn Plan," dated 7/22/58	6285	2946
235	Memo dated March 31, 1959, from R. R. Strunce to Mr. E. B. Ridgway, "Home Modernization Plan—Reserve Bonus"	6286	2946
236	Memo dated April 1, 1959, from R. R. Strunce to E. B. Ridgway re: "Consolidation Plan for Home Modernization Dealers"	6287	2948
237	Memo dated April 7, 1959, from R. R. Strunce to E. B. Ridgway, subject: "Bonus Plan"	6288	2949
238	Memo dated April 22, 1959, from R. R. Strunce to E. B. Ridgway, subject: "Special Home Modernization Plan," together with two-page outline of "Special Home Modernization Plan"	6289	2950
239	Two-page memo dated April 26, 1960, from R. R. Strunce to H. D. Satterfield, subject: "Dealer Bonus Plan"	6292	2953
240	Memo dated May 18, 1959 from H. D. Satterfield to E. B. Ridgway with a memo dated May 12, 1959, from D. C. Buzby to H. D. Satterfield and memo dated May 4, 1959, from D. C. Buzby to H. D. Satterfield and memo dated January 2, 1959 from D. C. Buzby to R. Strunce, re: Insurance Auto Agents Plan	6294	2955
241	Document headed "Floor Plan Rate," bearing dates 8/3/59 and 8/6/59	6298	2958
242	Memo dated March 25, 1960, from C. Gillam to H. Satterfield, subject: "Auto Agent Plan"	6299	2960
243	Memo dated December 9, 1960, from H. D. Satterfield to E. B. Ridgway	6300	2962
244	Memo dated April 29, 1960, from R. R. Strunce to E. B. Ridgway	6303	2965
246	Document headed "Lines of Credit Held by Pennsylvania Power and Light Company from 1956 to Date, the Amount of Each Line of Credit and the Bank With Which Each Line of Credit Was Carried"	6304	2965
248	Memorandum dated May 26, 1955, from Harry Kilpatrick to Mr. Geoffrey S. Smith	6310	2970

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
Government's Exhibits—Continued			
249	Letter dated November 28, 1955, from Geoffrey S. Smith to Walter Reller, President, Ambler National Bank	6311	2971
250	Memorandum signed by Geoffrey S. Smith, dated January 4, 1957, re: Ambler National Bank	6315	2975
251	Document headed "The Atlantic Refining Company (Only) Notes Payable to Banks—1956-1960", etc.	6316	2977
252	Document headed "Rohm & Haas Company Lines of Credit Held from January 1, 1956, to May 31, 1961"	6325	2984
253	Document headed "Rohm & Haas Company Total Loans Outstanding January 1, 1956, to July 24, 1958"	6326	2985
254	Document headed "Rohm & Haas Company Bank Account Balances—Beginning of Business September 1, 1956, 1957, 1958, 1959, 1960"	6328	2987
255	Document headed "Lines of Bank Credit—Bankers' Securities Corporation (Merchandising Division) in Response to Question 1"	6330	2989
Defendants' Exhibits:			
1	Document entitled "Monthly Review of Credit and Business Conditions, Federal Reserve Bank of New York," Volume 39, May, 1957, No. 5, article, "The Location of Business Customers of Second District Banks"	6334	2992
3	Document headed "Financing Small Business, Table 10—Business Loans of Member Banks, October 1955 and October 1957, By Size of Bank and Relative Size of Borrower"	6340	3007
10	Document entitled "Distances From All Philadelphia National Offices To The Nearest Girard Trust Corn Exchange Office"	6341	3008
11	Document entitled "Distances From All Girard Trust Corn Exchange Offices To The Nearest Philadelphia National Office"	6342	3010

		Original	Print
Record from the United States District Court for the Eastern District of Pennsylvania—Continued			
DEFENDANTS' EXHIBITS—Continued			
12	Document entitled "The Philadelphia National Bank list of each of its offices, giving each office of a competing institution located within a radius of one mile from each Philadelphia National city office and within a radius of two miles for each Philadelphia National suburban office	6343	3012
12-A	Paper headed "Addendum to Defendants' Exhibit D-12"	6357	3026
13	Document entitled "Girard Trust Corn Exchange Bank list of each of its offices, giving each office of a competing institution located within a radius of one mile for each Girard city office and within a radius of two miles for each Girard suburban office"	6358	3026
13-A	Paper headed "Addendum to Defendants' Exhibit D-13"	6379	3047
14	Letter dated February 28, 1961, from H. S. Haggard, Deputy Comptroller of the Currency, to Mr. Frederic A. Potts, president of the Philadelphia National Bank	6380	3049
15	Document headed "Commercial Banks With Head Office Located in Ten-County Area by Counties on December 31, 1960"	6382	3052
16	Document entitled "Alternative Sources of Credit from Commercial Banks Located in Delaware Valley"	6387	3059
17	Document headed "Number of PNB Loans to Customers Located Within the 4-County Area, Distributed by Size and Type of Loan"	6388	3059
18	Booklet entitled "Comparison of Relative Growth of Deposits of Banks in the Delaware Valley with Deposit Growth of the Philadelphia National Bank and Girard Trust Corn Exchange Bank (1951-1960)"	6389	3060

By Mr. Reycraft:

Q. And that would be the same for D-61?

A. Yes, sir.

Q. You have a 25-per-cent figure, and I assume it is for the same reason?

A. Yes.

Mr. Reycraft: That's all.

The Court: Gentlemen, it is about 16 minutes after 12. Do you want to start a new witness today or do you want to start Monday morning?

I am perfectly willing to go on.

[fol. 4157] Mr. Price: I have only one witness here who wouldn't take too long, but I am at Your Honor's service.

The Court: I am perfectly willing to go on; I just thought if you had one that was going to be rather extensive it would probably be better.

If you have a short one, fine.

Mr. Price: I doubt if he will be as long as Mr. Bradshaw.

The Court: All right. Let's look into it.

Mr. Price: Mr. Twist.

Oliver S. Twist, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Twist, you are a vice-president of the Frankford Trust Company, are you not?

A. I am.

Q. And have been for how many years?

A. Since 1952.

Q. Sorry, I couldn't hear.

A. Since 1952.

Q. How long have you been connected with that bank?

[fol. 4158] A. 39 years.

Q. What is your particular activity in the Frankford Trust Company?

A. Mine is a little mixture. Primarily, it is titled the Title Department and Construction Loans.

Q. Tell us something about this construction-loan business. First, what does it represent in general?

A. We have been handling construction loans in the City of Philadelphia for a good many years, in that builders come into the bank and request loans for the erection of—well, in most cases homes, private homes; and at other times they come in for the erection of factories.

We have one now today that is over in Camden, New Jersey, a 21-story-high rise, in all of which application is made to our bank to supply the construction money.

Q. Has that business grown in the last ten or fifteen years?

A. It certainly has.

Q. Will you give us some indication of what it was, say, in 1950, ten years ago, or in 1951, and what it is today?

A. Well, I have the figures here. In June, 1950, the commitments outstanding then were $13,849,000.

Q. What are they now?

A. As of April, 1961, $45,329,000.

Q. How do you finance operations of that sort?

[fol. 4159] A. There is only one way that we can, and that is that our bank is limited in capital. We can only extend credit up to $330,000. Then we must go out and get the additional moneys in order to supply the construction money.

Q. What is the largest construction loan that you have outstanding now?

A. The one we just gave a commitment on was for $4,654,000.

Q. What do they generally run? What is the average amount?

A. The average, if you are dealing with homes, will be, oh, three-quarters of a million to $1 million.

Q. That is on an operation where a number of houses are being built as a unit by one builder?

A. That's right.

Q. And then the individual apartment houses or industrial plants are separate from that?

A. Separate, but they are higher in the loans.

Q. And they are handled as an individual matter, I suppose?

A. That's right.

Q. But usually they are more than $1 million, are they?

A. Yes, they are.

Q. What would the average of that type of loan be?

A. Well, do you mean of the manufacturing type?

Q. Well, other than the operation of houses.

A. Other than houses, we just finished one for—I am [fol. 4160] trying to think of the name of the firm—for $1.5 million. We have, like I say, this high rise, 21-story-high rise in Camden.

Q. Give me the amount rather than the name.

A. The manufacturing plants and all are in the millions of dollars. They go from $1 million, $1.5 million.

And then your apartments, we have quite a few apartments. They are, as a general rule, over $1 million.

Then when we get into the redevelopment part, like Southwest Temple, for instance, that would be about $2.5 million. It all depends upon the size of the project, the number of apartments.

Q. How do you provide for this excess?

A. The only thing we can do is go to other banks and ask them to participate with us.

Q. What have you been doing in that regard?

A. Well, in the past, why, we did most of our participation up in New York; but I would say in the past now ten or twelve years we have been getting our funds here in Philadelphia, through the Philadelphia National and the Girard Trust Company.

Q. Have they been supplying all your needs?

A. Practically all of it. We do——

Q. Have you done any participations in New York since then?

[fol. 4161] A. We more or less, in a token, because of the fact that at the beginning the Bankers' Trust Company participated with us, we have one or two small jobs in New York.

Q. What was your experience with the New York banks

so far as participating loans was concerned? Was it entirely a happy one?

A. Was it entirely what?

Q. Satisfactory.

A. Yes, it was. It was satisfactory. The only difference was the question of time—the time that was used in order to get these loans through. You would have to wait possibly a week or ten days before you'd get the final approval of the loan.

Q. And what about in Philadelphia?

A. Well, I can give an example. On this high-rise in Camden they came in very fast to us, just last week, and said they were going to make settlement on the 1st of August, with a take-out from the Federal National Mortgage Association of the $4,654,000.

I came into town on Wednesday and practically had the assurance that the funds from the Philadelphia National Bank, $2,210,650, and also the same amount from the Girard, would be approved.

Q. Could you get service that quickly in New York?

[fol. 4162] A. No.

Q. What was your experience in New York in times of tight money? Were you always able to get service from New York banks?

A. When money got tight we were told the same as everybody else—hold down on your loans because we can't comply with everything that you might want.

Q. And did they cut you off or not?

A. At times they would, yes.

Q. Did that happen in Philadelphia?

A. It never has. It hasn't happened once in Philadelphia.

Q. What would your preference be so far as participating your loans in New York and Philadelphia is concerned?

A. Oh, I would much prefer doing it in Philadelphia.

Q. What is your regular correspondent in Philadelphia, correspondent bank?

A. The First Pennsylvania Company, I would say.

Q. What relationship have you with them? Do they participate in any of these loans?

A. No.

Q. What is your relationship with the First Pennsylvania Company?

A. Well, the First Pennsylvania Company, they handle our clearing, that is, all our checks that come through; and [fol. 4163] they do quite a bit of things for us that we, in turn, basically carry a sizable account with them in return for that.

Q. You carry an account with them?

A. Yes.

Q. Approximately how much?

A. I would say about $2 million.

Q. Do you make any loans from that company?

A. Not regularly, no. Of course, I will say when we need money, occasionally we do. Then we go to them and ask them and they give it to us promptly.

Q. What is the largest borrowing that you have had from that company?

A. I would say, oh, no more than a million and a half.

Q. Have you had any experience or would you endeavor to participate your loans with any substantial number of banks?

A. No.

Q. Why not?

A. Well, at the present time our needs are sufficient with Philadelphia National and the Girard Trust Company. We are not interested in going all around, trying to find out where we can put our money out.

Q. If you had more than they could handle would you go back to New York, to the banks that you had been dealing with before?

[fol. 4164] A. I'd have to.

Q. What?

A. Yes, I would. I'd have to.

Q. What would your preference be?

A. My preference would be Philadelphia.

Q. Now, you have heard of this proposed merger of the Girard and the Philadelphia National Bank. What is your opinion as to the desirability of that merger?

A. Well, to me, it would shorten my work because I would only be required to go to one bank (and it would be wonderful) instead of two.

Q. Speaking generally, so far as the effect on the community is concerned, what is your opinion about it?

A. My personal opinion would be that the community needs and would be well served by the approval of this merger.

Q. What is your opinion about the effect on interest rates of such a larger bank?

A. Well, mine is a very interesting position to be in because in the construction-loan field we set the interest rate and the Philadelphia National, Girard Trust, or any other bank that participates with us doesn't interfere at all. They allow us to set it and when I send it down to them, saying this is the interest rat , that's how they approve it.

Q. But you, as the initiating bank, fix the interest rate? [fol. 4165] A. That's right.

Q. Would you consider that this large bank would have any effect on the interest rates, either on your bank or on any other bank in the city?

A. My experience in the past has been that they have never interfered as far as the interest rate; they have gone along.

Q. What would you consider the effect of a larger bank would be on service charges?

A. On service charges? Well, do you mean as far as——

Q. Would it have any effect on the amount of service charges other banks fix?

A. I don't think they would have any effect as far as service charges at all. As a matter of fact, our institution, I think, is lower as fa s service charges than any other bank in the city.

Second National Bank, next to us, they make charges and we don't in certain instances. We are a community bank. We have been there since 1888, and in all those years people get to know you very well. You get very close to them and in servicing them you want to give them the best service that you can; and if we can get along without charging it, our Board feels as though they shouldn't charge, so we are not regulated by what any other bank does, and I don't think they would want us to be.

[fol. 4166] Q. When the Second National Bank established service charges, did it bring any of your customers to their bank?

A. Not that we know of.

Mr. Price: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Did I understand, sir, you indicated that you have a correspondent relationship with both the Philadelphia National and the Girard?

A. The correspondent mostly lies with the First Pennsylvania Company.

Q. They are your major correspondent?

A. The First Pennsylvania Company.

Q. Your bank is not a member of the Federal Reserve System, is it?

A. No, we are not.

Q. Do you know what your balance is currently with the Philadelphia National Bank?

A. Well, I can put it to you this way, sir—that, typical of a lot of banks, we ran a little short. We owe them a million dollars, I think, at the present time. Our balance, I would say, due to the fact that they handle all our clearinghouse and all would be about $2 million, I would say; something like that or maybe more. I don't know offhand.

[fol. 4167] The Court: Is that the First Pennsylvania you are talking about or the Philadelphia National?

Mr. Reycraft: The Philadelphia National.

The Witness: The First Pennsylvania.

The Court: He asked you about Philadelphia National.

The Witness: Oh, I am sorry.

Philadelphia National. I wouldn't know because I don't have those figures right available, but it would be——

By Mr. Reycraft:

Q. About $1,100,000?

A. It might be up around there. I didn't think it would be that high.

Q. The figure I gave you is as of June, 1960, based on information furnished to us by the Philadelphia National Bank.

A. That could be.

Q. And you have access now to the First Pennsylvania Company, to Philadelphia National, and to Girard?

A. That's right.

Q. And you have established banking relationships with all three?

A. That's right.

Q. You have the use of the maximum line with Girard [fol. 4168] if you want it, don't you?

A. I would think so, yes.

Q. And the Philadelphia National?

A. Yes.

Q. And the First Pennsylvania Company?

A. I would say "yes," too; very friendly relations with the three.

Q. And in the past you have done business in the form of loans with both Philadelphia National and Girard at the same time; isn't that right?

A. That is right.

Q. Have you found your experience has been a satisfactory relationship?

A. Very fine.

Q. You have no complaints at all about that?

A. None at all.

Mr. Reycraft: That is all I have.

By Mr. Price:

Q. What is the average interest rate on these construction loans?

A. Well, the interest rate always varies. It all depends upon the condition of your money and how it is situated. Interest on construction loans for the past—we will say from the first of the year—has been at 5¾ per cent. Now [fols. 4169-4170] they are down to 5½ per cent.

By Mr. Reycraft:

Q. Mr. Twist, does your bank own any stock in either the Girard or the Philadelphia National?

A. No, we don't.

Mr. Price: That's all, thank you, Mr. Twist.

The Court: I will see you Monday morning, gentlemen, at 10 o'clock.

(Recessed at 12:32 o'clock P. M. until 10:00 o'clock A. M. on Monday, July 31, 1961.)

[fols. 4171-4172] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

TWENTY-SIXTH DAY

Philadelphia, Pa., July 31, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 4173] DUNCAN MERRIWETHER, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Merriwether, you are connected in some — with the Rohm & Haas Company, are you not?

A. Yes, sir.

Q. What is your connection with that company now?

A. I am a director and a member of the Executive Committee of the Board.

Q. I am sorry; I can't hear you.

A. I am a director of the company and a member of the Executive Committee of the Board of Directors.

Q. How long have you been connected with the Rohm & Haas Company?

A. Since July 1, 1939.

Q. Would you be good enough to give us your business experience before you came to the Rohm & Haas Company?

A. I graduated from Columbia University in 1928, from the business school. I worked for Peat, Marwick, Mitchell and Company until May 1, 1933; with Irving Trust Company in New York from May 1, 1933, until July 1, 1939; and then with Rohm & Haas since that time.

Q. I gather from your connection with Peat, Marwick [fol. 4174] and Mitchell that you are an accountant?

A. Yes, sir. In New York State I am a certified public accountant, not in Pennsylvania.

Q. What was your position with the bank in New York, the Irving Trust Company?

A. In the beginning I was assigned to the collection of bad loans. Following that I made a study of the mortgage guarantee companies of New York, most of which were then failing. They all failed ultimately.

After about two years of that kind of work I was transferred to the Mortgage and Real Estate Department and then to the Personal Trust Division, which I spent some four years, as I recall it, in the Personal Trust Division of the bank.

The bad loan situation liquidated out, of course. By that time it was late in the depression. It liquidated out in perhaps a year or so.

Q. Then you came to Rohm & Haas in what capacity?

A. I had no title. The company at that time had no treasurer and was seeking a man who might become treasurer. I was sent to the plants for some six months to a year to become acquainted with the accounting practices in the plants, and after that I was transferred into the [fol. 4175] city office, and in 1941, I believe, I was made assistant treasurer, and in 1943, treasurer and director and at that time a member of the Executive Committee, too, and from that time on I served as either treasurer

or executive vice-president until 1953 or 1954, when I was made vice-chairman of the Board, which was until 1958. At the end of 1958 I retired.

Q. But you still remain a director?

A. I am a director and I spend some time there. I am a director and stockholder and very much interested in the business.

Q. You are still a member of the Executive Committee?

A. I am a member of the Executive Committee, yes.

Q. So that you still have a close contact with the operations of the company?

A. Yes, but not as much as I did, of course, when I was there everyday full time.

Q. During the period that you were active in the company did it grow? Was it an expanding operation?

A. Yes. I think perhaps it multiplied itself ten times in size between 1939 and 1958. It was one of the more rapidly growing chemical companies during that period.

Q. Would you tell me something about the operations of the company, with particular reference to their financial [fol. 4176] needs. I am not so much interested in the mechanics of the manufacturing, but the kind of things that you did which required it to seek financing in various forms.

A. Well, the company has followed the principle of financing itself to the extent that it could. When it could not, it has usually appealed to the insurance companies for money. In one case that I recall it borrowed from the Philadelphia banks.

There are times when it is more expedient to borrow from banks than from insurance companies, and there are times when it is the other way around. It has owed the insurance company money most of the time, I should say, since 1940—relatively small amounts—Penn Mutual Life Insurance Company.

Q. What was the loan that it made from the banks?

A. It borrowed some $5 million under a credit agreement with the Philadelphia banks, I believe in 1958, at which time the cash income flow did not come up to quite what they had hoped, and so it was necessary to borrow at the banks.

Q. You said some credit agreement. What was that?

A. Quite a number of years ago we felt that it would be

wise to have a firm call on a substantial amount of money which the banks could not readily avoid, if we really needed [fol. 4177] the money, so we arranged an agreement with a group of Philadelphia banks. The present agreement is for $20 million. I think it started out at a smaller sum, which we could use for as long as five years, at the prime rate.

Q. How many banks were involved in that agreement?

A. I believe originally there were several, including a Wilmington bank. I think there were five. I believe there are now four or perhaps there are still five, and there were six originally.

Q. Is the Wilmington bank back in the picture?

A. No, it is not. They are all Philadelphia banks. I could name them and then we could count them.

Philadelphia National, Girard, Provident, Central Penn, and the Fidelity. That is five I think that are in there now.

Q. Has the company any foreign operations?

A. Since the end of the Second World War the company has attempted to establish itself in Western Europe and in Asia. It had not made any significant attempt to do so until after the Second World War. Prior to that it did have some business in South America, but it was mostly just an export business. There was virtually no manufacturing in South America until after the Second World War.

Q. Its principal office and financial operations are in [fol. 4178] Philadelphia, are they not?

A. It is highly concentrated in Philadelphia, yes.

I should not lead you to think that the Rohm & Haas Company dictates day-to-day policy in Paris or in England, because the local people have a high degree of independence. The companies are 100 per cent owned, but still the officers and financial people are allowed a high degree of independence in those countries, but they do, of course, stay in constant consultation with the treasurer in New York.

Q. But the principal office of the company is in Philadelphia?

A. It is in Philadelphia, and there isn't anything even closely approaching it as a second office. The stock owner-

ship is concentrated in one family, and the family lives here, and they run it from right here—and they run it.

Q. How are the foreign operations financed? Do you own plants abroad or how are they handled?

A. Of course, they cannot be financed identically in any two countries, but as a general principle, the company tries first to build up a volume of export sales which would support a small plant, selling from Philadelphia. Then usually the foreign country, be it France, England, or what, begins to get dubious about the wisdom of allowing so much [fol. 4179] money to come out in dollars to Philadelphia, so we are likely to lose our markets unless we establish a plant abroad in the country where we are doing the selling. We try to establish in the beginning a plant at a cost of a quarter to a half million dollars for the fixed assets. If we can lease space, we lease it, and we have at times leased land and buildings and put our own equipment in it, to make sure this was going to go and be profitable. Then we try to borrow abroad the working capital.

In the first place, we believe that the company should show a genuine intention to go and stay, and that is why we are willing to put our own money in the fixed assets. That is evidence of our genuine concern to be there permanently. Then the working capital we ask the local banks to lend us in their own currency, because that is what we have to pay in over there, and we have so far been reasonably successful.

Q. Is there any competition between borrowings of that sort with American banks?

A. The American banks have a good network of branches in Western Europe and a strong representation in Tokyo, where we have a company. The New York banks, the Bank of America on the West Coast, the Canadian banks, with whom we are regarded as acceptable, all have good, strong [fol. 4180] networks of banks. The First National of Boston has a nice network in South America, and the First National City Bank has a very nice network of banks in South America, and we use those banks.

We also use in every case where we can a bank or one or more banks of the country in which we operate, because then we get competition between the American bank and

the local bank, and we also demonstrate to the people locally that we are not entirely so nationalistic that we can't do business with the local people.

Q. How does that competition between the foreign banks and the American banks show up?

A. It usually shows itself in the willingness with which they are to make a loan at the time you start up. If you are successful, they clamor for the privilege of making a loan, but they are not anxious to make a loan to a new company unless the loan is guaranteed from Philadelphia, which Philadelphia has been reluctant to do. In some cases it has, but it has been very reluctant to do it.

The American banks, by and large, knowing more about the company, have been a little more willing to make loans without a Philadelphia guarantee. There have been cases, however, in Britain particularly, where the British banks were perfectly willing to make a loan and the American [fol. 4181] banks were a little nervous about making a loan without a guarantee. I can recall one occasion where that reached the point where we were about to drop an American bank, and they changed their mind.

There is no satisfactory way to operate without having competition between the two groups, because it gives you the ability to negotiate.

Q. So that competition operates between banks in England or New York——

A. Yes.

Q. Or France and New York or Italy?

A. The Bank of America has strong representation in Italy, and the competition between the Bank of America in Italy and the New York banks is strong; and then, of course, we have banks in Italy owned by the Italian Government, and privately owned banks in Italy, and all of them, of course, are in competition with each other, and to our surprise the banks that are owned by the government compete just as vigorously, so far as we can tell, in Italy as the American banks or those that are privately owned.

Q. You have operating plants in what foreign countries now?

A. We have a fairly large plant at Newcastle-on-Tyne

in England. The fixed assets I should estimate today cost [fol. 4182] us something over $2 million.

We have two plants in France, Northern France, and a plant site unused for a third.

We have a plant operating in Milano in Italy, relatively recently, three or four years old.

We have an affiliated company in Tokyo, of which we are the largest stockholder but not a majority stockholder. We have an active plant there, and then there is Canada.

Those, I think, are those north of the Equator.

South of the Equator we are now about to construct a plant in Australia. We have people there. We have been negotiating in India, which is north of the Equator. We have a new plant in Mexico. We have had one for a long time in Buenos Aires, and we have had one since 1955 or 1956 outside of San Paulo in Brazil.

We have two or three other companies which do not have plants but which operate as sales outlets.

There is one in Peru, for example, and Colombia.

We have sales offices in Johannesburg, South Africa; but plants, I think I have listed them all. I might have [fol. 4183] missed one.

These investments are not really large, except in England. They are some $2 million in England or thereabouts in fixed assets and maybe $1 million in France, and they taper off from that down to a quarter of a million dollars.

[fol. 4184] Q. Do any of these foreign operations borrow directly from American banks?

A. No, sir. I am under the impression and this someone else would have to answer for me, I don't believe they can borrow from American banks in the currencies in which they have to pay their obligations. When we opened in France we had some discussions here and we concluded that this would not be—that they would love to do it—the Chase National Bank would have liked to have done it, working with one of the Philadelphia banks, because that's the way the Philadelphia banks usually work—with a New York bank to arrange something abroad; but it couldn't.

We concluded that this was not a practical way to do it and I don't know anyone who has done it. It may be possible by some device we haven't learned.

Q. You said that you had this credit for some time with the Philadelphia banks. Have you ever used any of them for any foreign operations or foreign business?

A. No, sir. It is difficult, though, when once you put a dollar in the cash drawer, to tell where a penny goes; but we try to make each operation abroad stand absolutely on its own feet and, therefore, it has to do its own borrowing locally and I can not recall any time in which—there have been times, a few times, when the Philadelphia National [fol. 4185] Bank has advanced money to these subsidiaries.

Now, as to where you would say that came from on that particular day, I don't know.

Q. I was speaking of services beyond lending money that American banks might render to the company.

A. Well, the services which they render beyond the lending of money are probably more important than the services they render in lending money.

Q. Will you describe briefly what those services are and which banks render them and which banks render them more commonly to your company or these companies?

A. Well, there was a time when our man would go to South America and we only had one man in South America at the time going back and forth and he would hit an airport and the First National City Bank—at that time it was the National City Bank of New York—how they would know he was coming, I don't know, but somebody would be there with a car, "Mr. Ruby, we are glad to see you. Is there anything we can do for you?"

If you don't speak the language—and Mr. Ruby didn't speak Spanish or Portuguese very well and he was quite happy to see these fellows.

The First National Bank of Boston does perhaps an equally good job, or did. This was many years ago.

Q. Have you used the First National Bank of Boston [fol. 4186] for that purpose, too?

A. I beg your pardon?

Yes. The First National Bank of Boston is used by the Buenos Aires company. I don't believe the Philadelphia company has any present relations with the First National Bank of Boston. It had at some times in the past, but I think that its relations now are entirely between

the Buenos Aires company, which is a hundred per cent owned, and the local First National Bank of Boston branch in Buenos Aires.

Now, there is another service which was rendered in France which was outstanding, and that is Morgan & Company before there was a Morgan Guaranty.

Morgan & Company in Paris, I believe, has more American business than all other American banks in Paris put together, perhaps because they financed the French Government in the First World War and they were very helpful to us in getting our products introduced through the French Government testing authorities and the scientific organizations in France, which all has to be done years before you establish a plant.

I don't know whether this is the sort of thing you want or not, but that's the sort of thing they did; and that's worth more to us than the money, because in the final analysis we could squeeze the money out somewhere else if Morgan & Company didn't want to lend it; but the other [fol. 4187] services they rendered were very, very advantageous.

They are so good that the du Pont Company is now using the man who helped us in the establishment of their business in France.

Q. Except for this $5-million loan that you made against the credit at the Philadelphia banks, have you borrowed anything else in Philadelphia?

A. We have borrowed from Penn-Mutual, and we owe them some money today. It is not a large amount, perhaps a couple of million dollars, between a million and $2 million; but there has been a loan with Penn-Mutual outstanding most of the time.

A large company which has credit with the insurance companies prefers by and large to borrow from them because it is long-term credit. You can always pay it back if you get your money earlier, but if you want to keep it for ten years they have no objections; whereas the bank may very well need its money.

Q. Have you borrowed from New York banks?

A. No, sir, not in this country. The local subsidiaries have borrowed in their own countries, but Rohm & Haas in

Philadelphia has not borrowed from the New York banks, not in the last twenty years.

Q. Now, this credit that you have is a standby credit for which you pay a fee, is it not?

[fol. 4188] A. Yes, sir; yes, sir.

Q. So that you can borrow up to $20 million at any time?

A. Yes, sir.

Q. Why was that arrangement made in Philadelphia rather than in New York?

A. Mr. Haas, Sr., who died in January of 1960, preferred to do business with the Philadelphia banks. I could only think for sentimental reasons because I couldn't see any other reasons for doing this sort of thing.

The Mellon people in Pittsburgh used to come in and say, "We can lend you as much money as all the Philadelphia banks put together." That may not have been literally a true statement, but it was very close to a true statement.

And, of course, the Guaranty Trust Company, which is the company's transfer and registrar agent in New York, would say the same thing.

Nevertheless, Mr. Haas preferred to keep the principal balances here and to keep our relations here; and I don't know that he was wrong, but it could be that you could look at it another way.

Q. What would your preference be?

A. I think that any financial officer would like to have two or three banks who are large enough to lend him all of his requirements well under their credit limit—well [fol. 4189] under their lending limit so that he can play one against the other.

Among banks, there is no substitute for a corporate official being able to negotiate just as one does on any other kind of a transaction.

Q. What is the significance of borrowing under the lending limit of the bank?

A. If a company borrows at the lending limit, the bank is always aware of the fact that it has so many customers who are borrowing right against the limit.

Now, that limit was set—I, once studied banking, and I think it was set out of the experience with the national

banks a long time ago by the Comptroller of the Currency and he must have set it at around the danger line; and it is not wise for a company to be borrowing as much from a bank as the bank can really lend within the limits of danger, because it is likely to be called first. It is likely to be pressed for return, and the bank examiners are always looking at those loans a little more critically than they are those which are well within the limits.

Q. From the point of view of the businessman, then, the preference is to borrow something less?

A. I would prefer to do so because I know what is likely to be taking place inside the bank when they are lending [fol. 4190] us their absolute limit.

Now, that may not be someone else's feeling, but that is my own feeling. I think, if you are buying from a supplier, whether it be sulfuric acid or money, it is better to buy from a man who has more capacity than you need than to buy from one who can just barely supply you with your requirements.

Q. You spoke about this arrangement with the Philadelphia banks being based principally on sentimental reasons. I realize that you can't commit either yourself or the company to conduct in the future, but would you consider that that was a stable relationship.

A. I don't think so, because I am not so sure the sons over the long run will feel as the old gentleman did; and they now have virtually absolute control of the company through their voting stock.

So that I think they will be a little more inclined—in the first place, they are much more citizens of the whole United States, having been born and educated here, and New York to them is very close by.

Q. And if it were left to you to decide, what would you do in the light of the present size of the Philadelphia banks?

A. I would locate two banks, not necessarily in New York, but I think in New York, of ample size to take care [fol. 4191] of the entire requirements of the company.

In fact, I long ago began establishing connections of that kind, and then perhaps get along with the Philadelphia situation as sort of a third leg because these are our friends here; they know us.

There are advantages to doing business in Philadelphia because these people know the character, their clerks know our clerks, so that they know the kind of people who work at Rohm & Haas and they know the kind of people better perhaps than the New York banks do.

But as a straight business proposition, why, we should have two lines of credit, each one as large as we would need, with two major New York banks or with someone like the Mellons or the Bank of America on the West Coast, or the Continental or the First National in Chicago.

Q. Are the Philadelphia banks adequate in size to provide that kind of competition, Mr. Merriwether?

A. No, sir.

Q. You have heard of the proposed merger of the Philadelphia National Bank and the Girard.

What have you to say about that with reference to its better ability to meet your company's needs?

A. Well, it will improve the situation a little bit, but it is inadequate, however. Even so, it must be inadequate for [fol. 4192] many others, but it certainly is inadequate—I think their lending limit—I don't know the figure, but I think when they get through it will be around $15 million, I would say.

Q. $15 million is the proposed limit.

A. Yes, sir. The banks really should grow as fast as the community grows in size, and they have gone far behind, as far as Rohm & Haas is concerned. It has multiplied, as I said, about ten times since 1939.

The banks certainly—I don't know how much they have grown. I haven't looked at the figures, but certainly they haven't grown anything like that and their capital has been cut in half by inflation since then, too, the usefulness of it has.

Q. Do you consider that there is any competition at all for this credit of $20 million that you spoke about among the Philadelphia banks?

A. No, sir. They have to get together on the terms and they sit on one side of the table and we sit on the other; and, of course, to the financial officer that is very unsatistory.

You see, 19 out of these 20 years we have been lending

our money to the banks. They haven't been lending us money. Our money has been deposited in the banks and on the 20th year, when we need some money, we have to [fol. 4193] meet these fellows and they decide, with us, negotiating and threatening to go to New York even though I didn't think Mr. Haas would permit it—why, they make a deal with us and they come to a common agreement as to what they will do and one of them manages the syndicate, I believe, and then the others go along with it. They take shares.

Q. What would you prefer to be able to do?

A. I would prefer to be able to have a free hand to play say three New York banks against all of those in Philadelphia. I wouldn't mind having the loan with all of them if I could play somebody against them in New York freely, and if they had the capital to do it.

But dealing with several banks you run into this problem—and this happened only recently. One of these banks, with whom we had done business for 20 years, took a share of this credit agreement and no sooner had the ink got dry on it than they sent a man around to the office and said, "Now, we want 20 per cent on deposit of the amount we are going to lend you under this agreement."

Well, that wasn't in the agreement at all, but banks do want 20 per cent of what the lending limit is; and we said, "Suppose we just take you out of the agreement?" And that settled it for the moment.

But that gives you an idea of what you run into when [fol. 4194] you have several banks and they are competing with each other for your deposit balances. Each one you borrow from wants as much deposits as he can get.

Q. And what about the difficulties that arise from establishing relations with a number of banks instead of one in connection with a loan?

A. Well, they all want the deposits, of course, and they want them long before they make a loan and they want to keep them; and each one hopes to get more profit out of it, I guess, than he otherwise would.

I can't blame them for that, but it is not a very satisfactory arrangement. It is like having five partners of Drexel & Company negotiate with you on bond commissions

or something on a deal. You don't have any—you really have no bargaining position at all if there are five of them, where there are five, as with any one of them.

Q. What is the approximate amount of ready cash that the company keeps available and in what form is it held?

A. It has today about $24 million. Last year it was around $20 million.

Now, today—we just had a treasurer's report at the Directors' meeting last week—and of that, $4 million is in cash, a little over $4 million; and the rest of it, that is, it is in demand deposits.

[fol. 4195] The rest of it is in interest-bearing time deposits and Government bonds. I believe about half of it, perhaps a little more, is in Government bonds.

Q. Is that the short-term Governments?

A. Those are short-term Governments, maturing generally within a year.

The Government is really the big competitor for these fellows on deposits, because the Government controls the interest rates and the minute they get them to the point where it is more advantageous for Rohm & Haas to put its money in short-term Governments than it is to put it in a time deposit, why, they move it into Governments.

Therefore, the Government—I can give you the exact figures at June 30th, if you would like. I brought them with me, but the Governments——

Q. Please.

A. The Governments have about half of the total. There was $24,279,000 in cash and marketable securities, of which securities and time accounts amounted to $20 million; there were $4 million in demand deposits.

There were $10,252,000 of U. S. Government obligations and $4,065,000 of Canadian Government obligations—I don't have the maturity date, but it is the practice of the company to mature within 12 to 18 months.

[fol. 4196] This is money set aside to pay income taxes and other things, and for construction programs.

There were time accounts of $3 million, certificates of deposits, $3 million.

Now, that is $4 million, roughly, in demand deposits, $10 million, roughly, in United States Government securi-

ties, $4 million in Canadian Government obligations, and $6 million of time accounts and certificates of deposit.

Q. Does the company have a demand for money build-up, such as for construction purposes?

A. The company has a construction program for 1961 calling for about $27 million, and in 1962 the program so far as we can see now will be about the same amount. It is estimated today to be a little higher than $61 million, but no one can give a precise estimate today.

Q. How will such programs be financed?

A. We hope to finance them out of earnings and out of this money that is on hand. If earnings should fall or some other contingency should arise, which we can't see, we will use this bank-credit agreement.

If it is more advantageous for us to borrow from an insurance company, of course, we will borrow from an insurance company rather than from the banks. We will have to really wait and see.

[fol. 4197] Q. Well, would that money be converted into long-term obligations held by the insurance company or would you expect to pay it all off?

A. We expect to pay this particular program off as we go along with the money which we have on hand, plus the earnings which will come in during that period.

The company does not offer—it has only once or twice got itself into a position deliberately where it did long-term borrowing, but sometimes opportunities arise which were not foreseen, which makes it very, very well worthwhile to borrow money. For example, if a company should become for sale in Germany, a nice little chemical company, and they went to sell it to us, we have no money in Germany; we might just as well buy it and we might be short of cash; so these are things that have to be kept in mind.

Q. Is your company solicited by banks outside of Philadelphia for deposits and loans?

A. Yes, sir. The English banks call on us, the Bank of America, and the Security First National Bank, and the Bank of California have called on us for many years. Of course, the First National of Chicago, and the Continental-Illinois call regularly.

I am sure the list would be this long, but money flows

where it will do the most good; so that if banks can get [fol. 4198] it in the East and lend it in the West, where interest rates are higher, of course, they do it.

So they are here all the time, soliciting our business and promising us lines of credit; but since we don't borrow very much, since we usually have lines of deposit, they like to have business like ours.

Q. Your stock-transfer agent and registrar are in New York, I suppose?

A. Well, I think there is one here and one in New York. There has to be, I believe, under the stock-exchange rules.

We have a dividend-paying company here and trust company. I think there are other accounts with the Guaranty Trust Company—I am sure there are with the Guaranty Trust Company, too, and Morgan & Company likewise.

Q. Have you established relations with any more than those two banks in New York?

A. Yes. There is a strong relationship, but not a big (not big in money), but a good relationship with the First National City Bank. Anyone who does business abroad virtually has to have the facilities of one of the large New York banks, and the First National City Bank is very good at this.

I have a friend in Chicago who runs a business who keeps a deposit there of $100,000 just so he can walk in and talk to them about his business in Western Europe when- [fol. 4199] ever he likes. He doesn't get any other service out of the bank.

Q. From the point of view of the businessman, and particularly one in a business such as Rohm & Haas, what is your opinion as to this proposed merger of the Girard and the Philadelphia National Bank?

A. Well, it should have been done 20 years ago or something like it should have been done. It's probably too late to save the large companies which are now the size of Rohm & Haas from going to New York. It may save some in the future. It would at least give some indication.

It also might keep some young men here who, like Tom Gates, went over to New York to become Chairman of the Executive Committee of the Guaranty Trust the other

day, where the capital must be $300 million or $400 million.

Q. Do you consider that the size of the banking facilities, the banks in the community, have any connection with its ability to maintain a substantial and firm commercial position?

A. It probably does for the smaller companies. The larger companies can really go where they please.

Q. What effect, so far as business is concerned in Philadelphia, do you think this merger would have; beneficial or otherwise?

A. In my own opinion it can only be beneficial. I don't [fol. 4200] see any reason why it shouldn't be beneficial; but it is not going to save the larger companies who have already gone to New York.

Banking relationships transfer very slowly. It takes 25 years to build a banking business, I am sure, and a banking relationship that is already established or well settled over there is not going to come back here.

You will undoubtedly keep young companies from going away, but this community needs two or three banks with a lending limit of $20 million to $30 million. Now, it may not be able to support two or three, but if this situation had been grasped by the bankers and businessmen here 20 years ago I think it would have them today.

It might very well have the large du Pont account, the U. S. Steel account, the Pennsylvania Railroad account, and some others, rather than have them all over in New York.

This is a good development, but it is late.

This is, of course, just one man's opinion, but that's the way I feel.

Q. What is your opinion of the effect of not permitting the merger to occur so far as business in Philadelphia and banks in Philadelphia are concerned?

A. Well, I should think it would be just another evidence that we are a small town and are going to remain a sub- [fol. 4201] urb of New York as a banking community, as we are in investment banking and as we are becoming in other fields, too. People just want to go where things are going on, where people are progressive, where they are building and growing.

Q. I don't think you mentioned your connection with the Fidelity. Are you a director of that bank?

A. I am a director of the Fidelity.

Mr. Price: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Merriwether, are you also a director of the Philadelphia National Bank?

A. No, sir.

Q. Is the president of your company a director of the Philadelphia National, Mr. Haas?

A. Yes.

Q. Now, you testified, sir, that your company would like to play one bank off against the other. Will you tell me how you can do that?

A. Well, I think I gave you one example of playing one against the other. We haven't had much opportunity with the restrictions that we stay in Philadelphia. It somewhat limits our opportunities. I think we gave you two examples.

We gave you one in England, and we gave one here [fol. 4202] where a bank suddenly wanted more deposits. They had deposits for 20 years and had never paid us a nickel's worth of interest; but suddenly they sign a loan agreement and they want bigger deposits, so the only thing you can do is say we can get the money somewhere else.

That is the only answer that a banker really understands when the chips are down, because if you can't get the money somewhere else you will meet his terms.

Q. Will you tell me what your line of credit is with the Philadelphia National Bank at this time?

A. I will have to look it up. Do you mean under the credit agreement?

Q. Yes, sir. I suppose it is under the credit agreement.

A. The line of credit under the credit agreement is $8 million.

Q. And your line with the Girard?

A. Five.

Q. So you have a total of $13 million now with the two banks?

A. That's right.

Q. And if the two banks are merged you could get a credit line of $2 million more; is that right?

A. I would assume so. I don't know what my friend over here says, that they will have a $15-million credit limit; but I don't know that myself.

[fol. 4203] Q. I believe that is right.

You, at the present time, have a credit line with the Fidelity-Philadelphia, do you not?

A. Yes, sir.

Q. Do you know how much that is?

A. $3.3 million according to this statement; yes, sir.

Q. And your line with the Central-Penn?

A. $2 million.

Q. And with the Provident Tradesmens?

A. $1.7 million.

Q. Now, you have no line at all with the First Pennsylvania Company; is that correct?

A. That's correct.

Q. However, that is an additional line of $7 million which could be available to your company, I suppose?

A. It is. There were reasons before I came with this firm which made that unlikely that we would use it, but I don't know what those reasons were.

Q. Just a matter of personal preference?

A. No, it wasn't a matter of personal preference, but I don't know the details.

The family, I might say that the family has used that bank for themselves and they preferred to keep their affairs separate as much as they can from the banks that do busi-[fols. 4204-4205] ness with the company so that there can be no question that this bank is doing them a favor because they deposit here, and so on.

But in a place as small as Philadelphia, that's not possible to carry the limit, but I know that Mr. John Haas' account is with the First Pennsylvania Company.

Q. Do you have, sir, with you the information on your company's total loans outstanding at the present time?

A. The total loans outstanding at May 31, 1961, was only

the Penn-Mutual Life of $2.4 million. I said earlier a million to $2 million. Apparently it's $2.4 million.

I think another $800,000 was paid June 30th or will be paid shortly, but apparently I was incorrect about the $1 million to $2 million.

Q. And you have no bank loans at the present time; is that right?

A. No, sir. That's correct.

Q. And your company has not had a bank loan since September of 1958; is that correct?

A. That's correct.

Q. And prior to that time, from January 1, 1956, up to date, the highest total bank loan that your company has had at any time was $4.8 million; isn't that right?

A. That's correct.

[fol. 4206] Q. And the highest amount you have had with any one bank was $1,875,000; is that correct?

A. That's right; yes, sir.

Q. Your company has had unusual growth, has it not, in the past ten years?

A. I suppose it has been somewhat unusual. The other chemical companies have grown as fast. I think Dow has grown as fast, and some of the others; but it has been unusual compared with industries which just grow more slowly by their nature.

Q. And that growth hasn't been affected by the lending limits of the Philadelphia banks, has it?

A. No, sir.

Q. Now, your principal deposit account is with the Philadelphia National Bank, is it not?

A. Yes, sir.

Q. Who is your second bank as far as deposit accounts are concerned?

A. I believe it's the Fidelity-Philadelphia Trust Company. The Philadelphia National Bank has been, for your information, the principal bank for a long, long time.

Mr. Reycraft: Will you mark as Government's Exhibit No. 252 a one-page document headed "Rohm & Haas Company Lines of Credit held from January 1, 1956, to May 31, 1961"?

[fol. 4207] (Document headed "Rohm & Haas Company Lines of Credit held from January 1, 1956, to May 31, 1961," was marked Exhibit G-252 for identification.)

Mr. Reycraft: And as Government's Exhibit No. 253 a two-page schedule headed "Rohm & Haas Company Total Loans Outstanding January 1, 1956, to July 24, 1958," and on the second page the schedule goes to May 31, 1961.

(Two-page document headed "Rohm & Haas Company Total Loans Outstanding January 1, 1956, to July 24, 1958," was marked Exhibit G-253 for identification.)

Mr. Reycraft: And as Government's Exhibit No. 254 a two-page schedule headed "Rohm & Haas Company Bank Account Balances—Beginning of Business September 1, 1956, 1957, 1958, 1959, 1960."

(Two-page document headed "Rohm & Haas Company Bank Account Balances—Beginning of Business September 1, 1956, 1957, 1958, 1959, 1960," was marked Exhibit G-254 for identification.)

By Mr. Reycraft:

Q. Mr. Merriwether, I hand you Government's Exhibit No. 252.

Do you recognize that as a document which was produced by your company in response to subpoena?

A. Yes, sir.

Q. And the same for 253 and 254?

[fol. 4208] A. Yes, sir.

Q. Each was produced by your company in response to subpoena?

A. Yes, sir.

Q. Do you have copies of those with you?

A. I think they are identical, yes, sir. I haven't checked them, but I think they are identical.

Q. Would you agree, Mr. Merriwether, that your company's borrowing requirements from commercial banks have been adequately met by the Philadelphia banks during the period covered by these exhibits?

A. During the period covered by——

Q. By the exhibits.

A. By the exhibits, yes.

Q. The three exhibits?

A. Yes.

Q. Your answer is "yes"?

A. Pardon?

Q. I am sorry, what is your answer?

A. During the period covered by this exhibit they have been adequate, yes, sir.

Q. And at the present time the $20 million total lines of credit is more than ample to cover the maximum bank loans you have ever had of $4,800,000; is that correct?

[fol. 4209] Mr. Price: He didn't say that.

Mr. Reycraft: Will you read the question?

The Witness: The $20 million is a line of credit; the $4 million in loans or five——

Mr. Reycraft: Would you read my question? I may have misspoken.

(The pending question was repeated by the reporter.)

The Witness: Yes.

By Mr. Reycraft:

Q. That is $4,800,000?

A. Yes.

Q. From commercial banks?

A. Yes.

Q. And, in fact, it would be more than adequate to cover your total loans including those from the life-insurance companies; isn't that correct, also?

A. That's correct.

Q. And you could increase some of these lines, could you not, sir?

A. We are talking about—really, we are talking about guaranteed lines of credit when we speak of $20 million.

I don't know what the company's lines of credit are. Banks very commonly grant a company a maximum line of [fol. 4210] credit for the solicitation of business. The directors will approve a line of credit and the company doesn't even know about it until a man walks in and says, "We will lend you $4 million if you give us a deposit."

He has already worked this out ahead of time, so I don't

know how much of that sort of thing has gone on, where we have approved lines of credit all over the world; but these guaranteed lines of credit are in front of us for $20 million.

Have I answered your question? I don't think I have, but I got lost here somewhere.

Q. Well, I asked you where you could increase them; and I don't know what your answer is.

A. Well, we haven't tried. I think we could. I think we'd have to try.

Q. I think you indicated also, sir, that you think Philadelphia ought to have two or three banks with a $20-million to $30-million lending limit; is that correct?

A. Yes, sir.

Q. Do you think it would be desirable, even if it were necessary, to accomplish this by further mergers?

A. Yes, sir.

Q. So that in your judgment the fact that——

A. I don't think you could accomplish it by further [fol. 4211] mergers; but if it were possible to do it that way, without ending up perhaps with one bank, even that might be better than the situation we have now.

Q. Well, if it should be required in order to get to one bank with a lending limit of $20 million to $30 million to have all of the leading banks merged, do you think that would be beneficial?

A. I don't know. I'd have to think about that one.

Q. You don't have an opinion on that one?

A. No, sir. An informed opinion would have to take a lot of thought, I am sure.

Mr. Reycraft: I have no further questions.

Redirect examination.

By Mr. Price:

Q. Mr. Merriwether, this exhibit marked G-254, both pages show that the company has a number of bank accounts all over the place, but with reference to the Philadelphia National Bank, the bank balance there varied since 1957 from $7,700,000 to $4,[illegible]0,000, or nearly $4,200,000, I am sorry.

A. Yes, sir. 1956 to 1959, it fell steadily every year, that

balance did, yes, sir—$7.7 million in 1956, $5.9 million in 1957, $5.7 million in 1958, and $4.1 million in 1959. It fell each year.

Q. The Girard bank has been somewhat smaller, ranging [fol. 4212] from $1.2 million in 1956 to $371,000 in 1960?

A. That's right. It also has fallen each year since 1956.

Q. And the Fidelity's balance has ranged from $4.6 million in 1956 to $2.9 million in 1960?

A. That's correct, sir.

You see, the Government bonds have been more and more attractive during this period so that bank deposits have been pulled down and the money has gone into Government securities in this period to a considerable extent.

Q. I don't know, I don't recall your saying this, Mr. Merriwether; therefore I am going to ask you a question as to whether there is any Philadelphia bank that can render the kind of foreign service (I am not speaking of loans now) that you described having received from the New York banks and from the First of Boston.

A. No, sir. There is not a Philadelphia bank, in my opinion again, with anything remotely approaching that supplied by many—I think even the Chicago banks are well ahead of us. The banks in Houston and New Orleans are probably ahead of Philadelphia in this respect; but the Chicago banks and the Bank of America on the West Coast, the First National Bank of Boston, and several of the New York banks are on the job all over the world, with men who know both languages, and who also——

[fol. 4213] You see, you need credit reference. If a man comes in and wants to buy something from your local company you don't know this man, so you have to call your bank and say Alonzo Sierra has come in and he wants some dithane. Now, he wants 90 days. You don't know whether to give him 90 days or not.

In Brazil or even in France there are no nice little Dun & Bradstreet reports which give you the data on the man from year to year, financial statements; so you have to call the First National Bank of Boston or the National City Bank, and perhaps your friends in the other banks and say, "What about this fellow?"

Well, they don't know his financial condition, but they know him and they know his family and perhaps his grand-

father's reputation, and they know about how much real estate he owns, so they can give you a report on him, usually orally; but that is the sort of thing you have to have if you are going into a foreign country, and that can only be done by people on the job there.

Q. Now, these banks that you mentioned—First National of Boston, the Chicago banks, and the other banks in New York—are all very much larger than any bank in Philadelphia, are they not?

A. The New York banks are. I don't know how large the [fol. 4214] First of Boston is. The Chicago banks, I would say, are considerably larger, yes, sir; but I am not as well acquainted with the operations of the Chicago banks as I am the ones with which we have done business in foreign countries, therefore I don't want to lean too much on that.

I know what I am speaking of when I speak of the First of Boston, the First National City Bank of New York, the Guaranty, the Morgan people, and the Chase.

Q. At least you would say that their resources and lending limits are substantially larger than the lending limit of the Philadelphia National Bank, are they not?

A. I am reasonably sure of that?

Q. The First of Boston has a $16-million limit, does it not?

A. I don't know; I am sorry.

Q. I think that may be in the record somewhere, but the ones that you mentioned were all of that character, of that general size or larger, were they not?

A. Yes, sir. I would think that most of them are larger. It takes a great deal of capital to set up, and a lot of experience.

I think it is like building a trust department. It takes one or two generations to set up and a lot of capital to set up a foreign-banking system; so that it can't be done with $100,000 or a half a million dollars. It takes a lot of money.

[fol. 4215] Mr. Price: That is all I have.

Recross examination.

By Mr. Reycraft:

Q. Did I understand you, Mr. Merriwether, to refer to a New Orleans bank with a foreign department?

A. They have an active foreign department, but they do nothing for us; but they do solicit business.

Q. Do I understand you to indicate that you thought that they were superior to any Philadelphia bank?

A. I had better not try to make that statement. If I have made such a statement it was not well founded because I couldn't know enough about it.

Q. All right.

Now, your total bank balances of your company declined over-all, didn't they, from $16,058,000 in 1956——

A. Yes.

Q. —to $9,941,000 in 1960?

A. That is correct.

Q. So that the decline in the balance outstanding with the Philadelphia National and the Girard and the other Philadelphia banks is not an isolated situation?

A. It's not isolated, no. It's a result of the Government making it attractive for us to buy bonds. The Government [fol. 4216] gets our money in a case like that.

Q. And that is the only reason for it, isn't it?

A. (No response.)

Q. Is that the only reason for it?

A. I can not think of any other reason, and I was just looking to see what the deposits were in 1956 and the United States Governments. Even then we owned $8 million, but we had $10 million in cash.

That's more than we have in cash today, when we have considerably more cash and securities together; so there has been a switch into Governments and time certificates of deposits and Canadian bonds have come in in the meanwhile. Operating a Canadian subsidiary, there are special reasons why Canadian Government bonds are an attractive corporate investment in limited amounts and for very short maturities. I don't know what they are, but I know our people say they are, our tax people.

Mr. Reycraft: That's all.

Mr. Price: Thank you, Mr. Merriwether.

The Court: We will take a ten-minute recess.

(A recess was had.)

[fol. 4217] CHARLES A. ANDREWS, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Andrews, you are presently the comptroller and assistant treasurer of Triangle Publications, are you not?

A. I am, sir.

Q. How long have you been with that company?

A. Since February of 1948.

Q. And in what capacity did you serve at that time?

A. I came originally as manager of the Tax Department. Subsequently in 1949 I was made assistant treasurer, and I have been comptroller since 1951, September, 1951.

Q. What has been your business experience outside of the Triangle Publications?

A. Well, prior to coming with Triangle Publications I first of all was graduated by NYU, the School of Commerce, School of Education, and Graduate School of Business Education. I had 15 years of private accounting experience before——

Q. Let me ask you what degrees you have.

A. BCS, Bachelor of Science and Education, and Master of Arts.

[fol. 4218] After 15 years of private accounting experience I went into public accounting, specializing in the tax field. I was with Arthur Anderson for about eight years and am a CPA in the State of New York.

Q. Can you tell me something about the growth of Triangle Publications in the last ten or fifteen years?

A. Well, Triangle Publications, apparently the name itself in Philadelphia, Triangle Publications as such, is not as well known as we would like it to be. Presently it operates on a divisional level, with the Philadelphia Inquirer Division, "Daily News," "Philadelphia Daily News."

We have a Radio and Televison Division which operates six television stations and allied radio stations.

We have a large gravure plant here that prints all of our publications, including "TV Guide," "Seventeen Magazine."

We operate a Trade Publications Division which prints

and publishes the "Morning Telegraph" and the "Daily Racing Form."

The Corporation, of course, is closely held, and I would rather not divulge profits but I can tell you that when I first came with the company the aggregate payroll was less than $15 million. Presently it is $45 million.

[fol. 4219] Our receipts in 1950 were approximately $60 million. They are presently $150 million.

Our assets, I believe, at the end of 1950 were approximately $40 million and are now $81 million, so we have enjoyed in the last 10 years a rather large growth.

Q. The headquarters of the company are where?

A. The headquarters of the company are at 400 North Broad Street in Philadelphia.

Q. These radio stations you spoke of are where?

A. The headquarters for the Radio and Television Division are at 400 North Broad Street, the television stations and radio station WFIL in Philadelphia. We have a station in New Haven, WNHC. We have a station in Binghampton, New York, one in Altoona, a UHF station in Lebanon, and a television station, KFRE, in Fresno, California.

Q. Is the Triangle Publications a parent company? It is the company of which the "Inquirer" and the "Daily News" and these radio stations, and so on, are divisions?

A. That is right, sir, with the exception of two Canadian subsidiaries and some minority interests or fairly majority interests in one other corporation.

Q. How are the financial needs of the company met?

A. Well, since I have been there—and, of course, I can [fol. 4220] speak more of experience with those things I am more closely acquainted with—we met our financial needs through banking loans.

Q. And where are those supplied?

A. Well, the first loan that we had, bank loan, was a loan negotiated here in Philadelphia in 1956, wherein we were dealing with Tradesmens. Of course, we had accounts with Girard and several other banks. That loan was jointly shared. It was shared by Tradesmens and Girard, $5½ million.

Q. Was the loan too large for Tradesmens to handle by itself?

A. It was. I understand it was.

You asked further what other loans. We had a loan in December of 1958 from the First of Chicago for $10 million.

Q. Why did you go to Chicago?

A. We went primarily because we knew there was no bank here in Philadelphia that could handle a loan of that magnitude without sharing with someone else, either one or two other banks.

Q. Was sharing it an objection from your point of view?

A. It definitely was.

Q. Why?

A. In the first place—and I can give a reason which for [fol. 4221] many companies would not be a reason—we would, first of all, have to divulge our information to more people. Another reason would be that it is much easier to negotiate with one person, from the standpoint of agreeing on the terms of the loan. Also the question of facility, the fact that we could go to First of Chicago and get it (snapping fingers) within 24 hours.

Another thing, as part of our agreement usually with the banks in Philadelphia anyway we orally agreed—it wasn't in writing—to more or less increase our deposits in the bank, to more or less show that we appreciated the loan, I suppose.

Q. And would that be an objection from your point of view?

A. Well, it wouldn't be an objection so long as we had sufficient money to spread around, and it was no objection in this instance, the mere fact of keeping the deposit.

Q. But to make a new loan would bring in new banks——

A. That might encompass a little bit of difficulty.

Q. As a result of your experience did you say whether you would split a loan again if you had to borrow more than, say, the Philadelphia banks can supply in one Philadelphia bank?

A. I would say we would rather not. I mean our experi- [fol. 4222] ence with First of Chicago, for example, as a large lender, would lead us to prefer to negotiate with one bank.

Q. How long did it take you to arrange that loan?

A. 24 hours. There was some question, after our vice-president came back from Chicago, which I worked out with him and we adjusted it over the telephone.

Q. Would that have been possible if you had to split it up among Philadelphia banks?

A. I don't believe so.

Q. So far as arranging the loan agreement or modifications of the loan agreement, what can you say with regard to dividing a loan on that score?

A. Well, I would say offhand, if, for example, we wanted to deviate from the original loan agreement—I don't mean a material change, necessarily, but on prepayment or capital or current liability or asset requirements—it would be much easier to deal with one person than with three or four.

Q. Would that be a disadvantage from your point of view?

A. It would, because we might make our mind up overnight that we wanted to make a prepayment that might be a little bit contrary to the original loan agreement. We would not want to be held up in any action that we wanted [fol. 4223] to take.

Q. In comparison with the 24 hours it took you to get the loan in Chicago, did it take longer than that to get the loan arranged between the Tradesmens and the Girard?

A. I believe it did, but I can't be a good witness for that because I didn't check that.

Q. You have no idea of the approximate length of time?

A. No, I do not.

Q. You had another loan agreement in Chicago, had you not, for a larger amount than the $10 million?

A. I think you are referring there to a debt limitation which was basically in the loan. In 1948——

Q. Is that part of this $10 million loan?

A. No, the $10 million loan is separate and apart from that.

Q. Tell me about this other one.

A. In 1948 we had outstanding loans of about $12,500,000, of which First of Chicago had $8 million and the balance was divided between two insurance companies. Under that loan agreement there was a limitation of our borrowings of $15 million, which later on we negotiated in 1956 and in less than 24 hours we had that limiation raised to $25 million.

Q. Does that mean $25 million over-all or $25 million [fol. 4224] in addition?

A. No, that was $25 million over-all with respect to the status quo at 1956.

Q. And the present loan out there is what, or the two loans that you have in Chicago are what?

A. I think I will have to look at the balance. You want the specific balance?

Q. Would you, please.

A. As of June 10, 1961, we owed the insurance companies 2 million 8 of the old loan in 1948 and we owed Provident Tradesmens $1,925,000, which was the portion of the loan shared by Girard and Provident, and $6¾ million to First National of Chicago, of the $10 million original loan.

Q. And then what happened to the 12 million 5 loan from the other bank in Chicago?

A. First of Chicago was paid off in full prior to 1955. The insurance companies, of course, held their loans on a long-term basis, and we just started paying those off. Their portion of the loan at 1955 was 6 million 3. We now owe 2 million 8.

Q. What banking connections has Triangle Publications now outside of these two banks in Philadelphia that you mentioned, the Tradesmens and Girard?

[fol. 4225] A. Well, we have a rather large account with Fidelity Trust, and we have a large account, of course, with First of Chicago, and then we have balances spread in about 25 other locations. The major amounts in the millions, of course, are in those four banks. The others are balances of maybe one, two, three, four hundred thousand dollars which are drawn down for operating expenses. They are maintained primarily because of the local business we operate.

Q. Have you any relations with the Philadelphia banks other than the deposit accounts on these two loans?

A. Well, we have some pension trust accounts with Girard, and, of course, I mentioned the deposits we have in those three banks, major deposits. We have smaller deposits, of course, in First of Pennsylvania and the Philadelphia National, but the primary accounts, the Girard and Provident Tradesmens are the operating accounts. Provident Tradesmens more so than anyone else, because we do all of our disbursing through that account, other than the "TV Guide" subscription situation, which is Fidelity.

Q. And the account is maintained in the Girard primarily for what purpose?

A. It has got a dual purpose. Primarily it is maintained

[fol. 4226] the size it is because of our loan relationship, and also it is retained there because we do make certain payments from the account, specialized payments, such as possible income tax or dividend payments.

Q. Have you had the account with Girard for a long period of time?

A. I don't know precisely how long, but we have had an account with them ever since I have been there, which is since 1948. I know it antedates that. It probably starts when we first came here to the city.

Q. Has it always been substantially the same size?

A. No, it has not. From 1948 through 1955 it was less than a half million dollars. Since then it has varied between two and 3½ million dollars.

Q. You spoke about these 25 or so other banks that you have relations with. Are those the working balances in locations where you have radio stations or something of that sort?

A. Primarily working balances. We have printing plants, of course, and we print and publish editions on the West Coast and Miami, and, of course, I mentioned we have television stations in Binghampton, Altoona, Fresno. We have accounts in New Haven. We have accounts in all of those cities with various banks there.

[fol. 4227] Q. That is to cover local needs and not for borrowing purposes?

A. No, that is just local.

Q. What would your preference be with regard to borrowing? Where would you like to do it if you could?

A. I would say that our preference would be Philadelphia, because we regard ourselves basically as a Philadelphia institution, you might say. About 80 per cent of our property investment is here, and I mentioned initially that I had trouble having people recognize Triangle, but when I say worked, for example, for the "Philadelphia Inquirer," there is no question about it. They know exactly who the "Inquirer" is. So we would prefer to do our banking business to some large extent, if we could have the proper rate, and so forth, in Philadelphia.

Q. Are you solicited by other banks outside of Philadelphia for banking business?

A. I would say on an average of once a month we get

either telephone calls or visitations from representatives of such banks as the Bank of California, banks in Atlanta, Kansas City, possibly Fresno, Altoona, any number of banks. Basically from locations where we are presently doing business or have at one time had an account.

Q. Can you give an illustration about the particular ref-
[fol. 4228] erence to the time deposit that was held in the Pennsylvania Company by one of your trust accounts?

A. I am afraid I don't understand the question.

Q. Competition from outside. Were you solicited for that?

A. Oh, yes. One of our trust accounts, of course, is in the Girard Trust. They handle a number of the pension funds which operate through Girard. On one occasion the Girard had it and it was transferred to Manufacturers of New York, but that was basically pressure from some union trustees.

Q. I was thinking of the account with Pennsylvania Company where the rate had changed and you were solicited by some other bank, a $50,000 deposit. Were you solicited by a Fresno bank for that time deposit?

A. Not for that account. We have been solicited by a number of California banks, particularly if we buy in a new location. We frequently get telephone calls, you might say, from the local bank trying to interest us in their correspondent bank in the location, or we are solicited directly by the bank in and around the area.

Q. What can you say from your point of view, the point of view of a businessman in Philadelphia, as to the desir-
[fol. 4229] ability of this proposed merger of Girard and Philadelphia National?

A. I think it is highly desirable from the standpoint of encouraging competition particularly between cities. I think basically, as the situation is now, it discourages competition on a local level. For example, we borrowed $5½ million. It was shared by two banks. They had to agree on terms. They came up, of course, with one final agreement, a loan agreement, and we pay directly to Tradesmens now, but we know that Girard shares in that situation. As a matter of fact, I was temporarily embarrassed on one occasion when Price, Waterhouse confirmed our outstanding loan with both banks. I had a little temporary explanation to make as to what happened to the 5½ million.

Q. What have you to say about the attitude of a prospective borrowing up to the full line, full limit, that a bank has?

A. From my own personal opinion—it would have to be a personal opinion—I see nothing wrong with that. I can't see anything wrong with borrowing up to the full limitation. In other words, if this new bank, for example, after the proposed merger, should offer $15 million, I would see nothing wrong in that. That is from our point of view, because we figure the bank itself would be large enough. I can see some [fol. 4230] qualms on the part of the bank itself in lending the full limit of their reserves, because, actually, from the point of view of the bank's stockholders they probably would prefer that they had some leeway.

Q. Would a bank of the size of the proposed bank, with a $15 million lending limit, be of benefit to your company?

A. It might well be. For example, when we went to Chicago it was primarily to avoid having two or three participants in a loan. If there had been a bank here that could loan that much, we undoubtedly would have put them in contention. As it was, we just simply said, "You can't do it," and we went to First of Chicago.

Q. Did you even consider doing it in Philadelphia?

A. We didn't consider it at all, because of our objection to having two or more people involved.

Q. If the merger took place and a larger bank were in operation in Philadelphia, would that have any effect on your relationship with the other banks with which you now do business in Philadelphia?

A. None whatsover, because we still would maintain accounts locally for various reasons, business reasons primarily—payroll accounts, depositories, and things of that [fol. 4231] sort which we operate locally in these other banks. We would still continue that. There would be no change whatsoever.

Q. You spoke about the deposit balances carried in the Girard. What is the general size of the deposits you carry in the Chicago bank or banks?

A. Well, our balances in the Chicago banks run roughly about $4 million, but I can tell you specifically.

(Referring to a paper.) Well, in 1958, of course, after the loan we had a $8 million balance, so that wouldn't be a criterion, but at the end of 1959 we had 4 million 8, and the end of 1960, 3 million 7. They run slightly larger. At the

same time we had 3 million 7 balance in First of Chicago, 3½ million in Provident Tradesmens. So they run slightly larger but not a great deal.

Q. Before 1958, before you made this loan, what were the balances in that bank, in round figures?

A. Well there were less than a million dollars.

Q. Actually, they were less than half a million, were they not, in 1957?

A. Less than half in 1957. It was 631 in 1956.

Q. So that as soon as you made the loan, then the deposit balance increased materially?

[fol. 4232] A. Materially, that is right, but you can't use the $8 million balance at the end of 1958 as a criterion, because that was right after we had gotten credit for it and hadn't had a chance to draw it down.

Q. But the following year——

A. At the end of the following year it was 4 million 8.

Mr. Price: Cross-examine.

Mr. Reycraft: No cross-examination.

GUSTAVE G. AMSTERDAM, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Littleton:

Q. Mr. Amsterdam, where do you live?

A. 5209 Woodbine Avenue in Philadelphia.

Q. What is your business or profession?

A. I am a corporate officer, I suppose, is the profession. I am president and chairman of the Board of the Bankers Securities Corporation in Philadelphia and several of its affiliated companies.

Q. How long have you been president of the Bankers Securities Company?

A. Oh, since 1955.

[fol. 4233] Q. Will you tell us briefly your business experience.

A. Originally I was a lawyer in general practice. I was

with the Government in the RFC for a number of years in the Third Federal Reserve District. I went back into private practice for a while and then became an officer of the Bankers Securities Corporation and Albert M. Greenfield & Company, which is a real estate firm in Philadelphia.

Q. And you have been with the Bankers Securities Corporation ever since?

A. Since about 1938, roughly, 1939, yes, sir.

Q. And president since the date that you have told us?

A. That is correct.

Q. As a result of your experience with that company, are you acquainted with its banking requirements and its relationships?

A. Yes, sir, I am.

Q. Will you describe for us the type of business in which your company engages and generally arranges its operations.

A. We are a management investment company, and we operate various businesses either through divisions or through subsidiaries. Most of our interests are in the mercantile field. We operate through our primary subsidiary, [fol. 4234] the City Stores Company, department stores through the eastern part of the United States from Worcester in the North down to New Orleans in the South. We operate the Oppenheim Collins Franklin Simon chain of specialty stores. We have an interest in a large group of candy stores, candy manufacturing business. We operate a taxi cab company. We operate a number of hotels, primarily, at the present time, all of them in Philadelphia.

We have a good many real estate investments. We have had over the years other miscellaneous investments in various companies, like Tiffany and Company in New York, Bonwit Teller in New York, the McCrory-McClellan chain, and so on.

Q. How large is your company in terms of assets or sales?

A. The parent company, Bankers Securities Corporation, has footings on the assets side of about $75 million, but, of course, some of our subsidiaries, City Stores, for instance, is considerably larger, has assets of about $130 million.

Q. How does that compare with, say, ten years ago, 1950 or 1951?

A. Well, in the case of Bankers Securities, I would say

[fol. 4235] at that time we were about half that size, maybe $35 million. City Stores at that time would have been perhaps 100 million instead of 130 million.

Q. Will you give us some comparisons in sales.

A. Well, in the case of Bankers Securities it is not really sales. We treat it as gross income, part of which is sales, because we have a subsidiary that actually sells in the department store field, but our gross income in 1960 was about, I would say, 45 million. In 1950 it would have been very much smaller, about 5 or 6 million, I would think. In City Stores it was 262 million of sales in 1960, and I would guess that it was around 200 million in 1950, certainly within a couple of million of 200 million.

Q. You gave us the range of operation today or the operations of your company and its subsidiaries. How does that compare with the range of those operations in 1950 and 1951?

A. It was very much smaller, I would say. We had fewer interests. Of course, we had during that ten-year period acquired and sold a number of interests, but we were not nearly as diversified as we are at the present time.

Q. Will you describe the borrowing needs of your com-
[fol. 4236] pany in recent years.

A. Well, over that ten-year period we arranged for borrowings for City Stores in the neighborhood of $90 million, most of which was in long-term insurance company debentures. It included mortgage loans. It included bank financing, temporary bank financing as we purchased subsidiaries. It included seasonal bank financing, perhaps $10 million to $15 million annually as the season developed. It included sale of accounts receivable, which is a form of financing for us, with commercial banks, in the neighborhood of 10 to 20 million. There is about 20 million outstanding on that at the present time. We use various forms of financing, not just borrowing money, as you can see.

Q. With what banks do you maintain connections?

A. In Philadelphia with the First Pennsylvania Bank, with the Philadelphia National, with the Provident Tradesmens, with the Girard Trust, with the Fidelity-Philadelphia, with the Central Penn, and some accounts with some of the smaller banks.

Broad Street Trust, by the way,

Q. By the way, are you a director of the Broad Street Trust?

[fol. 4237] A. Yes, that is why I didn't want to leave them out.

Q. With which banks do you maintain lending relationships?

A. I just gave you the Philadelphia banks. The banks out of Philadelphia are the ones that we primarily maintain our lending relationships with for our department store subsidiaries. That is the Chase in New York, the First National of Boston, primarily. In Philadelphia we have a borrowing relationship with the individual banks that I have mentioned, except the Broad Street Trust. I am sure we don't borrow from the Broad Street Trust, but except for that institution, we have borrowed on occasion from all of the others.

Q. Do you have lines in these banks in the usual sense?

A. We do for some of our subsidiaries. For instance, the Snellenburg Department Store which is a division of Bankers Securities Corporation, has lines aggregating $10¼ million. Bankers Bond and Mortgage Company, which is a mortgage subsidiary of ours, has lines aggregating $9 million, with a maximum aggregate use of $6 million.

Another financing subsidiary, Barco, Inc., which is in the show financing business, has loans aggregating 6 million 4, but they are the only formal lines that we have at the present time. We had others outstanding in the past, but they are [fol. 4238] the only ones at this time.

Q. Will you describe any bank loans which you have made in recent years, either Bankers Securities or one of these subsidiaries?

A. Well, Snellenburgs always has outstanding borrowings in the range of 8 to 10 million dollars, of which approximately $2 million is on accounts receivable. The balance of it is part of the 10¼ million of lines that I mentioned a little earlier. That, of course is with a number of banks.

Q. Which of those banks are they with?

A. The Snellenburg lines are with the Philadelphia National Bank, with the Manufacturers Trust in New York, with the Camden Trust Company, with the Provident Tradesmens Bank. I think they are the banks, as near as I

can recall. I have some papers. I can get it accurately if you need it, but they are the main banks.

Q. How about City Stores?

A. Well, City Stores Company has outstanding, I suppose, at the present time, because this is the bottom of their season—they will be going into their peak season in the next three months for borrowings—but at the present time they are down to about 4 million, as I remember it. I think [fol. 4239] 3 million of that is from the First of Boston and 1million from the Chase. That is just 90-day, 120-day, roll-over paper.

Q. Have you arranged any group loans for Bankers Securities or any of the subsidiaries?

A. Well, the accounts receivable loan of Snellenburgs was a group loan. That was participated in by the Provident Tradesmens, Central Penn, and the Ca[redacted] Trust; and then we had a series of credits for City Stores on accounts receivable that was headed by the First of Boston, and the participants there was the Philadelphia National Bank, the Girard Trust Company, and the First Pennsylvania. Each of the four banks took $2\frac{1}{2}$ million on a $10 million total availability.

Q. Will you tell us why you went to the First National of Boston to head that loan?

A. Several reasons. They were a large bank, and we try as much as possible to deal with larger banks. It makes our job easier. We had been dealing with them for many years. For one thing, they give you a fast answer, and also they have the ingenuity to work out unusual financial transactions.

Q. Does their size have anything to do with their ability to give you a fast answer?

[fol. 4240] A. I would say two things: One, their size, and, secondly, the relationship which they have with other institutions around the country. It is the combination of both.

Q. If the Philadelphia National and Girard merger had been in effect and you had had a $15 million lending limit bank here at that time, would you have considered them rather than going to Boston?

A. I would say that we might very well have, yes, because we are interested, generally speaking, in the larger banks, even though we have a particular need at the moment that

is far lower than the maximum lending limit, because the very nature of our business requires us to have a lot of bank availability. We never know from week to week when we are going to need a very substantial sum of money for the acquisition of a new business or for new branch stores or for a lot of things. Many of them can be planned sufficiently ahead so that we can make banking arrangements over a long period of time, but quite often we have to get a very fast answer, and where there is a larger institution, our experience has been that you get a very much faster answer for the same number of dollars that are involved; and, of course, the cost of putting on the loan may be less if you had one [fol. 4241] bank that could take care of the particular need, instead of having to go to a series of them.

Q. Would you prefer to have that one bank in Philadelphia rather than in some other city?

A. Yes. The reason I say that is that each bank is a problem. You have got to cultivate it. The top officers in our institution have to know the top officers in the banks, and there are just so many banks that you can hope to keep a close relationship with over a period of years, and that is the reason why we prefer the larger ones, because it is just less work for our top offices, and we are able to meet our needs with the offices we have instead of expanding very much more than we have had to.

Q. It is in the record here that if this merger were accomplished, the resultant bank would have a lending limit of $15 million, but that would be still slightly less than the lending limit of the First National of Boston. Assuming the financing of a bank loan being necessary, such as you described to us when you went to First of Boston as the lead bank, if that came along again, and you had a $15 million bank here, would you select it as the lead bank?

A. We might very well do that. As I say, we prefer Philadelphia over the balance of the country, because our [fol. 4242] top officers are physically located here.

Q. Even though there might be a larger lending limit in the bank of Boston?

A. That is only one of the elements, yes, that is only one of the elements. It is the accessability that is important, too. Let me put it this way: All other things being equal, we would deal in Philadelphia rather than elsewhere. It is

just because all other things are not equal that we go elsewhere?

Q. Let us assume we had this $15 million bank and did deal with it in transactions such as you described when you went to First Boston before, would that mean necessarily taking away some of your business from the other Philadelphia banks which you now deal with?

A. Oh, I think we would give them more business rather than take away from them.

Q. I mean banks other than Philadelphia and Girard.

A. Yes, that is what I mean, because things that are now being taken care of by Philadelphia and Girard would probably go to some of the other banks, because we would have filled up the tank, so to speak, with the $15 million, or whatever the credit is, on the accounts receivable that otherwise would have gone to Boston. There would be a spillover, you see, down to the others. Certainly in our smaller needs we [fol. 4243] would be going to other Philadelphia banks.

Q. Do you consider it good policy for a company such as yours to borrow right up to the lending limit of a particular bank before it makes arrangements for other banks?

A. No, I would say that was not our policy. Of course, we look at all of our needs as a whole, and we look at the banking community as a whole. As far as we are concerned, the whole United States is one great big banking reservoir, and we have to meet our needs out of that reservoir. We find that it is easier to meet our needs if we try to keep as many banks as we can conveniently keep associated with us.

You have a problem there. You can't take on too many because of the difficulty and the time that is consumed and the cost of the relationship. On the other hand, you can't have too few, because when you need a particular credit and it is not available, you have been wasting your time for the past couple of years. So you have got to find that happy medium between the too many and the too few, and a part of that is not filling up any one bank to its lending limit. We [fol. 4244] like to have availability, if possible, not only over-all availability, but availability in an individual bank, because, well, for one thing, if a bank has a lending limit of $10 million and you want a $5 million credit, you are going to get it after a normal amount of negotiation, but if

it has a lending limit of $25 million, you are going to get it considerably sooner. That has been our experience.

[fol. 4245] Q. Do you consider that you will get it considerably sooner if it has a lending limit of $15 million rather than a lending limit of $8 million?

A. Oh, yes. Yes. It's proportioned. It isn't only lending limit. That is one of the elements but again, other things being equal, that makes the difference, you see.

Q. Along the line of your discussion a moment ago, is the arranging of a loan with a group of local bankers in order to get the aggregate lending limit of each a desirable thing, from your point of view?

A. I am afraid I don't quite understand the question.

Q. As contrasted with being able to go to a bank like the First of Boston which you have mentioned?

A. Yes.

Q. Or we will say Chase of New York—sometimes you go to them, don't you?

As an alternative to that, is arranging a group loan with the largest banks in Philadelphia or a group of the large banks in Philadelphia a satisfactory substitute?

A. No, sir.

Q. Tell us why not.

A. Well, if you have four banks you have four groups of lawyers and they think up 44 times as many objections as one lawyer.

[fol. 4246] Q. You, as a lawyer, know that?

A. Yes, sir. I have had that experience. I have been personally in the midst of these negotiations for a great many years, so I speak with wounds to show for all of the battles that I have had.

In addition to that, you don't pay one fee; you pay each one of the lawyers representing each one of the banks a fee. I find that makes a difference.

You also have to cultivate four banks. Even though there is a managing bank and the other banks are just along with them, you still have to cultivate them. They want to come in and say hello to you and they want you to come and take lunch with them and all of that is time-consuming and you really don't get four times as much information or benefit out of it.

I guess they are the main—oh, yes. You also have to keep

balances. I had forgotten about that, and you would never keep just the right amount of balances. You always keep extra balances, so that you multiply, as you have more banks, and the cost of your balances is that much greater.

We believe in keeping balances, but there comes a time when you can't meet all of the desires of all of your banking connections, unfortunately.

[fol. 4247] Q. Well, now, you have spoken about getting a quick answer?

A. Yes, sir.

Q. Isn't it true that a bank with a large lending limit, as in the case of the First Boston, which I think was the example that you gave, even though it is true that such a bank can give you a fast answer, isn't that an advantage even though ultimately the loan will be shared in by other banks?

A. Oh, yes, a great advantage; and the larger the bank we have found the more able they are to speak, not only for themselves but for other banks.

Q. Have you any examples of that with First Boston?

A. Well, yes. We have gotten commitments over the telephone from a gentleman who was then the Executive Vice-President, now the Vice-Chairman of the Board of that bank, for $20 million, which is in excess of their lending limit.

The reason I remember it so vividly is that he was in Acapulco at the time, and I was in New York, and the connection wasn't too good, and we had a heck of a time to make him understand the name of the company we proposed to buy. As soon as he finally made it out he said "yes" fast. We were going to buy it at that time.

Q. Could you have gotten a similar rapid answer from any bank in Philadelphia, in your opinion?

[fol. 4248] A. Certainly not—I wouldn't expect to on a $20-million request; no, sir.

Q. Would the size of the First of Boston, even though the $20 million would exceed its limits, have anything to do with its ability to give that quick answer?

A. Yes.

Q. As contrasted with the Philadelphia banks?

A. I would say yes.

Q. Why?

A. Because the size of that bank meant that it was able to take, I suppose, their loan limit was $16 million, something

like that—they knew right off the bat that they could take $16 million and he knew where he could place the other $4 million, I suppose, without any difficulty, with friends.

Whereas, if you only had $10 million of it spoken for you would have to find the $10 million more. You might have considerably more difficulty; so that size is an important factor, I would think. At least, I expect it to be. That's why we handle our banks the way we do.

Q. Now, we have been discussing primarily loans. How about deposits? Does your company have deposits in most of these banks that we have been talking about?

A. Yes, sir.

Q. Do you maintain deposits in New York?

[fol. 4249] A. Yes, sir. City Stores has about 90 deposit accounts around the United States. Bankers' Securities has only about 15, I'd say, something like that.

Q. Do you keep all of your cash in deposits or do you ever go into other types of short-term investments?

A. We go into other types infrequently. I think the last time we were in the note market was in 1959 for a short time. We had a half a million dollar worth of Chase notes. That's probably the first time we have been in the note market for ten years.

We also have some other short-term Governments from time to time. Some of our subsidiaries—you may have it for specific needs if you are going, in a particular subsidiary, to need money two years from now you may put it in two-year or year-and-a-half notes or something of that sort.

But we believe and we have been acting on the basis that we ought to keep our money in regular accounts, and sometimes in interest-bearing accounts, but mostly regular accounts with banks because we need banking accommodations so frequently and in such amounts that we like to build up the good will that goes from having those accounts.

Q. Are you solicited by banks from outside Philadelphia?

A. Yes, sir.

Q. From what cities? Banks from what cities?

[fol. 4250] A. Well, I asked my secretary to check over my list within the last week or two, and within the past year there were 26 different bankers from outside the city that had been by or called or written, most of them, I would say, from New York; the First of Chicago, Pittsburgh National,

Crocker-Anglo in San Francisco, the Bank of America, San Francisco, United California, San Francisco, Republic National of Dallas, First National of Birmingham, the Union Planters of Memphis, New Orleans, the Hibernia, Atlanta, Miami.

I would say—you see, they are where our principal stores are located or our principal enterprises outside of the Philadelphia-New York area; and that is the reason those banks, when they are in this area, try and drop by or may write on a specific problem or try to interest us in something. Every once in a while they submit possible situations that may be of interest to us in their territories.

Q. In your opinion, as an experienced businessman in Philadelphia, would this merger of the Philadelphia National and the Girard be a good thing for Philadelphia, for Philadelphia business?

A. Yes, sir.

Q. Will you tell us why?

A. We are competing all the time with these other areas and I think Philadelphia has been the butt of small-town [fol. 4251] jokes for long enough so that we know that being a Philadelphia concern in itself is a little bit of a handicap on a national basis, and I think that anything that makes us competitive with the rest of the country is helpful to the business interests of Philadelphia, particularly those of us that have business interests that range around the United States.

Also, the fact that they will be able to do a better banking job, it seems to me, is a real benefit to the community. It is going to keep more of the banking in Philadelphia on a competitive basis and all of that is good for the city, tremendously good for it, and our company, which has very large interests in the City of Philadelphia, frankly, is selfishly interested in seeing Philadelphia become much more important and much better and bigger, and I think this is one of the steps that will be very helpful.

Q. But aside from your natural pride in Philadelphia and wanting to see it, is there a good business reason from the point of view of your company and its subsidiaries to have this larger bank?

A. What I just said wasn't pride. It was self-interest to a certain extent because it is beneficial to us to have more

banking taken care of in Philadelphia than having to go elsewhere. They will take care of our needs better, in my opinion. They will take care of other needs, and Phila-
[fol. 4252] delphia will become a more important banking and therefore a more important business community, which is very good for us.

I am not talking about pride; I am talking about dollars and cents in the bank.

Q. Can you see any disadvantage, first to the business world, in having this larger bank, whether it is small business or large business, small borrowers or large borrowers?

A. Not the way banks operate today; no, I would think not. It would be quite beneficial all around.

At one time I think it made a difference. There used to be snooty banks, but there are no snooty banks.

Q. Would it cause any detriment or disadvantage to other banks in Philadelphia to have this merger of Philadelphia and Girard?

A. I am not a banker, not in that sense anyway, not a commercial banker. I would think not, but I just don't know.

Q. It wouldn't in so far as your company is concerned?

A. No, no. I would think that so far as we are concerned there would be an aggregate of more business done in Philadelphia rather than less.

Mr. Littleton: Cross-examine.

[fol. 4253] Cross-examination

By Mr. Reycraft:

Q. Mr. Amsterday, is one of your directors at City Stores Mr. Semenenko?

A. Yes, sir.

Q. Is he an official of the First National Bank of Boston?

A. Yes, sir. He is. He is the gentleman I mentioned earlier, the Vice-Chairman of the Board.

Q. How long has he been a member of your Board?

A. Oh, I would say the better part of ten years.

Q. Has he been active during that time in your company?

A. Well, active as a director, yes, and as a banker. We consult with him on banking matters quite frequently.

Q. Would you expect to do that if these two banks merged?

A. Oh, yes.

Q. So that you would continue that banking relationship irrespective of what the Philadelphia National and the Girard did?

A. We would continue the relationship, certainly.

Q. As far as Bankers' Securities Corporation is concerned, can you tell me what the loans outstanding are at the present time with Philadelphia National Bank?

A. No, I am sorry, I can not.

Mr. Reycraft: Will you mark this as Government's Ex-
[fol. 4254] hibit No. 255? It is a four-page document which was submitted by Bankers' Securities Corporation in response to a subpoena.

(Four-page handwritten document headed "Lines of Bank Credit—Bankers' Securities Corporation (Merchandising Division) in Response to Question 1," was marked Exhibit G-255 for identification.)

By Mr. Reycraft:

Q. Have you seen that document before, sir?

A. Yes, I have.

Q. And that is the document which was submitted in response to a subpoena by the Bankers' Securities Corporation?

A. That is correct.

Q. Will you turn to the second page and tell me, if you will, sir, the loans outstanding with the Philadelphia National Bank?

A. As of May 27, 1961, which is the latest date that is set forth on this exhibit, the amount was $3,150,000.

Q. How about with the Girard?

A. The Girard, $1,900,000.

Q. Would you read off the other loans on that?

A. Yes. Provident Tradesmens, $1 million; nothing for the Manufacturers' Trust as of that date.

I am reading all of these as of May 27, 1961:

[fol. 4255] Central-Penn, $750,000; Camden Trust, $400,000; First Pennsylvania Banking & Trust Company, $3 million.

Q. So that you are well within the lending limit of the Philadelphia National Bank as of that date?

A. Yes.

Q. And of the Girard?

A. Yes.

Q. And of the First Pennsylvania Company?

A. I am not so sure, because, you see, they tie in all of our affiliated institutions. This just gives you the story on Bankers' Securities Corporation.

In addition, there were accommodations to various other of our affiliates and they have a way of tying a lot of things together that I don't half understand sometimes, because once in a while we get a call from one of them saying, "Well, you have hit the ceiling"; andwe know that we are nowhere near the ceiling and it turns out that they have taken in a lot of companies where we even have less than a majority interest and they include them because they are companies that are affiliated with us.

That is why I say my recollection is that—I can't—my recollection with First Pennsy is that we may have been closer to the ceiling than this would indicate.

Q. And you also have a director from the First Pennsylvania Company, do you not, on your Board?

[fol. 4256] A. The president of that bank.

Q. Mr. Kelly?

A. Not on the Board of Bankers' Securities Corporation. This is on City Stores Company.

Q. Yes.

A. Yes, sir, Mr. Kelly.

Mr. Reycraft: That's all.

Mr. Littleton: Mr. Price?

Mr. Price: I have no questions.

Mr. Littleton: I have no further questions.

Mr. Littleton: If Your Honor please, would you entertain a suggestion of earlier adjournment rather than get started with another witness before lunch?

The Court: I would be very happy to.

Mr. Littleton: Thank you.

(Recessed at 12:10 o'clock P.M. for luncheon until 2:00 o'clock P.M.)

[fol. 4257] File endorsement omitted

AFTERNOON SESSION

Present: Counsel as before noted, and Henry A. Frye, Esq., for Sun Oil Company.

JOSEPH T. WILSON, JR., having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Littleton:

Q. Mr. Wilson, where do you live?

A. I live in Pitman, 72 Cyrus Avenue, Pitman, New Jersey.

Q. By whom are you employed?

A. I am employed by the Sun Oil Company.

Q. In what capacity?

A. I am secretary and treasurer of that corporation.

Q. How long have you been employed by the Sun Oil Company?

A. I was employed by Sun Oil Company in September of 1940—'41, '41.

Q. 1941?

A. Yes, sir.

Q. Prior to that, what was your business or profession?

A. I was employed by Price, Waterhouse Company, public accountants, in New York.

Q. Are you a certified public accountant?

[fol. 4258] A. I am, in the State of New York, yes, sir.

Q. How long have you been treasurer and secretary of Sun Oil Company?

A. I was elected to that position effective the first of February 1961.

Q. Before that, what were you?

A. Before that I was assistant secretary and assistant treasurer for a period of five years.

Q. As a result of your experience with the company and

your present occupation are you acquainted with the company's borrowing needs?

A. Yes, sir.

Mr. Reycraft: Your Honor, before we go into the examination I would like to raise a matter involving a subpoena which was issued to the Sun Oil Company in connection with the witness' testimony.

We sought information on the line of credit and the loans of the company and to the present time the material has not been furnished to us, although it is in court with the company's attorney.

I request that I be given the opportunity to examine that material during the time the witness is testifying so that I may prepare to cross-examine.

I believe counsel for the company wishes to be heard on [fol. 4259] the matter.

Mr. Frye: If the Court please, instead of troubling the Court with a motion to quash the subpoena or for a protective order, we understand that with reference to previous witnesses, Your Honor has been taking cognizance of certain information that the witness had which was not to go into the record or to be available for competitors; and on that basis we are willing to cooperate.

Mr. Reycraft: I may say, Your Honor, I would have to see the material before I could agree.

Mr. Frye: On all of this, I think you should get an order from the Court before proceeding.

The Court: What subpoena did you serve on them?

Mr. Reycraft: A trial subpoena, Your Honor. It was served before the trial began, similar to the subpoenas which were served upon other witnesses who have appeared.

We have asked for information about the lines of credit and the loans in order that we might know what the company's loan requirements were and line requirements.

As I say, we don't have the information and I believe that I will need it in order to cross-examine the witness.

Mr. Frye: If Your Honor please, I think we can clarify part of the situation at the outset. Mr. Spaeth appeared [fol. 4260] here on behalf of the Pressed Steel Car Company and as to that information Your Honor ruled that they were not required to produce it.

Mr. Reycraft: We are not pressing that matter.

Mr. Frye: That applied to other matters also.

As we left the courtroom after Your Honor had made that ruling, the question was then raised by Mr. Reycraft as to the other items, and I said to him that there would be some objection. As I understood our understanding it was that when the question arose we would appear in court so that we did not make a timely motion to quash the subpoena.

Mr. Reycraft: I have no objection on the question of time.

Mr. Frye: Within the limit.

Now we have here a credit agreement, which I understand from Mr. Wilson there is no question about, and also the loans.

The question of one item, as to which we do raise objection, is the deposits, which we do not feel should be made a matter of public record at all. There is also the matter of relevancy, but that is for you to argue.

Mr. Reycraft: Do I understand that you have no objection to the other material?

Mr. Frye: We have no objection to the other material [fol. 4261] being used, but not that it be spread upon the record.

The Court: You are objecting, as I understand it, to income deposits. Is that what you are objecting to?

Mr. Frye: The deposits, we do object to entirely, sir.

The other items are the existing credit agreement and the revolving credit loans as they stood from the period of 1958 to 1960.

The Court: What about the matter of deposits, Mr. Reycraft?

Mr. Reycraft: If the only objection is as to deposits, Your Honor, if I may see the material while the witness is testifying it may not be necessary to go into it, although we have gone into it with the other witnesses.

The Court: I know, but they raised no objection.

Mr. Reycraft: I know, sir, but Mr. Littleton has taken the position that he is hoping to attract additional deposits and the degree to which this is going to be done——

Mr. Littleton: As long as I am quoted, I may say I have no intention of asking this witness anything about his deposits.

Mr. Reycraft: If I may see the material while the witness is testifying, it may be that I won't want to go into it.

[fol. 4262] The Court: I don't think that that is an unfair request, do you?

Let him see it, as long as he doesn't spread it on the record or use it.

Mr. Reycraft: If I should ask a question we can raise it again at that time. I am obviously not going to ask it until I give Mr. Frye an opportunity to object.

The Court: He is not going to question him on the deposits.

Mr. Frye: I am willing to proceed to that extent and then raise the question later to Your Honor, if necessary.

The Court: All right.

Read the last answer, Mr. Lennox.

(The testimony was repeated by the reporter as follows:

"Q. As a result of your experience with the company and your present occupation are you acquainted with the company's borrowing needs?

"A. Yes, sir.")

The Court: All right.

Now, then, go ahead from there.

[fol. 4263] By Mr. Littleton:

Q. Will you first describe for us generally the type of business in which the company engages and arranges its operations?

A. The Sun Oil Company is a fully-integrated oil company engaging in production, refining, marketing, and transportation of petroleum and petroleum products. Our range of operations is world-wide, in as far as production is concerned, in that we have production largely in this country, but also in South America.

As far as marketing is concerned, we market in an area east of Chicago and south to Florida, with a subsidiary operating in Canada.

The two main refineries of the company—the two refineries, one is located at Marcus Hook, Pennsylvania, and another one is located at Toledo, Ohio. A third one is in part

of our Canadian affiliate, a subsidiary, located at Sarnia, Ontario.

Q. Where is the principal office of Sun Oil Company?

A. 1608 Walnut Street, this city.

Q. Philadelphia?

A. Philadelphia.

Q. Are you an officer of any affiliated company of Sun Oil?

A. Yes, sir.

[fol. 4264] Q. Which is that?

A. Quite a few, sir.

Q. Well, I am referring particularly to the SunOlin Chemical.

A. The SunOlin Chemical Company is an affiliated company, not a subsidiary. Sun Oil Company owns 50 per cent interest in that company and the other 50-per-cent interest is owned by Olin Mathieson Chemical Company.

Q. And you are what of that company?

A. I am a director and treasurer of that company, sir.

Q. Of the SunOlin Company?

A. Of the SunOlin Chemical.

Q. Now, we are very interested in the Sun Oil Company. How large is your company in terms of its assets?

A. Of fixed assets, in the area of $600 million, sir.

Q. How does that compare with 10 to 12 or 13 years ago?

A. It's about twice; double what it was in 1951.

Q. Now will you describe for us the borrowing needs of the Sun Oil Company since, we will say, 1948?

A. It was a practice for Sun Oil Company to have arranged a line of credit with a group of banks for a two-year period. We initiated that practice in 1948 and each two years we would renew such an agreement.

The volume varied, on an increasing basis, from $16 million up to $50 million.

[fol. 4265] The general arrangement was that in the initial two-year period we could borrow to the extent of the loan or to the extent of the line of credit on revolving notes, which would be due every 90 days. At the end of this basic two-year period the notes would be converted into term loans, which would be repaid in the next five or six years, over a definite schedule.

Until the 1956 credit agreement we did not see fit to exercise our line of credit to a very great extent. In fact,

it was not done at all by the parent company, but only to relatively small amounts by subsidiary companies—pipelines and so forth.

However, in the 1956 agreement, in the latter part of the two-year period 1956-57, we did need substantial sums of money and in the year 1957 we borrowed a total of $40 million under the then existing credit agreement.

I might say that one of the devices that Sun Oil company has used over the years is the use of stock dividends and a nominal cash dividend rather than large cash dividends; and in this respect we have invested our funds, our earnings, back in the company. This has precluded our using large volumes of bank credit or long-term credit in any time, except unusual circumstances like we ran into in 1956 and 1957, at which time we had just completed a change in our [fol. 4266] marketing policy of using blending pumps in our service stations, and then on top of that expense, which, in a two-year period was about $20 million, an opportunity arose for us to obtain some concessions in Venezuela and it was at this time that we exercised our prerogative under our credit agreement and borrowed $40 million, which became term loans in 1958; and since that date we have not exercised, we have not negotiated any additional credit agreements, nor have there been any substantial borrowings for Sun Oil Company and its subsidiaries.

[fol. 4267] Q. Back in 1948 did you actually borrow any money at that time?

A. No, sir.

Q. What the amount of the line you arranged for at that time?

A. $16 million was our first line.

Q. And with what banks did you do that?

A. The main bank, or the lead bank, as it is referred to, was the Chase Manhattan Bank in New York.

Q. Were you a customer of any Philadelphia banks at that time?

A. Yes, sir, we were customers of several Philadelphia banks—Fidelity-Philadelphia and Philadelphia National Bank.

Q. But you went to Chase?

A. Yes, sir.

Q. Why did you go to Chase for an arrangement of this kind?

A. Well, I am not sure what the individual credit limits were of the individual banks in Philadelphia at that time, but I think that 13 years ago they were substantially less than they are now, and it seemed prudent to go to the larger banks in New York that could take a larger proportion of the loan that we required.

[fol. 4268] Q. If there had been a $15 million limit bank at that time, or if a similar need arose today and you had a $15 loan limit bank in Philadelphia, would you go to Chase?

A. No, sir. We would prefer to stay in Philadelphia as the lead bank.

Q. Why, Mr. Wilson?

A. Well, we look on ourselves, Sun Oil Company, as being primarily a Philadelphia organization. I think there are certain advantages to dealing with bankers with whom you are in very close contact and get very good service. I think that it creates an increase in the flow of funds to Philadelphia if we can have the lead bank here. I have a feeling that if the Philadelphia National is the lead bank and there is no previous pattern of participating banks, I think that the thing to do, if the lead bank sees fit, would be to secure funds from other Philadelphia banks and stay away from New York entirely, if that were possible.

Q. Have you, in fact, endeavored to use the Philadelphia National as a lead bank in any of these lines?

A. In the last credit agreement which I mentioned, initiated in 1956, we did use the Philadelphia National Bank as a lead bank. The participating banks were the same as had been in previous credit agreements, but we felt that it would [fol. 4269] be appropriate for Philadelphia National to be the lead bank, in that they were a Philadelphia institution, and even though they were able only to participate to the extent to 1/8 of the total credit limit, and one of the New York banks participated at 50 per cent, it was worked out and was agreeable to the New York banks to go along on this basis.

Q. Would it, in your opinion, have been preferable if you had a larger limit with the Philadelphia National?

A. Yes, sir, because the 1/8 participation, I would be hesitant to ask anybody, if their participation were any less than the 1/8, to even think of being the lead bank.

Q. Why did you hold the Philadelphia National to only $5 million when they could have loaned up to $8 million?

A. I believe that there were some other loans outstanding in minor quantities, but I feel that we should never borrow from a bank up to its full capacity to loan to an individual customer. I think that you should always maintain flexibility in your borrowings, and a financial officer might find himself trapped if he had to borrow slightly or a few million dollars more on the same venture.

We have put in the testimony a reference to Sun-Olin Chemical Company. I think that is a good example. When this company was organized, our first project was to build [fol. 4270] a urea plant in Delaware. Some of our preliminary estimates indicated that we would need to borrow $10 million, which we would pay back in a short enough period of time that this credit could be handled by a bank or a group of banks. We preferred to deal with one bank in this because it is a lot easier to treat with the officers and people involved in it, so we considered Philadelphia as a city and also Philadelphia National Bank specifically as to whether we would discuss this loan with them.

$10 million was beyond their loan limit at that time, and even when we got the final figures—the loan was determined that it would be $7 million—we felt that it was not appropriate to discuss this with Philadelphia National because this was too close to their total limit to the bank, and this, I think, proved a wise decision in that the plans of this company were changed, and we then decided that we needed $36 million for an expansion of this chemical company, in that we were going into several other additional ventures.

The new venture would indicate that the return to the lending institution would be in a period of 15 years, which would be too long for the banks to participate in, and it was decided that we should take 1/3 of the money to the banks, [fol. 4271] or $12 million, and again we would prefer to have one bank handling that, and the balance of the $24 million would be placed with pension trusts and insurance companies.

So this was the pattern that was developed, and it was no later than July 14 of this year that these agreements were made in which a single New York bank handled the $12 million and a group of insurance companies and investing

companies provided the other $24 million, and again as part of this pattern there was never any question but that the one lending bank was the agent or was the trustee for the entire plan, and it is that area that I feel that the lead bank has an advantage to a community in that in the flow of funds that are generated by the lead bank I feel that there is a definite advantage to having as many of the lead banks in Philadelphia as possible.

Q. At the time you arranged this SunOlin loan, if the Philadelphia National Bank had had a lending limit of $15 million, would you have had them handle it?

A. Yes, sir.

Q. And if such a loan came along again, and they had a $15 million loan limit, would you consider them to handle it?

A. Yes, sir.

[fol. 4272] Q. Would you prefer to have a bank in Philadelphia handle things of that type?

A. Yes, sir.

Q. Why?

A. To repeat, I believe it is a lot easier to work with people with whom you are very familiar. You can reach them or get in touch with them very easily, and they have demonstrated their willingness and desire to be of the utmost service to us as a company.

Q. Is there any time element involved, any time element or convenience element involved?

A. Yes. Very often, if you are talking in terms of New York, it is very difficult sometimes to conduct all your discussions on the telephone, and I think that when we are dealing in millions of dollars, it is a lot easier to meet somebody face to face and have such discussions.

This would be possible in Philadelphia. However, I am afraid that in many cases, in discussions with New York banks, even for the sake of a half-hour meeting, it takes pretty much all day to get on the train and go over and see them, so that we at times possibly have used the telephone more than we should have. I think it would be to the banks' and our mutual advantage to meet face to face with the people that we are very familiar with and who are more [fol. 4273] familiar with our over-all operations.

Q. In addition to credit requirements, do you use the service of the Philadelphia National Bank in other respects?

A. We use them in certain phases of our foreign exchange operations, largely where it is a question of buying and selling foreign currencies or clearing letters of credit with foreign institutions.

Q. With the present size can the institutions take care of all your foreign requirements?

A. No, sir. We have found this especially true in Venezuela. While Philadelphia National Bank does have good contacts, we feel that for immediate knowledge, any time during the year, that we are better advised and will receive more up-to-date information if we deal with one of the banks in New York that has daily contact with Venezuela or has branches there.

Q. Do you believe that if the larger bank becomes a reality, the foreign department thus enlarged will be able to serve more of your needs?

A. I think there is no doubt about that, that as the bank grows, I feel sure that their foreign operations will also grow and will then be in a better position to further serve [fol. 4274] the needs of Philadelphia.

Q. And would you prefer to use the Foreign Department of the Philadelphia National Bank if it is large enough to take care of your needs?

A. Yes. We use them in all areas that we now can and would continue to expand that use.

Q. Would the use of the Philadelphia-Girard Bank merged on a larger basis detract at all from any other banking arrangements you might have with other Philadelphia banks?

A. No, sir. My personal feeling is that that would create additional banking requirements in Philadelphia. I again get back to this lead bank, that if we did not have a previous pattern of banks in our credit agreement, if we were going into some new venture, I would think that with the Philadelphia lead bank the normal reaction would be to ask other Philadelphia banks to participate, and under our present circumstances I don't think that would happen with the New York bank being the lead bank. It will then only be in the case that we, the borrower, are particularly interested in having a Philadelphia bank participate.

Q. Let me understand this. When you have a selected

bank for a lead bank and you want to put together a number [fol. 4275] of banks for a loan, who determines what banks come into it?

A. It is usually determined mutually with the lead bank, that the lead bank will make suggestions and the customer or the borrower will make suggestions, and then after you have arrived at your agreement as to what banks will be asked to participate, then the lead bank will go to the other banks and determine whether they are interested.

Q. And on what basis generally are the participations assigned?

A. Usually in relationship to business performed.

Q. Does it have any relationship to the size of the bank itself?

A. That will be the governing factor, but you will probably be doing business with them to include them in the list. Then the size of the bank will determine the amount that they will be asked to participate in.

Q. When you are selecting a bank to lead in putting together a loan of this kind, does the size of the bank have anything to do with it other than the lending limit of the bank?

A. Only service.

Q. Is there any thought that the prestige of the larger bank would be helpful in putting together a group?

[fol. 4276] A. I think that would depend on the size of the loan. In the area with which Sun has been dealing, of $40 million to $50 million credit limit, I see no problem with a bank of a $15 million lending limit being the lead bank there. However, I certainly will admit that if we were borrowing $100 million or $150 million we probably would have to go to one of the largest banks in the country to head up such a program.

Q. In putting together one of these groups or syndicates to take a group loan, is there any limit to the number, so far as the policy of your company is concerned?

A. No, sir, there is no limit to the number except to keep it to a minimum, that you will have less people to deal with. You have problems in obtaining the money, in the first place. If you are going to borrow, you have a credit agreement, you don't take the whole amount down at one time. Therefore, if you have a lot of little participants, you find that you

have to write into your credit agreement that this will be done in multiples of so many thousands of dollars, and the more people you have, the smaller participation and the more details involved in doing it, and it is for that reason that in this recent SunOlin dealing I indicated that we would much prefer to deal with one bank.

[fol. 4277] Q. The fewer the better?

A. The fewer the better, yes.

Q. Are you solicited by banks from other cities for your loan business?

A. I would estimate that a banker from another city is in my office an average of once a day during the calendar year.

Q. Those cities are generally what?

A. Well, we have bank accounts in approximately 100 different banks. Most of those will have people stop by to see us sometime during the year. Some are so small that they do not have people come through. On the other hand, we are also solicited by many banks that we at one time had accounts with but for various reasons it has been deemed appropriate to close the account. There are other banks that want to be included in the list of banks with which Sun Oil Company does business.

Q. These are banks from other cities, such as New York and Boston?

A. Other cities, yes, sir—New York, Boston, San Francisco, Los Angeles.

Q. I gather from all your testimony that you think this merger of Philadelphia and Girard would be a good thing so far as your company is concerned?

[fol. 4278] A. Yes, sir, I think it would.

Q. So far as the business community of Philadelphia and the Delaware Valley area are concerned, what is your opinion?

A. I also think it would be good for the business community here. I tried to indicate that I think that the flow of funds is important to the life of a community, to the financial life, and as you have larger banking institutions I think that you will increase, you will generate additional cash flow through the city, and in that respect I think that a larger bank will increase the cash flow through the City of Philadelphia.

Mr. Littleton: Mr. Price.
Mr. Price: No questions.
Mr. Littleton: Cross-examine.

Cross-Examination

By Mr. Reycraft:

Q. Mr. Wilson, has your company's expansion or growth been hindered by the lending limit of any Philadelphia bank?

A. No, sir.

Mr. Reycraft: That is all.

[fol. 4279] P. James Deasy, having been duly sworn, was examined and testified as follows:

Direct examination

By Mr. Littleton:

Q. Mr. Deasy, where do you live?

A. 435 Camden Avenue, Moorestown, New Jersey.

Q. What is your position?

A. I am vice-president of R. and H. Management Company, that owns and operates Automotive Rentals, of which I am president, and Rice and Holman, of which I am vice-president, and Moreland Motor Company, a Lincoln-Mercury dealer, and Lincoln-Mercury dealerships in Miami, Hollywood, and Fort Lauderdale, and Motor Rebuilding, Incorporated, rebuilders of Ford Motors and parts under Ford franchise systems in Westmont and Merchantville, New Jersey, and Independent Parts—crankshafts, differentials, and so forth.

It is just an automotive galaxy.

Q. May we direct our attention to Automotive Rentals?

A. Yes, sir.

Q. That is a corporation, is it?

A. A corporation.

Q. How long has it been incorporated?

[fol. 4280] A. Since 1948, October.

Q. Will you describe generally the business of Automotive Rentals.

It is in the business of long-term—not short-term, day or month—long-term, a year, two years, up to 10 years leasing to fleets of passenger cars and trucks, buses, trailers, and some equipment leasing.

Q. To whom do you lease these?

A. Mainly to national fleets, large national concerns. Now, we have smaller concerns all the way down to a local police department or an individual, a doctor, a physician, an accountant, but, in the bulk, to larger national concerns such as United States Steel and Cudahy and Borden and RCA, American Cyanamide, Vicks Chemical, General Analine, and so forth.

Q. Where is the principal place of business of Automotive Rental?

A. The headquarters is at 7411 Maple Avenue, Merchantville, New Jersey.

Q. Merchantville is in Camden County?

A. In Camden County, in the Philadelphia-Delaware area.

Q. Do you have any branch offices?

[fol. 4281] A. Hardly as such, but to account for them we have an agent in Dallas who has an office and a marshaling yard for cars and handles distribution for us in the Southwest.

We have an agent with a marshaling yard and office in Detroit, just outside of Detroit.

We are trying to form one in San Francisco, but they are merely just means by which we can hold and marshal our cars around.

The control, the management, the sales direction and accounting are all at 7411 Maple Avenue, Merchantville, New Jersey, and the salesmen go out over the country from there.

Q. How large is your company, Automotive Rentals, in terms of assets?

A. Approximately $14 million.

Q. How about sales?

A. On sales we did $12 million, $13 million.

Q. How do those figures compare with the size of your company, say, in 1950?

A. In 1950 we had sales of $204,000, and we multiplied our

sales 60 times. This is just Automotive Rentals. Our total companies, we multiplied our sales three times, but Automotive Rentals, 60 times; and assets, we had $1,200,000 in [fol. 4282] 1950. We have multiplied them 12 times, $14,400,000.

Q. During that period how have you financed the company in its operation?

A. Entirely through banks, and starting with and mainly through the Philadelphia National Bank.

Q. Will you describe generally the borrowing needs of your company since 1950.

A. I didn't catch that.

Q. The borrowing needs of your company.

A. Oh. Well, the borrowing needs have gone up to $15 million, between $14 million and $15 million now, and with what is planned for the next three to five-year cycle, based on what we are developing, we will need another $15 million in three to five years, just with what we have, let alone what we might further expand and develop. That is just what will arise out of our position in the industry at the present time.

Q. How has your company met these borrowing needs since 1950?

A. Entirely through banks. There was one other bank who handled our paper in the beginning because it was a depository of RCA, and our first big account, but we only had RCA and a few little accounts up until 1952, between [fol. 4283] 1948 and 1952, and this other bank handled us because it was RCA's weight that was doing it, not us, but in 1952 our expansion began to be steady and firm, and the Philadelphia National Bank backed us right up to the present time to the full extent of its loaning rights to one company. We have absorbed practically the whole amount. We can't absorb quite the amount of the line of credit because you can't split an account in half, so you will notice that our borrowings from the Philadelphia National are a little under their total earning capacity.

Q. Did the time come when you exceeded the ability of the Philadelphia National Bank to finance?

A. Yes, it did, and it came at a time of tight money. As our charts show, that we have furnished to whoever we have been asked to furnish it to, as the subpoena directed, our

charts show our borrowings, and you will see that when our expansion occurred was in a time of tight money, when we got past the total loaning capacity to one company of the Philadelphia National and we were stymied; and the Philadelphia National was very much concerned. It tried to find us participating banks, and just coincidentally then—it is a long story—but due to Ford Motor Company connections, they told me to go in and see the Bank of New York, and I couldn't have gotten started in business with the Bank of [fol. 4284] New York had it not been for the Philadelphia National Bank. We had to tell the bank in New York who we were. We had to bring their officials to Merchantville to see us—our principals, the plans we have, the personnel, the money-making ability of the people we have, and take them to our bank, who could confirm that we had a clean, good record as business people in the automotive industry for 35 years and that our relationship with that bank has been proper, and Philadelphia National Bank sold us to the Bank of New York.

Q. May I ask you, were none of the Philadelphia banks interested in this type of financing?

A. One was just prior to that time and had even courted us a little bit, but tight money came, and at the time we were looking for more money for expansion. One Philadelphia bank wrote us out of the picture, so we took that account to the Bank of New York.

Q. Did you want to go to New York?

A. No.

Q. If the Philadelphia National had had a lending limit of $15 million, would you have gone to New York?

A. No. Right at this point we would still be with one bank.

Q. If the Philadelphia National Bank should have now a [fol. 4285] lending limit of $15 million what would you do?

A. Well, we would use it to the utmost, but, as I say, we would still keep our New York banking connection, which, incidentally, I want to assure you is splendid with the Bank of New York, and a couple of other banks we use, three or four other banks, because we are going to need another $15 million over and above this proposed loaning capacity of the combined bank, but we would use it right to the hilt.

almost to the hilt. As I explained, you can't go to the hilt because you can't split an account.

[fol. 4286] Q. Why is it so much more important for you to have this accomodation to the full extent in Philadelphia rather than having it available in New York?

A. Well, just from our own personal approach, I am not an economist or a professor; I am a peddler and a promoter, and we know what costs are to do business, and they multiply some way or other, I don't know how many figures, in direct proportion to the distance.

But two things—not only do they multiply in telephone calls and plane fares and train fares for conferences and so forth, but they multiply in the handling of the machinery of processing automotive leases. The closer you are, the closer the two machineries are, that IBM system in Merchantville, and the system in Philadelphia National Bank, the less costly it is.

And also, if I haven't emphasized it before, very few banks in the United States understand the automotive-leasing business, and so far very few volunteer to help promote automotive-leasing business; and that has been the trouble with the automotive-leasing business in Philadelphia, and that is why the money that has been developed and flowed through the automotive-leasing business in the country came out of Chicago and New York banks and didn't help Philadelphia a bit.

[fol. 4287] We are the first to rise to this rize out of an original Philadelphia money—Philadelphia banks.

Q. You have deposit accounts with some of your local Camden banks, have you not?

A. Yes, to the fullest extent, of course. We have a little Merchantville bank, of which one of the Holmans is a director, the Holmans being the 75-per-cent owners of the Rice & Holman Enterprises, which is R. & H. management as I described, and the senior Holman is a director of the First Camden Bank and we have borrowings there to the fullest extent of their loaning capacity.

But I want to explain that that is only float money. That is not discounting lease paper. That is the float money to help us with vehicles between the manufacturer, the dealer, the body shop if we are equipping trucks, until it gets to the

consignee, the lessee, and we discount the paper at the bank —float money.

Q. Do you have similar accounts in any other Philadelphia banks?

A. No. One other Philadelphia National bank finances RCA, but that is because they are a depository for RCA; they are not doing it for us. We put the paper in there and it's a direct relationship as to the rates and the methods between RCA and that bank. We are merely a, shall I say a machine that handles it in between.

[fol. 4288] Q. I take it from your testimony that you feel this merger of the Philadelphia and Girard would be a good thing?

Mr. Reycraft: I object to the leading question.

Mr. Littleton: Strike it.

By Mr. Littleton:

Q. Mr. Deasy, do you hold the opinion——

Mr. Reycraft: I will object to that, too.

By Mr. Littleton:

Q. What is your opinion as to the beneficent or disadvantageous effects of this merger of the Philadelphia National and the Girard Trust Company?

A. Well, I have explained from perhaps a limited and perhaps a selfish standpoint that it would be excellent for us because we need more places—we need to discount more paper, as I have explained, another $15 million in five years, and there will be seven or eight of it right there. That's No. 1.

Again, I am not an economist or a banker, but common sense tells me that if they merge they are going to accumulate capital faster together than they would singly and they are going to be able to increase their loaning capacity to us faster than they could single; so that's going to be a help.

[fol. 4289] No. 3 tells me that if we need it, as small business—we are small business. I have been listening to witnesses who are big business and they talk about $60 million or $80 million in New York.

Of course, we never arrived there, but if we need it, we talked about seven, fifteen, thirty million dollars in good, sound small business. There's a lot more of that in Philadelphia that's being shut out because of the paucity of banking facilities in Philadelphia.

If we are driven off to New York as a small business, aren't there hundreds of others—I don't know, I am not saying there are. There must be hundreds of others. There's a lot more little chaps like me than there are Sun Oil Companies, that are being shut out through the lack of loaning facilties, loaning capabilities, and banking facilities. The two go together. You can have loaning capacity and no facility, where they can't handle your paper because they don't know about you, they don't understand leases, they don't understand the automobile business, they don't have certain machinery for amortization sheets on leases and moving cars all around the country. They get scared of it.

Here's a bank—two banks, as a matter of fact, because the Girard, I happen to know, is a banker for one of our very fine competitors in the leasing business. They know [fol. 4290] this leasing business.

And there are dealers in Philadelphia that have been shut out and limited in the leasing business and that's why it's gone to New York and Chicago through Lease Plan and Four Wheels and Hertz and Avis, because you can't get it in Philadelphia in the automobile business.

So I say it's not only good for me, for us, from a selfish standpoint; it must be good for hundreds of others—small people, not only in the automobile field, but in other small fields of endeavor in the area that I am talking about.

It makes sense to me.

Mr. Littleton: Thank you.

Mr. Price?

Mr. Price: No questions.

Mr. Littleton: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Deasy, has your company ever had a line of credit with the Girard?

A. With the Girard? No, sir.

Q. Have you ever been turned down by the Girard?

A. No. No, sir.

Q. So you could, if you wished, I suppose, have a $6-mil-
[fol. 4291] lion lending limit with the Girard at the present time?

A. Oh, I couldn't say that. I couldn't say that.

Q. You have never tried, however?

A. No.

Q. What is your present line of credit with the First Pennsylvania Company?

A. What is the present line of credit?

Q. Yes.

A. We, as such, have none. We use none, but RCA has around $1 million of paper all the time. If I can give you the exact figure, right now it's $1.1 million.

It was here on this sheet that we supplied, Schedule A.

Q. And that is not credit to you but credit to RCA?

A. No, that's right. That's RCA. We sold the deal to RCA. We handled all the fiscal transaction and the lease paper flows through our office, but it's RCA's credit and RCA's loan and RCA's payoff direct to them.

We don't get the money. They pay direct.

Q. Now, are any of the loans indicated in the schedule which you furnished to the Government represented by the same type of paper? In other words, are they credit to your customers rather than to your own company?

A. Let me make sure I understand that question. Are any
[fol. 4292] of the loans——

Q. Is RCA the only account of the type you have described?

A. The only account as clear-cut as that. United States Steel and Cudahy Paper, that is in the Philadelphia National Bank, are similar types of leases.

Is that what you mean?

Q. Well, I was misled to some degree by the suggestion on

the schedule that your company had a line of credit of $1.1 million. Now will you tell us——

Mr. Littleton: Where?

The Witness: No. In fact,——

Mr. Littleton: Where?

Mr. Reycraft: At the First Pennsylvania.

Mr. Littleton: That is what I want.

The Witnes: In fact, the First Pennsylvania, that's RCA money.

Now, the First Pennsylvania——

By Mr. Reycraft:

Q. It is a line of credit to your company; is that right?

A. No, sir. It's to RCA. It's not to us.

In fact, the First Pennsylvania shut us out in 24 hours a few years ago and cut us all off and said they were out of the leasing business, we could bring no more leases to them. [fol. 4293] Q. So the First Pennsylvania declined to give your company a line of credit?

A. Yes. Since then they have shown a different attitude but, after all, if it happened once it could happen again.

Q. Was that on the basis of credit experience?

A. Credit?

Q. Yes, sir.

A. Poor credit with us, do you mean?

Q. Well,——

A. No, sir. Nobody has ever denied us anything because of poor credit or poor business. I think I can say our prestige, our business prestige is very, very high in the automotive business and with all of these banks.

Q. But here was a Philadelphia bank who didn't want this type of business.

A. Not because of us. In the year they didn't want it (and they explained it to us) we even brought the assistant treasurer of the Ford Motor Company with us so the Ford Motor Company could be assured it wasn't us, it was their policy.

The Board of Directors, we were told, had decided that money was tight and they would rather have it in retail-automotive paper than leasing paper, and it was no reflection on us. That's what was told to us at the Pennsylvania Company at that time.

[fol. 4294] Q. Retail paper is more profitable, I assume?

A. Well, I asked Mr. Zuna that. They just said the Board of Directors, and they assured the Ford Motor Company it was no reflection on automotive rentals or the Rice & Holman interests or myself, but that they were discontinuing their moneys in leasing paper.

They stayed on the paper that was in there, but we couldn't put any more in as of noon a certain date.

But we took that paper and put it in the Bank of New York.

Q. Now, why didn't you go to the Girard?

A. Because the Bank of New York, by this time, as I explained we went to the Bank of New York through this direction of the Ford Motor Company and because money was tight and in Philadelphia at that time nobody was interested in us. The Bank of New York became interested only when it was sold on us and the Philadelphia National Bank helped do that selling; and frankly the Bank of New York was anxious to re-establish deposit relations with Ford Motor Company, so they started with us.

Now, at this time I am talking about they were with us and we shouldn't go—we don't believe in running all around to every Tom, Dick, and Harry to get money. We try to have some law and order in this thing, some loyalty, some con-
[fol. 4295] nections, some growth and roots with people; not just jump to any banker who happens to look at us one day. He might look the other way the next day.

We want to be sure that our roots are down firmly.

Q. Now, the line of credit which you got from the Bank of New York at that time was $2 million or $2,250,000?

A. $2,250,000, yes.

Well, it didn't start off that way; no, it didn't, did it? On your sheet is $500,000, $1 million, $2 million, now $2,250,000.

I can say this unofficially, that—I can say this officially, that unofficially they are willing to increase it, and we haven't.

Q. And you didn't even go to the Girard or the Fidelity-Philadelphia or the Provident Tradesmens at that time?

A. Sir, we can say this—we have never gone to a bank in our business. We don't think it's the right thing to do.

We have been taken to them. The Philadelphia National Bank approached us, and the reason they did was not be-

cause we were so important, but because they heard about the United States Steel deal, and we looked like we were going to get it; and perfectly properly they said, "We have Steel deposits, perhaps we ought to be in on this."

[fol. 4296] They came to see what it was all about and that's how we met the Philadelphia National Bank. We have never gone to a bank. We were directed into the Bank of New York, as I told you.

The other banks that are shown on the sheets have materialized because they were the banks of lessees, of national outfits like Borden—Chemical-Corn; and that's how we got there.

But the worst thing we can do in this business is solicit banking help, particularly automobile people. The prestige of automobile people isn't high with banks. You know the history of the mortality rate in the automobile business and they confuse that old mortality rate with us in the leasing business.

Q. Now, do I understand that the Girard was not soliciting your banking business?

A. Was not soliciting it?

Q. Yes.

A. We never had a direct solicitation but one of the vice-presidents played golf—I don't play golf—with some of my associates. He has been friendly.

I suppose if we had said, "Would you discount some of our paper?"—this was back in 1953—he would have done so.

[fol. 4297] But now, sir, I want you to be very clear on this—what would have happened? This is when the Philadelphia National Bank is just getting started with us and they hear that we are importuning their competitor to bank what they are willing to bank.

Would that be right? They would say what kind of fly-by-nights are these boys? They jump around from one loaner to another.

One thing I have learned is show your stable side to people. I mean, let a bank know that you are sound, and don't go running off all over the lot trying to borrow here and borrow there to get capital.

Now, when the time came we needed it—see, we didn't need it then. Philadelphia National Bank was supplying it to us and when it got tight there wasn't a bank in Phila-

delphia interested in increasing their money in leasing. In fact, even Girard, and I think I can say this—I know I can say it, but I don't know whether I am supposed to—at that time, in that tight money, called in several Ford dealers (one of them is a personal friend of mine) and quite properly now, and quite politely said, "Look, this thing is too tight. Some of these leasing boys were a little over-extended with these used cars, we would rather you shrunk down."

[fol. 4298] Now, is that the time for us to go to Girard and say, "Could you loan us some money?"

And at the same time the Bank of New York came into this picture in the way that I told you, so isn't it a perfectly logical pattern how we moved from the Philadelphia National Bank to the Bank of New York? Not because we didn't want to go to Philadelphia banks, but because when we could go to them it wasn't good business on our part.

Philadelphia National Bank was taking care of us, and when Philadelphia National Bank reached its limit money was tight and they weren't—it was the wrong thing for us to try to do.

Q. And the Philadelphia——

A. It's clear to me what I am saying.

Q. And the Philadelphia National Bank suggested that you go to the Bank of New York; is that right?

A. Oh, no. The Ford Motor Company told us to go into the Bank of New York, Mr. Lloyd Kissig, assistant treasurer, and Mr. Lundy, who was then the treasurer called me up one day because everybody was concerned. We were reaching our limit and we had another account, another two accounts, big ones.

And, incidentally, this other Philadelphia bank had just told us no more credit, no more leasing money, I mean. I shouldn't say "no more credit"; it puts a wrong atmosphere [fol. 4299] in what I am saying.

We are not saying the leasing business, so we knew we had to take that out and put it somewhere sooner or later. We got nervous about that and money was tight, and the Ford Motor Company said, "You go talk to Kellem Hooper, at the Bank of New York. I don't know what you can do, but at least they have had a little experience with the Hall Leasing Associates, which is one of our competitors," and they like what they have seen and they have learned a little about

leasing in the car market and the man there is Kellem Hooper."

He was a chap I knew during the war, so I walked in—and they would like to re-establish a deposit relationship with the Ford Motor Company. That was there, too. They had had one and something happened to it.

So I went in with no authority from Ford, only this is the guy we mentioned to you, look him over; and it was a cold day, I mean outside and inside, but they were polite and I got them to come down and the way we sold them is we showed them our plants, more than that we showed them our people. That's what we do business with, people.

Then we showed them our bank, and they are as friendly with the Bank of New York now, as Philadelphia National, and neither one visits town without dropping in on the other. I think we have helped them and we got the First Camden [fol. 4300] very kindly increased their deposits as a correspondent of the Bank of New York.

I am not quite sure how these bankers move money around, but all I am interested in is getting what we need of it, properly and soundly.

Q. Now, the Girard wasn't interested in this business at the time, then?

A. Not in ours, no, sir.

Q. Do you have any assurance that if the banks merge——

A. May I go back to that question, because I can see what you are—I don't know how interested, but when I am interested in business I go after it. That is the way I can answer that. I really go after it. I ask for it.

Mr. Reycraft: All right, I can understand your answer to that. That's all I have.

Mr. Littleton: Any questions?

Mr. Price: No.

Mr. Littleton: Thank you very much, Mr. Deasy.

The Court: A ten-minute recess.

(A recess was had.)

[fol. 4301] The Court: Proceed.

Mr. Price: If Your Honor please, I would now like to read into the record the deposition of Charles E. Oakes, which was taken on July 13th.

The Court: I take it that the time has arrived.

Mr. Price: The time has come, yes, Your Honor, and with Your Honor's permission, I will ask Mr. Wright to substitute for Mr. Oakes.

The Court: Surely.

Mr. Price: The deposition of Charles E. Oakes.

(The deposition of Charles E. Oakes was then read into the record, as follows:)

CHARLES E. OAKES, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Oakes, where do you live?

A. I live in Allentown, Pennsylvania.

Q. What is your present occupation?

A. Chairman of the Board and chief executive officer of Pennsylvania Power and Light Company.

Q. How long have you been connected with that company?

A. I started with the company in 1923, and aside from this [fol. 4302] period 1939 to 1946, a six-year period, I came back at the end of 1945 and have been with it since, up to date.

Q. When you first joined the company, in what capacity did you serve?

A. My first job with the company was a rate engineer, having to do with rates for service, and following that—if you would like to have me continue——.

Q. Will you do that, please.

A. I served as assistant to the president and then became division manager, which is the commercial sales field, and I served in that capacity for 12 years ending in 1939. Then I moved to Birmingham, Alabama, as president of the Birmingham Electric Company, returning in 1945 to become president of Pennsylvania Power and Light Company, and I continued in that capacity until 1958, becoming then chairman of the Board, chief executive officer.

Q. What profession or business connections have you outside the company?

A. Well, I am serving as director of several organizations. Air Products, Inc., of Allentown, Pennsylvania, which is a large manufacturer in the cryogenics field, the use and control of various types of gases; director of the Lehigh Valley [fol. 4303] Railroad, director of the Lehigh Valley Trust Company, and have served during the past years as president of the Edison Electric Institute, which is the organization of electric public utilities of the United States.

I served as director of the Federal Reserve Bank in Philadelphia.

Q. Over what period of time?

A. Over the period from December, 1951, to December 31, 1958.

I have served as a member of the Executive Committee and director of the Edison Illuminating Companies, which is also a national organization in the utility field, of utility executives.

I have served not only as president but also director for several terms and a member of the Executive Committee of the National Association of Electric Companies, which is an organization that has to do with public relations in the field of legislation. Its headquarters are in Washington.

Q. In connection with your service in those companies either as director or otherwise have you had any committee assignments dealing with financial matters?

A. For several years I was chairman of the committee of [fol. 4304] Edison Electric Institute studying financing of utility companies, the gathering of statistics with respect to investment securities, the credit, and in that field particularly referring to the public utilities.

Q. Will you tell us something about the Pennsylvania Power and Light Company. When was that organized?

A. The Pennsylvania Power and Light Company was organized in 1920.

Q. And it serves what area?

A. It serves a 29-county area in central eastern Pennsylvania, having a population of 2,172,000 and covering approximately 10,000 square miles.

Q. Its headquarters is where?

A. Its headqaurters is in Allentown, Pennsylvania, and it has six major commercial divisions covering the area with 24 district offices and nine sub-district offices.

Q. What is its general financial picture? What size company is it now and what are its current needs?

A. The company's balance sheet as of December, 1960, shows assets of 574.7 millions, and sales for the year 1960 were 142.3 millions.

Q. Can you tell us anything about the growth which that represents over, say, the last ten years?

A. In 1950 the company's assets totaled 324.4 millions, [fol. 4305] and sales for that year were 78.2 millions. Thus you see that the assets have grown better than 50 per cent and the sales have doubled in a ten-year period.

Q. And has that been a consistent growth over the ten-year period or has it fluctuated?

A. No, that has been a rather consistent growth. It is about a 5.6, as I remember the figure, compound growth in sales, a rate compounded of 5.6.

Q. Over this past ten years?

A. Correct.

Q. Tell us about the financial needs of the company in its ordinary operations and what they have been over the last ten years, in round figures.

A. Well, suppose we go back a little further, would you mind?

Q. No, go back any period you wish.

A. Since the war, 1946 to 1960, the cash requirements for construction over this period were 430.5 million dollars, and for the past five years the company has cash construction outlays of 148.8 millions. Our five-year budget for the next five years 1961 through 1964 inclusive are estimated to amount to 140 millions, which is a measure of the cash needs, of course, for that period.

Q. Tell us whether they are relatively evenly divided per [fol. 4306] year or do they come in larger and smaller amounts, or how generally does that picture progress?

A. For the past five years, that is, from the period of 1956 to 1960, the variation in the actual cash expenditures were from 21.6 millions to 37 millions. However, we expect considerable change in the ensuing five years. We expect the cash requirements to run from 19 million to 49 million in this period of time per year, that is, 19 million one year to 49 million in the highest year.

Q. In general, what is that money needed for?

A. This money is entirely for physical construction. That

means generation stations and for large substations, for transmission of electric energy at high voltages of 220,000 down to 110-66, and for distribution system, which is always in a state of flux. We are always adding to and substracting from our distribution system throughout the 10,000-mile area.

Q. But so far as this type of construction you speak of, that is, additions to plants——

A. That is additions to plant, that is right.

Q. Have the costs of those additions that you make remained constant or have they increased or varied, and if so, how?

A. This will need a little explanation. The costs of a gen- [fol. 4307] erating plant have been increasing, but not at the same rate that the average price structure has increased. For example, we are building today a plant which costs about $150 per kilowatt. This is a generating plant of a large size, a 330,000-kilowatt plant. A plant of that size 30 years ago would have cost about $100 to $110 per kilowatt.

Now, the question may arise—perhaps it may be extraneous a bit here, but I think it is good information—that plant, however, from the point of view of its cost per kilowatt hour delivered is slightly less today than it was 30 years ago, the reason being that the efficiency of the plant in the use of coal is so much greater today than it was 30 years ago, very much greater, almost a hundred per cent increase in efficiency in the use of coal and in the use of labor. In man-hours—not in rates, but in manhours—the number of men required to run that plant today, a 330,000-kilowatt plant, is about 75. 30 years ago it would require about 350 men.

So you see it is a matter of simple economics. While the plant costs more in dollars, the efficiency of the plant is so much greater that it really costs less per kilowatt hour delivered today, including fixed charges, than it did 30 years [fol. 4308] ago.

Q. I was thinking more of the over-all cost in dollars rather than its relative cost per kilowatt hour. I know that is more important to you.

A. That is more important to us. It is more important to our customers, too, by the way.

Q. But the number of dollars that you require to purchase

one of those plants, compared to what it used to be, was what I was speaking of.

A. The amount of dollars that would be required today in any one construction period, particularly a construction period when we are building a plant, is very much larger than it was even ten years ago. The reason for that is that in a period of ten years the increase in the size capacity per unit constructed in our area has gone from 75,000, 100,000, 125,000, 137,000, to 330,000 kilowatts. These are one unit each. Therefore, the amount of money that is involved in one unit, to build one unit today, our plant that we just finished cost $46 million in one area of 200 acres, as compared with a plant of 100,000 that cost about $14 million or $15 million, so the cash requirements in any one year are very much larger today than they were even ten years ago —very much larger.

[fol. 4309] Q. What do you anticipate the cash requirements to be for the type of equipment, for the type of installations, you have projected for the next five years?

A. Our studies show, and the manufacturers have confirmed this, that the size of generating plants in the next ten years, beginning say five years from now, will be at least— first, it will be at least 450,000. In fact, those have been already ordered by some utilities today, and we will be building ourselves a 600,000 and perhaps an 800,000-kilowatt plant in one unit by, I would say, 1967.

Q. What would a plant like that cost?

A. That plant would cost, I would say, approximately $150 a kilowatt. That would mean in dollars, a 600-kilowatt plant, including its transmission, would cost about $100 million. $150 per kilowatt is for the plant itself. It is $100 million in one unit, plus its transmission required.

Q. How have you been financing the company, particularly with reference to the construction of these plants that you have described?

A. Well, our financing requirements over the years have been satisfied by three types of cash: first by the sale of securities, which may be either bonds or stocks; by retained earnings in the operation of the business, namely, the cash generated from depreciation reserves and the cash gen-

[fol. 4310] erated by earnings retained after payment of

dividends; and, finally, by bank borrowings, which we find has been necessary from time to time.

Q. What banks loans do you have now outstanding in the aggregate?

A. Bank loans today, I'd say $35 million.

Q. How was that built up? Was that borrowed all at one time or over a period of time?

A. No, that loan has been built up over a period of time, that particular loan.

Q. Can you tell me how that was done?

A. Yes. The $35-million loan has been built up by borrowings from banks, starting with $5 million in 19—this $35 million—just to put a date on this, say December 31, 1960, for example.

Starting on April 25, 1960, we had a $5 million loan with the Chase Bank, and this was increased by another $5-million loan on June 27, 1960.

Q. At what bank?

A. At the Chase Bank.

On September 26, 1960, we borrowed $15 million, which was a bank-participation loan, of which Chase Bank participated to the extent of $5 million, the Mellon National Bank & Trust Company, $5 million, Irving Trust Company, [fol. 4311] $2½ million, and the Girard Trust Corn Exchange Bank, $2½ million.

Q. So that brought the Chase's participation up to $15 million?

A. Right. That's correct.

Now, on March 27, 1961, we borrowed another $10 million at the Chase Bank, and on June 20, 1960—no, that was paid off—that's right, June 20, 1960, we borrowed $5 million from the Pennsylvania Company and that was renewed on March 27, 1961. Now, wait a minute. That won't be necessary because I have got a date of 1960, so you can strike that last out.

So that makes a total of $35 million outstanding as of December, 1960.

Q. Divided among the banks that you have just named?

A. Divided among the banks I have just enumerated.

Q. Now, what banks handle your banking needs?

A. The banks that handle our banking needs are these

banks, and I will go back to 1920, when this company was organized.

The Chase-Manhattan Bank, we established relationships with this bank in September of 1920.

The Irving Trust Company in June, 1920.

The First National City Bank of New York in January of 1948.

And the Philadelphia and Pittsburgh banks, the Girard [fol. 4312] Trust Corn Exchange Bank in June, 1920, the First Pennsylvania Banking & Trust Company in December of 1923, the Provident Tradesmens Bank & Trust Company in June of 1920, and the Mellon National Bank & Trust Company in April of 1947.

Q. In general, have those banks been the ones that you have looked to for your banking requirements?

A. Yes, generally those are our large bank deposits. We have bank deposits with some 150 local-area banks, which really are cash-flow banks, where we deposit money.

When it reaches a certain amount, then automatically they transfer the amount to one of the larger city banks.

Q. And that larger city bank provides your immediate cash requirements, current?

A. Yes. They handle our cash flow from day to day and month to month.

Q. What have your operating revenues been in round figures for the last five years on an annual basis?

A. The last five years, beginning in 1956 our operating revenues in 1956 were $128.6 million; 1957, $129.4 million—this is rounded out to the nearest hundred thousand.

Q. Just give us millions. That will be all right.

A. $131 millions in 1958; $138.4 millions in 1959, and in [fol. 4313] 1960, $142.5 million.

Q. Now going back and covering that same period, 1956 to 1960, what borrowings were made in addition to those which produced the $35 million presently outstanding loans; and will you give me also the banks from which the amounts were separately borrowed?

A. From 1956, your question is that you would like to know the bank loans that we have made from 1956 through 1960?

Q. Yes.

A. Here is a list of bank loans which we have made.

The Chase-Manhattan Bank on September 25, 1956, through December 22, 1956, $5 million;

January 28, 1957, to April 27, 1957, $10 million;

April, 1957, to October 24, 1957, $10 million;

October 24, 1957, to July 24, 1958, $10 million;

July 24, 1958, to April 24, 1958, $10 million——

Q. 1958 or 1959?

A. Sorry, 1959.

Q. Yes?

A. September 25, 1959, to June 27, 1960, $5 million;

April 25, 1960, to January 25, 1961, $5 million;

June 27, 1960, to March 27, 1961, $5 million;

[fol. 4314] September 26, 1960, to June 26, 1960—this is a total of $15 million, but there was a participation loan.

Q. That was the one you described a while ago?

A. That was the one I described a bit ago.

Q. Yes.

A. Now, the Mellon National Bank——

Q. Now, all of those were from the Chase National Bank?

A. That's correct.

Q. In New York?

A. Yes, sir.

Now, the Mellon National Bank & Trust Company, Pittsburgh, March 24, 1960, to December 24, 1960, $5 million;

December 27, 1960, to September 27, 1961, $5 million.

From the First Pennsylvania Banking & Trust Company, June 27, 1960, to March 27, 1961, $5 million;

From March 27, 1961, to December 27, 1961, $5 million.

Q. That second one was just a renewal of the first loan, I presume?

A. That's true; and some of these, you will note, were renewals of loans that I read up for the Chase-Manhattan Bank, also. Some of them were renewals.

Q. Yes.

[fol. 4315] Has the company any lines of credit as such or does it meet its needs without them?

A. We made no arrangements for lines of credit as such with any of the banks with which we do business. Our cash requirements have always been budgeted with some degree of accuracy over a five-year period.

Under such conditions we, of course, have ample time

to make borrowing arrangements available at the banks at which we do business.

[fol. 4316] Q. Now, I notice that in these loans that you have spoken about, the great majority of them were made with New York banks.

Is there any reason for that?

A. Yes, there is.

Initially we had what you call banking deposits and banking relationships beginning with 1920 with New York banks and also with Philadelphia banks. In the earlier days, the lending capacity of the banks in the Philadelphia area was not sufficient to provide for the borrowing needs of the company in the early days, and hence we established these relationships with these New York banks.

Now, they have been maintained since, and after 1946, after the war, we, as a company, had refinanced our entire capitalization, and as a result we established banking relationships on a somewhat larger basis with Philadelphia-area banks. In fact, I being chief executive officer of the company at the time announced the policy that since we were a Pennsylvania institution, where we do all our business so far as our sales are concerned, with Pennsylvania people, and all of our assets are attached in one way or another to the ground in Pennsylvania, we felt we were a Pennsylvania [fol. 4317] institution; and under such circumstances we ought to deal, in so far as we could, with Pennsylvania institutions.

Therefore, we announced a policy that we would like to extend our banking relationships with Philadelphia and Pennsylvania banks, which we have been doing since then.

Q. Were the Philadelphia banks able to meet all your needs or requirements?

A. No, they were not. We have, over the years and going all the way back to 1920, been growing since 1920 at a weighted average rate or a compounded rate of 5.6 per cent annually, and this growth not only applies to our gross revenues, but—perhaps not quite that percentage, but a real compounding in our assets and in our fixed assets, also.

So that our banking needs, our borrowing needs as we moved along from year to year, from one decade to another, were growing at a considerably larger and faster rate than the Philadelphia banks, and, therefore, it is impossible for

us to satisfy all of our banking requirements, even if we wanted to, from the Philadelphia banks.

We must, of necessity, continue to deal with New York banks.

[fol. 4318] Q. Now comparing 1920 with 1960, beginning with the end, can you tell me what the relative capacity of the Philadelphia banks is now as compared with what it was then in relation to your own needs? Is it better, worse, or the same?

A. Well, it's certainly no better. I think it's even a little worse.

I'd have to do some mathematics on that subject, but in my judgment it is certainly no better and it's probably worse than it was in 1920.

Q. Now what, aside from mere capacity and size, do the New York banks offer that the Pennsylvania banks do not, that are of particular interest to your company?

A. The New York banks, particularly the banks with which we do business, are, because of their size—the fact that their lending and the business they do with public-utility companies is quite large nation-wise, and for that reason they can establish departments in their banks which will offer specialized services for public-utility companies, and these services are quite valuable.

They have current studies being made on bank credits available, the general economies of the country and particularly of the public-utility business, money markets, the [fol. 4319] trends, the rates, the money rates and trends.

All of this information is a real service to financial executives, chief executives of utility companies, particularly when you realize that our funded debt is over long periods of time (30 years, 40 years) and if we can save an eighth of a per cent in the funding of a loan, for example, over a 30- or 40-year period, we have a very large amount of money accumulate.

Q. That is money in the bank loan, you mean?

A. That's money on the debt loan.

Now they give us this—this is a fine source of information because they not only keep track of the current money markets of the type of the bank loans, but they also keep track of the current long-term borrowing market, the money available and the rates; and that is another source of infor-

mation we have—if we are to succeed—I will give them credit for giving us some real excellent information.

If we succeed, as I say, in saving an eighth of a point in interest, that fraction is a lot of money.

Likewise, they give us current money rates, banks, bank rates, the current level of borrowings, the money that is [fol. 4320] available, if money is tight or it isn't tight, that is currently available to us not only from the local area but the entire national area.

These specialized departments in these larger banks furnish this sort of information to us.

Q. Do each of the three New York banks that you mentioned furnish that service or does one furnish one and another a different one?

A. Oh, their type of information varies, but all of them have, on the fundamentals, that information.

Some of them go further, even. For example, the Irving Trust Company, if I can name a bank, has a series of seminars which they run every month or two, currently, year after year, for the benefit of financial officers of public-utility companies, large and small, and to which they invite such people as members of Public Utility Commissions, who are, of course, interested in public-utility financing, and investment-banking people who are interested in public-utility financing; and this is also a very valuable service that they render to us.

Q. Can you get service like that in Philadelphia now?

A. Not to the extent you can in New York.

Q. Now, is there any other——

[fol. 4321] A. As I say, the Philadelphia banks are very good on the particular money market, but not to the extent in the specialized public-utility field.

Q. Do you remember offhand how large these three banks are that you deal with in New York?

A. (No response.)

Q. Roughly. If you don't, don't bother.

A. Yes. The Chase Bank is—let me see. Maybe you can answer that better than I can.

Q. That's all right.

A. I think it's about $5 billion, its capitalization.

Q. If you don't know, I won't press it.

A. Irving Trust, if I can remember correctly, is some-

where around $1.2 billion, $1.5 billion—$1.5 billion, I think is a little better.

Q. Have you ever had any difficulty in getting a single loan in any amount that you needed from those New York banks?

A. No, sir.

Q. And those that you have described as $10 million were all in excess of anything any Philadelphia bank could have given you?

A. Yes, sir.

Q. Is it important for you to have a source of money supply like that in large amounts, on short notice; and, if so why?

[fol. 4322] A. Very important.

The importance of this perhaps can be stated in say three different categories.

From the point of view of the current borrowings from time to time, as we move along in a construction program, particularly when we have large generating plants, we must have cash on hand over and above our cash generation requirements that will pay for this construction. Now, if the money markets are such that we can not or should not or in our judgment do not want to finance by the sales of securities, then we go to the bank.

Now, these banking relationships, therefore, become very valuable to us. We may, as we have in the past, borrow money from $5 million to $35 million—$45 million at one time, or build up to that amount; and this is a relationship that is very flexible.

We can borrow for short periods of time, four or five years in some cases, or as we did in one case here refund a $27-million debenture, when we borrowed on a ten-year basis.

These loans can be paid off almost overnight, renewed for the same amount or different amounts, or increased almost at will. Therefore, it is extremely flexible, and since the interest rate—we borrow at the prime rate and we are [fol. 4323] always assured of an interest rate which is the then going market rate and all in all this is a very valuable and very excellent service to have.

Q. What deposits do you maintain in these banks with which you have relations?

I am not thinking so much of the individual amount at any time, but just in general what is the deposit picture?

A. Well, generally speaking, our deposits will vary from 15 to 30 or 35 per cent of bank loan when we have bank loans, but I would like to emphasize the fact that many, many years we have no bank loans, particularly when we find bank loans will build up and then we come to a period of time when interest rates are favorable. Then we will fund them, and from then on for as much as two or three years we may not borrow a single dollar from a bank.

We will, of course, maintain our deposit relationship there because it's the thing to do, a normal business relationship and they have the advantage of that deposit that we keep on deposit there to add to their lending capacity.

Now, in other times we will borrow money, but generally speaking at the time we have had our maximum loans it rarely gets below 20 per cent. Maybe there might be a short [fol. 4324] period of time when we would have to draw down in order to pay interest or pay taxes or a big dividend or something of that sort. We might draw it down to perhaps as low as 15 per cent, but that builds up very fast and it would go perhaps as high as 25 to 30 per cent.

Q. What other relations do you have with your banks, and I am thinking particularly of the corporate-trust services? Do they render such services to your company?

A. Yes. We have corporate-trust services, some of which have extended over long periods.

As transfer agents for preferred and common stocks we have the Lehigh Valley Trust Company at Allentown that acts for us particularly for local-area use and Irving Trust Company of New York.

As registrars for preferred and common stocks, the First National Bank of Allentown for the area use and the Morgan Guaranty Trust Company of New York for general use.

Dividend-paying agent for the preferred and common stocks is the Irving Trust Company; and the trustees and bond-interest-paying agents are the Morgan Guaranty Trust Company of New York, Chemical Bank New York Trust Company, and Irving Trust Company.

Q. So that you have no Philadelphia bank that renders [fol. 4325] corporate-trust services?

A. No, sir. The Chemical Bank was a recent addition that

arose out of our merger with the Pennsylvania Water & Power Company.

Q. What can you tell us about solicitation for business from banking institutions?

A. Well, banking institutions are like all other businesses, they are all hungry for business, and we have had solicitors from all the large banks in New York; just to name a few, the First National City Bank, the Chemical Bank & Trust Company, Morgan Guaranty Trust, the Manufacturers Trust, the Bankers Trust, and, of course, this is a matter of custom of follow-up of all the banks you do business with—they call at least once a year and most of them more than that.

Not to leave out the Philadelphia banks, but regularly we got called on by the Philadelphia banks, also all the larger banks.

Q. What can you tell us now about your needs for additional banking services in Philadelphia?

A. Well, looking over the longer term, I think probably is the way we must look at it since we are in a business which is growing rapidly and we budget ten years ahead at all times, so we can see our cash needs with really a great degree of accuracy for five years and with considerable ac- [fol. 4326] curacy for ten years ahead.

Over that time we see an increase in our construction of certainly 50 per cent in the next ten years, and beyond that —a 75-per-cent increase in construction in the next ten years, and beyond that another 75 per cent.

Now, when you think of that on top of the fact that we have needs in single years of the order perhaps, when construction is in progress, which is two to three years, building up to $100 million in one plant, we will see needs of at least $50 million to $75 million over and above our cash generation in the company.

Now, if we happen to be in the economies of the country at a time that are such that we are in a position that we have started a large plant of that nature, which requires $90 million to $100 million eventually to complete it, and we find ourselves in a position where we can't sell bonds because of interest rates and at the same time or during the transition in that period, when the country will have gone through or is about to go through a depression (I mean a rather serious depression, not a recession)—we will then be in a position

where we must finance the completion of that plant. You can't stop building a generating plant once you start it. It's got to go through because the cost of stopping it and then continuing on is more than getting it financed and complet-
[fol. 4327] ing it.

So we may find ourselves in the position where we want to borrow as much as $60 million to $75 million from the banks, I would say eight to ten years from now. We must have relationships with banks that are capable of furnishing us that much money in an emergency, and obviously that means if the Philadelphia banks are to satisfy our wants of that kind they must be big enough to do it.

Q. Are they big enough to do it today, in your opinion?

A. No, sir, they are not.

Q. What would your preference be if you were entirely free to borrow money in New York or in Philadelphia? What would your preference be as to the source of the loans?

A. If I could be completely divorced from the past, we are a Pennsylvania Company. We do our business with Pennsylvania people, not only construction and operating, but also our banking and everything else. In other words, if Pennsylvania banks are large enough—I am including the Pittsburgh banks—to satisfy our borrowing, I would like to do business with the Pennsylvania banks. Under the present situation it would be impossible to do that.

Q. I presume you know that there is a proposed merger of the Girard Trust and the Philadelphia National Bank?

[fol. 4328] A. Yes, sir.

Q. Which would produce a bank with a lending limit of $15 million as contrasted with the separate lending limits of 8 and 6 respectively of the Philadelphia National and Girard. What can you tell us about such a bank in supplying your needs or being helpful to you?

A. I would think, over the longer term, that if Philadelphia is to occupy its relationship with the banking community, namely, a large central bank, we should have in this area a bank or several banks that would be capable of loaning as much as 30 to 40 million dollars—several larger banks.

Q. Well, from the point of view of the businessman, and particularly your business, what can you tell us about the benefits or the detriments of a bank such as the proposed merged bank would be to the business community?

A. Well, we deal with a great many businesses, large and small. We sell power to some 3500 industrial customers alone, and if the economy of this country is going to continue to grow at, say, a compound rate of 4 per cent—that is the gross national product—and Pennsylvania is to continue to go along with the trend of the country, then the business institutions in this state also ought to grow at some figure that is plus or minus 4 per cent compounded annually. [fol. 4329] Now, if that is true, then they become larger and larger as years go by, and they will need greater and greater borrowing capacity themselves—I mean their ability to borrow themselves—and they have to depend upon banks to satisfy that borrowing requirement. Now, if they are to deal with Pennsylvania banks, the banks must grow in some relationship to that, and if they don't grow, then they are going to the larger city institutions. The largest city in this area is New York, and from my own point of view, I would rather see the Philadelphia and the Pittsburgh banks grow as fast as the New York City banks and faster, because I believe in decentralization. It is good for the country. It is the basis on which the Federal Reserve Banks originally were organized, and if we continue that policy, which I think is the best possible policy, then the only way it can be continued is to have the banks in these reserve cities grow with the community.

Q. Mr. Oakes, I am not asking you for a commitment now for the merged bank, but I would like you to say what you can about your expectation of being able to use better a bank of the size of the proposed merged bank than any bank presently in Philadelphia.

[fol. 4330] A. Well, as I have quoted some figures here from our estimates of the increase in our business over the longer term, I feel sure that our banking needs are going to finally grow to somewhere around an area, as a maximum, of 60 to 75 million dollars at the time that we are engaged in these large construction projects. Now, if that is true, then that is almost double our present borrowing, and from my own point of view, I am not going to be with the company forever, but I think the policy of our company is going to continue to be to favor Pennsylvania institutions, and while there will be some increases in the borrowing, of necessity, from the large banks in New York, we would tend to increase

the borrowings from the Philadelphia banks in greater proportion than we are now borrowing.

Q. Assuming that none of the other banks in Philadelphia increase their size and therefore couldn't lend you any more money than they can now, would your use of the larger bank, the merged bank, involve any reduction in your use of any of the other banks in Philadelphia or in Pittsburgh?

A. No, sir, I don't think it would. I see no reason why it should.

Q. Any increased use of the merged bank in Philadelphia, then, would come from what sources? Where would the [fol. 4331] diversion be from?

A. Well, there wouldn't be any diversion. We will be increasing our borrowings as a whole, and the amount of that borrowing over perhaps the present 35 million, for example, in a division that we have today, we would divert more and more a greater percentage of that increase to Philadelphia banks, and since we are already doing business with the Girard Trust, which will be a part of the merged group, as I understand it, if it comes about, normally we would be increasing the percentage at this new merged bank.

Q. But the relative decrease would not come from any Pennsylvania bank, you say?

A. No, sir, it would not.

Q. From what banks, then? From New York banks?

A. There may be some decrease in New York banks. It would tend to be so in percentage but not in total.

Mr. Price: That is all I have, Mr. Reycraft.

By Mr. Litteton:

Q. Mr. Oakes, you spoke about having bank relationships with several banks. You select those banks yourself, I assume? I mean your company does? You select the banks? [fol. 4332] A. Yes, sir.

Q. And when you make a loan, whether you use the one-group loan or syndicate loan, one in which several banks participate, do you or your company determine the amount of participation in such loans that each of those banks gets?

A. We have the final say. We may have some suggestions from the leading bank, as I think we have had several times,

but we tell the banks, the lead bank, how much and from whom we would like to borrow.

Q. Which is the lead bank?

A. The lead bank so far has been the Chase Bank for the large loan, and the last $12 million loan was the Girard Trust Corn Exchange Bank.

Q. What are the considerations that determine which is the lead bank?

A. Well, it is partly history, partly size of the bank, and whether it is for a local situation, particularly a local situation, or whether it is for banking purposes a general situation.

Q. What are the considerations which enter into your determination as to how much of this group loan each of the banks is to have?

A. Well, that would have some relation to the size of the deposit we have with them, the borrowing capacity of the [fol. 4333] bank itself, in other words, the size of the bank, the number of banks with which we would like to deal. We don't want to deal with too many banks because it becomes burdensome. We found the list of banks in this $27 million loan was a little too many. We would much prefer, after we had some experience with it, to have fewer banks.

Q. When you say the size of the bank, do you mean by that that the amount of the participation in the loan which you assign to each bank varies directly proportionately to the size of the bank?

A. No, I wouldn't say directly proportionately, but, in general, a larger bank would receive a larger part of the commitment that we would be making of the total.

Q. In your determination?

A. Yes.

Q. Did I understand from the last thing that you said just before this that you would prefer to deal with one bank rather than with many?

A. No, I didn't say that. I am saying when the number of banks that we are dealing with gets too many, then it becomes burdensome and we would prefer to deal with a lesser group than with a very large group.

[fol. 4334] Q. Why?

A. You lawyers can answer that. You have to prepare

so many papers, so many accounting papers, and the volume of papers gets pretty large, and our accounting people say, well, can't you do better than this, having so many banks in on this deal? The next loan you take, give it to this bank this time and let the other four banks take the next one, or something like that.

Q. I take it that the fewer there are the more it pleases you; is that correct?

A. No, when you get down to one or two I wouldn't say so, no, sir. We would rather have a good representation from the banks with which we normally deal. When you get down to the very small banks for large loans, we would draw the line. We wouldn't want to deal with too many banks.

Q. If you borrowed more in Philadelphia, would that mean that you would keep greater deposits in Philadelphia?

A. As our business grows—I think that would be a normal result anyway—and as our business grows, our deposits in Philadelphia banks grow, they would be entitled thereby, naturally, to a greater proportion of the total borrowings we may do at any one time.

[fol. 4335] Q. And being entitled to it, you would give them the larger deposits?

A. Yes.

Mr. Littleton: Thank you very much, Mr. Oakes. That is all I have, Mr. Price.

By Mr. Price:

Q. Mr. Littleton referred to the two larger loans. As to one you said the Chase was the lead bank and as to the other you said it was the Girard. Was there any special reason why the Girard should be the lead bank in connection with that loan?

A. Yes, there was a special reason. This refers to the $12 million loan that we discussed earlier. That loan arose out of the necessity of financing through bank loans some $12 million, which arose out of the merger of the Pennsylvania Water and Power Company with the Pennsylvania Power and Light Company. The Girard Trust Corn Exchange Bank was the principal banker for Pennsylvania Water and Power Company, and because of that relation-

ship and the fact that we also have had relationships wit that bank prior to this merger, we felt they were entitled t the lead position and therefore we gave it to them.

[fol. 4336] Q. But in the case of the other loan you described, the $27 million loan, the Chase was the lead bank?

A. Yes, sir.

Q. Can you say who probably would have been the lead bank had the Girard not had this connection with the company which you had acquired?

A. Well, if we had——

Q. In other words, if you had no more connection with the Girard then than you had had a year before, with the normal deposits you kept with it, would you have made it the lead bank or would you have gone to the Chase?

A. I don't quite understand your question. They weren't involved in the merger?

Q. If they were not involved in this purchase or this merger of the company that you acquired.

A. If they hadn't been involved, we would probably have had the Chase Bank, because we had done this formerly. They would have been the lead bank.

Mr. Price: Thank you.

Do you want to take a short recess now, Mr. Reveraft?

[fols. 4337-4338] The Court: Recess will run till 10:00 o'clock tomorrow morning.

(Adjourned at 4:00 o'clock P.M. until Tuesday, August 1, 1961, at 10:00 o'clock A.M.)

[fols. 4339-4340] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

TWENTY-SEVENTH DAY

Philadelphia, Pa., August 1, 1961

Before Hon. THOMAS J. CLARY, J.

* * * * * * *

[fol. 4341] Mr. Price: If Your Honor please, I have a short witness whom I would like to call now. Mr. Reycraft has no objection if Your Honor hasn't.

The Court: I haven't.

Mr. Price: I will put him on and let him get away.

The Court: Very well.

ANTHONY FERRARO, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Ferraro, what is your business?

A. Automobiles, sales and service.

Q. Where is your place of business?

A. In Upper Darby.

Q. How long have you been in that business?

A. Since June, 1938.

Q. Mr. Ferraro, what kind of automobiles do you sell? Is it service and sales or just sales?

A. Service and sales.

Q. You have been in Upper Darby since 1938. At the same address?

A. No. We started in Milbourne, Upper Darby, but now [fol. 4342] we are on Garrett Road and Sansom Street in Upper Darby.

Q. What was your first banking connection when you moved out there?

A. Our first banking connection was in June, 1938, with the Upper Darby National Bank.

Q. What was that connection? Did you have a deposit there?

A. Yes, we had a deposit there. Our initial deposit was with the Upper Darby National Bank.

Q. Did you make any loans with that bank?

A. I tried to, Mr. Price, but we weren't successful. We tried to get a loan for $5000 and it was denied.

Q. Did you have a deposit in that bank of any size at that time?

A. Yes. I don't recall just exactly how much at this time, but we deposited, when we first started, $4000 in that bank.

Q. And you were declined a loan of $5000?

A. That's right. We didn't ask for the loan right away, sir. It was later on—I would say maybe 60 days—we tried to get a loan of $5000.

Q. And what did you do after you got turned down there?

A. Well, when we got turned down there, I had remembered a Mr. Charles Gambel, who used to be a cashier with [fol. 4343] Corn Exchange National Bank in Philadelphia at the time I was working for Cadillac Motor Car Company. I was a bank messenger for Cadillac, and I had found out that Mr. Gambel was the assistant treasurer and vice-president of Clifton Heights National Bank, so I went out to see him, and I had asked for a loan of $5000, and he interceded for me, but I got $3500.

Q. What was your experience in trying to get loans during the early stages of your business?

A. Well, it seemed to me, Mr. Price, that it took such a long time. In other words, I had to go through the procedure, if I wanted to borrow a certain amount of money, that I had to wait for a committee, and they would meet at a certain date—I don't recall just when—but I would say it took about

two weeks to 20 days before I was able to get what I asked for, maybe not in its entirety, but part of it, say.

Q. What was the general size of the loans that you were asking for during this period?

A. Between $5000 and $10,000.

Q. And were you able to get all you needed?

A. No, I wasn't, sir. It was a little difficult at the time, but I had to give up certain titles to my used cars in order to get this—like a kind of floor planning proposition. In [fol. 4344] other words, I would borrow the money, and whenever I would sell these cars, then I would turn a check over to the bank and they would give me the title.

Q. Did that hamper you in your growth of your business?

A. Well, it took some time. In our business, Mr. Price, we have a used car problem, that our money is tied up a lot in used cars, so when we had to pay them off, sometimes it would be a drain on us, depending on the size of our used car inventory and sometimes our accounts receivable, and then I had to go back again. They were very nice to me, but it took quite a bit of time in processing. The service wasn't the type of service that I would say would be what we needed at the time.

Q. Did you ever lose any business because of your inability to get credit promptly?

A. Well, yes. I lost some business in this way. During the last war we were kind of restricted to car sales. We had none. Cars were frozen, and the only way I could try to get some was to go down and buy some automobiles. Well, I had tried to. I went to Fort Dix to try to buy some Government surplus equipment which I could sell, because there was a demand for it, like trailers for truckers and what not, but when I went for the money, first of all, I was told I only could get but so much money because they only were capitalized [fol. 4345] but so much and it would take some time.

Well, with the Government, when you bid on something, you have to put a deposit and pay them pretty fast, so I wasn't able to do too good there.

Q. If you had been able to get prompt loans and quick service, would it have had any effect on your business, the growth of your business?

A. I would say the growth would have been lots faster.

Q. Subsequently the Clifton Heights National Bank merged with the Fidelity, around 1954?

A. 1954, sir.

Q. Did that make it any easier for you to get credit?

A. Oh, yes. They were able at the local branch there to get me money lots faster. I would say within almost 24 hours; at the latest, 48 hours.

Q. Did you ever go back to Upper Darby National Bank?

A. I went back to the Upper Darby National Bank this last year, 1960.

Q. That was after its merger with the Girard?

A. That's right, sir.

Q. What was the purpose of your returning to the Upper Darby?

A. Well, we had a kind of misfortune in our place, an [fol. 4346] embezzlement, and I needed money pretty fast, and until I got straightened out with the bonding company; and the Girard Trust Corn Exchange got me the money that I needed within 48 hours, and that was a Godsend, because we were in kind of an embarrassing position at that time.

Q. How much did you get?

A. $100,000.

Q. What was the nature of the collateral, of the security, that you had to give?

A. Unsecured. I had an unsecured loan.

Q. And the last time you were at the Upper Darby they wouldn't give you $5000?

A. No.

Q. What has been your experience in financing your automobiles with large banks as compared to small banks?

A. Well, we finance mostly with General Motors, and in the big banks——

Q. That is GMAC?

A. GMAC, and some of the big banks, you will find, Mr. Price, that you will get lots faster service. My experience in the financing end of it, when we did try to get loans through for an individual, through a smaller bank, you had to go through quite a procedure. I mean it would take some- [fol. 4347] time before it was okayed, say, or denied, and it can be dangerous in our type of business, because when a customer is hot with an automobile, that's when we should deliver him, and sometimes the time that elapses by the time

you get a loan through, you lose some sales. We have lost some sales. I can't tell you how many, but we have.

Q. Because of a delay in financing?

A. That's right, sir.

Q. With a larger bank do you have that difficulty?

A. With a larger bank you can get that, I would say, within about six or seven hours. That is if the customer's credit is all right.

Mr. Price: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Ferraro, will the proposed merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank have any effect on your ability to borrow in any way?

A. Well, I positively think so, yes.

Q. In what way?

A. I think that we are an aggressive company, sir, and there might be times when we might need quite a substantial amount of money.

Q. How much do you envision you might need?

[fol. 4348] A. That's a hard thing to say in our business here. I might have a fleet sale of automobiles that might require maybe two or three hundred thousand dollars, where I mightn't be able to be paid immediately, and we have to pay those cars off to General Motors, because we floorplan our cars, and that would be, I would say, a good way of getting that money in order to move these automobiles. I am talking about fleets, sir, now.

Q. And you think the proposed merger would assist you in that respect?

A. Yes, sir.

Q. Can you tell me how?

A. Can I tell you how?

Q. Yes.

A. I thought I just answered that, sir, but maybe I didn't make myself clear.

Q. I am referring now to the proposed merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank. I am not referring to the merger of the Clifton Heights Bank or the Upper Darby National Bank.

A. Well, I believe, sir, that our local branch in Upper Darby, I can go to one of their offices there——

Q. You can do that now?

A. Yes, sir.

[fol. 4349] Q. And you get perfectly satisfactory service at the present time; is that right?

A. Yes, sir, they have given us wonderful service.

Q. Do you think the proposed merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank will have any effect whatever on your ability to get service?

A. Well, I think I will be able to get better service, sir.

Q. In what respect?

A. I think your local manager—I don't know the banking business—I imagine he might be given some wider range as far as the borrowing capacity. I am not sure. I don't know.

Q. Do you think he has not sufficient authority at the present time?

A. Does he what, sir?

Q. Do you think he has not sufficient authority at the present time?

A. I think he does have to a certain extent, yes, sir.

Q. Does he have sufficient authority to take care of all of your requirements?

A. I don't think so.

Q. You don't think so?

A. I don't know. I haven't made any application for more [fol. 4350] than what I done.

Q. What is the highest loan that your company has ever applied for?

A. $100,000.

Q. I believe you testified that that was taken care of adequately and promptly.

A. Yes, sir.

Q. And you think it should have been taken care of more adequately or more promptly than it was?

A. Than what they did?

Q. Yes.

A. No, I don't think so.

Q. So wouldn't it be fair to say that the proposed merger of the two banks would not affect your ability to obtain what you need in any way?

A. I don't know. I would think that I would feel better—

I think I would have a more—well, I don't know how to explain it, that I thought that——

Q. You feel more secure?

A. Well, secure, I don't know. I think it is secure the way it is now, but I think that with the merger, that they will be able to do more for me should the occasion arise.

Q. What do you think they could do for you that they [fol. 4351] can't do for you now?

A. Well, like what I explained to you, that if I did have—and I do get into this in the fleet business—that I can go to them and I believe that the local manager could give me maybe as high as $200,000 if I so needed, and these cars do amount to—Cadillacs and Oldsmobiles amount to quite a bit of money.

Q. Do you have a pretty good idea of what your business is going to be doing in the next year or two in terms of the sales and in terms of the lines you are going into?

A. Well, that's a hard thing to say, sir. We don't know whether we will run into any obstacles as far as the contract with GM comes up with the union. Nothing has been settled yet, and it all depends on the volume of cars that we get. We can move the cars if we don't have any obstacles in any way, and we do quite a big job. We do in our total sales, sales and service, including used cars, anywhere from 3 to 5 million dollars.

Q. Do you envision, within the next year or two, any requirements on your part for a loan in excess of two or three hundred thousand dollars?

A. In excess of that?

Q. Yes.

A. Right offhand, sir, I don't think so. I don't know.

[fol. 4352] Q. Do you know what the lending limit of the Girard Trust Corn Exchange Bank is at the present time?

A. Do I know?

Q. Yes.

A. No, sir.

Mr. Reycraft: That is all I have.

Mr. Price: Thank you, Mr. Ferraro.

(Reading of the deposition of Charles E. Oakes was resumed, as follows:)

Cross-examination.

By Mr. Reycraft:

Q. Mr. Oakes, I hand you Government's Exhibit 246. Do you recognize that document?

A. Yes, sir.

Q. Will you describe it, sir.

A. This is a document which states the lines of credit held by Pennsylvania Power and Light Company from 1956 to 1961, the amount of each line of credit in the bank with which each line of credit was carried. This is the title.

Q. Was it prepared by employees of your company?

A. Yes, sir, at my direction.

[fol. 4353] Q. You are satisfied the information is accurate?

A. Yes, sir, in so far as it goes. You must take the explanation of what these figures are into account in determining what this line of credit is. This isn't really a line of credit, particularly Page No. 1.

Q. Let me direct your attention, sir, to the explanation which appears on the first page explaining lines of credit, and would you elaborate on your statement that this is not really a line of credit. I believe that is what you said.

A. That is correct. This exhibit was requested by the attorneys, I understand, and this was made, this reply was made, in response to that request. However, the company itself does not have lines of credit with the banks. This information was gratuitously furnished to us by them, and in the case of the First Pennsylvania Company the line of credit is the maximum they could extend under their 10-per cent rule. The Chase Bank, however, has told us that they would like to take the entire $35 million loan, so this is not a line of credit; it is merely a statement, "We will furnish any amount you want up to $20 million any old time." That is the way they stated it to us. We do not have lines of credit [fol. 4354] as such, a formal documented line of credit.

Q. In the case of the First Pennsylvania Company was this line of credit granted at your company's request?

A. No, sir.

Q. This was something they volunteered?

A. Yes, sir.

Q. Does this happen very often? Do banks volunteer lines of credit to you?

A. That is part of their selling. Any representative of the bank that comes in would like to establish a line of credit with us, because that is sort of like a leg up on your entry into your business as a banker.

Q. Now, when a bank gratuitously extends a line of credit to your company, does your company then in response make any particular amount of deposits with the bank to give you that line?

A. We do not. We have no line of credit. Let us make this clear. We don't have a line of credit. They say they will extend it, but we don't necessarily accept it at all. In fact, we have no lines of credit at all as such formally with any bank. Our deposits with banks are with banks of our own selection, and they have gone in amounts over the years from rather small deposits back in 1920 to substantial deposits today. These banking relationships, as I indicated in my [fol. 4355] testimony, are established on the basis of our receiving the best service that we think the bank with which we do business can give us. That is the basis on which we make our banking relationships.

Q. Is there such a thing as a formal line of credit?

A. Oh, yes, there is.

Q. You don't have any of those?

A. Many utility companies, a great many companies, have formal lines of credit with banks.

Q. Referring to the second page of Government's Exhibit 246, beginning with the second line, the $10 million loan outstanding to the Chase Manhattan, am I correct in interpreting this information to show that from January 28, 1957, to at least April 24, 1959, this is the same loan with renewals?

A. Let's take a look.

(After looking) Yes.

Q. So that is one loan rather than four?

A. Well, that is renewals. It is four loans, because you sign a note, and you pay it off like you do any bank, a short-term note. It is paid off, and the bank has the option of renewing it or not, and we have the option of maintaining that loan at that bank or taking it some place else. It is four

separate loans, but the amount of money is the same amount
[fol. 4356] of money.

Q. But you never paid it off? You signed a new note rather than paid it off?

A. That is right, we signed a new note.

[fol. 4357] Q. And didn't pay it off?

A. Correct.

Q. Referring to the $5 million loans which follow in the next three lines, I see that you have one loan from September 25, 1959, to June 27, 1960, and then skipping down the line, a loan from June 27, 1960, to March 27, 1961. That would be the same situation, wouldn't it, a renewal?

A. That was a renewal,

Q. Are any of these other renewals, as far as you can tell?

A. No.

Q. Let me direct your attention to the fact that the $10 million loans terminate on April 24, 1959, and a $5 million loan is indicated on April 25, 1960. Would that be an error, do you know?

A. No, that is not an error.

Q. You don't think that is a renewal of part of the $10 million loan?

A. Yes, I think it was. We paid off $5 million when it was due, and the next day we signed a new note for $5 million.

Q. So you think the year might be wrong on one of those?

[fol. 4358] A. Oh, no; oh, no. Now wait. Where are we?

Q. I am talking about April 24, 1959, and April 25, 1960.

A. April 24, 1959, we had a loan of $10 million we paid off.

Q. $5 million.

A. $5 million, and the next day we paid off $10 million, and the next day borrowed $5 million.

Q. So the date should be April 25, 1959; is that right?

A. Wait a minute now. Let me see. I better take a better look at this. Sorry.

No, no; this is right. I was wrong in that. I thought we were referring to the same year. April 24, 1959, we paid off a $10 million loan. We were out of the Chase Bank then until September 25, 1959, and borrowed then $5 million, which we paid off on June 27, 1960, and then we also went back into the bank on April 26, 1960, which was two months before, and borrowed another $5 million, two separate loans, and then

on June 27, 1960, that loan became due on June 27, 1960, and we renewed the loan, the $5 million loan.

Q. Now, as to any of those $5 million loans, they could have been made, if you wished, from either the Philadelphia National Bank or the Girard, could they not?

[fol. 4359] A. Yes, we could have borrowed that at that time, that much.

Q. And the loans indicated on the same page from the Mellon National Bank you could have borrowed from either the Philadelphia National or the Girard, couldn't you?

A. Let's see if we could. I don't know. I think we could not have borrowed the December 27, 1960, loan, which was placed with Mellon, from either the Girard or the Pennsylvania Company because it would be above their borrowing limits. 7½ million is the borrowing limit, as I understand it, of the First Pennsylvania Company. I have forgotten what it is for the Girard Trust. Certainly in that bank it would have gone over the borrowing limit.

Q. You are referring now to the $15 million loan?

A. I am referring to the fact that the Girard Trust had a part, 2½ million of the $15 million loan.

Q. Yes.

A. Then we came in, while that $15 million loan was still in force, to the Mellon National Bank on December 27, 1960, before the $15 million loan became due, and borrowed another $5 million.

Your question, as I understand it, was, couldn't you bor-

[fol. 4360] row that from the Girard Trust?

Q. Yes.

A. That would have made a $7,500,000 loan from the Girard Trust.

Q. It is 6 million.

A. We couldn't have borrowed it from the Girard Trust.

Q. You couldn't have borrowed more than 3½ million?

A. Correct.

Q. Now, from the Philadelphia National Bank could you have borrowed that amount at that time?

A. Philadelphia National?

Q. Yes.

A. Yes, we could, but we don't have a deposit in the Philadelphia National at the present time, and we usually try to deal with the banks that we have deposits with.

Q. Well, your company hasn't done much business with the Philadelphia National over the years, has it?

A. In 1950, at the time we borrowed $27 million from a group of banks, which I cited earlier, which is on Page 2 of Exhibit 246, we asked certain Philadelphia banks if they would like to join us and become a member of this bank participating, and Philadelphia National said they would, and they loaned us $850,000, a part of the $27 million. Also the Fidelity-Philadelphia Trust Company, with whom we [fol. 4361] did not have a deposit at the time and still do not have one, they came in with $850,000.

Q. And the Market Street National Bank also was included?

A. The Market Street National Bank, we have a deposit there. We had a pay-roll deposit there and they were included to the extent of $200,000.

Q. So that the largest loan that your company has had with the Philadelphia National was $850,000; is that correct?

A. Yes, sir.

Q. And you could have had, at least within recent years, up to $8 million from the Philadelphia National?

A. If it had been our established banking relationship with them, yes; but we have never had banking relationships with them before and they specifically requested in this case that they become a part of this $27-million loan.

Q. Well, the Philadelphia National is not unwilling to do business with you, are they?

A. No, sir. They are coming to us——

Q. Do they contact you once in a while?

A. Quite regularly, yes, sir.

Q. They contact you quite regularly?

A. Yes, sir. I doubt if there is any large bank in New York or Philadelphia that wouldn't like to have a deposit from us, wouldn't like to lend us money.

[fol. 4362] Q. How about the Provident Tradesmens? Have you had any borrowing relationship with them?

A. We have been depositors of that bank for some long time. The Market Street National Bank has been merged into Provident Tradesmens and by that reason, for that reason they became the participants in this $12-million loan. I don't know that we have had any borrowings——

Q. To the extent of $50,000?

A. To the extent of $50,000, yes. I don't believe we have——

Q. Since the merger you have had no borrowing relationships, though?

A. No, we have not.

Q. Now, you could——

A. There is always—I think it's entirely one of a payroll account.

Q. Now, are you contacted also by representatives of Provident Tradesmens?

A. Oh, yes.

Q. How about Fidelity-Philadelphia?

A. In fact—in fact, the Provident Tradesmens, one of their directors is also one of our directors.

Q. How about Fidelity-Philadelphia; do they contact you also?

A. Yes, from time to time.

[fol. 4363] Q. And Central-Penn?

A. I don't recall that I personally ever talked to Central-Penn.

Q. Now, as to those banks in Philadelphia who do contact you, there are four banks which, according to their lending limits, could lend you $5 million; is that right?

A. Are you referring to the Fidelity-Philadelphia, Philadelphia National,——

Q. Provident Tradesmens, according to an exhibit which has been put in evidence by the defendants, has a lending limit of $5 million, so Provident Tradesmens, Girard, First Pennsylvania, and Philadelphia National could all lend you at least $5 million, could they not?

A. On the basis of that information, yes, sir. I have no direct knowledge of what you just said, but I assume you are right.

Q. And the four banks combined could lend a total of about $26 million according to this exhibit; and if you added Fidelity-Philadelphia, you would get up to about $30 million; so that of that total availability in Philadelphia your company has used only a relatively small part; is that correct?

A. Well, I wouldn't call it a relatively small part.

Let's go to the New York banks. If I would deal only with the New York banks, they would have the ability to loan——

[fol. 4364] Q. I am not suggesting that you do.

A. —$1 billion; and we don't deal with the New York banks to that extent.

Q. But there is an availability in the five largest banks of about $30 million to any one company, and I believe you can take that as accurate based on this D-15.

A. Yes, sir. I have no doubt of your correct figures.

Q. At any one time, can you tell me what total loans your company has had outstanding in Philadelphia?

A. As a maximum amount?

Q. A maximum amount, yes.

A. (No response.)

Q. Would it be less than $10 million?

A. $1,100,000—it's $7,500,000 that has been the maximum.

Q. That is the highest amount?

A. Yes.

Q. So that at any one time in recent years there would be about $22½ million available to your company from the five largest Philadelphia banks, if you wished to take advantage of it?

A. Yes. I assume you are right.

Q. Now, you testified, as I remember, concerning the construction program in which your company expects to engage [fol. 4365] in the next five years and you have estimated that you will require about $140 million for that; is that right?

A. Right.

Q. According to your annual report, you expect to raise about $56 million of that through the sale of securities; is that correct?

A. If the money rates are appropriate, we would expect to raise about that much.

Q. And out of that $56 million you expect to retire your short-term bank loans which are now outstanding; is that right?

A. Correct.

Q. And the balance of the money you require for this five-year construction program you expect to obtain through internally-generated cash; is that right?

A. That's right.

Q. Retained earnings are going to finance the balance of your program?

A. No, retained earnings plus depreciation reserves.

Q. All right.

So that no part of this $140 million do you expect to obtain from commercial banks; is that right?

A. No, sir; that is not correct.

Q. Would you explain that to me?

[fol. 4366] A. Depending upon—now you are talking about the ensuing five years?

Q. Yes.

A. Depending upon the money market. If the money market is such that we do not feel they are favorable and therefore would not want to sell securities, we will need about——

Have you got the figure there?

Q. Do you want to look at this?

A. Yes.

We will need about $85 million in cash to be raised by either the sale of securities or by bank loans in order to finance this construction.

Q. And it is your present intention to sell securities; isn't that right?

A. It is our present intention to sell securities if the interest rates and the cost of money for preferred stock or common stock or both is appropriate, if we think it is favorable.

Now let me make another statement here, please. When we say $84 million is required, this amount of money would not be required in any one time. The largest amount that would be required for a $140-million program is the cumulation of borrowings, either through the sale of mortgage bonds or the sale of other securities, or through a bank loan [fol. 4367] that is building up as construction cash is being spent to a maximum amount which is related to the cost of the next large unit we will put in service, which will probably be in 1965.

That will certainly be not less than $50 million and may be as high as $70 million, depending upon the size of that plant.

Now, that is the required cash. Now, that cash will be raised during a period of time of three years, during the construction progress, of approximately, oh, I'd say $30 million will come from retained earnings, perhaps, maybe a little more; and the remainder then must come either from the sale of bonds or other securities or bank loans.

So bank loans could be as high as—if we sell no bonds in between it can go as high as $5 million to $55 million.

Q. That is not what you expect to do?

A. Well, we don't know. How do I know? I don't know what's going to happen.

If the money markets run favorably we expect to borrow to $45 million to $50 million by 1965. It will be the maximum grow-up to that amount.

Now, I would hope that we could finance, by the sale of mortgage bonds, a considerable amount, $38 million—$40 [fol. 4368] million.

This business is such that we must be in a position of having good enough banking connections so that if we need $50 million the $50 million is going to be there, bad times or good times.

Q. Do you have with you a copy of your 1960 annual report?

A. Yes, sir.

Mr. Reycraft: May we mark that as an exhibit?

The Witness: You have it, I think.

Mr. Reycraft: The copy I have is marked up.

The Witness: I don't have an extra copy, but I can get you one if you wish.

Mark that one as an exhibit and I will replace it.

Mr. Reycraft: Will you mark as Government's Exhibit No. 247 the 1960 annual report of the Pennsylvania Power & Light Company?

(1960 Annual Report of the Pennsylvania Power & Light Company was marked G-247 for identification.)

By Mr. Reycraft:

Q. Mr. Oakes, will you be kind enough to read into the record the paragraph beginning, "The 1961-1965 construction program"?

A. The paragraph referred to reads as follows:

[fol. 4369] "The 1961-1965 construction program is estimated to require $140 million. It is presently expected that some $56 million of the needed funds will be raised through the sale of securities, including in such amount the $35 million of short-term bank loans

now outstanding. The balance of the cash requirements will be internally generated during the period."

Do you want me to continue with the rest of the paragraph?

Q. Yes. Will you continue?

A. "To carry out this five-year financing program, the Company now sees no necessity for sale of equity securities. The Company does expect, however, to convert a substantial part of the $35 million bank loans to long-term debt when securities market conditions are favorable."

Underline "when securities market conditions are favorable"—I am not underlining the paragraph, but I would like to have you underline it when you say it. That is the key to the whole paragraph in so far as financing is concerned.

Q. All right.

Mr. Oakes, if the Philadelphia National and the Girard [fol. 4370] merge are you going to continue your banking relationship with the Chase-Manhattan?

A. Yes, sir.

Q. And how about the First Pennsylvania?

A. Yes, sir. We will continue that, and also continue our relations with the merged bank, because they are absorbing Girard Trust Corn Exchange Bank.

I would hope, as I said in prior examination, that we would like to increase our deposits and when borrowing time comes we will probably increase our borrowing at the Pennsylvania banks because that is going to be our policy.

Q. Has this been your policy for a number of years, to do as much business as you could with local banks?

A. Well, this is a transition period. You can't break off a connection with a bank of forty years' standing and transfer it to somebody else—you can, but we don't feel that we should.

We would much rather build up our banking relationships by a slow process, and, as I announced, I think I said following the war I announced the policy that we were going to build up our relationships with Pennsylvania institutions, including Pennsylvania banks. We have been doing it. The very fact that you find these banks—these Philadelphia banks here that are listed in this $27-million loan and this

[fol. 4371] $12-million loan contains names which were never on our bank-borrowing lists before is proof of that policy.

Q. And you adopted this policy beginning after the war; is that correct?

A. Yes. That's right.

Q. But up to the present time the largest loan you have had with the Philadelphia National Bank was about $850,000?

A. Yes, that is correct.

Now let me just give you a reason why these things can't be done.

Q. All right, sir.

A. Overnight or arbitrarily.

Prior to 1947 we had an insured type of a pension plan. In 1947 we changed over from an insured type of a pension plan to a trustee plan. We studied what trustee we should designate and that led us, after making an examination of the New York banks and Pennsylvania banks, to Mellon National Bank & Trust Company, who have done extensive work in the past in this field. Therefore, we established relationships with the Mellon Bank & Trust Company.

Now, at that time we were also in quite a construction program and we decided that we are going to give them a deposit of these construction funds, and naturally that led also to their lending us money; so by reason of that fact of [fol. 4372] establishing that relationship in Pennsylvania, with a Pennsylvania bank, we must take this increase in our relationships with the Philadelphia banks a little more slowly.

That has been the reason we just couldn't—if it hadn't been for the establishment of that pension plan with the Mellon National Bank as trustee you would have seen, I am sure, this $5-million loan from the Mellon Bank with a Philadelphia bank.

Q. You are going to continue to do business with the Mellon Bank, too, aren't you?

A. Yes, sir.

Q. Is it true that the largest loan you have had to date with the Fidelity-Philadelphia is $850,000?

A. Correct.

Q. And the largest loan you have had to date with the Girard Trust Corn Exchange Bank would be $2,500,000?

A. Right.

Q. Now, do you expect to continue to avail yourself of the money-market services of Chase-Manhattan Bank after the merger of the Philadelphia National and Girard Trust, if ever?

A. Yes, sir.

Q. You wouldn't expect to substitute the merged bank for that service in the near future, would you?

[fol. 4373] A. That all depends upon whether they can do it. If they decided they were going to develop a service, after making a study of such a service that is offered, if we thought it was as good as or better than the Chase Bank, we would have no hesitancy at all.

Q. You are getting this service at the present time from three New York banks, I believe you indicated.

A. Two, particularly.

Q. Two?

A. Two; Irving Trust, and the Chase Bank.

The other banks have that service, but we don't use it. They have been around and asked us to come around and visit them.

Q. I believe you testified, sir, that your average deposits against loans run between 15 and 30 or 35 per cent?

A. During those periods of time when we have bank loans outstanding.

Q. Yes. This is not an average, this is a range; is that correct?

A. That's right.

Q. Do you know what your average deposit against loans is during the time you have loans outstanding?

A. No. That would be a weighted figure. It would have to be almost a daily computation, from a daily figure, weighted [fol. 4374] over a long period of time.

I don't have that. I couldn't even give you a pretty good guess, I think.

Q. All right.

I believe you also testified that your company would like to see several banks in Philadelphia with loan limits of $30 million to $40 million; is that right?

A. Yes, I would. I have enough faith in Philadelphia to think that the industries in Philadelphia are going to grow and if the banks are that size they will attract the business.

Q. Do you think that it would be beneficial if, in order to produce a bank with a loan limit of $30 million to $40 million, say the ten largest banks in Philadelphia merge to do it?

A. Well, that's a matter of development. The Philadelphia banks, in my opinion, enough of them that could offer their services and banking relationships to large industries in Pennsylvania, ought to be in a position to do so.

We should not be subservient to New York City. I think that's a very, very poor national policy.

Q. By "we," do you mean the whole United States?

A. I mean the Philadelphia area should not be subservient in its large banking relationships to New York City. I don't [fol. 4375] see why, there should be no reason why we, as a company, should go to New York for all our very large banking requirements. It is, to me, very poor national policy to have any sort of a national policy directed in that direction.

It is against all our history—the principles on which the Federal Reserve banking system was started. I think it is still the best policy that decentralization should be encouraged as much as possible.

Q. Do you think it is sufficiently important to have a bank with a lending limit of around $30 million in Philadelphia to merge the five largest banks in Philadelphia?

A. Well, now, that's a matter of degree. If two large banks in Philadelphia would give you $30 million, it's a substantial amount.

Now, as I said, the economy of this area should grow at the rate of 4 per cent compounded, gross annual product. In time that $30 million will go to $50 million, and I feel that we should not put any hindrance on that kind of growth over a long term.

Q. If I were to tell you that in order to produce a bank in Philadelphia with a lending limit of about $30 million, that is within the next year or two, it would be necessary to merge the five largest banks, would you consider that this would be in the national interest or in the public interest?

[fol. 4376] Mr. Price: I would object to that because it isn't so.

The Court: I will sustain the objection. Whatever the answer is may be stricken.

Mr. Reycraft: May we have the question and answer copied in as an offer of proof?

The Court: Incorporated, certainly, within the confines of the record. It may be included in this area.

(The following was directed by the Court to be copied into the record as an offer of proof:)

"The Witness: I think the key to that question is 'in the next year.' If you would use those words, then I would say that that is an improper approach.

"The size of the bank has some measure of the needs of the whole community, the prevention of moving banking relationships from this area to other finance centers because of the inability of the banking in this area to supply the banking needs, then we need larger banks, not with relation to time, but with relation to the needs."

By Mr. Reycraft:

Q. Well, would you say that you need, that Philadelphia or the area needs, a bank at the present time with a lending limit of this amount?

[fol. 4377] A. I'd say that a lending limit of $20 million to $30 million today would not be too large.

Q. And you think that there is a need?

A. As far as I am concerned, there is a need.

Q. As far as your company is concerned?

A. As far as my company is concerned, yes.

I have no means of knowing how many companies of the size which I represent are doing banking relationships with New York and Philadelphia banks. Therefore, I can't answer your question specifically, but in a general way, with the growth that we have experienced and the knowledge we have of large industry growth, I would say that that need will become apparent very soon. I don't say one or two years; I don't know, but the growth is indicating that need.

Q. Do you think that in order to satisfy that need, if it should be necessary for the five largest banks in Philadelphia to merge, that that would be in the public interest?

A. If there is a need demonstrated in the way I have said, whether you do it by merger, whether you do it by adding more capital—banks have been known to sell stock, you know, to increase their lending capacity—it should be done.

Q. Your answer to my question is "yes"?

A. Under those circumstances, yes.

[fol. 4378] Q. Now, referring to your suggestion that the banks might sell stock to increase their lending limit, do you think that this would be in the public interest for banks in Philadelphia to do?

A. I am not much or enough of a banker to tell you whether they should do it by merger or by the sale of stock or some other way. I haven't made a study of banks.

Q. You are an expert, however.

A. I don't know which is the best device to use.

Q. You are, however, an expert on business needs for banking services, are you not?

A. I think I am an expert on my own company's needs for banking services.

When you talk about the whole banking area, of banking as such, I would say I am not an expert at all; I don't know.

Q. So that as far as your company is concerned, whether the increased lending limit is produced by merger or by sale of stock would be a matter of indifference?

A. To me, the lending limit and the banking services they render is what I am looking for.

Now, how they do it is up to the banking community, not to me.

Q. From the standpoint of your company, do you consider [fol. 4379] it of any importance to have competition among commercial banks in Philadelphia?

A. Do you mean among the Philadelphia banks?

Q. Yes, sir.

A. Well, I would say yes, there is need, but competition at the Philadelphia banks in their large lending areas, and I would say possibly in the deposit areas, is not with each other; it's with the New York City banks.

Q. You do think it is important for Philadelphia banks to have competition with each other or not?

A. I do; and I also think it's important for Philadelphia banks to have competition with New York.

Q. Why do you think it is important that Philadelphia banks have competition with each other?

A. That's the standard and time-honored way that American business should conduct its business and I am for it.

Q. Do you think it produces better services if there is competition?

A. Of course.

Q. Do you think it produces better quality of products, where they are involved?

A. That depends upon a lot of other things than competition. You have competition in size, you have competition in quality, and other things.

[fol. 4380] Q. Do you think that competition in commercial banking produces better interest rates?

A. That all depends on whom you are competing with. Now let me give you an example.

In the smaller cities we have numbers of banks. They loan to various businesses and others in those areas. Those banks don't loan normally to one in a hundred of their people who borrow from them at the prime rate. Now, they compete with each other, they sell against each other. They are selling a service, including lending service.

When you move up to an area where people are borrowing or firms are borrowing hundreds of thousands of dollars and millions of dollars, then the rate of interest becomes a real factor in where you borrow and there is just as much competition between large banks in their placing loans as these smaller banks in these small cities.

It is just that the difference is in the type of borrowing, in the type of lending that they do.

Q. And you are in favor of the preservation of that competition?

A. I am in favor of the preservation of competition, but I want to distinguish between competition at one level and competition at another level.

Q. Now, if your company had access to banks in a limited [fol. 4381] geographic area would you think it important to preserve competition in that area?

A. Will you restate your question again?

Q. Suppose that your company, for whatever reason, maybe because you are well known only in Philadelphia, could, as a practical matter, borrow only in Philadelphia, would you think it important to have competition among commercial banks for your requirements?

A. Now, in your question I assume that you are not talk-

ing of me as a representative of Pennsylvania Power & Light Company.

Q. Well, you are——

A. If you are, then I will have to qualify my answer completely.

Q. You are here as a man who has had considerable experience from the standpoint of borrowing from commercial banks. If you have an opinion, I would be interested in hearing it.

A. Well, all right. If you are talking to me now and your question is directed to me as president of the Pennsylvania Power & Light Company or chairman of the Board now, I would say that I am interested in competition in the placing of my loans, where I might borrow money. If a bank (I don't care whether it is the Chase Bank, the First National Bank, or who it is) won't offer me the prime rate when another bank will, I will go to the bank that offers me the [fol. 4382] prime rate and I may carry my deposit with me if this happens time after time.

Q. Well, any president of a company with stockholders has an obligation to his stockholders to do that, hasn't he?

A. Of course, he has. Of course.

Q. And competition helps him get the best rate for his stockholders, doesn't it?

A. Yes, it does; but what I want to emphasize here is that we don't want to downgrade the banks in this area because they, of necessity, must deal with very large companies, and to force those large companies to go to New York because of legal restrictions their wants can't be satisfied, their borrowing wants can't be satisfied, then you are, in effect, downgrading the larger banks in the Philadelphia area to a position of being almost country banks.

That, I think, would be very, very bad policy.

Maybe I am giving you advice here rather than an answer.

Q. I agree with you. I agree with you, Mr. Oakes.

Let me point out that your company at the present time could borrow up to about $30 million from the five largest banks in Philadelphia, and you have about $7½ million outstanding.

A. Yes.

[fol. 4383] Q. Yet you have some loans outstanding in New York that you could bring down here?

A. Yes, we could; and, as I said, this is a matter of time taking care of those eventualities.

Q. I think in time you would increase your borrowing.

A. There isn't any doubt about it, in time our borrowings in this area and our deposits in these area banks will increase, but I can't, out of due regard to my own company's borrowing needs, cut off arbitrarily. I think it would be poor business to do so.

The banking establishment we have had over the years, particularly in a company of this size, must have in mind that at some time in the future we may have a very severe depression, and when that time comes, relationships with excellent banks are a very valuable asset, and I don't want to destroy that sort of possibility of using that asset by immature judgments at this time. That is the reason.

Q. You think the Philadelphia National Bank is a very good bank, don't you?

A. Yes, sir, it is.

Q. And the First Pennsylvania?

A. Yes, sir. We wouldn't be depositing there if we didn't think so.

[fol. 4384] Q. And the Girard Trust Corn Exchange Bank?

A. Yes, a very good bank.

Q. How about the Provident Tradesmens?

A. As far as I know, it is a good bank. We have deposits there, too.

Q. And the Fidelity-Philadelphia?

A. Yes, it has a good reputation.

Q. The Central-Penn is a very good bank, too, isn't it?

A. I don't know so much about that bank, but as far as I know, I know the president of that bank. He is a very capable gentleman.

Q. In keeping with your policy which you announced to do business with Pennsylvania people, you are going to increase your banking relationships with these banks in any event, aren't you?

A. Some of these banks, not all of them.

Q. You are going to increase your banking relationships in the Philadelphia area, in any event?

A. Yes, sir, in time to come, we will.

Q. Whether or not Philadelphia National and Girard merge?

A. That may be true, but I am saying to you that if you don't let them merge—the Court—then the amount of money that we are borrowing from these banks is not going to be as [fol. 4385] large, and therefore this area loses that banking relationship. We would be forced to go into New York.

Q. You haven't borrowed as much as the Philadelphia bank can lend you right now, have you?

A. No, that is right.

Q. And you are going to go to New York anyway, aren't you?

A. We are in New York now.

Q. You are going to stay there, aren't you?

A. We are going to stay there, but under those circumstances we are not going to increase, as I said, the percentage of borrowing in New York to the same amount that we think we would increase the borrowing in this Philadelphia area.

Q. Well, after 40 years of doing business with the Chase-Manhattan you are not going to let a banking connection like that go by the boards, are you, very rapidly?

A. A banking connection of $25 million possibility isn't something that I would say is small even now.

Q. Pardon me?

A. A banking connection with possibilities of borrowing up to $25 million isn't small at any time. 25 years from [fol. 4386] now it still would be good.

Q. Do I understand you to mean that you intend to continue your relationship with the Chase-Manhattan?

A. Certainly.

[fol. 4387] Q. The loans that you have made which are indicated in Government's Exhibit 246 are construction loans; is that correct?

A. Not necessarily, not all of them, no. Some of these short-term loans were made for the purpose of augmenting cash, and then Interstate comes along or tax payment comes along and our cash balances happen to be a little low at that time and we put a loan in the bank for a short period and paid it off.

Q. You estimate in the next five years you are going to require $140 million for construction purposes?

A. Yes.

Q. Where are those plants going to be built?

A. In Pennsylvania.

Q. In Philadelphia?

A. No, sir, they will not be built in Philadelphia.

Q. Either Bucks, Montgomery, or Delaware County?

A. Well, I will give you the sites, the possible sites. Northampton County, York County, near Sunbury, and a site about ten miles above Harrisburg or a site adjoining Birmingham, all of which we now own and which are capable of developing up to 10 million kilowatts power total.

Q. Your company doesn't do business in the Philadelphia area at all, does it?

[fol. 4388] A. Not as such.

Q. Not in the principal business you engage in, selling power?

A. Selling of our service, no, sir, not at all.

Q. How close in miles is the closest point to Philadelphia in which you sell power?

A. Our closest is Line Lexington, between here and Sellersville. I would say it is about 18 miles from Philadelphia, from the center of Philadelphia, on Route 309.

Mr. Reycraft: That is all I have.

Redirect examination.

By Mr. Price:

Q. When you spoke of certain banks named by Mr. Reycraft as being excellent banks, you were speaking of their relative standing in the community, were you not?

A. Reputation, certainly.

Q. But not as to the capacity of any one of these or even all of them together to meet your requirements?

A. That is correct, general reputation.

Q. So far as the prime rate is concerned, your company always gets the prime rate no matter where you borrow now; isn't that so?

A. Yes, sir, it is.

[fol. 4389] Q. So that there isn't any rate competition between banks either in New York or Philadelphia for your business?

A. No. Presently that is true.

Q. Now, as to the continuation with the Chase that you mentioned, could you get along without the Chase even if there were this merger?

A. Well, I wouldn't like to discontinue the Chase connection. As long as the Chase people give us the service they have given us in the past, in view of our long history with them, we think it is only fair that we should continue with them. Human nature being what human nature is, myself or my successor might decide some fine day that the Chase hasn't treated us very well for some reason or other and we quit, then we go find some other banking connection, but that would be the only reason that I could see.

Q. But you spoke, in connection with your reference to the Chase, of the fact that it could lend you $25 million all in one piece?

A. Yes, sir.

Q. Is that a factor of your continuing relationship with the Chase?

A. I think so, yes. We want to preserve our position that [fol. 4390] if hard times come upon us or a period comes along again where the borrowing capacity of banks reaches a limit and funds are hard to come by, here is a bank, because of our association with them in the past, they are just like everybody else, human beings, and they take care of their clients and their friends first, and the new people that come along are next, and we like to maintain that relationship. It is valuable.

Q. When I asked you whether you could get along without them, I didn't mean purely on an arithmetic basis, but as a businessman in your particular business, Pennsylvania Power and Light Company, whether you would consider it good business to do so?

A. It would be good business to continue with them, yes, sir.

Q. You were asked, I think, whether it wouldn't have been possible for you to borrow up to $30 million from four or five banks which were named by Mr. Reycraft, and I ask you whether in the ordinary course of business you would borrow that way?

A. We would not borrow that way.

Q. Whether you would borrow that way even if you could.

A. From those banks? From these five banks?

Q. From these five banks.

[fol. 4391] A. No, we would not, from these five banks, because we haven't had business relationships with them and we don't know why we should establish business relationships with them. We prefer, once we have made a decision, a bank that we would like to deal with, and they continue to give us good service, we continue to do business with them. We can't do business with every bank in Pennsylvania, large or small. It is just impossible. It wouldn't be businesslike. Eventually it would become costly.

Now, although some of those four or five banks mentioned might have loaned you as much as $5 million, they all couldn't have, could they?

A. No, sir, they all could not.

Q. And none of them could have loaned you as much as ten?

A. Right.

Mr. Reycraft: Four of them could have loaned $5 million. I think you ought to indicate that four of them could have loaned $5 million.

Mr. Price: Yes, but they all couldn't have, and none of them could have loaned as much as 10.

The Witness: Any one.

By Mr. Price:

Q. No one of them?

[fol. 4392] A. That is correct.

Q. In that connection you were asked to look at Page 2 of this exhibit 246, and reference was made by Mr. Reycraft in the question to two loans of $5 million each from the Chase, one maturing June 27, 1960——

A. Yes.

Q. —and the other beginning June 27, 1960?

A. Yes.

Q. I will ask you whether there wasn't an overlap so that at a period when that first loan was renewed by the loan beginning June 27, 1960, there wasn't then outstanding a loan of $5 million at the Chase?

A. Yes, sir, there was.

Q. So that although some Philadelphia bank might have

made either one of those loans, they couldn't have made both?

A. Correct.

Q. This Exhibit G-246 was requested by the Government's counsel, was it not?

Mr. Reycraft: It was produced in response to a subpoena duces tecum.

Mr. Price: Yes, I think he said he did it in response to some lawyer's request, and I just want to identify the distinguished counsel who made the request.

Mr. Reycraft: I would be happy to have that identification.

[fol. 4393] Mr. Price: That is all I have.

(A 10-minute recess was taken at 11:00 o'clock A.M.)

Mr. Price: We have been having a little difficulty scheduling witnesses, now that we are approaching the end. I have run out of live witnesses for the moment, but Mr. Reycraft has kindly suggested that he could introduce Mr. Brown's deposition at this time by reading it. That was the matter on which Your Honor reserved judgment as to whether it should be admitted or not, and I withdraw my objection. I think under the rules he is entitled——

The Court: He is not entitled to put it in unless he points out where it is an admission against interest. You have to have a purpose in using a deposition, and he handed up a deposition as such saying that there are certain admissions against interest, without pointing out anything to me. What am I supposed to do? Read it?

Mr. Price: No, sir.

The Court: And then make a decision as to what he meant? That is his problem, not mine, and as far as I am concerned, it stays out until he sets up wherein in that deposition there are admissions against interest.

[fol. 4394] It can be used for any purpose, but he has to point out the purpose for which it is used, and I don't intend to peruse a deposition all the way through and decide what he means. He has got to put it in this record to show me.

Mr. Price: Yes, sir.

Mr. Reycraft: Yes. I didn't make that clear, Your Honor. I do intend to offer the testimony as admissions by Mr. Brown.

The Court: You have to point it out to me. I don't intend

to try to figure out what is in your mind, Mr. Reycraft, and it has to be in this record.

Mr. Reycraft: Yes, sir.

The Court: Because I have only one record in any one case.

You may proceed.

Mr. Reycraft: May I have Mr. Degnan read Mr. Brown's part?

The Court: Surely.

Mr. Reycraft: I am starting at page 3, Your Honor.

The Court: All right.

(The deposition of George H. Brown, Jr., was read as follows:)

[fol. 4395] GEORGE H. BROWN, JR., having been duly sworn, was examined and testified as follows:

By Mr. Reycraft:

Q. Mr. Brown, you are president of the Girard Trust Corn Exchange Bank; is that correct?

A. I am.

Q. How long have you held that position?

A. Since November of 1959.

Q. And prior to that what was your position with the bank?

A. I was Executive Vice President.

Q. How long did you hold that position?

A. Since 1955.

Q. And how long have you been with the bank altogether?

A. Thirty-eight years.

Q. Are you fully familiar with the negotiations and discussions which resulted in an application to merge, for approval to merge, being filed with the Comptroller of the Currency?

A. Yes.

Q. Can you tell us, Mr. Brown, when these negotiations first began?

A. These negotiations first began around April of 1960.

Q. Were there earlier discussions on a merger between the Girard and The Philadelphia National?

[fol. 4396], A. I believe there were, but I did not participate in those.

Q. I understood, I believe, from the application, that there were some discussions perhaps as early as 1956; is that correct?

A. Yes. That is definitely my understanding.

Q. But you did not participate in any of these discussions?

A. I did not.

Q. Who initiated the discussions with which you are familiar?

A. Mr. Smith, the Chairman of our Board, and Mr. Potts, the President of The Philadelphia National Bank.

Q. Did you participate in the discussions at an early state?

A. Yes. I did.

Q. Can you tell me, from the point of view of your bank, what led up to the discussions; that is, who called whom? Who was the proposing party for the merger?

A. I think it probably was a simultaneous discussion between Mr. Smith and Mr. Potts, who had had these previous discussions back in 1956, but I don't actually know who was the one who started it.

Q. You have no direct knowledge.

When did you first participate in the discussions? In April, 1960?

[fol. 4397] A. In April, 1960, yes.

Q. Will you describe the meetings which took place beginning with your first knowledge of the merger discussions.

A. You mean the meetings that took place between Smith and myself or with The Philadelphia National Bank people?

Q. Meetings first between Smith and yourself; and then meetings between officials of the two banks with which you are familiar.

A. Well, Mr. Smith first discussed this matter with me in the early spring. We, of course, discussed it at great length and we talked about the purpose of the merger, we talked about the people involved, and decided that if we could resolve those questions satisfactorily on both sides, that we could then proceed to talking about the basis of exchange or price.

And from that point on, after we had convinced our-

selves that a merger of these two banks was something that would be good for the public and for our customers and for the bank, we proceeded to have discussions with Mr. Potts and Mr. McDowell, who is the executive vice president of The Philadelphia National Bank.

These meetings were held rather sporadically. We would have discussions of the possibility of how we would organize ourselves to carry forward the merger in the future, and [fol. 4398] see whether we had a common interest which could be blended together to make a strong organization for the future.

Q. What other officers of your bank participated in these early discussions?

A. I would say in the early discussions only Mr. Smith and myself.

Q. Would that be true up to the time a formal proposal was made to merge between the two banks?

A. No. When we got to the point where we were talking about price and organization, others were then brought in.

Q. Can you give me the names of the people who were brought in when you began talking about price?

A. From our side, Mr. Hoffa, our comptroller, was brought in to develop the figures, Mr. John P. Adams, Senior Vice President, was brought in to deal with organizational matters.

On their side, they were represented by Mr. MacLaren, their comptroller, and I think vice president also, and by Mr. Cooper, their Senior Vice President, MacLaren being the figure man and Cooper being the organization man.

Q. Were any memoranda prepared of these early meetings between yourself and Mr. Smith?

A. No. There were none.

Q. Were any memoranda prepared of the meetings with [fol. 4399] The Philadelphia National Bank?

A. No. I do not believe there were.

Q. Were any studies or summaries or any type of analyses prepared prior to the actual filing of the application with the Comptroller?

A. Well, of course, we had to develop a great many details to be able to respond to the application that the Comptroller had given us and as a result of receiving that application we, of course, had to identify all other banking institutions,

commercial banks and other kinds of banking institutions; we had to determine their locations, their number of branches; estimate their deposits, and do innumerable things which appear in that application which, in many cases, required a considerable amount of research and development of facts.

Q. Yes. Are all of these analyses represented in your application to the Comptroller? In other words, is it your testimony that there were no studies or analyses made, at least by your bank, which are not reflected in the application to the Comptroller?

A. Well, I would think that some of the analyses that we made of past and current earnings, book values, market prices, and items of that kind would not be reflected in this report, except to the extent required.

Q. So that you would have analyses of this type in your [fol. 4400] files somewhere?

A. Yes. We studied carefully the trend of deposits and earnings in each of the banks and, of course, we didn't reflect the whole analysis in this report because naturally it was not called for.

Q. Can you describe specifically any of these analyses, where they were written?

A. Most of the analyses that I saw were in the form of compilation of figures showing operations in all areas of the bank over a period of years. This related to book value, retained earnings, dividends, and so forth.

Q. Who prepared these? Were these prepared by Mr. Hoffa?

A. Mr. Hoffa prepared those, yes.

Q. According to the application, page 12, the statement is made that the senior managements of both banks established the main outlines of the proposed organization chart for the combined institution and also the proposed basis for the exchange of shares.

Now the senior management in your bank would be yourself and Mr. Smith?

A. That would be Mr. Smith and myself, yes.

Q. And the organization chart which you proposed would be in writing, I take it?

A. Yes, in rough—in rough form.

[fol. 4401] At one of these meetings which I spoke of, we

did endeavor to set forth an organizational type chart in very rough form just how the new organization would function. This, of course, had to do with the upper echelon of our functions, perhaps not farther down than senior vice presidents.

Q. I see. I understand also that there was a committee of three directors from each bank formed to look into the merger?

A. Yes.

Q. Who would they be from your bank?

A. From our bank they were James E. Gowen, C. Jared Ingersoll, and R. Stewart Rauch.

Q. What did this committee do?

A. I would say that their most important function had to do with an agreement upon the organizational setup at the top level, and particularly with regard to the basis of exchange.

Q. Did they prepare any report or memorandum which is available?

A. None that I have ever seen.

Q. What type of information did your bank turn over to these Directors for their consideration?

A. We showed them our proposed organizational chart [fol. 4402] and we also supplied them with the type of figures that I have just described that Mr. Hoffa supplied to me relating to the past history of the bank, particularly as to its growth and its earnings and dividends.

Q. Whom did that committee report to, or did they report to anyone during the time they had the matter under consideration?

A. That committee reported on this side of the street to what was known as a Directors Advisory Committee. This Directors Advisory Committee was composed of the three men whose names I have mentioned, Mr. Walter Franklin, Mr. Morris Duane, Mr. David Williams, Mr. William Brown, and Geoffrey Smith, and myself.

Perhaps I should make clear that this Advisory Committee was not appointed to consider the merger, but rather in our bank is an Advisory Committee which deals with all matters on which the President would like to have assistance and guidance.

Q. Can you tell me when the decision was made to make the application? Was that in April, 1960?

A. No, it was not. The decision to actually draw this application that you have before you——

Q. Yes, sir, the application dated November 15, 1960.

A. I would say that that decision was not made until it [fol. 4403] became clear in the fall of 1960 that all of the elements involved in a merger could be satisfied; and it was at that time that we decided that we would submit the matter to our directors and that we would then file and endeavor to put together the kind of application that the situation demanded.

Q. Can you tell me who prepared the application?

A. It was a joint job between the Philadelphia National Bank officers and the Girard officers.

Q. Pardon me?

A. In connection with, for instance, the branches, we took the laboring oar in drawing the maps and outlining the branch situation. Of course, we did this with information supplied by The Philadelphia National Bank.

They, in turn, prepared part of the information relating to the banks of the area and their deposits and so forth.

Q. Was any one person from your bank in over-all charge of your part of the preparation?

A. Well, I think it could be said that John Adams had a bigger hand in it than anyone else.

Q. I assume that the special committee of the Board of Directors had no part in preparing the application itself?

A. No, they did not.

Q. Before the application was prepared and after the [fol. 4404] decision was made to make application, did representatives of your bank discuss the matter with the Comptroller's office?

A. The matter was not discussed with the Comptroller's office until the day we filed the application, November 15.

Q. So that prior to that time——

A. Perhaps I should have that question asked again because, while we did not discuss our merger with the Comptroller's office until we were ready to go ahead, there were contacts made to obtain the form of application, but not the discussion of the merger itself.

Q. I see. At the time the proposal was presented to your Board of Directors, what type of presentation was made?

A. Between Mr. Smith and myself, we advised the directors as a whole of the plans that we had been working on to bring about this consolidation, and we were prepared at that time, of course, to discuss all the factors relating to organization and price, the purpose of the merger; but there was nothing in the form of any written report to the directors.

Q. The proposal was entirely oral?

A. Yes, it was.

Q. I take it the application had not yet been prepared at that time?

[fol. 4405] A. The application had been prepared at that time.

Q. I see. You had already prepared the application at the time you presented the matter to your Board of Directors?

A. That's right.

Q. Can you tell me the date on which you presented it to the Board of Directors?

A. On November 15.

Q. On the same day you filed the application?

A. Yes.

Q. Was this the first knowledge that some of your directors had of the proposal?

A. No, it was not, because about two weeks before I made personal visits with a number of them, as did Mr. Smith, to tell them what we had in mind and discuss what was involved in our merger, and to have them fully prepared for the formal presentation which occurred at the Directors' meeting; so no one was surprised on November 15 that we were about to vote on a merger.

Q. So that as to those directors who were not members of this Committee of Three, their first knowledge of the proposal came on or about November 1st; would that be correct?

A. I think that's a reasonable date, perhaps a little before that time.

[fol. 4406] Q. I see.

Mr. Price: That, of course, would be the first formal knowledge. I can't guarantee that there weren't some leaks.

By Mr. Reycraft:

Q. Well, do you have any knowledge of any prior information submitted to the directors before November 1st?

A. I don't believe I have. No, I do not.

Q. So that at least as far as you know, while there may have been some leaks, as Mr. Price suggested, on or around November 1st was the first date that all but three of the directors knew of the proposal?

A. Oh, no, you see, not all but three. You see, the committee which I outlined, which consists of about seven or eight directors, being part of the Advisory Committee, they were fully advised all during this time we were negotiating.

Q. I see. Who appointed the committee of three directors?

A. The committee of the seven or eight directors.

Q. They appointed the committee of the three directors?

A. Yes.

Q. And the committee of seven or eight directors is a continuing advisory group; is that correct?

A. That is correct, yes.

Q. Who appointed this group?

[fol. 4407] A. The Advisory Board?

Q. Yes, sir.

A. They are appointed by the directors.

Q. By the whole Board of Directors?

A. The directors as a whole appoint the Advisory Board. It is similar in some banks to what might be called the Executive Committee of the Board.

Q. And who nominates the Advisory Committee of the directors?

A. The President and the Chairman nominate them and then they are approved by the Board as a whole.

Mr. Reycraft: Mr. Price, if you have no objection, I will skip to page 25. Is there anything you want in between?

Mr. Price: No.

Mr. Reycraft: At the bottom of page 25 I will resume.

Q. At page 8 of the application, Mr. Brown, the statement is made that the Philadelphia banks have not been able to meet fully the banking needs of the expanding

Philadelphia metropolitan area. Could you give some specific illustrations of the failure of the Philadelphia banks to meet these needs?

[fol. 4408] A. In Philadelphia we have seen—and when I say Philadelphia I mean in the communities around us—we have seen a greatly expanding population and a great change in business activity, business moving from Philadelphia out into the country; and we are seeing that where businesses used to build small plants and occupy space in a loft building, they have now large buildings which cost a great deal of money, in locations both in the city and outside the city.

As we look at the situation from the standpoint of our bank, we think that we can only serve those businesses properly if we can help them finance their move and their expansion and their business and——

Q. You are referring now to the growth of some of the businesses in the Philadelphia area, that are expanding their operations from what you referred to as a loft operation and increasing their facilities, and they are requiring additional capital to do this?

A. Yes.

Q. And many of them, I assume, would start out with your bank as fairly small accounts and would develop into larger accounts, and I take it that you would assist them as they go along by lending money and providing banking services generally to them?

A. Yes.

[fol. 4409] Q. Excuse me.

A. I don't think I have nearly finished that question.

Q. Oh, please go ahead.

The Witness: And in order to have money available to do this we have to develop more deposits so that we will have more lendable funds.

In the Philadelphia area there has been a very small amount of deposit growth. We feel that if we are to get more deposit growth we are going to have to go out on the national scene and even the international scene in order to bring new money into Philadelphia. If one looks at the Clearing House figures week after week, the deposits run in the area of $4 billion, and we see very little change in that; so that we feel that if we can, in order to serve this

expanding population and this expanding business here, if we are going to have a full part in it, we are not going to be able to use and have enough dollars to support this unless we go out and bring dollars into this community that have not been here.

The only way that this can be done is to go out on the national scene and the international scene to bring those dollars here, so that we will not only build our bank through activities with those national companies, but we will also have more money here in Philadelphia to be able to stand [fol. 4410] up and be counted in connection with loans that our industry here needs.

We see most of the larger industries here in Philadelphia and all the adjacent counties that we serve opening up accounts in other areas where they look for their financial support, and we just want to have a bigger part in the Philadelphia business activity.

By Mr. Reycraft:

Q. Is there any limitation at the present time on the size of the deposit you can take from any particular business?

A. No, there is not.

Q. So that the proposed merger would not affect your ability to hold deposits; would that be correct?

A. I am not sure that I understand that question, Mr. Reycraft.

Q. Well, perhaps I don't understand what the limitations are on your ability now to attract deposits from businesses who want to put larger deposits in a bank in Philadelphia.

A. Our limitation in getting deposits here is directly related to the fact that we are not a large enough bank to attract these deposits.

I thought you were saying could we take a deposit of any size. We certainly could, if we could get it. The problem is trying to get it.

[fol. 4411] Q. Do you know of any particular deposit that you could get a merger, which you are not able to get now?

A. Yes. You take companies where we are giving a line of credit, if we can increase that line of credit to the company there are always associated with such lines of credit

a requirement that there be a supporting balance to the line of credit.

To illustrate, if we gave a line of credit of $2 million to a customer, he would carry $400,000 with us as a deposit. If we could move that line of credit up to $5 million for that very same customer, he would carry a balance with us something on the order of $1 million; so that we would increase our deposits just by being able to grant greater lines of credit availability.

Q. Are there particular companies that you have in mind who would do this?

A. I would say almost every company that's on the national scene and also any company that is of a substantial size.

Q. You wouldn't care to name any at the moment that you are satisfied would increase their line of credit in this fashion?

Mr. Price: Are you asking a guarantee? That is a little speculative. He might have great hopes.

Mr. Reycraft: I am not asking for a guarantee I will [fol. 4412] settle for hopes at this point.

The Witness: I can say we have reason to believe in connection with a number of customers and prospective customers that we could obtain their deposits if we had the ability to attract that business here.

By Mr. Reycraft:

Q. These are customers you don't now have?

A. Customers that we don't have and customers that we now have.

[fol. 4413] Q. Can you tell me who these customers are?

A. Well, you take a company like the Atlantic Refining Company; we have a modest balance with that company.

Q. How much is it; can you tell me?

A. Perhaps running in the area of $100,000 or $200,000. If we could grant them a sizable line of credit I don't think there is any doubt but what they would borrow in Philadelphia rather than in New York.

Q. What is the line of credit you grant them now?

A. We don't grant them any because they don't want to accept a line of credit from us.

Q. Do you know where the home office of the Atlantic Refining is?

A. Yes, down here at 260 South Broad Street.

Q. Do you have any more concrete basis for your hope that they would open a line of credit with you if there were a merger?

A. They have indicated to me—the Financial Vice-President has indicated to me—that they would expect to do much more business here in Philadelphia if we had a larger bank.

Q. Where is their main line of credit now; can you tell me?

A. I think it's with the Chase-Manhattan Bank in New York.

Q. What is the maximum line of credit you could extend to Atlantic now?

[fol. 4414] A. Six million dollars.

Q. And they haven't taken advantage of any part of that?

A. You see, the larger companies don't like to accept small lines of credit, relatively, when their borrowing needs are much greater. When you speak of other companies, just the other day the Scott Paper Company indicated that they would hope to do business with this bank. We don't do any business with them at all——

Q. They have no deposit with you?

A. They have no deposit with us at all.

They are located down here in Chester and also near the airport, and they said that they would certainly welcome the possibility of doing more business, of doing business with us. They are not doing business with us at all at the present time.

The Sun Oil Company, a local company, their president has told me that he looks forward to the day when that company will be able to do business with this bank; and this, of course, means a line of credit and an account. We don't even have an account with the Sun Oil Company.

Q. They have no deposit account with your bank?

A. No deposit account with us.

Q. And no line of credit?

A. And they have no line of credit, but they look forward [fol. 4415] to the time when they will have it. They do a

substantial amount of their borrowing in New York. They are examples of the kind of accounts that we are looking at for future growth.

Q. One of your directors, I understand, is also a director of Atlantic Refining; is that correct?

A. Yes. C. Jared Ingersoll is a director of Atlantic Refining.

Q. And is he the source of your information that you would receive Atlantic Refining's account?

A. No. No, he is not.

Q. Who furnished this information to you?

A. This has come to me directly and indirectly from Mr. Bradshaw, who is the financial vice-president of Atlantic Refining.

Q. Are there any other companies who have given you any informal assurances that they would open an account with you after a merger?

A. The Lehigh Portland Cement Company in Allentown have indicated that they would definitely activate their account with us after the merger. They do all of their borrowing over in New York.

Q. Do you know what their line of credit is in New York?

A. No, I don't, but I know it's large.

Q. "Large" being in what area?

[fol. 4416] A. I would think perhaps $25 million.

Q. Do you know whether they have this entire line with one bank in New York?

A. I do not. The Air Products Company in Allentown have told me that they would welcome a larger bank and that they would like to do their business, more of their business, in Philadelphia, rather than having to turn to New York and Pittsburgh.

Q. Do they do any business with your bank now?

A. They do not, except that we have financed some equipment in our Commercial Installment Lending Department.

Q. Are there any others that you know of?

A. I know there are others, but they just don't occur to me right at the moment.

Q. Do you know of any new business enterprises which would come to the Philadelphia area as a result of the merger between your bank and the Philadelphia National Bank?

A. No, no. I do not. We, of course, can not really pursue that until such time as we can talk to some new business about having that kind of a bank. Naturally, we haven't gone around asking "iffy" questions as to whether they might do business with us or would they come to Philadelphia if we were a larger bank.

Q. On the other hand, has any business told you that they [fol. 4417] could not come to Philadelphia because of the small size of the banks?

A. No. I haven't heard that.

Q. You also state in the application that it is not feasible to increase your lending limit by increasing your capital. Could you explain why this is true?

A. Well, the greatest reason is that it is a very expensive process. In order to sell bank stocks, which bring a price that yields the investor somewhere between 4½ and 5 per cent, you can not sell capital on which you must pay dividends on an advantageous basis to the bank, nor to the stockholders. Those stockholders who couldn't put up the additional capital, make the investment in it—their interest in the bank would be diluted because the earnings required and the dividends which would have to be paid in connection with that stock would have the effect of diluting the position of the stockholder who couldn't afford to put more money into the bank.

Q. Wouldn't you assume that the additional capital you raise would be put to work and would also earn money?

A. The new capital that we would acquire could be put to work and earn money, but not in a sufficient amount that would produce enough to maintain your earnings position and your dividend requirements.

Actually, capital is a base for getting deposits and the [fol. 4418] deposits are the real asset of the bank, which puts you in a position to loan money. You could raise all the capital that you could possibly raise but until such time as you are able to get the deposits your position would be one that you could not realize upon.

Q. So your assumption is that an increase in your capital would not result in an increase in your deposits?

A. An increase in our capital would help increase our deposits, because we could have greater funds to lend, but

not sufficiently to make the transaction one that you should enter into.

Q. Is the question one of cost of raising the additional capital?

A. The main problem is the cost of raising the capital.

Q. And would you——

A. Perhaps I shouldn't say that's the main problem. In a bank you have got to raise the capital and then you have got to get the deposits, and if you can raise the capital without the deposits you will have too much capital, but you have got to have the capital to support the deposits.

Q. What type of costs are involved in raising the capital?

A. The main cost is that you sell the stock at a price usually below its market value and there are incidental costs of the marketing itself; but the real cost, when you [fol. 4419] sell that capital, is that you have to start earning money on that capital and to the same degree that you are earning money on your present capital because you have to pay the same amount of dividends on that capital. This is where the rub is, that you just can not sell any sizable amount of capital and have your earnings anything but diluted.

Q. You don't think that you could increase your earnings sufficiently rapidly with an increase in capital?

A. We do not think so. This has been the experience of banks around the whole country.

Q. An increase in your capital would provide an increase in your loan limit, would it not?

A. Yes, it would; but this comes in very small bites. If we would increase our capital by $1 million, we would increase our loan limit by $100,000; and this does not make progress very fast.

Q. Have you ever raised capital through selling stock?

A. Yes. We have.

Q. When did this happen?

A. At the time of the Girard-Corn Exchange merger in 1951 we sold capital. I think it brought $35 a share. I believe the value of the stock at that time was around $50 a share, so that we offered these shares to our stockholders and sold, I think, about something on the order of about [fol. 4420] $4½ million worth of capital.

Now, this would increase our lending limit by $450,000.

Q. What was your total lending limit at that time?

A. Our total lending limit at that time—I am not certain. It would be in the area of perhaps $4½ million to $5 million.

Q. So that you increased your lending limit by about 10 per cent by that transaction?

A. Yes.

Q. And you also state in the application that your capital position in the bank is already strong in relation to your deposits——

A. That is true.

Q. —which means that you have more funds available than you can lend; would that be a fair assumption?

A. No, no. That is not a proper assumption. This means that the depositor who has his deposit with us has a greater capital related to that than perhaps the depositor of a number of other banks.

Our capital position is that we have about $1 for every $10 of deposit, or 10 cents to every dollar; and this is a higher ratio than most of the banks (not by a wide margin) in Philadelphia and elsewhere in the country. Our predica- [fol. 4421] ment is the deposits. The fact that we have the additional capital and we are better capitalized than many other banks allows us to loan more money with less risk to the depositor because we have a strong capital position; but you have to have the deposits to loan.

It isn't the capital that you loan; that's only a small part of it. The deposits are the things that produce the returns, so that if we had more deposits we could increase our earnings substantially, because we could loan more money. The real block to loaning more money is not having more deposits in relation to that capital.

Q. I see. You state in various places in the application that Philadelphia needs a larger bank. How large do you think a bank ought to be in Philadelphia in order to give the area the type of service which you think it requires?

A. I think that the present contemplated bank would largely accomplish that position, which I think a bank should occupy in Philadelphia.

Q. The lending limit of the proposed consolidated bank would be about $15 million; is that correct?

A. Fifteen million dollars, yes.

Q. You referred earlier to the Atlantic Refining Company, which you think might do business with your bank. Would this loan limit be sufficient to take care of all of its needs?

[fol. 4422] A. No, I do not believe it would.

Q. Would it be sufficient to take care of all of Scott's needs?

A. I should doubt it.

Q. How about Sun Oil?

A. I don't think it would be sufficient to take care of all of their needs.

Q. And Lehigh Cement, I believe you testified, has a $25-million line?

A. I doubt if we could meet all of their needs.

Q. And how about Air Products?

A. I think we could meet their needs.

Q. Wouldn't it follow that a further merger after this one would be desirable for Philadelphia in order to increase the lending limits even more?

A. I shouldn't think that would be necessary.

Q. Could you explain that, your reasons for that assumption?

A. Well, if our bank had a $15-million lending limit, we could add through retained earnings each year something on the order of, I would say, $7½ million to $10 million; and over a period of years we would be in a position, through our own internal growth with this larger capital and ability to do more business and to make more money under one roof, that we could increase our capital perhaps as much, during a 10-year period, at least let's say another [fol. 4422a] $50 million, which would give us another $5 million; so then we would have a lending capacity, within a relatively short period of time, of $20 million, and this would continue to grow.

Q. How much has your bank's capital increased in the last 10 years?

A. I don't know the answer to that question. It would show in that annual report that you are looking at, probably.

Q. I think it does. I believe this shows somewhere from about $47 million in 1950 to $75 million in 1960. Does that refresh your recollection?

A. Yes. That would be approximately correct.

Q. Do you anticipate any decrease in that rate of growth?

A. No, I think that rate of growth will continue.

Q. Your bank has an able and sound management, does it not?

A. We think it has.

Q. And there is no reason to think that this will change, is there?

A. I don't believe so.

Q. Would you say that the management of your bank was any factor in considering whether the proposed merger would be in the public interest, the sufficiency or the adequacy of the management?

A. I think this was a consideration.

[fol. 4423] Q. Could you explain that, sir?

A. Under our new arrangements with Mr. Potts as chairman and chief executive officer, and myself as president and chief administrative officer, we will have two men instead of one. We will have also chairmen and we will also have vice-chairman of stature, additional senior vice-presidents, a larger complement of vice-presidents, and there is just no doubt about the fact that our bank will be a stronger bank from a management standpoint because——

Q. There will be more of you?

A. —there will be more of us. And, certainly, when one man is away there will be someone to take his place to carry on some responsibility that he might otherwise have to be there to be carrying on.

Q. Is this a problem for your bank now?

A. In our own bank, I certainly can't find enough time to get all the things done that I would like to do for the advancement of our bank.

Q. Wouldn't your duties increase as president of the combined bank?

A. I think they will take a different form, and I will have many associates upon whom I will be able to call for assistance.

Q. Many of whom will be the same associates that you [fol. 4424] now have?

A. Yes, but we will also have, instead of one expert in Personnel I will have two, and instead of one expert in Operations I will have two, and with Operations being as

important as they are this is a real plus in the new bank from a management standpoint.

Q. Can you describe in a general way the methods that you now employ to handle loan participations which are larger than your own bank can handle or wishes to handle?

A. This is a field in which we do not engage very frequently because most of the time we are not afforded the opportunity. If substantial additional lines of credit are desired, the practice of industry is to make those arrangements with the individual banks, so that while we perhaps would be the lead party in the loan agreement or the loan arrangements, and we might be the one that issued the participation certificate, the industry or the business has already made the individual arrangements with the banks and these are not arrangements that we make with the banks. Ther are a few occasions when we might participate a loan of a business to some other bank, completely on our own, but this is something that businesses do not like and, as I say, we do very infrequently.

Q. Can you tell me approximately how many loan agreements you now have current which are shared with other banks?

[fol. 4425] A. No, I don't believe I could.

Q. Do you have a list of them? Would there be a list available in the bank?

A. I am not certain that I am sure that you are referring to agreements that we have with banks with business where three or four banks are participants in a loan, or whether you are talking about a loan that we have that we participated to some other bank.

Q. Well, let's take the former. Would you have information available on the number of agreements of that type?

A. Yes, we would. We, of course, know who our partners are in any loans.

Q. And you would have a copy of the agreement which governs the loan?

A. When you speak of agreement, most cases there are no other agreements than just a note.

Q. And would the note show the other parties to the loan?

A. Not necessarily.

Q. Where would this information be reflected in your files?

A. That would be in our Loan Accounting Department.

Q. And would your Loan Accounting Department have any list prepared or would they submit to you any list on a regular basis showing information of this type?

A. No, there wouldn't be any occasion to do that. You [fol. 4426] see, in these cases the businesses are dealing directly with the banks, and while we may be one of them there is an individual contact with each one of the banks.

Q. And you wouldn't necessarily know who are the other banks participating in this loan?

A. We would know that because in granting a line of credit we always want to know who the other lenders are.

Q. And this information would be reflected in your files?

A. Yes.

Q. In the Loan Department?

A. In our Credit Department and in our Loan Department.

Q. And are there any summaries of this type of information available?

A. I don't believe there are.

Q. With respect to loans where I believe you said you issue the participation certificates——

A. Yes.

Q. —can you tell me how many loans of this type you have?

A. Offhand, I do not know. We participate some brokers' loans to the correspondent banks.

By the way, that is another service that we perform for correspondent banks, just providing an avenue of investment for that correspondent bank. This would amount in total to about $6,000,000 at the present time. Just how [fol. 4427] many cases it is, I don't know offhand. Not many. Nor would any participations we have with any other banks run into any sizable number at all. It would be a very modest amount.

Q. The certificates would also be maintained in your Loan Department, I take it?

A. Yes, they would be.

Q. And you don't get any periodic reports on the number of these?

A. There would really be no occasion to get those.

Q. Can you tell me what type of loan usually requires a participation basis?

A. This would be a loan that would be an amount that would be greater than you would be willing to loan the company, or would be one which would exceed your lending limit.

Q. Is there any particular type of commercial loan which would be predominantly of this type?

A. I would say not.

Q. Do you know how much of your total loan business consists of loans in which there are participations by other banks?

A. No, I don't know that.

Q. Would this information be available from any of your business machines?

A. Not from the business machines but it would be [fol. 4428] available by looking in our Loan Department records.

Q. To go back a little bit: Do your business machines yield information as to the dollar categories in which loans fall, for example, 0 to 500, 500 to 1000?

A. No, they do not.

Q. One would have to look at your periodic reports summarizing these loans in deriving information from those reports, I take it?

A. That is the only way you could determine it. For instance, if you looked in our consumer credit regular loans and our business loans, we would probably have 75,000 of those. So that we don't classify them $100 to $500; there are just 75,000 loans we have in that category.

Q. And you have no over-all information as to how they are broken down by amount?

A. I am not sure that I understand that question, Mr. Reycraft.

Q. Well, for example, could you ask your Loan Manager how many of the 75,000 loans are for a thousand dollars or more?

A. He could only find that out by——

Q. By counting them?

A. —by counting them.

Q. In those loans, Mr. Brown, in which your bank participates, do you require the borrower to make any specific

[fol. 4429] deposit with your bank or any percentage of the loan as a deposit with the bank?

A. Well, of course, we wouldn't be participating a loan unless we had a deposit in the first place.

Q. But where you share in a loan that originated with some other bank, for example, do you require the borrower to have a deposit with your bank?

A. Yes. We wouldn't be interested in taking the participation unless that borrower had a definite relationship, banking relationship, with us, except in the case of the fact that this other participating bank might have a very substantial account with us and would be willing to increase it in relation to our participating, then in that case we would be willing to take the participation.

Q. You would expect a deposit to come along either from the borrower or from the originating bank?

A. Yes. We just don't buy loans that don't have deposits attached to them.

Q. Is there any percentage which you would require of the loan to be made up?

A. 20 per cent is the amount that we usually think of as a rather appropriate amount to be associated with in support of the loan.

Q. Would you be able to state, Mr. Brown, whether you [fol. 4430] have any loans in which you participate with the Philadelphia National Bank at the moment?

A. I could not, although I do know that we have loans arranged here by our customers who have also arranged loans at the Philadelphia National where they are also a customer.

Q. These are separate loans; they are not participated loans; is that correct?

A. No. It would be the unusual case where we would participate it back and forth, except perhaps maybe in the case of a term loan where if it were a term loan agreement and the Philadelphia National happened to be the managing bank, in that case they would give us a participation certificate. But if it were the ordinary loan where we participate, each bank has its own loan and the number of loans that a business has just makes up this total loan arrangement. The Philly doesn't make the loan and then give us a part of it, or vice-versa.

Q. I believe somewhere in the application you state that there are approximately 392 loans common to both banks, that is the same borrower has loans with each bank in 392 cases.

A. Yes, that is correct.

Q. How is this information obtained, can you tell me that?

A. Well, we took our—we listed our loans which were, I think, $50,000 and over and they listed their loans of [fol. 4431] $50,000 and over, and I think we determined in that fashion whether we had loans to the same company.

Q. Do you have any recollection as to the total number of loans of $50,000 and over maintained by your bank? You made a list, I take it?

A. No, I do not.

Q. I think we should have a correction in the record, Mr. Brown. I referred to loans in 392 loans. I believe I misled you. It is 392 checking accounts.

Mr. Price: The loans appearing on page 100 are 67.

By Mr. Reycraft:

Q. So the number of mutual checking accounts would be 392.

A. Now, the answer to that question then would be that we took all of our accounts that were $10,000 and more, and I think in all there were about eleven thousand such accounts, and we then checked each side of the record as to whether we had accounts in each bank, and that is how we discovered that we had 392 out of eleven thousand-odd in the two banks. And we did the same thing in the loans which you now indicated are a lesser amount.

Q. Yes. Is this list still available, sir, do you know?

A. I think it must be.

Q. And I assume a similar list would be available with [fol. 4432] respect to the mutual-time accounts?

A. I think that would be so.

Q. And in mutual-loan accounts?

A. I would think so.

Q. And were any similar lists prepared for checking accounts, for example, with balances of less than $10,000?

A. I do not believe so.

Q. Or with respect to—let's see, mutual loans, I believe you have testified, the limit used was $50,000?

A. $50,000 is my recollection is the amount that we used.

Q. Mr. Brown, do you recall any occasion in the past, say, ten years when your bank had to refuse a specific request of any borrower to make a loan because of your lending limit?

A. No, I do not. I might say that they don't ask you when that situation is apparent.

Q. Do you know of any of your depositors who have gone to another bank for what you believe to be that reason?

A. No, I don't believe that I do know of any depositors that have gone to another bank for that reason, but surely believe I could find cases where that was so.

Q. At page 9 of the application you use the term "wholesale bank." Could you define that term for us, please?

A. When you speak of a "wholesale bank," you think of a bank that deals mostly with customers that have large [fol. 4433] accounts, business, correspondent-bank accounts, and accounts other than those which might ordinarily be known as retail banking, which covers the field of saving-fund accounts, consumer credit, small checking accounts, and that type of business would be of the retail nature and not found in a "wholesale bank."

Q. Does your bank do both types of business?

A. Yes, we do.

Q. And does Philadelphia National do both types of business?

A. Yes, they do.

Q. Are there other banks in the Philadelphia area which compete for what you sometimes describe as national banking business?

A. Yes.

Q. Which banks are they?

A. I would say that the First Pennsylvania Company, the Provident Tradesmens Bank, Philadelphia National Bank, the Fidelity-Philadelphia Trust Company, and to some degree I would say the Central-Penn National.

Q. Are there any others?

A. I believe on a national scale, except for pay-roll accounts of national concerns and convenience accounts, you could include all the banks in the area who compete on

that basis, but if you are speaking of competing for national [fol. 4434] business and endeavoring to obtain a primary account or an important account——

Q. A line of credit?

A. —a line of credit, I think it would just be with those, say the first six banks in the city.

Q. The remaining banks you would consider to be competitive basically in the local market; would that be correct?

A. Yes, I think their competition for the most part would be in the local market.

Q. In what areas of business do they compete in the local market?

A. Do you mean these other banks?

Q. Yes, sir. The smaller banks.

A. For all types of banking business where you serve the public, such as regular checking accounts, special checking accounts, consumer loans, safe-deposit business, the business of that nature.

Q. Do each of them compete with your bank for these banking services?

A. If located near one of our activities, they would be competing with our bank.

Q. How near would it have to be to be competitive, in your judgment, for deposits?

A. I should think if they would be within about a mile [fol. 4435] from the bank they would be competing for that type of service.

Q. How about loans?

A. The same would apply to the loans.

Q. Would this apply to their ability to compete for the loan business of small businesses in the area?

A. Yes, they would be just as competitive as we are for small business loans.

Q. Would you consider that their area of competition would extend beyond one mile?

A. I would think so for the small business loans. I was thinking mostly of distinctly retail business when I was describing the competition for checking accounts and that sort of thing.

Q. In other words, for checking accounts and for small deposit accounts, the area of competition would be around——

A. It would be a neighborhood competition, whereas for small loans to small businessmen they might go quite a distance to get their accommodations.

Q. How far in your experience would this area extend?

A. I think the small businessman would go wherever he thought he could be served.

Q. Do you think he is in the national market?

A. Do you mean a customer for the national banks, for banks who are in the national scene, do you mean?

[fol. 4436] Q. Would he go to New York, for example?

A. That would be very unlikely, that the small businessman would go to New York.

Q. In what area of size of loan do you think there would be a demarcation in the local business as distinguished from the national business?

A. I would think that a borrower who needed a million or more would perhaps go to another city.

Q. Is it your experience that borrowers who require less than this amount generally remain in the local area?

A. I would think there would be plenty of accommodations for those borrowers here.

Q. With respect to the six banks that you described as being competitive in the national market, is it your opinion that each of these banks is competitive with each other?

A. Yes.

Q. Your bank competes with First Pennsylvania, for example?

A. Yes, we do.

Q. With Provident?

A. Yes.

Q. And with Philadelphia National?

A. Yes.

Q. Fidelity?

A. Yes.

[fol. 4437] Q. And Central-Penn?

A. That's right.

[fol. 4438] Q. And you compete with each of these banks not only with respect to national business but also with respect to local business of all character?

A. Yes, we compete with them both nationally and locally. And I haven't mentioned trust business. This is also an area of competition between us in these banks.

Q. Between these six banks that you have named primarily?

A. Yes.

Q. Is business of this type primarily local in nature?

A. This business, of what type?

Q. Trust business.

A. No, not necessarily. In the larger trust companies the field of trust activity would be much larger than the smaller banks that I have mentioned, such as Central-Penn. Our activities would take us all over this state and other adjacent states and out to the Midwest and down to Florida and areas such as that.

Q. The beneficiaries would live in these areas; is that correct?

A. The beneficiaries may very well live there. I am talking about the people who are the settlors and testators and not the beneficiaries. This is primarily a piece of trust business where someone makes a deed of trust. We have, for instance, a big field for this in areas like Easton, [fol. 4439] Bethlehem and Allentown, areas such as that.

Q. Would you have any figures available to show the origin of your trust business by the settlor or testator?

A. I have none available personally.

Q. Would your Trust Department?

A. This could be obtained.

Q. Your Trust Department has information of this type. Do they have this information in any of your business machines, in your IBM equipment, for example?

A. I should doubt that.

Q. Approximately how many trust accounts does your bank maintain?

A. About eight thousand.

Q. And it would be necessary to analyze each of these trust accounts in order to determine the origin of the account?

A. Yes, that would be correct.

Q. Is there any address list that you maintain of the settlors or testators?

A. The address list would be of the beneficiaries and not necessarily of the testators because in the case of their wills we don't know their forwarding addresses. But with deeds of trust, we wouldn't keep records of their addresses

but we would know where the business originated, and we [fol. 4440] undoubtedly could identify the person by the address.

Q. Mr. Brown, page 36 of the application reference is made to advertising expense and a proposed reduction in the advertising expense. Could you tell me in a general way what type of advertising your bank now engages in?

A. Well, we advertise in all of the local papers, also the Wall Street Journal. We advertise in all the neighborhood newspapers. Our annual report, which I just saw you have, is a form of advertising or promotion that we do and is part of our advertising budget. We use this in our sales approaches.

Q. Do you have—pardon me.

A. We advertise on the radio, we advertise in many business and professional magazines.

Q. Would your advertising budget show the publications and media in which you advertise, and the amounts you spent for each of them?

A. Yes, it would.

Q. And do you have this budget on an annual basis or is it prepared more frequently than that?

A. We prepare it on an annual basis and then adjust it monthly as we go along.

Q. Would you have a year-end report, for example, which would show what you actually have done during the year in [fol. 4441] addition to your budget estimates?

A. I would say that probably not because we hew fairly closely to our budget estimates, which we keep adjusting from say quarter to quarter, and I think the complete report of what we had spent would show where we spent it.

Q. There would be a complete report of what you had spent in the past?

A. What we had spent on institutional advertising and what we had spent, that is, on the bank image, and what we had spent in advertising specific services like consumer credit or items of that kind.

Q. Beginning at page 43 of the application there is a rather comprehensive list of banks under the caption, "Assign consecutive numbers and provide the following information with respect to the head office of the charter bank merging or consolidating bank, and each other commercial

bank competing within the service areas of the participating banks."

Can you tell me who prepared this list?

A. The list was prepared by people in our Branch Administration Department in this bank, and people in the Bank Branch Administration Department in the Philadelphia National Bank.

Q. Do you know how the determination was made that [fol. 4442] these banks were in competition with your bank in the service area?

A. No, I do not.

Q. For example, do you consider the Bucks County Bank & Trust Company of Perkasie, Pennsylvania, to be in competition with your bank?

A. No, not with our bank because we are not in the Bucks County area, but the Philadelphia National Bank have four or five branches there, so this would be in competition with PNB.

Q. Would I be correctly interpreting the information shown in this application if I assume that this bank is 29 miles from the head office of applicant?

A. I would say Perkasie is about 29 miles away from here.

Q. From the head office?

A. From the head office.

Q. But your assumption is that there are branches in this area?

A. Oh, there are. We have not any. The Philadelphia National have a number of branches which would be closer —what does this say?—distance in road miles and direction from head office. You see, it is the head office there. If you found that Bucks County Bank on another part of this report, you would find out that their distance from the [fol. 4443] offices of the Philadelphia National Bank wouldn't be very far.

Q. Where is that information shown?

Mr. von Starck: 53.

The Witness: If you look at 53.

. . . . . .

Q. Mr. Brown, can you tell me who made the estimates as to the deposits and loans of each of these banks, or what the source of the estimates is?

A. This is done by the Branch Administration people in each one of the banks. I know that the source of it is that we knew what the deposits were in the banks and our people here and those at the Philadelphia National Bank would know just by looking at the branch and how long it has been established about what their deposits would be. That is how it was determined.

Q. I am not sure that I understand that. You would know from a public source, for example, what the deposits of the Bank of Old York Road would be?

A. Yes. You could look at their call reports and you would know what their total deposits would be; that's correct.

Q. And you would know what their total loans would be from the same source?

[fol. 4444] A. You would know what their total loans would be from the same source.

Q. And is that the basis for your information in this compilation?

A. I say I didn't prepare this. I know that our people use that criteria along with others which is available to them.

Q. Do I understand that in some cases it was necessary to make estimates based on sources other than the call reports?

A. You couldn't do otherwise. No banks publish deposits by branches.

Q. So that in any case where the bank shown here is a branch bank, the deposits and loans are both estimates which were made by personnel in your bank?

A. That is right. They would add up to a total, but to the proper total, but we couldn't be positive that the person had a dollar more in one branch than he had in another one. I mean this was something we couldn't determine.

Q. You have, however, for your own bank, complete information as to the deposits and loans in your branches, and the breakdowns of the loans by type, for example; would that be correct?

A. Yes, we do.

[Vol. 4445] Q. And Philadelphia National has its information on the same basis?

A. I believe so.

Q. So that your language in this application where you use "competing within the service areas," you don't mean to imply necessarily that in all cases these banks compete with either your bank or the Philadelphia National Bank; is that true?

• • • • • • • •

Q. My question is, if I may frame it this way: You claim that each of the banks listed competes with your bank, do you?

A. No, they don't compete with our bank as to each one of them. But I would say this is information that is assembled with the thought that the banks in these areas do compete with the two banks, in other words, with the Philadelphia National or ourselves.

Q. And if I understand your claim then, it would be that each bank listed competes either with your bank or one of its branches, or with the Philadelphia National Bank or one of its branches?

A. To one degree or another.

Q. Throughout the table which begins on page 52 the heading appears "Estimated Population Branch Service [Vol. 4446] Area." Can you tell me the source of these estimates?

A. These are also made by our Branch Administrative Department and the Philadelphia National Bank's Administrative Department, Branch Administrative Department.

Q. Can you identify the persons who made these estimates? In each particular bank would it be a particular——

A. On our side of the bank it would be Mr. Beadle and Mr. Gardner.

Q. Their assumptions as to the service areas seem to vary somewhat. Would you have any knowledge?

A. How do you mean?

Q. Well for example, service area of Bank of Old York Road is 8,911. Does that refer to the population in Horsham, Pennsylvania?

A. No, that does not necessarily just apply to the population of Horsham, Pennsylvania.

Mr. von Starck: Mr. Reycraft, have you seen the footnote on page 71, which I think in part explains your question?

Mr. Reycraft: I understand.

By Mr. Reycraft:

Q. So that in each case the estimate is of the political subdivision in which the branch is located.

Mr. von Starck: Unless they had the actual population [fol. 4447] for that particular branch area, the way I read it.

Mr. Reycraft: And we don't know, I take it, in which cases you claim the actual population of the branch service area was available. Do you?

Mr. von Starck: I don't.

Mr. Price: You will observe the figure of 1,971,341 is Philadelphia.

Mr. Reycraft: That is my assumption.

Mr. Price: That comes from more accurate reports.

By Mr. Reycraft:

Q. That is the population of the City of Philadelphia, correct?

A. That is correct, sir, yes.

Q. And that is the service area which you claim as to these branches, correct?

A. That's right.

Q. May I ask the witness if he can tell me the difference between these two service area concepts?

A. I don't believe I can.

Q. Mr. Brown, at page 76 and going over to page 77 of the application, the sentence appears: "On the basis of providing increased credit facilities to larger customers in both banks, there will come back to Philadelphia, where [fol. 4448] they rightfully belong, the balances now carried in banks in New York City and other financial centers."

I don't mean to belabor this but did you have in mind any particular customers?

A. Well, I think this is more of a general statement because it is entirely clear to us in our experience with

particular customers that I mentioned earlier today there are many other people similarly situated where we would be able to have them do more business with the Philadelphia bank if we had greater facilities.

Q. That sentence is more of a hope, I would take it?

A. It is a hope, and I think a reasonable expectation.

Mr. Reycraft: I have nothing further in this volume. The next is the afternoon session.

The Court: What page are you starting, Mr. Reycraft?

Mr. Reycraft: I will start at the top of page 78.

(Reading of the deposition resumed on page 78:)

[fol. 4449] Q. Do you have a substantial amount of corporate trust business?

A. We have a fairly sizable Corporate Trust Department. Actually, it's not what might be described as a large department, although it does a substantial amount of work for our customers.

Q. Would these accounts be largely local in origin?

A. I would think that they would be largely local, although corporate trust business flows from banking business ordinarily so that you would, if you had an out-of-town customer, you could very well get an out-of-town piece of corporate trust business.

Our pension and profit-sharing trusts are in our Corporate Trust Department and they come from all over the country, from national concerns and from large accounts that we have of smaller concerns around the country; and we also sometimes acquire corporate trust business just on really cold solicitation.

Q. Do you know, with respect to the other banks in the Philadelphia area, whether they are organized, whether their commercial departments are organized on industry lines or on geographic lines?

A. I would say I have no definite knowledge on the subject.

[fol. 4450] Q. Your own bank, I take it, is organized on geographic lines?

A. We are organized on geographic lines, yes. We have a Philadelphia geographic area and then we have the out-of-town, which covers really the whole country.

Q. Is this out-of-town department the one you just testified about earlier here?

A. Yes.

Q. Are any of these officers in your out-of-town department specialists in any particular areas of business?

A. There are some—there is some specialty in that department. One man is a specialist in the food industry, for instance.

Q. Do you have a petroleum specialist?

A. No. We do not. This has been one of our weaknesses.

Q. Have you felt that you didn't have sufficient business to justify one? Is that the reason?

A. Yes, just that we are not large enough to afford industry specialization in our Banking Department. This is something we hope to attain, but we have just not been large enough as yet to have it.

Q. Are you familiar with the manner in which, for example, Chicago banks are organized in their Commercial Departments, that is, with respect to industry or geographic lines?

[fol. 4451] A. I happen to know something about the First National Bank in Chicago. I know they have themselves organized in petroleum, chemicals, building, transportation, utilities.

Q. Do you know how the Continental-Illinois is organized?

A. No. We have no relationship with that bank, so we would have no reason to know.

Q. At page 79 of the application reference is made to the fact that the charter bank, with two local competitors, is a sponsor of a small business investment company. Who are these two competitors? Do you know that?

A. Yes, they are The First Pennsylvania Company and the Central-Penn National Bank.

Q. Your bank hasn't participated in that organization?

A. No. We have not as yet.

Q. I understand that your bank also proposes to establish a department for dealing in Federal funds.

A. This is something that we have discussed and, as a matter of fact, The Philadelphia National Bank, since this application has been filed, has made a start in that direction.

Q. Isn't New York the primary area for this type of activity?

A. For the Federal funds?

[fol. 4452] Q. Yes.

A. Yes, they make quite a specialty. They make quite a specialty in it in New York, being the financial center that it is.

Q. It is quite likely, isn't it, that that will continue to be the case, that it will be difficult for Philadelphia banks to make any substantial inroads on this market?

A. We think not. You see, many small banks throughout Pennsylvania and New Jersey and Delaware find themselves in a position where they can't employ every dollar of their funds advantageously and if we are the correspondent of that particular bank the ability for us to be able to buy from that bank or sell to that bank Federal funds will just be another way of cementing our relationship and meeting some of the competition that others offer; and I think, in view of the fact that we will be dealing with people in our general area, that we will have a chance to build up that department fairly substantially.

Q. The Philadelphia National, you say, has already made a start in this area?

A. They have just started since this application was filed, as a matter of fact.

Q. What relation is there between establishing departments of that character and the size of the bank involved?

[fol. 4453] A. Well, you have to have flexibility in being able to trade in Federal funds and you have to have sufficient amounts of money in deposits to be able to have available funds to sell or to be able to buy funds that they have to sell.

Q. Doesn't the Philadelphia National have sufficient funds for this purpose now?

A. I would say that they will not be able to do the kind of job that should be done until they are larger.

Q. Can you tell me what the average term is of your commercial loans, in time?

A. When you say time are you defining it by a time loan or——

Q. No, I am referring to a loan, for example, which would

become due in one year or two years. I am not talking about installment loans.

A. Oh, you are talking about a term loan?

Q. Yes, a term loan.

A. Well, as a commercial bank, we don't like to make a term loan that will run for longer than five years.

Q. What is the reason for that?

A. Because we are in the business of meeting our depositors' needs for withdrawals and we cannot have tied up for too long a time moneys on deposit with us, so that we think five years for a commercial loan is a fairly lengthy [fol. 4454] time in relation to our deposit requirements.

Q. You have to maintain a high degree of liquidity; is that right?

A. A reasonably high degree of liquidity.

Q. And that is because primarily of the fact that you do have demand deposits?

A. That's right.

Q. Do you know what the longest term is of any loan you have, commercial loan you have at the present time?

A. No, I do not, but——

Q. Do you have any for ten years, for example?

A. We might have as quite an exception a loan for that length of time.

Q. In general five years is the limit?

A. That is right; in general.

Q. And is that true generally of commercial banks?

A. I think it is.

Q. What about real estate loans? What type of real estate loans does your bank make?

A. It all depends about what time you are talking about. For instance, we did make VA loans, but we are not making those now. We made FHA loans.

Q. These are home modernization loans?

A. No. I thought you were talking about mortgages.

[fol. 4455] Q. That's what I was.

A. No, we make home modernization loans, but they are not of the FHA type.

Q. These are construction loans you are referring to?

A. No, these are regular house loans, where they are insured by the Federal Housing Administration; and then we make conventional loans.

Q. What is the term usually applicable to loans of this type?

A. We usually loan in conventional loans, for periods of 15 to 20 years. Of course, on the FHA loans we loan during the period of time that is provided by the FHA regulations, which is usually for a longer period.

Q. If a corporation wishes to make a loan for 10 or 15 years, where does it usually go?

A. Do you mean a mortgage loan?

Q. No, a general commercial loan. Are there such things?

A. If he wanted to make a general commercial loan, he probably would go to his bank and a financial institution like a life insurance company; the bank taking the shorter end of the loan and the insurance company taking the longer end.

Q. Short and long in terms of time, do you mean?

A. Yes.

[fol. 4456] Q. I understand from the application at page 95 that the direct competition between insurance companies and commercial banks is not significant. That is the way it is expressed in the application.

A. I would say that it was not significant, although we do find companies like The Prudential Life Insurance Company coming into this area and making five-year term loans to small business.

Q. Is this usual?

A. I would say it's a trend which is increasing, that insurance companies are getting more into the term loan field and taking the whole thing themselves.

Q. In general, is it true that insurance companies and commercial banks, the type of loans they make, are complementary rather than overlapping types of loans?

A. I would say yes, except in the case of mortgage loans. In this case we are direct competitors of each other for mortgage loans.

Q. Would you characterize the type of loans which you have described, where you take the short end and the insurance company takes the long end, as a participation type of loan?

A. I would think that this would be called a participation type loan, although ordinarily that is not what one thinks [fol. 4457] of when you talk about participating loans.

Certainly, when we take the first five years and the insurance company takes the next ten years, each is participating in a loan, but they are not participating in our part of the loan or we are not participating in their part of the loan.

Q. You are not participating at the same time?

A. Well, we are both participating in the whole loan, except that we get paid out sooner than the insurance company, which is on the end of the loan while we are on the front of the loan.

Q. Mechanically, how does this work out? At the end of five years does the insurance company pay the loan off to your bank and then take it for the remainder of the term?

A. No. The borrower, by the time the five years are up, has paid us off the loan and we are out; and the insurance company stays with him for the balance of the ten years.

Q. I understand, but this entire loan is governed by one basic document; the loan agreement covers the participation of both the bank and the insurance company?

A. Yes. That is usually the case.

Q. Now can you tell me in a general way how many of these loans your bank participates in at the present time?

A. I don't know the answer to that.

[fol. 4458] Q. Are there relatively few of this type?

A. Relatively few. This is not a large operation as far as we are concerned.

Q. They would be managed by your Commercial Loan Department?

A. Yes, they would be.

Q. What insurance companies are involved in the loans that you have? Do you recall that?

A. I would think that probably The Penn Mutual Life Insurance Company—I say, I think particularly of The Penn Mutual Life Insurance Company. We have had some of that with them.

Q. That's the only one you can think of?

A. Yes.

The Court: I think we will suspend at this time, because you are starting a new subject.

(Recess taken at 12:30 P.M. until 2:00 o'clock P.M.)

[fol. 4459] AFTERNOON SESSION

Present: Counsel as previously noted.

Mr. Price: If Your Honor please, I have two live witnesses. May I put them on now?

The Court: You may.

Mr. Price: Thank you.

Mr. Hankin.

PERCH P. HANKIN, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Hankin, you are a member of the bar?

A. Yes, sir.

Q. And also president of the Bank of Old York Road?

A. Yes, sir.

Q. Will you tell me when that bank was organized?

A. It will be ten years this coming April 1st.

Q. Were you one of the original group that organized the bank?

[fol. 4460] A. Yes.

Q. Has it always been in the same location?

A. Yes.

Q. What is its present address?

A. Easton and York Roads, Willow Grove.

Q. How did you come to organize that bank?

A. Being one of the business people in Willow Grove and having my law office there, we attempted to get a Philadelphia bank to open a bank in Willow Grove. We approached most of the banks and they did not see fit to come.

For that reason we applied for a charter and received one from the Pennsylvania Department of Banking, and the FDIC.

Q. How has the bank done since then?

A. Very well.

Q. What is its present condition?

A. Sixteen and a half million.

Q. What are the deposits?

A. 15.4 million.

Q. And its capital and surplus?

A. 1.1 million.

Q. During that period of time several mergers took place of smaller banks in your general area with larger Philadelphia banks, did they not?

[fol. 4461] A. Yes. The closest one is Hatboro, a mile and a half north of us, which merged with Philadelphia National.

The closest one south is Abington, two miles south, which merged with Fidelity-Philadelphia.

The Southampton Bank merged (that's about four miles away) with the Philly National. Huntingdon Valley Bank, which is about four miles away also merged; two Ambler banks merged.

The Jenkintown merged in reverse just last week, and the only remaining independent banks in our area today are ourselves, which should be last, Cheltenham, and Elkins Park.

Q. Did those mergers have any adverse effect on your operations?

A. No, sir.

Q. What effect, if any, did they have?

A. It helped us.

Q. In what way?

A. Every time they merged into a Philadelphia bank or a larger bank, the depositors, some of them, would always leave to go to a smaller bank where they would know the officers. Instead of dealing with a bank manager they wanted to deal with the president or vice-president of the institution.

Q. And you got depositors by that route?

[fol. 4462] A. Yes, as late as last week, when Jenkintown merged, we received a fairly nice shot in the arm from depositors that left Jenkintown because of the merger with Industrial.

Q. What effect have those mergers had on competition in the area?

A. Made it keener.

Q. When your bank first organized, when it first began operations, were there any Philadelphia banks in the area

with which you were competing, or were they all the local community banks that had been there before?

A. No. Broad Street Trust Company was at Glenside, had just merged with Northwestern at that point. That was the only one—no, I think one of the Ambler banks had merged by that time.

The rest of them were all still there.

Q. Have you ever objected to the establishment of any competitor in your area?

A. No. In fact, we have testified in one instance, the Philadelphia Saving Fund Society, coming out and opening a branch within a block of our institution. We welcomed it.

Q. What did that do for your competitive situation?

A. Our saving accounts increased in the same proportion as our commercial, even though Germantown was a block away.

Q. Have you any customers that need more accommoda-
[fol. 4463] tion in loans than your bank is large enough to afford?

A. Yes, sir, many.

Q. What has been your experience with reference to borrowers having their loans participated among two or more banks?

A. There is a resistance. They prefer it being handled at your institution and you have to do a fairly good selling job to tell them that you will handle it and follow it through continuously and protect them. They are sort of hesitant of other banks participating in their loans.

Q. Now, you have heard——

A. They know what you are going to do: they don't know what they are going to do. That is what they say; that's the language they use.

Q. Now, you have heard of this proposed merger of the Girard Trust Company and the Philadelphia National Bank?

A. Only what I read in the papers, sir.

Q. I mean, you have heard that there is such a proposal?

A. Yes.

Q. What, in your opinion, would be the effect of that merger on your bank and other banks in Philadelphia?

A. I believe it would help us.

Q. To what——

A. To some extent; not a tremendous extent, but it will help.

[fol. 4464] Q. In what areas?

A. When I say "help," I don't think it will be a tremendous help. If we gain anything from it, it will be a small amount, but it will not hurt us.

The accounts that they are serving today will not leave them to come to us because of this merger, I am sure of that. You may get a few, very few.

Q. What, in your opinion, will be the effect on the business community in Philadelphia and the Philadelphia area?

A. I think it will aid the business community, the whole Delaware Valley, in that they will be able to handle the larger requirements for loans that can not be handled in Philadelphia today, that are going to New York or other areas for accommodations.

Q. What has been your observation in that regard, Mr. Hankin?

A. Well, your larger firms do go to New York for accommodations. Personally—not as a banker, but as an individual in my business—I go to New York for additional aid beyond what I get from the correspondents or from my own banks here.

Q. What, in your opinion, would the effect of the merger be on the smaller businessman and the smaller borrower?

A. It won't affect them at all. The only thing it will do, it will help the larger accounts who can be accommodated [fol. 4465] here.

Q. What, in your opinion, effect would the merger have upon the ability of the merged bank to control deposits or loans in other banks?

A. It would have no effect at all. They couldn't control it. There is still competition, ample competition.

Q. What, in your opinion, would the effect be so far as fixing rates of interest charged or allowed by other banks?

A. It would have no effect on the rate of interest.

Q. What, in your opinion, would the power of the merged bank be to affect the performance by other banks of banking services for their customers?

A. It would have no effect upon other banks at all.

Q. What would you say as to the existing and potential

competition generally in commercial banking in the Philadelphia area if such a merged bank came into existence?

A. It would have no effect upon the competition because there are still plenty of large and smaller banks available to handle the loans, which would stimulate the competition between the banks for the loans. They wouldn't control it at all.

Q. Would you expect the competition to be greater or less as a result of the merger?

A. It would not be less; maybe more, because you know [fol. 4466] whom you are competing against and you have to go out and compete.

Q. What have you to say about the concentration of commercial banking, as to whether it would be substantially or unreasonably increased?

A. Well, I don't quite follow your question.

Q. Would the increase in concentration in commercial banking which would result from the merger have any adverse effect on either the banking activities in the community or the community generally or the customers of the banks?

A. It would have an effect in that it would attempt to keep more of the local accounts here that would be going, that have been going to larger banking areas to seek accommodations because they could service that account here.

Q. Such areas as what?

A. New York, Chicago, Boston.

Q. Could you give me any illustrations of service which can be supplied by a bank outside of Philadelphia which is not available here?

A. Yes. In my institution, I have had to go to institutions outside of Philadelphia for advice and accommodations in accounts that we were handling that no Philadelphia bank could give us help in.

One particular case I can think of is we have a distilling firm up in Schaefferstown, Pennsylvania; and in getting [fol. 4467] advice as to the handling of warehouse receipts and what procedure they used, there was no Philadelphia bank that was capable of giving us that information.

I had to go out to the First of Chicago for that, which has a department set up that handles nothing but distilled

products going into liquor. They throw liquor and oil together for some reason, but that department handles that.

Q. Have you any opinions why that kind of service is not available in Philadelphia today?

A. I would imagine because of the size of the banks, it wouldn't warrant such a setup.

Q. The First of Chicago is much larger than any bank in Philadelphia, I assume?

A. Yes, sir.

Q. Now, would you consider that the merged bank would have any effect on existing and potential competition in commerce and industry that is served by commercial banks in the Philadelphia area?

A. Again, I say it would increase the competition there and would bring in more—keep more of the accounts in the Philadelphia area here instead of it going out.

Q. Speaking generally, what would your opinion be as to the desirability or undesirability of this proposed merger? [fol. 4468] A. Oh, I think that it would help the Delaware Valley area if this merger did go through, and that it could handle the larger accounts that require accommodations beyond what the local banks presently can offer.

Q. Just to clear up one thing, Mr. Hankin, I wasn't sure whether you were speaking of the Philadelphia Saving Fund Society or the Saving Fund Society of Germantown.

A. Germantown is the one that opened up in Willow Grove, sir.

Mr. Price: Germantown?

Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Hankin, when was your bank organized?

A. It will be ten years this April 1st.

Q. Have you, during any of that time, or has anyone representing your bank ever discussed merger with any other bank in Philadelphia?

A. We have had almost all of them now, other than the two present ones here, talk to us, calling; but we have always said "no."

Q. They all want to acquire your bank?

A. A number of the Philadelphia banks, yes.

Q. Does that include the Philadelphia National?

[fol. 4469] A. Neither one of them have approached us.

Q. Pardon me?

A. Neither one——

Q. Neither one?

A. Neither one of the two present banks here have approached us.

Q. Just the others?

A. Most of the others, I'd say; most of them.

Q. All right.

Now, you indicated that you had in mind some banking business which goes to New York. Can you tell me what particular business you had in mind?

A. Well, my personal account, sir, I go to New York for additional accommodations.

Q. For an increase of lending?

A. Line above the limitation of the bank that I bank with.

Q. What is the largest loan that your bank has had?

A. My personal or the bank?

Q. Yes.

A. We have gone up to $2.5 million.

Q. And you went to New York for assistance on this loan?

A. Yes. We have gone to New York on that; and I said "personal" before, my personal accommodations.

Q. I don't understand that.

[fol. 4470] A. My personal accommodations. I am more than just a bank president, sir. I have other interests that I am in.

Q. You have other interests?

A. Yes.

Q. And you went to New York for those requirements?

A. For those, and also for our bank requirements.

Q. Would you tell me in a general way what the business requirements are that you had in mind?

A. In my personal ones, sir, the line was more than—I needed more than the line of the bank that I used and therefore had to go to New York for it, the Bank of New York.

Q. How much was the amount that you needed?

A. I needed a million and a half above the amount loaned to us by the Philadelphia institution.

Q. $1.5 million above——

A. Above what my bank that I was dealing with would give us.

Q. In Philadelphia?

A. Yes.

Q. Did that amount to in excess of $5 million?

A. No, sir.

Q. So that there would have been at least four banks in Philadelphia which could have taken care of that requirement?

A. That is correct; all four of which I do not deal with.

Q. You chose to go to New York, to a bank that you had [fol. 4471] been dealing with in the past?

A. Only because if you are dealing with one bank in Philadelphia you don't like it and they don't like it where you are participating with another Philadelphia bank. They are hesitant that your account may be picked up by the correspondent.

Q. You mean the New York bank would not like it?

A. No, no. The Philadelphia bank would not like it.

Q. Now, if I understood you correctly, any one of at least four Philadelphia banks could have handled the entire requirement that you had?

A. If they would handle the loan, yes.

Q. And they were unwilling to handle it?

A. What's that?

Q. They were unwilling to handle it?

A. If you are dealing with one bank, sir, and they are giving you their legal limit, you don't go peddling it to another bank, where you may not have a first legal limit. In other words, banking is——

By the Court:

Q. It just wasn't good business to go to any other Philadelphia bank, from your viewpoint?

A. That's right.

Q. Of course. That's as clear as crystal.

[fol. 4472] A. In other words, if I am in a bank, Bank A, sir, and need more money than Bank A could loan me, and if I went to Bank B and tried to get more money from Bank B in Philadelphia, most banks would say, "Now, wait

a minute, this is our competitors," and if Competitor B loaned us some money, A will say, "Well, let B take it all."

By Mr. Reycraft:

Q. Well, I may be confused, but if I understand you correctly, four banks in Philadelphia could have handled your requirements, but you chose not to go to those banks?

A. I don't—I have never done any business with those banks.

Mr. Reycraft: I think I understand you.
That's all I have.
Mr. Littleton: No questions.

By Mr. Price:

Q. Is either the Philadelphia National Bank or the Girard a correspondent of your bank? I forgot to ask you that.

A. No, sir. I have never done business with either one of them, either correspondents or personally.

Mr. Price: Thank you. That's all, thank you.
Mr. Price: Mr. Rainer.

[fol. 4473] Francis J. Rainer, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Rainer, what is your occupation?

A. I am a certified public accountant.

Q. Where is your office?

A. In Upper Darby, Pennsylvania, a suburb of Philadelphia.

Q. How long have you been there?

A. Since 1954.

Q. With what bank have you had dealings since you have been out there in Upper Darby?

A. When I first opened my office in Upper Darby, in 1954, I dealt primarily with the local branch of the Pennsylvania Company, and also the Upper Darby National Bank. The Upper Darby National Bank, being the bank that I knew from personal experience, I have always kept my personal account there. I primarily dealt with them in the way of negotiating loans or attempting to negotiate loans for my clients.

Q. Did you have any personal business with the bank or was it all on behalf of your clients?

A. No, it was both; small personal and mostly for my clients.

[fol. 4474] Q. Now, considering the period before the Upper Darby merged with the Girard, from 1954 when you first went there until 1958, what can you tell us about the ability of the bank to serve your needs and your client's needs?

A. Well, as my practice grew, of course, my clients grew and their needs were greater. Dealing with the Upper Darby National as the Upper Darby National at that time, it was very difficult to negotiate loans of any size for my clients, who happened to be depositors of that bank. The maximum, I think, at that time that you could deal with on an officership basis was, I think, $10,000; I am not sure. Anything beyond that, of course, had to go to committee or their directors and we always ran into—you would run into problems concerning the reasons for the loan, which we couldn't speak to the committee about obviously; it was merely passed on by the lending officer you were talking to. In several instances, where I thought the loan was warranted from the facts submitted, the loans were turned down.

Of course, I had to convince my client that the Upper Darby, being a small bank, his better bet would be to try to move into a bank in town.

Q. Did you go to town?

[fol. 4475] A. Oh, yes. We went in to various banks—Girard Trust or Philadelphia National or Fidelity-Philadelphia or at that time we had the Land Title. Of course, we had Central-Penn.

Q. Then what happened to the loan applications that were turned down at Upper Darby?

A. Well, in one instance it was approved by another bank for the sum of $20,000.

Q. Did you notice any change after the merger with the Girard in 1958?

A. Exceedingly so. The fact is the change was such that it made it a possibility that we decided to influence our clients to deal with the bank because now the officers had an opportunity to pass on directly loans up to $100,000; and consequently, from about 1958 on, we were able to present information, data, financial information to the bank and were able to obtain loans now that we thought we would not have presented to them if they were the Upper Darby National.

Q. What about the time within which action is taken on your applications for loans?

A. Well, that was one of the advantages at which time time was practically instantaneous. I mean, the officer would be able to weigh it and we would be able to hear [fol. 4476] concerning the results of the loan in about two days.

Q. What was your experience before, even if the loans were granted?

A. It took a while. We had to wait for a meeting, which usually took place once a week. We always invariably missed that meeting and sometimes you went ten days to two weeks before you heard whether they approved the loan or not; and then you never knew the reason. This was another problem.

Q. Did you have any personal loans or loans for your business, your own business, as distinguished from your clients, that were handled by the merged bank?

A. Yes. I might want to add this—in the old Upper Darby days they had a policy where they didn't grant any construction loans. This I knew because I deal with a lot of builders.

But when they merged with the Girard Trust, though they didn't service construction loans, they do grant loans for purposes of construction and recently, within the last six months or, excuse me, nine months, I negotiated a construction loan to build an office building for my practice, which they granted, and also not only did they grant the loan, but they also gave us a permanent mortgage.

In fact, I'd like to add that we had to make a decision [fol. 4477] in our firm as to whether we should stay in Upper Darby, and primarily because we knew that that particular branch of the Girard Trust was such we felt that we could be just as well off right there in Upper Darby than to move back into the City of Philadelphia because in our practice or in all accounting practices it is important to have good banking relationships, and we felt that our relationship was such that it would be better to stay where we were, which was convenient for all of our employees living in a suburban area, as we all did.

The decision to remain there was, I think, partly because of the attitude of the officers at that bank in relationship not only to our personal needs, but also in their attitude toward our clients.

Q. Before 1954 you had had an office in the central city, had you not?

A. Yes, sir. I was in the Widener Building for eight years.

Q. If the Upper Darby had not merged but had remained a small bank as it was before, would you have stayed in that community?

A. Definitely not. We would have moved back into Philadelphia.

Q. What can you say about your other relationships with [fol. 4478] smaller banks outside Philadelphia County as compared with the larger banks which you are now dealing with either by merger or directly, so far as serving your business and the business of your clients is concerned?

A. We have a fairly extensive suburban practice and one bank I have dealt with, the Bryn Mawr Trust Company in Bryn Mawr, reminds me of the old Upper Darby National.

We have had several experiences with them and the situation is such that we just bypass them now. We feel that it takes too long to negotiate a loan, it gets involved in matters in which you are not dealing with the man directly who has the authority; and by the time the needs of the client are trying to be fulfilled, why, usually, the client decides that he'd rather deal elsewhere, and so do we.

Q. Then what can you say as to the differences in the type of service as far as your customers are concerned

rendered now by the Upper Darby National Bank as a branch of the Girard as contrasted with the services rendered as an individual bank before the merger?

A. It's a tremendous difference. It's like night and day to the extent where we feel that the best thing that ever happened to Upper Darby or the suburban area was the merger, in giving us a larger bank to deal with, allowing [fol. 4479] us to discuss larger matters.

I suppose within the last year I have negotiated loans of $100,000 with that branch of the Upper Darby National and consequently they are my larger clients; it makes it easier for me because we are right there, practically next-door to them. It saves time going into Philadelphia and dealing with either Girard at their main office, and consequently it just makes it a very satisfactory arrangement.

Q. What about the service to your smaller clients as well?

A. Well, of course, that has been helped a great deal because if we can deal for a $100,000, $5,000 or $10,000 or $15,000 is just that much easier.

Mr. Price: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Are there any of your banking requirements or those of your clients which are not now adequately being met by the Girard?

A. They are being adequately met at the moment, if that's what you refer to.

Mr. Reycraft: That's all I have.

[fol. 4480] Mr. Price: That's all. Thank you, Mr. Rainer.

Mr. Price: I guess you are back on Mr. Brown again.

(Deposition of George H. Brown, Jr., resumed.)

Mr. Reycraft: We are resuming at Page 88, Your Honor.

By Mr. Reycraft:

Q. With respect to personal loan companies, do you consider your bank to be in competition with personal loan companies?

A. With personal loan companies, yes, we are in competition with them.

Q. How do your interest rates compare with those of personal loan companies?

A. Our interest rates will be generally lower.

Q. In general, what would they be?

A. Well, they are governed—ours are governed by law and we can only charge $6 a hundred for the first $3500 of personal loans, and the same limitation does not apply to the personal loan companies.

Q. What is the legal interest limitation that applies [fol. 4481] to personal loan companies?

A. I am not sure what that is.

Q. It is substantially higher, is it not?

A. I believe it is.

Q. Do you know the reason for this?

A. I think it's probably because the average size of the loan is smaller and perhaps requires a greater interest rate to recover costs.

Q. Isn't it true also that the type of risk which a personal loan company takes frequently is different from what your bank would take?

A. I don't know what they do.

Q. Do you have any accounts, do any personal loan companies have accounts with your bank to borrow funds to use in their business?

A. Yes, they do.

Q. Do you know how many of these accounts you have?

A. No, I do not.

Q. Are these accounts primarily local accounts?

A. I would say that our personal loan company accounts would be perhaps evenly divided between local and all over the country.

Q. All over the country? Where would you get accounts from all over the country?

[fol. 4482] A. They would come from places like Chicago, California, Texas, Boston——

Q. You don't recall how many accounts of this type you have, do you?

A. They are not large in number, but——

Q. For example, an account of this type which would

come from Chicago, are you referring to headquarters being in Chicago?

A. Yes. I am referring to the headquarters being in Chicago and I am referring to the business being in Chicago.

Q. You are not referring to a Chicago firm which does business locally in Philadelphia?

A. Some of our accounts could be on that basis, where the Chicago firm might have a local Philadelphia loan business; but this does not necessarily follow that that would be the case. We make loans to small loan companies that haven't got any business in Philadelphia or even nearby.

Q. As far as your own bank's personal loan business, is this primarily local in nature?

A. I would say within 200 to 300 miles of the bank.

Q. What percentage would you say would originate within the City of Philadelphia, for example?

A. Well, if you are talking about the City of Philadelphia and the adjacent counties, I would say that the greater [fol. 4483] part of it would be, and the adjacent states, the greater part would be in that area; not when you speak of Philadelphia as right in the center of the city.

Q. Are you referring to the four-county area?

A. Yes. I say if you would take the whole four-county area, I would say that a large part of your loans would come from within those areas; but we have many that extend beyond that.

Q. Will you describe the type of business done by the approximately dozen factoring companies which have main offices in this area?

A. The type of business that they do?

Q. Yes, sir. What is a factor?

A. A factor is a lending agency which advances funds to a business where they take security particularly in the form of accounts receivable; also sometimes on their inventories. They are secured loans and represent sometimes capital advances, which would not be secured; but their business would be largely handling the accounts receivable of a business customer.

Q. According to your application this business amounts to between $12 million and $15 million locally. Does that [fol. 4484] accord with your recollection?

A. This was not a conclusion which I reached and I

believe that one of our people who is familiar with our business arrived at that figure.

Q. So it is not your estimate?

A. No. I am not familiar with it personally.

Q. I understand.

Now a few minutes ago I asked you about the relative degree of risk taken by your bank on personal loans and by personal loan companies. As Executive Vice President and President of your bank for a number of years, don't you have an opinion as to the relative degree of risks taken?

A. Yes, I have an opinion. I would say that there is very little difference between the type of people that make personal loans at personal finance companies and make personal loans with our bank; and I think it's just unfortunate for those people that they don't realize that we make the kind of loans that they make at the small loan companies.

Q. You think it is a lack of information rather than the question of risk?

A. There are many factors that enter into it, but I think there is a great lack of information on the part of a personal loan borrower as to what his qualifications are for a [fol. 4485] personal loan; and he thinks because he has to walk upstairs that it must be better or something about it is more attractive than being seen in a bank.

Q. Can you tell me how you determine the service charges on your checking accounts, for example?

A. How we fix them?

Q. Yes, sir.

A. Well, we fix our service charges after analyzing our costs of handling various phases of our banking business, and for the most part try to fix a rate of service charge which will be in some relation to that cost, although in all cases we can't get our costs; and we, therefore, come as close as we can to it by fixing some dollar amount which would seem perhaps reasonable under the circumstances.

Q. Do you know approximately how much revenue was derived from checking account service charges?

A. No, I do not.

Q. Would it be as much as $1 million?

A. Yes. Yes, it would be, if you take into account our special checking services, particularly where we sell checks

which are drawn against the account, and a minimum service charge per month.

[fol. 4486] Q. Mr. Brown, with reference to the loans which your bank makes to personal loan companies, is it a fact that these personal finance companies derive most of their funds by borrowing from commercial banks?

A. Well, that depends very much on what time you are talking about. For some time past now I think they have been getting most of their funds in the open market and through sale of additional securities. Personal finance companies borrow from you when they can't get it some place at a more favorable rate.

Q. In other words, commercial banks are a less preferred source of funds for personal finance companies?

A. Well, we are very much preferred at the right rate. We can get all we want at the right rate. There is no preference. They go where the market dictates, although I think it is a fair statement to say that personal loan companies on balance do borrow rather heavily from banks.

Q. Where they borrow, if they borrow heavily from banks, this is one reason, I suppose, why they can't lend at rates competitive with commercial banks?

A. I don't think that's a great factor, actually. The money costs us money too that we loan, so that they borrow at low interest rates ordinarily, so that——

Q. You do get it for less than they do, though, I would [fol. 4487] assume.

A. (No response.)

Q. You would have to if you were going to lend to them and make a profit, wouldn't you?

A. I think that's probably so. I think that's probably so, yes.

By Mr. Price:

Q. Mr. Brown, you mentioned the correspondent banks and the services that you rendered them, and then later on you mentioned another service.

My question now is whether there might be others that you haven't mentioned at all, in addition to those that you have described.

A. Yes, there would be other services I didn't describe.

Q. My only question was whether that was intended to

be a complete list or whether there might be others that you haven't mentioned.

A. No. There are others that I have not mentioned.

Q. Now, is this growth that you spoke of in the last ten years with reference to page 5 of the 1960 annual report, you said that you expected that type of growth to continue. Does that include growth which is represented by mergers in addition to growth that is represented either by the sale of stock, as appears in 1951, or the natural growth of an advancing enterprise?

[fol. 4488] A. No, this does include growth from mergers and it does include, as you have indicated, growth from the sale of stock in 1951, which I mentioned.

Q. Which mergers were included in this table?

A. This is the Corn Exchange National Bank merger——

Q. That was in 1951?

A. 1951. There would be the National Bank of Germantown.

Q. When was that?

A. That was 1952, I believe. There was the North Philadelphia Trust Company in 1954; there was the Ambler National Bank and the Narberth National Bank in 1957, and I believe the Upper Darby National Bank in 1958.

Q. But although those mergers did not take place every year, the graph is a relatively uniform growth between 1950 and 1960, is it not?

A. Yes, it is.

Q. Now, when you were speaking of growth which would continue after 1960, did you contemplate growth due to mergers or growth due to natural increase due to the business that the new combined bank would get?

A. I was talking about growth that would come from retention of the net earnings of the bank.

Q. But not additional mergers?

[fol. 4489] A. I was not talking of additional mergers.

Q. All right. You mentioned competition for trust business and I think there was either a question or an answer which related entirely to the five or six large central-city banks.

You have competition for trust business with other banks than those central-city banks, have you not?

A. Oh, we have competition for trust business from banks outside of this territory entirely, such as banks in New York.

Q. That's all right. You hadn't intended to limit your answer to the five or six in the central part of the city?

A. No, no. I did not.

Q. There was some reference to participations and the number. Have you informed yourself about the number of participating loans so that you would be able to be accurate about that or was that a very rough estimate of the number?

A. It was a rough estimate. I have not informed myself.

Q. In so far as the questions relating to the stipulation itself were concerned, you personally did not prepare the application, I understand?

A. I personally did not prepare the application.

Q. So that some of your answers were, of necessity, based on what somebody else either told you or put together?

A. That's correct.

[fol. 4490] By Mr. Reycraft:

Q. These banks which were acquired over the past ten years, were they within the area you claim to be your competitive area?

A. Yes, yes. They are in a competitive—they are certainly in our competitive area of our activities.

Mr. Reycraft: That's all.

The Witness: When you are speaking of the competitive area——

Mr. Reycraft: What I mean is what you claim to be your competitive area.

The Witness: If that is what you intended in asking that question, I perhaps should have answered by saying yes, these banks are in part of our competitive area.

By Mr. Reycraft:

Q. Are they within the four-county area?

A. They are within the four-county area.

Q. And they were in competition with your bank?

A. Yes. They were in competition with our bank in varying degrees.

Mr. Price: I don't think, sir, that anyone has yet said that these depositions or this deposition was taken on April 20, 1961, and I would like to have that noted on the record. [fol. 4491] If Your Honor please, I have run out of witnesses for today and I have only two more who are available or who will be available at 10 o'clock tomorrow morning. They should not take more than a half to three-quarters of an hour between the two of them.

May we adjourn until tomorrow morning; and thereafter we would offer in evidence our exhibits and then close the defendant's case.

The Court: Who are the two that you might expect to be here, not holding you to their actual attendance?

Mr. Price: One of them is Mr. Graves and the other is Mr. Dilworth.

The Court: Mr. Graves?

Mr. Price: Graves.

The Court: Nos. 32 and 33. I have numbered them.

Mr. Price: The intervening ones that have not yet been called, I do not intend to call.

Mr. Littleton: If Your Honor please, I have told Mr. Reycraft today and I should like to tell Your Honor that I do not intend to call any other witnesses. If you want me to give the names of the ones I will not call——

The Court: No, no. I have them here in front of me. I [fol. 4492] have been checking off this list.

Mr. Littleton: The only possible exception to that, and I doubt if it will be necessary, is that Mr. Reycraft has asked us for certain information and we are getting it up in exhibit form. We have it almost prepared, and only if it should require someone to explain the exhibit in answer to Mr. Reycraft's request for information will I call anybody else.

So far as other witnesses are concerned, I am not calling anyone else.

The Court: You have cut this last list by better than 30 per cent and less than 40 per cent.

Mr. Littleton: I see no reason for cumulative——

The Court: Since we have all been dealing in percentiles.

All right. With the offering of the exhibits, that will conclude your case, which might reasonably be expected tomorrow, then?

Mr. Littleton: Tomorrow; I should think it would be even tomorrow before noon.

Mr. Price: I would hope.

The Court: Now, wait. I have to ask you another question yet.

What rebuttal do you expect to put on?

[fol. 4493] Mr. Reycraft: I expect one witness, Your Honor, and I am trying to arrange to have him on Thursday, and I hope to finish early in the day.

Now, I can firm that up tomorrow morning, if that is agreeable.

The Court: Prof. Goodman?

Mr. Reycraft: Prof. Smith.

The Court: Then it will be only a matter of a few minutes tomorrow, and then we will recess until Thursday; is that your request?

Mr. Reycraft: I understand that Mr. Price and Mr. Littleton will be finished early tomorrow and then I would expect, as far as the Government is concerned, that we would finish early on Thursday, if that would be agreeable.

The Court: You mean you would go right on tomorrow?

Mr. Reycraft: Tomorrow is Wednesday; then I would go on the following day, without any adjournment, and I believe we could finish with Prof. Smith during the day.

The Court: You expect Prof. Smith to start testifying tomorrow?

Mr. Reycraft: On Thursday. Tomorrow is Wednesday, Your Honor, and Thursday he would start.

[fols. 4494-4495] The Court: How long would you expect him to be?

Mr. Reycraft: I would expect not long. I would hope to finish in the morning.

The Court: That means that we will have less than a half a day's session tomorrow, and less than a half a day on Thursday.

Mr. Reycraft: Yes, sir.

Mr. Littleton: That is what it sounds like.

Mr. Price: Yes, sir.

The Court: Well, it is an unusual case, so I suppose the finish of it should be equally bizarre.

Mr. Price: We may trickle out at the end.

The Court: All right. Surely, we will arrange it that way.

Are you sure that you will be able to have him here by Thursday?

Mr. Reycraft: I am quite sure, Your Honor, and I can let you know definitely tomorrow morning.

The Court: All right. Very well.

We will recess until tomorrow morning, then.

(A recess was had at 2:47 o'clock P.M. until 10:00 o'clock A.M. on Wednesday, August 2, 1961.)

[fols. 4496-4497] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

TWENTY-EIGHTH DAY

Philadelphia, Pa., August 2, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * * *

[fol. 4498] RICHARD GRAVES, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Graves, what is your present position?

A. I am executive vice-president of the Philadelphia Industrial Development Corporation.

Q. How long have you held that position?

A. It will be three years at the end of this month.

Q. What did you do before that?

A. I was in California as an industrial commercial developer.

Q. For what period of time were you in that occupation?

A. For four years.

Q. Would you mind just briefly giving us your general business experience.

A. My general business experience has been in the field of industrial commercial development in financing in California in a private capacity and here for the non-profit corporation which is the one of which I am an officer.

Before that I was for 20 years director of a professional organization that worked with cities in the field of develop-
[fol. 4499] ment and redevelopment, as well as in other municipal matters, and in that capacity worked with the problems of capital financing for cities for some 20 years.

Q. Was that also in California?

A. That was in California.

Q. What is the Philadelphia Industrial Development Corporation?

A. It is a non-profit corporation set up by the joint action of the City Government of the City of Philadelphia and the Chamber of Commerce of greater Philadelphia for the purpose of attracting new industry into the city and retaining the industry which is already here and which over a period of years has unhappily been moving out of the city to the suburbs or other sections of the country, and it was this very serious declining industrial economy and the loss of some 30,000 industrial jobs over a comparatively short period of time which led the city and the business community, acting through the Chamber, to get together to create some kind of instrument that would really work at the problem of keeping the industrial base of the city intact.

We are supported as to our administrative budget by the city and by the Chamber, and there is some reimburse-
[fol. 4500] ment also from the Commonwealth of Pennsylvania.

Q. How does it operate? Does it find places for a company to go or make thing easy for it in other directions?

A. Well, we are in a competitive situation in Philadelphia, a very difficult competition, because of the congestion of people, buildings, and streets which is characteristic of all the big cities in the country, and land costs here are higher than they are in some of the suburban areas, and there are other problems in big cities which cause some

industries to want to move out, and the only way that you can combat that effectively is to create a set of circumstances which makes the city more competitive; so that in this case, and on account of this corporation, which, if I may, Counsel, I would like to call PIDC, so I don't have to say this whole thing, the City of Philadelphia had about 1200 acres of land owned by the city which, over the years, had become surplus to its municipal requirements, and it made this land available under a statute of the Commonwealth of Pennsylvania to the redevelopment authority, and our job was to put it on the market so that we would have large areas of highly desirable industrial ground, well located in the city, that we could develop as really fine industrial parks, with all of the physical characteristics of a suburban industrial area, but actually within the City [fol. 4501] of Philadelphia.

This is one of the things that we have done, and in order to be able to meet the problems of capital financing for such a major undertaking, which is of the order of magnitude that just around the Northeast Airport there will be approximately $100 million of industrial plants built privately, and then in the south part of the city we have another large tract, and we are negotiating to bring in a private developer there, because of the very serious problem of equity financing which exists among the small industrial companies in the city, a matter to which I would like to return.

The other thing that we do is to buy existing buildings in the city, which represent workable space for some companies which have never had space that good, even though it is an existing building, and we move them in on a rental basis, and because we are non-profit and therefore are not exposed to a tax position on own account, we can give them a more competitive rent than they can get in the suburbs; and in the last analysis, this city will compete for industrial plant location on the basis of cost per square foot to the tenant, and we have, with some small success, at least, been able to make the city more competitive.

[fol. 4502] Q. You spoke about industries moving out of the city proper. How far out have they customarily gone? What is the competition that you have to meet?

A. The city does not have within it, up until now, a single

planned industrial park. There are 28 such industrial parks which ring the city in the seven counties which are part of this eight-county metropolitan area. Of these, not counting Philadelphia, four are in Pennsylvania and three are in New Jersey, and we therefore are in competition for industrial plant location with the seven counties which ring the County of Philadelphia and in which there are 28 organized industrial parks.

I would say, as a matter of estimate, because I have driven through these—bleeding—many times, that nine out of ten of the plants in those parks are relocated from the City of Philadelphia to its suburban area.

Q. You spoke about the metropolitan area. What do you consider the metropolitan area to be for the purposes of your testimony?

A. The standard census area, and from the standpoint of the business at which I work, which is the industrial economy of the region, it is an eight-county area, of which five are in Pennsylvania and three are in New Jersey.

Q. The three that are in New Jersey include Camden, I [fol. 4503] suppose.

A. Camden is, of course, a major industrial competitor and a very heavily populated urban area.

Q. When you are speaking about businesses, are they all large or all small or what is the general distribution of the ones that you are concerned with primarily?

A. The ones that I am concerned with primarily are almost all small. They are undercapitalized. They have very limited operating capital, and it is almost impossible for them to get a new plant in the conventional long-term money market.

Q. What is the frame of reference in which you operate with reference to the condition of the city for the future, its growth, populationwise and otherwise?

A. We are attempting working with the city and its Planning Commission and through this redevelopment process, for which Philadelphia is very well known around the country as having done an outstanding job. We are trying to work out an effective redistribution of the uses of land to reflect what will become the character of this metropolitan area, let us say, in the next 20 or 25 years, and this is reflected in the comprehensive plan of the City of Phila-

delphia which has just been published and has been widely advertised in the press and publicized.

[fol. 4504] Q. Published by whom?

A. Published by the City Planning Commission of the City of Philadelphia. The plan undertakes to project the future Philadelphia as a matter of people and business and its economic functions in relation to a region.

Well, whereas Philadelphia had in, let us say, 1900 approximately 68 or 70 per cent of the total population of the metropolitan area, of the same eight counties in 1960 it has 45 per cent of the population of the area. By 1980 it will probably have 35 per cent of the population of the area, which is by then estimated to be of the order of 6 million, of which not more than 2 million or 2¼ million would be expected to live in the city.

It is a matter of deliberate municipal policy, so far as the Planning Commission is concerned, not to try to increase the density or the population of Philadelphia but maybe even reduce it some more to give more open space and more room.

Industrially there is no doubt about the fact that the region around us will get the great concentrations of new industry, as well as the city, and the result of this is that the central city will have more important functions to perform for the region than just the manufacture of goods, and among these, relevant to this matter, is that the pri-

[fol. 4505] mary function of the center city of every great metropolitan area is banking and finance as a service to the entire region. This is an accepted fact, and it is also demonstrated in the growth of each metropolitan area, just as it is true that notwithstanding the trend of some companies to relocate administrative offices in the suburbs, the great center city region will still be the primary office area, general office area. It will be the data processing center. It will be the home office of life insurance companies. And in this specialized sense of what a big city does for the greater metropolitan area around it, Philadelphia will be necessarily and properly, the banking and financial headquarters office building center for a region of some 6 million people by 1980.

Q. Can the city itself be considered apart from the general metropolitan area as a separate, distinct unit?

A. In the economic sense that is impossible.

Q. What about the city and the three immediately adjacent counties? Is that a reasonable or rational unit in itself?

A. The three adjacent counties?

Q. The city and the three counties around it.

A. No, no, no. A region is the area of in integration of an economy, in my lexicon. I am not a sociologist, so he will have another definition, but it is the area in which the [fol. 4506] market works for labor, for raw materials, for the transportation center, as a matter of labor supply. It is all these things, and it defines itself. It is what is essentially urban, around a greater center, and the center of it, and one of the things which sets the pole around which you draw the region is the core city as a center, as I have said, for finance and these other activities, so I would say that the region must be considered without reference to state lines, without reference to county lines. It is certainly apparent that the New York metropolitan area is not the boroughs.

Q. When you speak of the metropolitan area here, you speak of these eight counties?

A. I am speaking of the eight urban counties of which Philadelphia is the economic heart.

Q. And the three in New Jersey are Gloucester, Burlington, and Camden, and in Pennsylvania they were——

A. Bucks, Montgomery, Chester, Delaware, and Philadelphia.

Q. Where in your opinion do the banks fit into this picture?

A. Well, the commercial banks are as much a part of the day-to-day operation of any business or industry as its raw materials and its labor supply. The use of commercial [fol. 4507] credit, the availability of commercial credit, is a day-to-day and continuing relationship between the business and its bank. It is indispensable to the conduct of the enterprise.

Q. How does banking or banking facilities affect the operations in which you are engaged, with reference to the businesses that you are dealing with in and around the city now?

A. Well, the availability of commercial banking facilities,

as it affects the business that I am in, in this industrial development corporation sense, we deal primarily with small companies. The great giants of industry don't have to come to us. They come to a community, but they don't have to come through us. It is the smaller companies that we work with, and I suppose almost everything we have done, with one or two exceptions, has been for a small company. This gets down to how to piece out a way of financing a plant or a building for a plant without impairing the commercial credit of this company to the point where it can no longer operate; and to illustrate the point, we do not have any capital funds in the corporation. Every transaction we do for any company, large or small, is done on the basis of that piece of real estate as an asset secured and a lien for the loan, and we therefore have to [fol. 4508] piece out how to buy that building without any money, and we are doing this for a small company with very limited net worth.

Now, what we manage to do is to get either a long-term lender, like an insurance company, or a private real estate investor, who will buy a first mortgage, to take maybe a 50 per cent mortgage, based primarily on the real estate and the earning record of the company, rather than its net worth, and then we get as much money as we can from the company without jeopardizing its operating capital, and what we have done repeatedly is to go to its commercial bank and we borrow money from seven to ten years to round out the equity position from this commercial bank. It is secured, after all, by the company with which we are dealing, as a guarantee, but we have to go to a bank and do it under circumstances where it does not dry up their line of commercial credit, if you see what I am trying to say. This is, after all, an obligation of the company, so we have a commercial bank in everyone of our transactions, as a practical matter.

Q. You said you were dealing primarily with small companies. For that purpose do you need small banks, or large banks?

A. Well, I will answer the question by saying that we [fol. 4509] have always had more success in getting what we need for a small company when it is a depositor in comparatively one of our larger banks, and I think the

reason for that is that there is an element of risk here, not beyond what might be a prudent loan, but up to the limit of it, which a big bank perhaps can undertake and a very small bank might feel it should not.

Q. What have you found with reference to the lending limit of a bank as to the limit of the loans you can expect to get from it?

A. Oh, in the sense of going into a bank and asking for a loan which would be its lending limit, I don't bat in that league. I mean I just don't ask for loans in that order of magnitude, but I would say that I don't think this is the criterion. It is rather, from my standpoint, a matter of a bank with enough of a lending capacity that the things that we need from it are so well within it that it still has the lending capacity to take care of its big accounts while I am in there getting money for smaller companies.

Q. Have you any experience with companies that may have started smaller and have been growing and have been cut off by a bank before they reached the lending limit of the particular bank?

[fol. 4510] A. If I could name them without embarrassing counsel, I could name you a lot of them in Philadelphia where that is exactly the situation.

Q. Is that a frequent occurrence, in your observation, or a very, very infrequent occurrence?

A. I think it very often occurs in a company that is growing faster than it can accumulate a capital structure. It happens often in those companies. It doesn't happen often in relation to the whole volume of business we do, but when a company is growing very fast, it has to put back everything it earns into operating capital, and it outgrows its capital, and pretty soon it outgrows its line of credit at its bank, and then it has to do something else, and it either goes to a bigger bank, where it can make a deal like this, or, unhappily, it goes to a factor.

Q. Does that happen before it reaches the official legal lending limit of the bank, that it has to go to a factor?

A. That wouldn't be involved directly. The legal lending limit of the bank would not be involved for one of these companies. Where I get concerned about the legal limit of the banks in Philadelphia is the effort we are making to attract big national industry here.

Q. Well, I will come to that in a moment, but in these companies that you spoke about that are growing——

[fol. 4511] A. Not beyond the lending limits of their banks. Beyond their credit at the banks where they have been doing business. If they are small banks, they can go that far with this company. No one loan involves the lending capacity of the bank, but they are cut off because they begin to use up or require a line of commercial credit which this bank cannot handle in relation to the total demands for money.

Q. Then what do you find about larger banks willing to accept that kind of risk?

A. The larger banks are much better able to handle this kind of company, because of the fact that its capital requirements do not weigh so heavily in the scales against its lending capacity.

Q. With regard to the larger companies you spoke about, is that the group you are speaking about for the Northeast development?

A. Yes. We need to attract big industries which are in the fields where we have been losing industries. There are a great many people who are skilled in metal working in Philadelphia, which has been a declining industry, and we are making a very conscious and deliberate effort to get some of the big metal working companies back into the Philadelphia area. These would be large companies, and [fol. 4512] their capital requirements would be wholly different from the kind of company I have been talking about.

Q. What can you say about the size of the Philadelphia banks with reference to their capacity to serve adequately the kind of companies you are trying to bring into the city or into the Northeast, for example?

A. It would be my judgment that these companies would be very probably banking in New York and Chicago, because of the fact that the banks here are not big enough for [illegible] purpose.

Q. You have heard, no doubt, of the proposed merger of the Philadelphia National Bank and the Girard Trust Company?

A. I have, indeed.

Q. What is your opinion about that merger, with particu-

lar reference to the business needs of the City of Philadelphia?

A. I have no doubt at all that this merger is in the best interest of the economy of this city and its industrial potential and its industrial future growth.

Q. And would a bank of that size be of any assistance to you in this development you are engaged in now?

A. Yes, it would, in a variety of ways.

Q. How?

[fol. 4513] A. Well, for example, we would have a bank big enough—let me illustrate.

I went after a $45 million aluminum plant to relocate it in Philadelphia. I couldn't say, in all honesty, that the reason I didn't get the plant was because there wasn't a big enough bank in Philadelphia. It was a factor. I can't honestly say it was the single deciding factor. It was a factor, and it is always a factor. I don't know that it would be determinative in any situation, because if somebody wanted to come to Philadelphia, they could, I suppose, do their big banking in New York, but it is always a factor, just like all the other things which you put together—a big bank, an adequate labor supply, adequate this, and so on. I mean it is just one of the determining factors, and I don't think we can get big industry in Philadelphia without a big bank.

Q. Have you seen any detrimental effect of the absence of a bank as large as this proposed merged bank would be?

A. I couldn't say that I have yet. I have the feeling, however, that the size of a bank or banks should reflect the growth of an area, and as this area grows, I would guess [fol. 4514] it will need bigger and bigger banks, as it seems to me it needs this one now. In the work we do we could use a bank as big as this merger to help us attract big industry to Philadelphia. I don't think you can do it the other way around. I don't think you can get the big industries and then get the banks, any more than you can get the industries and get a labor supply.

Q. What can you say about the possible use of two or three banks instead of one to supply the needs of a large company?

A. You mean on a participating loan basis?

Q. Participating loan or one form or another.

A. I don't think it works. It is at best an inadequate substitute, a very awkward way of achieving what could be achieved if you had one bank big enough to handle it. This is not the same thing at all, to say to an industry that in order to get the size loan it needs it has to deal with three or four banks and in that sense obligate itself for its deposits in three or four different banks and do a whole series of uneconomic things and undesirable things from the standpoint of the company in order to overcome a deficiency that would be corrected by an adequate bank in the first place; and I don't presume to speak for the banks, but I very much doubt if they are in a business where they [fol. 4515] could justify continued participation in loans without deposits for compensating balances.

[fol. 4516] Q. And what has your experience been with companies in regard to their preference in that line?

A. I am sorry, I didn't hear that, sir.

Q. What has been your experience with companies and the practices which they have exhibited in that direction? Are they willing to do this?

A. No.

Q. Or are they unwilling to do it or what is their position?

A. No, I have tried this several times.

Q. What has your experience been?

A. Uniformly unsatisfactory from both the standpoint of the company that is unwilling to dilute its position by spreading it around among three or four banks, and the banks themselves that do not like participations, and particularly can hardly justify them to use up their lending capacity for companies which may not be depositors in their bank. It doesn't work.

Q. What have companies done that you have observed yourself in Philadelphia?

A. May I add to the record that they do it sometimes?

Q. Yes.

A. Like, for example, Penn Center. There was a participation among the banks, but this was a matter of civic commitment, of civic responsibility.

There a lot of the banks were in the Penn Center Devel- [fol. 4517] opment but I wouldn't say that was typical of a business attitude. I think it's like the participation of the

long-term lenders in the Dock Street situation, which wasn't a commercial-bank loan, but the loan couldn't have been made without the civic feeling of the long-term lenders.

I think we are going to run into the same thing when we try to move the meat industry into the Food Center out of Callowhill.

These are both civic participations of both the commercial banks and the long-term lenders, but in the normal conduct of their business I don't think it works.

Q. Now, you spoke about the businesses that you want to bring to Philadelphia requiring banking accommodations from sources larger than an $8-million bank. Would a $15-million bank be adequate for the purposes that you have in mind? I am speaking of——

A. I have already answered the question that I have never gone into a bank and asked for a loan which represented the limit of its lending capacity.

Q. When I am speaking of that, I am merely using that term as descriptive of a bank of that size, with the resources that are represented by such a lending limit.

A. I think a $15-million bank at this time would put Philadelphia in a much better competitive position in the banking aspects of the industrial economy that I am en- [fol. 4518] gaged in. $15 million would seem to be adequate for anything that I visualize at the time.

I would not say that if this region, when it grows to six million and has a strong industrial base made up of big industrial companies, that it might not need a bigger bank or banks, which is what it really ought to be—banks.

Mr. Price: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mr. Graves, you referred to the small companies that you through your corporation have assisted. Can you tell me, sir, what the largest loan has been that any of those companies has required?

A. From a commercial bank, $3 million—$3.5 million would be about the largest commercial bank loan I have made for a single company.

Q. Was that a straight commercial loan or a commercial term loan?

A. It was a term commercial loan. It was a 7 year term. It was a commercial loan based on a note.

Q. And it was not a mortgage loan?

A. No, it was not a mortgage loan.

Q. Did you find with respect to any of these loans that you have sought for these companies that they were beyond [fol. 4519] the lending limits of Philadelphia banks?

A. Beyond the lending limits?

Q. Yes, sir.

A. No. I have already said that I have never asked for a loan which was beyond the lending limit; but that I have asked for loans which are beyond what the bank would be willing to loan this company in relation to its over-all lending capacity, yes.

I have been in a small bank, sir, where it has a very limited lending capacity and where the amount of money that we were asking for on this kind of a loan basis represented to that bank a large loan.

Q. Can you tell me the amount of that particular loan that you are referring to?

A. Yes. That one was of the order of $300,000.

Q. Yes.

Now, I assume that you are aware that either the Girard or the Philadelphia National could take care of that loan within their lending limits?

A. As a matter of fact, one of them did.

Q. You referred to the fact that some of these companies unhappily go to factors.

Can you tell me why you referred to it in that manner?

[fol. 4520] A. Yes. I don't like the interest rates.

Q. Do you think factors have too high interest rates?

A. I think they are pretty high.

Q. Do you think that they are reasonable alternatives to commercial banks for financing?

A. I don't think they could be compared, sir; they are in different fields.

Q. Now, can you tell me to what geographic areas you feel Philadelphia is losing business of the type you described?

A. Would you repeat that?

Q. Yes, sir.

Could you tell me to what geographic areas Philadelphia is losing business of the type which you have testified about?

A. Primarily to the South.

Q. What areas of the South do you have in mind?

A. I have in mind that these are branch plants of national companies and they——

Q. In your opinion, what is the most important thing——

The Court: Just a moment. Just a moment.

Had you finished?

The Witness: I had not, sir.

Mr. Reycraft: Please finish.

[fol. 4521] The Court: Read the question and let Mr. Graves finish.

(The question was repeated by the reporter as follows:

"Q. What areas of the South do you have in mind?")

The Witness: I started to answer by saying that these are branch plants from companies located in Chicago or in Pittsburgh or in Philadelphia and that they have these branch plant locations and they go south or they go into the Middle West, in the secondary areas which are developing, or into the Far West.

The main plant, when we lose it, we lose it to Chicago or its environs. We don't lose them to New York. I have never lost anything to New York.

I have lost a major plant to New Jersey, up around Jersey City, the Newark-Jersey City area; and we have lost a good many of them to California.

By Mr. Reycraft:

Q. Are you finished your answer?

A. Yes.

Q. What, in your opinion, is the most important single factor for losing these plants?

A. I'd say the most important single factor is the change in the general regional market that that company operates in and they go to a new market, they go to the center of a [fol. 4522] new market.

Q. In other words, these other areas of the country are

increasing their economic growth and therefore the plants are located there?

A. Yes.

Mr. Price: I couldn't hear what you said, Mr. Reycraft.

(The pending question was repeated by the reporter.)

The Witness: And I was about to go on to say that it is this kind of a competitive situation which requires us to do what is necessary to sustain and augment the growth in this region.

Mr. Reycraft: Certainly.

By Mr. Reycraft:

Q. Are taxes an important factor in the relocation or the location of plants?

A. Not significant.

Q. How about labor supply?

A. Very significant, depending on the operation.

Q. To your knowledge, has any plant ever failed to locate in Philadelphia because of the availability or lack of availability of commercial banking facilities?

[fol. 4523] A. As a single factor, no. As one of a number of factors, I would be inclined to say I have had one such experience since I came here where, as to the $45 million plant that would have employed upwards of 3500 people chose another area.

Q. Is that particular plant or the name of the company involved public or is that confidential?

A. I'm sorry, I just can't use it.

Q. You prefer not to use it?

A. I just can't use it; no, sir.

Q. Was it stated to you by any representative of the company that banking was a principal factor in their failure to locate the plant here?

The Court: Read that question back.

(The pending question was repeated by the reporter.)

The Court: I think he has answered that three times already.

The Witness: Thank you, Your Honor; I have.

By Mr. Reycraft:

Q. Do you know of any plant that left the Philadelphia area because of the inadequacy of commercial banking facilities?

A. As a single factor, no. No, I want to change that answer and say "no"; but if I may——

[fol. 4524] May I just comment in another word?

Q. Yes, sir. Go right ahead.

A. I have tried to make it clear that it is not so much what has happened as what must happen from here on that is the reason for my interest in this matter. I am not trying to say that what has happened in the past is the reason that I am here, but what must happen in the future; and that in this city and in this region, if it is to compete economically with the other great concentrations of people and industry, it must match them, and I would suggest, although I am not a banker and therefore I don't know, that it would be relevant to find out what size banks metropolitan areas of this size, with this volume of economic activity, have.

Do we have a bank as big as most of the areas like us have? I wish I knew the answer to that; I don't know the answer to that.

The Court: They have been trying to give it to me and I think they have.

Mr. Reycraft: That's all.

Redirect Examination.

By Mr. Price:

Q. But whatever size they say, do you consider that the size in Philadelphia is adequate?

A. No, not for what the economy of this area requires in the immediate future; no, sir.

[fol. 4525] Mr. Price: Thank you.

Mr. Price: Mr. Dilworth.

RICHARDSON DILWORTH, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Price:

Q. Mr. Dilworth, you are a member of the Bar and also the Mayor of the City of Philadelphia?

A. Yes, sir.

Q. And have been for how long?

A. Five and a half years; it seems longer.

Q. Prior to that, what was your official connection with the City Government?

A. I was District Attorney, and before that Treasurer.

Q. So that over what period of time have you been closely associated with and familiar with the operations of the City Government?

A. Since 1950.

Q. Mr. Dilworth, you heard Mr. Graves testify, and you know that there is a proposed merger between the Philadelphia National Bank and the Girard Trust Company. I [fol. 4526] would like to ask your opinion as Chief Magistrate of the City as to the desirability of that merger; giving such reasons as you care to.

A. Well, there is no doubt in my mind about the desirability, and I think for a number of general reasons.

First, something that we continuously bump into when we are seeking new business and we are seeking any form of patronage for this city is that despite the fact that we are the nation's fourth largest city, the fourth largest urban area, there is the constant hint that we are under the shadow of New York City, that we haven't developed various facilities like banking and other things the way we should; and if anyone comes in here we don't have the kind of things in the field of banking and some other related fields of that kind that an area of this size, the fourth largest city and the fourth largest urban area in the United States, should have.

Now, in this city the Mayor's Office is a very sensitive office in the sense that we do, on nearly every question, get very direct reactions from the business community and other parts of the community. In connection with this

particular merger, both large and small business, all the civic organizations, everybody that has contacted our office [fol. 4527] has been very strongly in favor of it as one of the essentials to the development of this whole area; and we just don't quite understand why Washington wants to keep the Philadelphia area in short pants.

Q. What is your opinion as to the need of a bank of that size with reference to both small as well as large business? What benefits will it yield to small businesses who don't need to borrow as much as $5 million or $6 million?

A. Well, only in a general way can I answer that. We do get the general feeling—I haven't conducted direct negotiations myself, but sometimes the Mayor's Office can be of some help with an industry and I do get the general feeling that larger businesses are a little hesitant because they don't like the idea that if their banking needs can not be taken care of here they would then probably have to go for the balance of their needs to New York because they would be at the bottom of the ladder in New York in having their needs taken care of by New York banks.

One of the reasons that my own native area of Pittsburgh, I think, has had a great deal of success (I still go out there a good deal) is the fact that they do have the kind of banking facilities there that can take care of most any kind of a situation without having to go to New York or Chicago or any place else.

[fol. 4528] Q. Have you had an opportunity to observe the flow of banking connections to New York from Philadelphia companies or companies that have their central offices here, the large businesses conducted here?

A. Well, for example, we are working very hard on the port. As you know, we have an enormous mass tonnage of things like oil, coal, sugar, that come into the port; but we are still somewhat short of cargo.

One big exporting and importing firm that was in the office the other day, that has been working and cooperating with us on doing this, told me to my surprise that they dealt with the First National Bank of Boston because that bank was large enough to have the kind of foreign service that none of our banks have as yet been able to develop.

I think that is going to be tremendously important to us

in the development of our port, to have a bank that is big enough to give these companies that we are seeking to get in this area, that do a lot of import and export business, to give them the kind of service they need in other countries as well as right here, and to have the kind of foreign exchange and foreign-lending service that banks the size that this merged bank would be able to furnish.

[fol. 4529] Q. What can you say of the plans of the city for its future growth and improvement which might produce need for larger banking accommodations than we can afford now?

A. Well, I would say that since World War II for the first time really this whole area has determined (this whole eight-county area, five counties on this side of the river and three in New Jersey) to make itself a self-sufficient area, to free itself from any New York domination, to assert itself as the fourth largest area. I think that that means that in every field (and I think one of the key fields is banking) we have got to be in a position to match other urban areas of a corresponding size and we can't come anywhere near doing that today, at least from what I hear generally and from the general discussion, and I think that that is the case.

I know that it was brought home to me a number of years ago when I was practicing law, that a large firm that came here was a good many years moving its final headquarters here because it couldn't get all the banking services that it needed here, and it kept its headquarters in Chicago because it was doing the major part of its banking business in Chicago.

I think we bump into that.

Q. Can you recall any other instances where the banking [fol. 4530] business of Philadelphia companies is conducted outside the city because of the inadequacy of the banking accommodations offered by the Philadelphia banks, either in New York——

A. Not so much specific as the general impression that you get; and the general impression that you get—for instance, Graves and others organize luncheons at which we talk to industries that come in, and one of the things that you do hear discussed (I don't think there is any ques-

tion about it) is this question of overshadowing by New York, and that this has kept our banks down.

I believe I am correct that we are the fourth largest city, fourth largest urban area, and yet our biggest bank is only the nineteenth largest bank, and that we don't have any bank at present that comes anywhere near what the New York area, the Los Angeles area, the Chicago area, or even the Detroit area can offer. That is my understanding.

Q. What can you say as to the advantage of the city as a political unit from having a bank the size of this proposed merged bank?

A. I think it would be a tremendous help because, as I say, I think since the war this whole eight-county area has really gotten together for the first time. For example, we are having, for the first time, we have set up now, a sort of inter-governmental unit where the elected officials of the [fol. 4531] eight counties are going to meet regularly and discuss our problems regularly.

We joined in an extensive and thorough survey of our transportation needs of every kind in this eight-county area, with the Federal Government, the state, and each of the eight counties putting up a part of the cost.

We have just entered into an agreement with all the five counties, including our own, on the Pennsylvania side of the river to try to work out a joint transportation problem, and I think we are becoming increasingly aware that we are one physical unit and that we need far greater facilities in many fields than we have had, and that we are all determined to work together to get those; certainly the banking should be conducted from the heart of the area, which is Philadelphia.

Q. Do you consider that this metropolitan area of eight counties is a unit which must be considered together, all the counties together as a unit, in terms of business activity?

A. All you have got to do is go up in the air and take a look down on it and you realize that it is one physical unit and that what helps or hurts one part of it helps or hurts every other part of it.

Q. You mentioned the contacts that you have had with [fol. 4532] people in general and the comments that you have received about this particular proposed merger.

Did you have any adverse comments from any source?

A. No, sir. I said that this is, I think, the one single thing in the past year on which there have been absolutely no adverse comments.

Mr. Price: Cross-examine.

Cross-examination.

By Mr. Reycraft:

Q. Mayor, do you know how much New York banks lend to cities other than Philadelphia?

A. No, sir. I wouldn't know that.

Q. For example, let me show you Defendants' Exhibit No. 1, and refer in particular to Footnote No. 3 on Page 65.

A. Yes, sir. I think that is a bad situation.

Could I say this? I happen to be fortunately in—unfortunately the beneficiary of a small trust in New York City in one of their largest banks, and it is a very unpleasant experience. You go over there and you are obviously a foreigner. They have very little interest in you; you are just a poor relation from Philadelphia.

Q. Now, the record shows that Chicago has two banks bigger than the existing Philadelphia banks and bigger [fol. 4533] even than the proposed merged bank.

Would it surprise you to know that New York banks lend more to Chicago business than they do to Philadelphia at the present time?

A. I just wouldn't be familiar enough with the business community to comment on that.

The Court: Read that question and answer back.

(The testimony was repeated by the reporter as directed.)

The Witness: In other words, the nature of business in Chicago, how much of it is dominated from New York. New York is certainly the corporate headquarters of the nation, in effect.

So, I imagine that General Motors—well, not General Motors, but some of the big steel companies, like United States Steel, which have tremendous plants around there, may do their borrowing from New York and they can do

it very handily because, after all, that is where their headquarters are, so they are not treated like poor relations.

By Mr. Reycraft:

Q. But despite the fact that Chicago has bigger banks than Philadelphia, these national companies still borrow [fol. 4534] from New York?

A. Well, my guess is that something like United States Steel Corporation, with its headquarters in New York, naturally can do very nice business in New York, which would include loans to the Chicago end of their business.

Q. So that you are not familiar with the borrowing which companies in other cities which may have banks bigger than Philadelphia do with New York generally?

A. No, that I am not.

Mr. Reycraft: That's all I have.

Mr. Price: I assume there is some basis for Mr. Reycraft's suggestion that the New York banks do lend more to Chicago. I would like to have it.

Mr. Reycraft: Yes, sir. It is in your first exhibit.

Mr. Price: I couldn't find it in that exhibit, and that is why I am asking.

Mr. Reycraft: Page 65, at the bottom of the page, Table No. 2, and the paragraph that says: "New York Bank Loans to Non-Local Borrowers."

It indicates that New York banks lend more to business in Chicago, Houston, Detroit, Dallas, and I believe, Los Angeles, than they do to Philadelphia; and I think all but at least Houston have bigger banks than Philadelphia.

[fol. 4535] Mr. Price: I just ask to have it noted in the record that that refers to one day, six years ago, October 5, 1955, and the reference is to the Federal Reserve Districts, and it does not show——

Mr. Reycraft: It is to the cities.

Mr. Price: It does not show the facts on which Mr. Reycraft's question was premised.

Mr. Reycraft: The exhibit speaks for itself and it does show those figures.

By the Court:

Q. May I ask you a question before you go? It has nothing to with this case.

I will show you a letter I received from the Administrative Office on a matter that you and I traveled to Washington on and saw the head of the GSA involving a new court building.

Did you know that?

A. Yes, sir. To our very pleased surprise we understand they are going to spend $42 million.

The Court: That merely notified us that the Committees of Congress, pursuant to statute, have approved a new prospectus for a Federal Building on the Mall, which will contain court facilities.

Thank you, Mr. Mayor.

[fol. 4536] The Witness: Thank you, Judge Clary.

The Court: We will take a ten-minute recess.

(A recess was had.)

Mr. von Starck: If it please the Court, there were several questions during Mr. Potts' testimony that were left unanswered, and by argeement with Mr. Reycraft we will put them in now with Your Honor's permission.

The first question that had been asked is the dollar value of check clearances by some period of time, week, month, or other, showing the volume of clearances out of state as contrasted with the four-county area.

The banks could not work that up with respect to the four-county area without thousands of hours of work, so we have here an exhibit which shows clearances of checks drawn on Philadelphia banks, banks in the Third Federal Reserve District, other banks throughout the country, and Philadelphia National Bank; and that is for an average day.

Mr. Reycraft: That is satisfactory for our purposes.

Mr. von Starck: I would ask that that be marked as our Exhibit D-70.

(Document headed "Volume of Check Clearances" was [fol. 4537] marked Exhibit D-70 for identification.)

Mr. von Starck: The second one is the amount of a loan of McCloskey & Company in or around 1954 by the eight Philadelphia banks who had pooled loan limits in 1954.

That was $15 million.

Mr. Deasy testified to the third question.

Mr. Reycraft: I understand that as to the third, that is the total borrowing requirement of the first of five companies listed in the letter dated 12-22-1960 to Mr. Bicks; that Mr. Deasy is the one that you have in mind?

Mr. von Starck: That is correct.

Mr. Reycraft: All right.

Mr. von Starck: Then the names of the persons who made the statement cited in response to Question 7 in the letter to Mr. Bicks of December 22nd.

That was Mr. Potts, Mr. McDowell, and Mr. Brown.

Does Paragraph 2 of Page 9 of G-57 refer to all cash on deposit with commercial banks or all cash?

That refers to all cash on deposit with commercial banks, including demand deposits.

Then, finally, were any of the 115 loan participations given by Philadelphia National Bank in the year of 1959 given because the amount of loan was in excess of PNB's lending limit?

[fol. 4538] The answer is "no."

Mr. Reycraft: All right.

Mr. von Starck: All right.

OFFERS IN EVIDENCE

Mr. Littleton: If Your Honor please, may we offer in evidence at this time all of the exhibits which have been marked for identification on behalf of the defendants, beginning with D-1 and including down to D-70, with the exception of D-4, D-5, and D-28?

(Exhibits D-1 to D-70, inclusive, with the exception of D-4, D-5, and D-28 offered in evidence.)

The Court: You are not offering D-4, which is what?

Mr. Littleton: D-4 is the Sienkiewicz study, made by John Sienkiewicz.

The Court: All right.

Mr. Littleton: D-5 is the Joint State Government Commission Report on Branch Banking.

The Court: Yes.

Mr. Littleton: We are not offering that.

D-28 is the booklet on industrial-plant-location data, Philadelphia, 1957, which is not offered.

The Court: No.

Are there objections on the part of the Government to any of the exhibits offered?

[fol. 4539] Mr. Reycraft: Not many; no, sir.

As to D-7, I may say that cross-examination brought out certain inaccuracies in the exhibit, but subject to that explanation which is in the record I have no objection to the exhibit.

With reference to D-41, I object to that exhibit on the ground that it is a summation of Mr. McDowell's opinion, that it was prepared for him by some other person, and that his opinion was fully testified to here in court, and that the exhibit itself has no independent probative value.

Mr. von Starck: Mr. McDowell testified that it fully reflected his concept of the functions of the banks and the market area.

I think what Mr. Reycraft has reference to is the fact that it was originally drafted or parts of it were originally drafted and presented to him, but he said that he went over it and adopted it.

Mr. Reycraft: His testimony is in the record.

The Court: I will admit it because you cross-examined him. I am going to admit it. I will overrule your objection.

(Exhibit D-41 received in evidence.)

Mr. Reycraft: All right.

[fol. 4540] With reference to D-43, I believe the testimony indicated that there are assumptions involved in this exhibit which are not included in the exhibit and I believe the testimony of the witness should speak for itself.

The Court: It will speak for itself in conjunction with the exhibit because you can't understand the testimony unless you admit the exhibit.

I am going to admit it.

(Exhibit D-43 received in evidence.)

[fol. 4541] Mr. Reycraft: D-45 is a memorandum from Mr. Carter, of the First Camden Bank. I haven't received

a copy of that memorandum, although I did examine it at the time. I should say it is no fault of Mr. Littleton or Mr. Price that I don't have it, but I object to it because Mr. Carter's testimony was given here, and that is the best evidence of his opinion, not a memorandum he wrote for his own files, an internal memorandum. It is not a letter which the defendants received, and I object to it.

The Court: Isn't that the same sort of memorandum you offered, where Mr. Mason wrote a memorandum for his own file, and I accepted it on your side; with reference to a conversation had with the officers of the bank.

Mr. Reycraft: There was a memorandum which Mr. Jennings wrote, which I offered for the purpose of showing a conversation which took place in 1953, and also for the purpose of refreshing his recollection when he testified, but this memorandum from Mr. Carter is a memorandum setting forth an opinion which I don't think is relevant.

The Court: My recollection is—and I can be wrong about [fol. 4542] it, Mr. Reycraft—that you did ask him a question or two with that in front of him.

Mr. Reycraft: That is correct.

The Court: You having opened it, it is now admissible, so I will admit it.

(Exhibit D-45 admitted in evidence.)

Mr. Reycraft: With reference to D-49, while we have no objection to it, I might point out that I believe Mr. Littleton and Mr. Price objected to the same exhibit when we offered it, and I don't know what the ground was. We have no objection to it.

The Court: All right.

(Exhibit D-49 admitted in evidence.)

Mr. Reycraft: With reference to D-57, the column under Consumer Installment Loans, the total of $52,200 we cannot reconcile with other information which the Girard gave to us, but if that can be checked, I would have no objection to the exhibit.

The Court: What do your figures show?

Mr. Reycraft: $57,624. I don't think it is enough to make any important difference, but I think——

The Court: It is a ten-per cent difference, and that is made on analysis of samples.

[fol. 4543] Mr. Reycraft: Yes, sir. That may be the explanation for the difference.

The Court: Well, since it is under the ten thousand and it is a sampling, I don't think it makes that much difference.

Mr. Reycraft: I just wanted to comment on it.

The Court: But I have noted on the exhibit that I will retain that your number was $57,624. I don't think it makes an appreciable difference, but I have noted it anyway.

(Discussion among counsel.)

Mr. Reycraft: I think rather than take Your Honor's time, that we might discuss it with counsel and see if we can reconcile the difference.

Mr. Price: We might have it by tomorrow.

Mr. Reycraft: I believe there is also a question as to Government's Exhibit 229, which was withdrawn on the condition that sometime during their case the defendants would supply the lending limits for the new bank.

Are those in any of your exhibits?

The Court: The lending limits for what?

Mr. Reycraft: Lending limits for the new proposed [fol. 4544] bank, the lending authority of the officers.

The Court: That is somewhere in here.

Mr. Reycraft: For the existing banks, but I am not sure it is as to the new bank.

(Discussion among counsel.)

Mr. Reycraft: No one knows yet what the lending authority will be.

The Court: No decision has been made. All right.

Mr. Reycraft: We have no other objections.

Mr. Littleton: If Your Honor please, on behalf of the Philadelphia National Bank, we rest.

Mr. Price: On behalf of the Girard Trust Corn Exchange Bank, we rest.

(The defendants rested.)

Mr. Reycraft: As I indicated yesterday, Your Honor, we do have one witness in the morning who will not take more than the morning.

The Court: Professor Smith?

Mr. Reycraft: Yes, sir.

The Court: All right. I think, gentlemen, I would like to see all counsel in chambers. Since this case undoubtedly will close tomorrow morning, I think we have to set up a time schedule for the future, and I think we could probably [fol. 4545] do it in a more relaxed atmosphere if we meet in chambers say ten minutes from now.

(The following took place in chambers:)

The Court: When the testimony is closed and both sides have rested, where do we go from there?

Mr. Reycraft: We have a suggested schedule, Your Honor, which I might show to you. We have discussed it among ourselves, and I believe I can say it is agreeable to all of us, if it meets with Your Honor's approval (handing to the Court).

The Court: Are you gentlemen satisfied with this?

Mr. Littleton: Yes. Mr. Reycraft felt that they would like to have a couple of weeks vacation and then four weeks to do their requests, and then, as I understand it, two weeks after their requests, their brief, and at the same time our requests on the same date as their brief. Is that correct?

Mr. Reycraft: Yes.

Mr. Littleton: And our brief two weeks after that, and then if they want to file a reply brief, one week after our brief.

The only suggestion we made to Mr. Reycraft was that [fol. 4546] within a week or two after the closing of the testimony we ought to have a statement from them as to their theory of the case, a statement from the Government as to the theory of their case, because that is something we ordinarily would have gotten in pretrial, and we think it is essential, because we can be doing a great deal of work on this even when we haven't the Government's requests before us.

Mr. Reycraft: This won't be a brief, but it will be of the type we would give you at pretrial.

The Court: I am glad this is by agreement, because, gentlemen, I have a schedule set up for you.

Mr. Littleton: How about this? Does this suit your pleasure?

The Court: It is all right. I will adopt it.

(The schedule referred to is as follows:)

August 11—Government statement of its theory of the case due.

September 20—Government Requests due (this allows for two weeks of vacation).

October 4—Government Brief due.

October 4—Defendants' Requests due.

[fols. 4547-4548] October 18—Defendants' Brief due.

October 25—Government Reply Brief due.

October 27—Oral argument.

The Court: My schedule provided that on 5th of September everything included through October 18 would have been in, and the 14th and 15th of September would have been set for oral argument.

Mr. Reycraft: We would be very grateful for this schedule, if it is acceptable to Your Honor.

The Court: I am perfectly willing.

I would like an oral argument on this, gentlemen.

Mr. Reycraft: All right.

Mr. Littleton: How about Friday, the 27th? How does that sound?

Mr. Reycraft: All right.

Mr. Price: All right.

The Court: All right. Maybe it is just as well that I didn't set the schedule. I am agreeable to yours.

All right, gentlemen, I will see you tomorrow morning.

Mr. Littleton: Thank you very much.

(Adjourned at 12:00 o'clock noon until Thursday, August 3, 1961, at 10:00 o'clock A.M.)

[fols. 4549-4550] [File Endorsement Omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

TWENTY-NINTH DAY

Philadelphia, Pa., August 3, 1961

Before Hon. Thomas J. Clary, J.

* * * * * * *

[fol. 4551] WARREN L. SMITH, recalled.

The Court: I assume that this is going to be extremely limited, isn't it?

Mr. Reycraft: It is, sir.

The Court: All right.

Direct examination.

By Mr. Reycraft:

Q. Professor Smith, since your testimony here during the Government's case the Philadelphia National Bank has revised data on the ratio of loans outstanding to lines of credit. Based on this newly furnished data have you recomputed the information in the formula which you discussed during your testimony?

A. Yes, I have.

Q. What was your conclusion?

Mr. Littleton: May we have the data, first, the reference to it?

Mr. Reycraft: I don't wish to offer the IBM sheets which were furnished to us by Philadelphia National Bank, but I have shown the sheets to defense counsel so that they may

check them as being copies of the data which have been furnished to us.

The Court: What do they relate to?

Mr. Reycraft: The lines of credit of the Philadelphia [fol. 4552] National Bank and the loans outstanding against those lines.

After Dr. Smith's testimony in the first instance, revised data was submitted by Philadelphia National Bank, and I have asked Professor Smith to consider his conclusion in light of that revised data.

The Court: His conclusion as to what?

Mr. Reycraft: As to the result of the formula which he testified to as to transfer of deposits outside of the Philadelphia area resulting from the opening of lines of credit outside the area.

The Court: All right.

Mr. Littleton: May I ask what is being rebutted by this testimony?

The Court: I don't know.

Mr. Littleton: Then I object to this.

The Court: I have been pretty liberal all the way through here, Mr. Littleton. This is a rather unusual case.

Mr. Reycraft: I may say, Your Honor, we rely on data which was furnished us by the bank. It was changed by the bank after Professor Smith's testimony, so principally that is the reason for his testimony. It also is a rebuttal of some of Dr. Harris' testimony.

[fol. 4553] Mr. Reycraft: All that is involved is a calculation.

The Court: What is the exhibit number of his calculation?

Mr. Reycraft: That is Exhibit No. 60.

The Court: All right. I have reviewed that as recently as the night before last, about midnight, so I am familiar with that.

By Mr. Reycraft:

Q. Professor Smith, could you answer the question?

A. Well, one of the elements in this formula which is designated by the letter "k" is the proportion of new credit lines that are in use, of credit lines that are in use on the average, and in trying to estimate the impact of opening

new credit lines on the local supply of credits, I made an estimate of that ratio by taking the ratio of loans outstanding to lines of credit for all customers of the Philadelphia National Bank having credit lines and loans in excess of $50,000 as of September 21, 1960. It later developed that through some oversight or other, and I didn't realize this, that there were a number of lines of credit against which there were no loans outstanding that had been omitted from this tabulation.

[fol. 4554] Now my original estimate of this ratio was, I used the figure 50 per cent. I came out with 51.8, but I used 50 per cent roughly. Adding in these additional lines of credit against which there were no loans outstanding reduces, of course, the ratio, and it reduces the ratio to 34.6 per cent—that is approximately 35 per cent—adding in those additional lines of credit.

I might say that in both calculating the original 51.8 and calculating the 34.6 per cent I left out those loans and lines which had an X marked after them on the tabulation, because it was indicated that in these cases there wasn't any formal line of credit. This works against my calculation in the sense that if we included these, it would raise the ratio, but I left those out in both cases because it was indicated that there were no formal lines of credit outstanding here.

I made one other revision. Originally I estimated that the radio "d," the deposit requirement, as a percentage of credit line, was 20 per cent, relying on the deposition of Mr. Brown in this regard. As I indicated at the time I testified originally, it seemed to me this ratio was rather high, and I reduced it to 10 per cent on the basis of the testimony of Mr. Potts which I have read to the effect that the bank ordinarily expects to get a deposit of approxi-[fol. 4555] mately 10 per cent against additional credit lines.

Taking these two adjustments into account, and using the formula that I discussed and developed previously, it changes the conclusion that I came to somewhat. I originally estimated that the opening of a new line of credit in Philadelphia would tend to produce a net reduction in the supply of funds available to local borrowers, available in the local area, of about 35 per cent of the credit line. This

is now reduced to approximately 27 per cent of the credit line, and substituting into the formula the 10 per cent for "d," the deposit requirement, as a percentage of the credit line, and 35 per cent for "k," the proportion of new credit lines in use on the average, and using the reserve requirement of 16½ per cent and the proportion of new deposits resulting from local loans that can be expected to remain in Philadelphia of 3 per cent, the same as before, changes my estimate downward from 35 per cent to 27 per cent.

By the Court:

Q. All other assumptions that you made, Doctor, are still valid, in your estimation?

A. That is right, I believe they are.

[fol. 4556] By Mr. Reycraft:

Q. Professor Smith, does your analysis suggest in any way that it would be unprofitable for a bank to make loans outside of its immediate service area?

Mr. Littleton: Objected to.

The Court: Unprofitable to whom?

Mr. Reycraft: To the bank making the loan.

The Court: All right. Let us forget the area now. Let us forget the impact on the area. You are talking about banking now.

The Witness: All right.

The Court: Read the question. Let us get a straight answer.

(The reporter read as follows:)

"Q. Professor Smith, does your analysis suggest in any way that it would be unprofitable for a bank to make loans outside of its immediate service area?"

The Court: If you say yes, Doctor, I want to know on what basis you make your answer.

A. The answer is no. There is no indication in this formula or in my analysis that it would be unprofitable for a bank to make loans outside its local service area.

By Mr. Reycraft:

[fol. 4557] Q. So this analysis has nothing to do with the profitability of the loans?

A. That is correct. May I explain that further?

Q. Yes, sir.

A. Whether a bank should make loans outside the local service area to large concerns—or small concerns, as far as that goes—depends on the bank's appraisal of the risks and yields expected from these loans as compared with other loans and investments it might make.

Now, in the case of large loans, such loans to large companies, loans to large companies are commonly large loans, and these loans commonly involve very low risk to the bank. At the same time, the interest rate that the bank gets on these loans is commonly lower than it can get on smaller loans, but at the same time the costs of the credit investigation and administration are lower for large loans per dollar of the loan than they are for small loans, so that in many cases banks feel it profitable to make the large loans.

Now, my point is that when a bank presses this kind of business it is not likely, in my opinion, to get the funds needed to make these loans by attracting deposits from these large concerns outside the service area; that is, it will have to use some of the deposits that it obtains in the local [fol. 4558] area to meet this demand.

Mr. Littleton: If Your Honor please, I must object to this.

The Court. I will sustain the objection. We are here for answers to questions.

By Mr. Reycraft:

Q. Professor Smith, directing your attention to D-26 and D-40, do the facts set forth in these exhibits have any bearing on your conclusions? I hand you copies of the exhibits.

The Court: The answer is first yes or no, then we will go on from there.

A. No, I believe not.

By Mr. Reycraft:

Q. Will you explain your answer.

A. Well, I have examined these exhibits, and looking at the customers involved, many of these customers having lines of credit did no borrowing at all in 1960, and others made only very slight use of their lines of credit. It seems to me very doubtful that customers such as this can be very much interested in credit lines, and they would be, in my judgment, quite unlikely to base a decision concerning banking connections on the availability of credit lines.

[fol. 4559] Secondly, many of the customers had deposits far in excess of the 10 per cent of credit lines referred to by Mr. Potts or even the 20 per cent referred to in Mr. Brown's deposition.

Mr. Price: May I ask you, Doctor, if you are reading something now or just testifying from your knowledge?

The Witness: Well, I am referring to some notes that I made.

The Court: Do you want to look at the notes that he made?

Mr. Price: Well, when he gets through.

The Court: I think maybe you had better.

The Witness: They are handwritten notes that I wrote out last night.

The Court: All right. Go ahead.

The Witness: It seems to me to follow that if these banks were interested in getting maximum credit lines, and unless they were receiving some local services that could not adequately be provided by banks in areas other than Philadelphia, it seems to me that they would transfer their banking connection to New York or other centers having banks with large lending limits, where their deposits would support larger lines of credit.

[fol. 4560] Now, thirdly, it appears to me that most companies listed on Exhibits D-26 and D-40 are firms with large business operations in Philadelphia and who carry large deposits here despite the fact that they cannot get commensurate credit lines, because they have little interest in credit lines, and because of the slight convenience involved in doing their banking business here and also the availability of specialized local services. It seems most unlikely

to me that the firms which might be induced by the increased lending limit of the merged bank to shift their banking connections to Philadelphia would behave in such a way. They would carry deposits in relations to their credit lines, and engage in lending activity in relation to their credit lines, in the same manner in which the firms listed on D-26 and D-40.

It seems to me such firms would be likely to put relatively lower deposits in relation to their credit lines, deposits in the neighborhood of 10 per cent, probably, that Mr. Potts testified to, and that they would also tend to use their credit lines, as far as loans are concerned, much more intensively that the firms listed on D-26 and D-40.

By Mr. Reycraft:

Q. Now, Professor Smith, have you examined the testi- [fol. 4561] mony of Mr. McDowell and Mr. MacLaren in that regard?

A. Yes, I have read the testimony of Mr. MacLaren and Mr. McDowell relating to this point. Mr. McDowell indicated on pages 2517 to 2519 of the record that the deposits of these companies were larger than the normal compensating balances expected of customers in connection with loans and credit line activity.

Mr. McDowell testified that the large deposits of the company shown on D-26 are to a considerable extent the result of services performed by the Philadelphia National Bank for the companies, and later on in cross-examination, that a good many of these services necessarily must or can much more conveniently be performed by a Philadelphia bank than they could be performed by a bank outside the Philadelphia area. So it seems to me that this testimony supports my notion that these are not the typical type of customers one could expect to get as a result of an increase in the lending limit resulting from the creation of the merged bank.

Q. Now, Professor Smith, have you examined Dr. Harris' testimony where he discussed the formula in G-60?

The Court: At what page of the record?

Mr. Reycraft: Page 100 to 103 of the deposition.

[fol. 4562] The Court: I don't happen to have the deposition as such, Mr. Reycraft. What page of our record?

Mr. Reycraft: Page 2371.

By Mr. Reycraft:

Q. Have you examined that testimony, Professor Smith?

A. Yes, I have.

Q. And would you comment on it.

A. Well, Dr. Harris in this section of his deposition, of his testimony, discusses my so-called formula that I used.

Mr. Price: If the Court please, this isn't rebuttal at all. Dr. Harris expressed his opinions about Dr. Smith's testimony, and now Dr. Smith is trying to justify his testimony.

Mr. Reycraft: It is rebuttal of criticism which Dr. Harris made. It is certainly strict rebuttal directed specifically to the record of his testimony.

Mr. Littleton: Then I presume we can call Dr. Harris back on surrebuttal.

Mr. Reycraft: I wouldn't object.

Mr. Littleton: And so on ad infinitam. I object also.

The Court: This case must end some day. I am going to permit it for what it is worth.

[fol. 4563] Mr. Reycraft: Will you answer the question.

The Witness: Dr. Harris, as I say, discusses my formula. One point he makes is that the material in Exhibits D-26 and D-40 seems to contradict my calculations. I have already discussed this point.

He also refers to some of my assumptions that I used in constructing the formula. For example, he refers to the assumption that the proceeds of all loans made under lines of credit opened as a result of the increased lending limit would leave the Philadelphia area.

The Court: Suppose you just laborate on that very definitely, because I don't believe the assumption, Doctor, to start with.

The Witness: Well, this assumption follows directly from my assumption that the scale of business activity and the location of industry in the Philadelphia area is not affected by the availability of banking services.

By the Court:

Q. If a Philadelphia bank loaned a manufacturer in California $10 million which that manufacturer owed to a Philadelphia concern—now take that assumption—what does that do to credit? And they deposited it right back in the man's bank. What does that do to your assumption?

[fol. 4564] A. It does absolutely nothing to it, because my assumption——

Q. Your assumption is that it took it out of the economic area of Philadelphia.

A. But regardless of where the firm borrowed the money, whether it borrowed it in Philadelphia, New York, San Francisco, or anywhere, it would have paid the loan in Philadelphia anyway.

Q. It would have what?

A. It would have paid the loan in Philadelphia anyway, as the loan is due.

Q. Of course. It pays the loan in Philadelphia, but the person to whom it is loaned deposits it in Philadelphia banks, the entire $10 million.

A. But no matter where the money had been borrowed, he would still have deposited it in a Philadelphia bank. My point is that the activities of the firm are not affected by this, the source from which it obtains the funds.

Q. You have said in your assumption that if they loaned an airplane firm in California $10 million, it takes away 35 per cent, now 27 per cent, it reduces the credit of this area.

A. Well, as a matter of fact, when they make a loan to [fol. 4565] a——

Q. And you followed it up with a lot of other assumptions, and I am giving you the specific instance where the bank loans $10 million to a manufacturer in California, who pays a Philadelphia firm with banking connections in Philadelphia the $10 million.

A. It would have made no difference assuming that——

Q. It makes no difference to your formula?

A. That is quite correct.

Q. I am beginning to understand your point. It comes back to the same proposition that no bank has any right, in deference to its community, to loan outside its community because it reduces the credit.

A. I am sorry, Your Honor. It has no such implication.

Q. You have said it before. Now are you changing your testimony?

A. No, no.

Q. You said it flatly the first time you testified.

A. All I am trying to do, Your Honor, is to discuss a point that was brought up in the case by the banks themselves. They contend that the opening of lines of credit increases the supply of funds available in Philadelphia. All I have tried to do is to make, as best I could, a scientific analysis of this proposition and see whether it is correct, [fol. 4566] and I don't think it is. I don't think that it follows that it is undesirable. It does not follow that it is undesirable to make loans outside the Philadelphia area for a particular bank, because an individual bank in our banking system, when it makes loans, whether it makes them in the local area or outside the local area or anything else, loses reserves to the extent of the loans it makes. The bank—and this was a point I tried very hard to explain in the early part of my earlier testimony when I talked about credit expansion—that the individual bank loses reserves, because when it makes a loan, whether it makes a loan locally or somewhere else, ordinarily can expect to, because of the fact that we have so many banks in the banking system, that the customer who obtains a loan is almost certain, when he uses the funds, to use them in such a way that they will eventually wind up as a deposit in some other bank rather than the one where he made the loan.

Q. Have you ever followed a single loan anywhere in the United States?

A. I beg your pardon?

Q. Have you ever followed any big loan from any bank anywhere in the United States?

A. No.

[fol. 4567] Q. You have also testified earlier that banking connections are unimportant in the location of industry. Do you remember that testimony?

A. Yes, sir, I do, and I believe it is correct.

Q. Do you remember any time in the history of the United States that banking didn't precede business into an area—in your study of the banking industry and reading up on it? I know that you are completely unfamiliar with the technical

details of a loan, aren't you, as to whether you personally would extend credit for $5 million or $10 million?

A. I am not a bank officer.

Q. You have never met payrolls, have you?

A. No, I have not.

Q. You have never been in a position where you had to judge whether a person is entitled to credit?

A. I have not.

Q. You are a theorist; is that right?

A. I think not entirely.

Q. What are you, then?

A. Well, I think I am a specialist in the field of money and banking, with primary interest in——

Q. You are a specialist in the field of money and banking in what way? What is the biggest cash transaction that you have ever handled?

[fol. 4568] A. I can't remember.

The Court: Don't answer that. I think it is unfair for me to ask you.

Go ahead.

The Witness: Well, as I say, I still believe that my assumption with respect to the fact that when loans are made outside the area——

The Court: I have a lot of respect for intellectual capacity, Doctor. Please don't misunderstand me.

[fol. 4569] We have had a lot of testimony here in this case—today is almost the sixtieth day after it started—from people who have had responsibility in business. That is why I point up the fact that perhaps you are a theorist, because you haven't had that responsibility that they had.

The Witness: May I make a comment, sir?

The Court: Surely.

The Witness: I would comment that in a case like this it is, of course, necessary to have testimony from people who are familiar with the details of banking, but at the same time it is also inevitably necessary to have testimony from people who don't work, who have not had an opportunity to work in commercial banks, and who look at the problem from, if you might want to call it that, a somewhat theoretical point of view.

The Court: I agree with you all the way, but when we get some assumptions that you have made about the flow

of money as a result of a loan, and you have never traced a loan, I begin to question whether your assumptions are correct, and that is the point that I am making with you.

The Witness: If I might comment on that, I don't think it is necessary for me to have traced the flow of funds connected with even so much as one individual loan to draw some conclusions in the broad sense about the effect of the [fol. 4570] kind of situation we are talking about here in the courtroom.

The Court: We are talking about a merger of two Philadelphia banks, both located at Broad and Chestnut Streets in Philadelphia.

The Witness: Yes, sir.

The Court: That is all we are talking about, and its impact on the Philadelphia economy, and whether it will cut competition or tend to create a monopoly. That is the problem before this Court. We are limited to Philadelphia, the Philadelphia area. That is my problem, I realize that, and Mr. Reycraft has very properly brought in all the testimony; but there are certain assumptions that have been made by you in your formula, and I want Mr. Reycraft to go on, because I might on further consideration give them complete validity, but right now I am very doubtful.

The Witness: Well, another assumption of mine that he questions is the assumption that 97 per cent—well, I assume that only 3 per cent of the proceeds of loans made to local firms, what I call local loans, would remain in the Philadelphia area, and the remaining 97 per cent would leave the area, and he very strongly questions this assumption.

Now, I would like to make two or three comments about this. In the first place, this estimate must be approximately [fol. 4571] correct, since Philadelphia has about 3 per cent, or had about 3 per cent—exactly 2.6 per cent—of national IPC demand deposits on June 15, 1960, as indicated on the third page of G-60. If more than 3 per cent of deposits coming into Philadelphia, or resulting from loans made by Philadelphia banks, tended to remain here in Philadelphia, it is quite obvious that the ratio of deposits in Philadelphia banks to the national total of deposits would necessarily tend to rise.

Secondly, if anything, I believe the ratio of 3 per cent is almost certainly a little bit too high, because if you look

at the figures—I don't have statistics on this—but it is generally recognized—and I have looked into it, but I don't happen to have the figures with me here—that Philadelphia's deposits have been growing less rapidly than the national total, so that the ratio of Philadelphia deposit to the national has been falling.

Now, if the ratio has been falling, then 3 per cent is really too high. It ought to be something that reflects the flow of additional deposit, the proportion of additional deposits that remains in Philadelphia, and if this additional amount is equal to 3 per cent, the ratio would tend to remain at 3 per cent. It must be lower if the ratio is falling.

[fol. 4572] Thirdly, if the ratio staying here is higher, that is, the ratio leaving is lower than my estimate—and this is what Dr. Harris seems to suggest—then my conclusion with respect to the drain of credit from the area would be strengthened rather than weakened.

For example, just suppose purely for illustration that this symbol "p" in my formula was equal to 40 per cent, that is, that 40 per cent of the deposits resulting from local loans remained in the area, then if you leave all the other values that I used the same and substitute 40 per cent for "p" in the formula, the drain is 40 per cent of credit lines. That is, the supply of credit available for local loans is reduced by 40 per cent of credit lines established instead of 27 per cent.

Now, finally, on that point, within limits within which it is likely to vary, let us say, whether it is 1 per cent or up to 10 per cent, would have very insignificant effects on the conclusions in my formula. That is this relationship. The proportion of new deposits running from local loans that can be expected to remain in the Philadelphia area is a relatively unimportant factor which I felt I should take into account in order to make my analysis complete, but it is really not important.

Then Dr. Harris on page 101 of his testimony——

[fol. 4573] Mr. Reycraft: That is page 2373.

The Witness: He refers to——

The Court: What did Dr. Harris say? Quote it exactly so that I will know what you are talking about.

The Witness: Well, he referred to my——

The Court: What did he say? Read his testimony.

The Witness: I don't have it here.
Mr. Littleton: What is the page, please?
The Witness: 2373.
He says:

"It would seem to me that if the proceeds of the loans made out of the city all left the city and 97 per cent of the proceeds of the local loans left the city, that the moral that you might draw from that . . ."——

The Court: Just a minute, Doctor. You are reading entirely too fast for me to follow you. Read that more slowly, please.

The Witness: "It would seem to me that if the proceeds of the loans made out of the city all left the city and 97 per cent of the proceeds of the local loans left the city, that the moral that you might draw from that is that it is a bad thing for banks to lend at all.
[fol. 4574] "It seems to me that it is equivalent to putting a protective tariff around the local areas and saying, 'Keep your money at home,' which I think is contrary to the philosophy of our national economic system and national welfare."

[fol. 4575] By Mr. Reycraft:

Q. Will you comment on that statement, Doctor.

A. Yes. In the first place, as I tried to point out several times, when a bank makes a loan it inevitably loses reserves to the extent of the loans it makes, whether it makes the loans locally or outside the area. That does not mean that it is unprofitable for the bank to make the loans, as seems to be implied here, that it is a bad thing for banks to lend at all. Bank lending facilitates economic activity, and just because the individual bank happens to lose the reserves resulting from the loans, that idea contains no suggestion that it is not desirable for banks to lend.

Dr. Harris refers to my testimony as reflecting a "Keep your money at home" philosophy. On that point I would simply point out that all I have been trying to do is to analyze a proposition that was advanced originally—I believe in the merger application that has been referred to particularly—that the creation of a larger bank, by

increasing the lending limit, would attract deposits to the area, and that this may not increase the supply of funds available to finance local economic activity.

[fol. 4576] By the Court:

Q. Doctor, increasing the lending limit means increased resources, does it not? It means that the bank is to have increased resources?

A. That is true, yes. In this case there would be a slight increase, because in addition to merging the two banks——

Q. What do you mean, a slight increase?

A. It wouldn't be very much, because we have already got the two banks here, and the resources are not increased.

Q. We have two instead of one; is that right?

A. Yes.

Q. Then there is going to be another million dollars thrown in on top of it?

A. That is correct, yes.

Q. So when you are talking about an increased lending limit, is that all that you consider in this case?

A. Well, that is all I consider, because that was the main point that was made.

Q. An increased lending limit?

A. Yes.

Q. The total resources of the two banks together you have never considered as a factor in the merger, without regard to the lending limit?

A. No, I have not.

[fol. 4577] The Court: All right, go ahead.

The Witness: The only point that I wanted to make is that this issue seems to me to be brought into the case originally by the defendants in the case, who argue that the area would benefit. So it seems to me it is not I who have taken a localized view of the problem. I have simply been trying to analyze as best I could the effect that would be produced on the local area, and I believe that the effect would be adverse, but it is not I who introduced the local area into the case. It is the defendant banks, it seems to me.

The Court: That is your opinion?

The Witness: Yes, sir.

The Court: As long as you keep it to your opinion, all right.

You didn't hear the mayor of Philadelphia testify yesterday?

The Witness: No, I did not.

By Mr. Reycraft:

Q. Professor Smith, in your reply to the Court's question on increased resources, do you consider that when you combine banks you are increasing their resources or merely combining existing resources?

A. Of course, you have a single bank with larger [fol. 4578] resources than before, but you don't have total banking resources in the area any larger than you did originally.

There is another point in Dr. Harris' testimony that I would like very briefly to refer to on these pages.

The Court: Use the pages. They will be supplied.

The Witness: That is pages 102 and 103 of the deposition. He says that——

Mr. Reycraft: Just a minute, Professor Smith. I will give you the pages in the record.

By Mr. Reycraft:

Q. On page 2374 of the record Dr. Harris referred to the growth of deposits in Philadelphia as compared with the growth of deposits in other cities, when he commented on your testimony. Do you have any comment on that statement? Read it into the record.

A. He said:

> "I think that the slow growth of the deposits in Philadelphia, which is also true, I may say, at the time of the City of New York, is unrelated to the lending activities of the banks located in those areas.
>
> [fol. 4579] "I think that the slow growth of deposits is a direct result of the ratio of total economic activities carried on in those particular areas.
>
> "Now, it is, of course, a fact that the more settled and older areas of the country are growing less rapidly than some of the new areas in the South and the West; and that factor his resulted in an increase in deposits in banking institutions in the South and West at a more

rapid rate than has occurred for deposits in the older and more settled portions of the country, such as Boston, New York, and Philadelphia."

I would simply like to say that I wholeheartedly agree that the slow growth of deposits in Philadelphia and other more settled areas of the country is primarily due to the fact that economic activity has been growing less rapidly in those areas than it has in some of the newer areas in the South and West. However, I believe the factors we have been discussing may have some effect, although rather slight, on the growth of deposits, but contrary to the implication, for example, in Mr. Brown's deposition, which suggests that the growth of deposits would be increased, I believe the effect, while probably not very important, would be adverse to the growth of deposits in the area.
[fol. 4580] That is all I have.

The Court: Will somebody find me the exhibit—I assume it has to be the exhibit of the defendant—showing the index numbers of the growth of sales, and the addition, and so forth. In view of a statement made by Dr. Smith just now, I would like to take a look at it.

The Witness: Well, it is not a question—I am sure I know the area has grown rapidly. I am simply talking about growth of——

The Court: I want you to look at that exhibit. It is D-25. Do you have it in front of you?

The Witness: Yes.

By the Court:

Q. Do you still persist in your statement that you just made?

A. Yes, I do.

Q. Assuming the validity of that exhibit?

A. No, I am not questioning the validity of that exhibit. The exhibit has nothing that I can see to do with what I suggested.
[fol. 4581] I made no suggestion whatever that growth in this area had not been rapid. I am simply saying that growth has been less rapid than it has been in some of the newer areas of the country, such as the South and the West,

and I have got somewhere here some figures on the growth of employment in Philadelphia and in the larger metropolitan areas which suggest that employment in Philadelphia has grown less rapidly—in Philadelphia, Boston, New York, and some of the more settled areas—has grown less rapidly than it has in Dallas——.

Q. Now we are talking about percentages rather than manufactures or increase of economic product, and so forth?

A. Yes, sir.

Q. We are still talking percentages rather than human beings; is that it?

A. Yes, sir, because we are talking about this in relation to the growth of deposits.

I feel certain that the growth of bank deposits in a particular area is related primarily—and I mean the percentage growth of bank deposits in the area—is related primarily to the percentage growth of economic activity in that particular area.

I am agreeing with Dr. Harris now; I am not disputing him. All I am saying is that this bank credit business that [fol. 4582] we have been talking about may have some very slight marginal effects on the growth.

The Court: All right.

Mr. Reycraft: Cross-examine.

Cross-examination.

By Mr. Littleton:

Q. Prof. Smith, will you look at G-60.

A. Yes, sir.

Q. Your formula. Will you turn to the second page.

A. Yes, sir.

Q. And look at the last paragraph.

A. Yes, sir.

Q. It says, does is not:

"That is, it is estimated that the establishment of new credit lines in Philadelphia on this basis would reduce the supply of credit available locally in the Philadelphia area by about 35 per cent of the amount of lines established."

A. Yes, sir.

Q. Do I understand from the answers you made to the Court's questions that you do not hold to that theory now?

A. Do I have to answer that question "yes" or "no"?

Q. Well, you can answer "yes" or "no" and then tell us.

A. Would the clerk read the question back?

[fol. 4583] Q. You say on the bottom of the second page of G-60, which is your formula:

> "That is, it is estimated that the establishment of new credit lines in Philadelphia on this basis would reduce the supply of credit available locally in the Philadelphia area by about 35 per cent of the amount of lines established."

I say, do I understand now, from some of your answers to the Court's questions, that you no longer adhere to that theory?

A. I adhere to the theory, but the estimate has been changed.

Q. How has the estimate been changed?

A. The new estimate that I introduced earlier was, instead of 35 per cent, the revised estimate is 27 per cent.

Q. In other words, the only change in it, then, is the 27 per cent?

A. Yes, sir.

Q. Then you do think it is a bad thing for the Philadelphia area for the Philadelphia National Bank or the merged bank to establish new lines?

Mr. Reycraft: I object. He didn't say that. His testimony was with reference to lines outside the area.

The Court: Overruled.

Read the question back.

[fol. 4584] (The reporter read as follows:)

> "Q. Then you do think it is a bad thing for the Philadelphia area for the Philadelphia National Bank or the merged bank to establish new lines?"

A. I do, as far as the supply of credit to the local area is concerned, assuming that the lines are established on the basis of 10 per cent deposits and that they are used to the

extent of 35 per cent of the loans. If they can find particular cases in which the firm will place a deposit substantially larger than 10 per cent, and which the use of the credit lines represent substantially less than 35 per cent, there would be a favorable impact as far as the flow of funds into the area is concerned.

By Mr. Littleton:

Q. And it makes no difference whether these loans or lines that you are talking about are to Philadelphia borrowers or to borrowers outside of Philadelphia?

A. That is right. I believe it does not.

Q. I believe you stated that when you were here before.

A. Yes, sir.

Q. Well, now, if that is so do I understand that you think, if they established any more such lines, things are going to be even worse than they are now?

A. Well, there would be, in my judgment, if lines were [fol. 4585] established on this basis, a net drain of funds out of the area. I don't regard this as a tremendously important factor in the local situation, but I think it would be unfavorable, that is right.

Q. And your formula is based on a number of assumptions, as I understand it?

A. Yes.

Q. The value of "d," for instance, which you state is the deposit requirement, as a per cent of the credit line, you say that 20 per cent was taken from the deposition of Mr. Brown?

A. The original 20 per cent estimate was, yes, sir.

Q. So you have assumed the 20 per cent all the way through?

A. Well, I changed it to 10 per cent on the basis of Mr. Potts' testimony.

Q. What value have you given to the information which appears on D-26 revised, which I understand you have looked at?

A. Well, I tried to explain that this is a judgment that one must make on a matter like this, but in looking at those loans and credit lines and deposits, and having read the testimony of Mr. MacLaren and Mr. McDowell, I would judge, as I indicated before, that it is rather unlikely that

as a result of an increased credit line the banks would be [fol. 4586] able to attract additional customers whose deposits and loans would behave in this way.

Now, if that assumption is incorrect——

The Court: Just a moment, Doctor. Stop there. I want your answer up to now repeated.

(The reporter read as follows:)

"A. Well, I tried to explain that this is a judgment that one must make on a matter like this, but in looking at those loans and credit lines and deposits, and having read the testimony of Mr. MacLaren and Mr. McDowell, I would judge, as I indicated before, that it is rather unlikely that as a result of an increased credit line the banks would be able to attract additional customers whose deposits and loans would behave in this way.

"Now, if that assumption is incorrect——"

The Court: Go ahead.

A. (Continuing) If that assumption is incorrect, and if the bank could succeed in attracting additional deposits, these additional customers whose deposits and loans behave in this way, there would quite clearly be a net benefit to the area.

[fol. 4587] By Mr. Littleton:

Q. Doctor, do you question in any way the figures on D-26?

A. No, sir, I do not.

Q. What do they show with respect to the ratio of deposits to loans?

Don't you have it before you?

A. Wait a minute. Yes, I think I do.

D-26 shows that the ratio of deposits to loans is 199.8 per cent, approximately 200 per cent.

Q. It shows average loans of $51,798,000 to the 27 customers with the largest lines of credit?

A. Yes, sir.

Q. And it shows deposits of how much?

A. $103,507,000.

Q. When you were reading Mr. McDowell's testimony did you read page 2894?

A. Yes, I read all the testimony, I believe.

Q. Well, then, you will recall, no doubt, that in answer

to the question, "Now turning back again to D-26, what effect, if any, do you think the merger will have on the bank's ability to acquire additional customers similar to those profitable ones which appear on D-26?" Mr. McDowell answered, "Well, I would think our first aim would be [fol. 4588] to hold on to that which we have and service the growth of these present customers so that we can maintain our position. I think our main target with the larger resources and larger bank, and more efficient management would be the New York area, because we suspect that there are hundreds of millions of dollars of customers in our area, in our trading area, in New York balances—lines of credit and loans."

Do you remember that testimony?

A. Yes.

Q. Have you any reason to believe that any of these situations described on Exhibit D-26 are going to change?

A. Well, I have no specific evidence. That is, I am not familiar with the individual customers involved. I can only make judgments on the matter, if you want me to do that, and I don't know the customers, and I have not been inside the bank and examined the records, and so on, so that all I can make is judgments.

Q. Do you know why any one of the customers listed on D-26 or on D-40, which I believe is the Girard Trust Company exhibit similar to it, do you know why any one of them keeps on deposit the amount it does in the Philadelphia National Bank or the Girard Trust?

A. I don't know the details. I have read the testimony [fol. 4589] that Mr. McDowell gave on this. I can't remember the details with respect to the individual companies.

Q. You don't deny the fact of D-26, do you?

A. No, I do not.

Q. Well, would you be willing to work your formula with the figures that come from D-26?

A. Do you want me to do it right now?

Q. Yes, sure.

A. It will take me a couple of minutes.

The Court: Well, we have a ten-minute recess coming up, so you can take your time.

(A ten-minute recess was taken at 11:00 o'clock A.M.)

By Mr. Littleton:

Q. Were you able to do as I asked you, Doctor, and apply D-26 figures to your formula?

A. Yes, I computed it.

Q. Will you tell us your answer and describe your computation.

A. Well, I calculated the value of "d," which is the relation of deposits to credit lines, which is obtained by dividing $103,507,000 by $234,100,000, which comes out to about 44 per cent, and I calculated "k," on the basis of D-26, by [fol. 4590] dividing the average amount of loans by the average amount of lines, $51,798,000 divided by $234,100,000, and obtained a percentage of 22 per cent. Then I substituted, keeping the other estimates the same as I used before, but substituted "d" equals .44 and "k" equals .22 in my formula, and I calculated the effect, and what I came out with is that in this case the supply of funds available for local loans increases by only 14.8 per cent.

Q. You mean it increases by 14 per cent?

A. Yes, sir.

Q. You said it increases only by 14 per cent.

A. Yes, sir, I think that "only" is important.

Q. By 14 per cent plus?

A. About 15 per cent, yes, sir.

Q. And the more of such deposits and customers the bank had, the more that would increase, would it not?

A. On this assumption, that is correct.

Q. On this assumption, that is correct?

A. Yes, sir.

Q. And this is even on your assumption that 97½ per cent moves out of Philadelphia?

A. Yes, sir.

Q. Now let us talk about the validity of that which I understand you call your "p" factor.

[fol. 4591] A. I already did, sir. I discussed that at some length in discussing Professor Harris' testimony.

Q. I would like to ask about it, because it is an assumption, is it not?

A. It is an assumption, but it seems to me that it is almost certainly approximately correct.

Q. Where did you get the figure?

A. Well, the source of the data is shown on the third page of Exhibit G-60, under heading No. 4:

> "The estimate of "p" was based on the ratio of IPC demand deposits for the four-county area to total IPC demand deposits for the entire United States. This information was obtained from distribution of bank deposits by counties and standard metropolitan areas, June 15, 1960 . . ."

Q. And you told us before that your formula would apply to any community in the United States, did you not?

A. Yes, I believe it would, with appropriate adjustments of the coefficients in it.

Q. Wouldn't the assumption have to be that every community in the United States was losing deposits on this basis if they made loans?

A. Oh, goodness, no.

Q. Why not?

[fol. 4592] A. Any bank, when it makes loans, does not lose deposits, it loses reserves. It does not gain any deposits when it makes loans. It loses reserves, and this is true of a small local area also, but not quite so much so, because some of the deposits will stick in banks in that area, and it is reasonable, if you have to estimate the proportion that will, to estimate it as the ratio of the deposits of that bank, of that area, to the total United States.

Q. Are you saying that it is only in Philadelphia that it would not stick?

A. Oh, no.

Q. Well, then, I ask you again if your formula applies to any community in the United States.

A. It does, but the "p" factor would not be the same for every community.

Q. Where would it be different?

A. Well, I don't know. I would have to calculate. It would be calculated as it is here, by taking the total deposits of that area in relation to the national total. That varies from one area to another. In an area in which deposits were going high relative to the national total, this ratio would be larger, but for all areas in the country taken together, if you compute the "p" factors for each one of them and add

[fol. 4593] them together, they add up to a hundred per cent, because all the deposits in the United States are somewhere in the United States.

Q. As a matter of fact, Professor, the percentages of deposits in Philadelphia banks, or in the banks of any city, to all the deposits in the United States does not show movement at all, does it? It shows where the deposits are?

A. That is right, and for that very reason I say that 3 per cent is probably an overestimate, because, actually, instead of remaining at 3 per cent of total national deposits, calculations that I have made and evidence introduced by other people show that the deposits in Philadelphia have been growing less rapidly than the national total, so that this percentage has been falling, so that actually a correct estimate of this would presumably be something below 3 per cent, but it depends on the rate of decline, and I didn't try to take it into account.

Q. And you are basing your whole idea, in making the assumption that 97½ per cent flows out of Philadelphia, solely on the fact that Philadelphia shows deposits of 2½ per cent; is that it?

A. But if, when deposits come into Philadelphia or are created here by making loans, if more than 3 per tended to [fol. 4594] stay here, then this would surely raise the percentage of Philadelphia deposits to the national total. It couldn't help but do it.

Q. As deposits flow out of Philadelphia, don't others flow in?

A. That has nothing to do with the example we are talking here because this is a point Dr. Harris brought up, as a matter of fact, but it seems to me it is completely irrelevant to the fact that we are discussing here, for the simple reason that all this other activity is not going to be affected significantly by the factor we are taking into account. The deposits that are going to flow in here from outside are going to flow in anyway, with one exception, and that is if customers transfer their banking connections from New York to Philadelphia. There will be some deposits that would have flowed in here had they borrowed the money from New York, because they now borrow them from Philadelphia, but that works my way.

Q. Well, your whole formula and your conclusion are based on 97½ per cent flowing out; is that correct?

A. Yes, sir.

Q. And I am asking you, if that flows out, isn't there an amount that flows in from other communities?

A. Yes, but all we are talking about is the outflow that is [fol. 4595] induced by the particular opening of credit lines. We are not talking about a lot of other deposits that would flow out anyway and flow in anyway.

Q. Are there deposits flowing out from other cities in the United States?

A. Sure, and flowing in too.

Q. Aren't a great many of them flowing into Philadelphia?

A. Correct, but the amount that flow in will not be affected by this business we are talking about of opening a new credit line. They would have flowed in anyway.

Q. Whether they are affected by this or not, they do flow in, do they not?

A. Yes, they do.

Q. And you have found, by taking these figures that are shown on D-26, and which I understand you don't quarrel with, that there is a plus available for loan credit, is there not?

A. Well, I think it is completely unreal——

The Court: Read the question.

(The reporter read as follows:)

"Q. And you have found, by taking these figures that are shown on D-26, and which I understand you don't quarrel with, that there is a plus available for loan credit, is there not?"

[fol. 4596] A. Well, I have to qualify my answer to that by saying that while I don't quarrel with the accuracy of the figures, I do quarrel with the validity of applying them to the situation I am talking about.

The Court: Read the question back.

(The reporter read the last question as follows:)

"Q. And you have found, by taking these figures that are shown on D-26, and which I understand you don't quarrel with, that there is a plus available for loan credit, is there not?"

The Court: You can answer that yes or no, Doctor, and I direct you to answer yes or no and then you can make any explanation you want.

The Witness: Yes.

The Court: Now, any explanation that you may want to make, qualifying it in any way, you may go on and do it.

The Witness: Well, the only point I want to make is that I don't quarrel with the accuracy of the numbers on D-26, but I do question the validity of applying the ratios calculated to these numbers to estimate the impact of opening new lines of credit, because I simply do not believe that new lines of credit would behave in the way in which these [fol. 4597] do.

By Mr. Littleton:

Q. You don't believe new lines of credit would behave this way?

A. That is right, sir.

Q. And you base everything on that?

A. Yes, sir.

I would like to make one other point, if I may.

Q. Go ahead.

A. And that is that even on the highly favorable assumptions that are obtained by calculating the ratios from the date on D-26, I think it is interesting to notice that the net gain to the area is only 15 per cent of new credit lines open.

Q. Well, that, of course, is on your assumption of the value of "p"?

A. That is correct.

Q. Suppose you took the value of "p" at 50 per cent?

A. It wouldn't make too much difference.

Q. Tell us what it would make.

A. I have to calculate it.

Q. You can do that rather quickly?

A. I can add that rather quickly.

[fol. 4598] I come out with about 25 per cent approximately.

Q. Is that on the basis of the figures you have taken from D-26?

A. Yes, using the figures I took from D-26, and also by revising "p" upward to 50 per cent.

Q. Yes.

A. I come out with 25 per cent.

Q. Well, that is fairly substantial, isn't it?

A. It is fairly substantial, yes.

Q. Let us talk about "k" for a few minutes. What is the "k" in the formula?

A. "K" is the ratio of average loans outstanding under the credit lines to the amount of the credit lines. It is an estimate of the extent of use of the credit line for lending purposes.

Q. Where did you get that estimate?

A. Well, I got my estimate of "k" by taking the total for all customers of the Philadelphia National Bank with credit lines of $50,000 or higher and adding together as of——

Q. September 21?

A. September 21, 1960, I think it was.

[fol. 4599] Q. Isn't it so they were only customers who were borrowing?

A. No, no, no. They were customers. In my original calculation I did not take account of customers who had credit lines outstanding on that date but no loans. The bank apparently inadvertently omitted those credit lines from their listing, and I did not realize that, so I calculated it originally by using only customers who had credit lines of $50,000 or more and loans outstanding under the credit lines, but I have now revised it by adding in all the credit lines of $50,000 that were not in use, and, in effect, adding zeros on the loan side to the loan total, so that now I have divided total loans by the total credit lines, whether they were in use or not, and that reduces my ratio from 51.8 per cent, I think it was, down to 34.6.

Q. These were figures for just one day in 1960; is that correct?

A. That is quite correct.

Q. Whereas D-26 is an average for the year, is it not?

A. That is right.

Q. Have you looked at D-43 in connection with this at all?

A. It does not ring a bell with me.

[fol. 4600] Q. While Mr. Reycraft is getting that for you, Professor, isn't it so that in your formula, or your assumption, your "d," the deposit, is purely an estimate? You took Mr. Brown's 20 per cent first, and you are now taking Mr. Potts 10-percent suggestion as minimum, the minimum they tried to get, and you haven't based it on the actual figures, have you?

A. No, I have not.

Q. You don't know what the actual figures are except as D-26 tells you, do you?

A. No, I doubt very much if anybody else does either.

Q. You don't know how many deposits there are of customers who don't borrow, do you?

A. I beg your pardon?

Q. You do not know how much the deposits are of customers who do not borrow?

A. No, I do not.

Q. And you do not know what the deposits are of customers who do borrow, do you, as to whether the deposits are in excess of the amount of loans, other than D-26 tells you?

A. No, I do not.

Q. Maybe D-43 will shed a little additional light on it. Will you tell us what you find on there as to the Phila-

[fol. 4601] delphia National Bank?

A. Well, let's see. The Philadelphia National Bank——

Q. Have you ever seen this exhibit before?

A. I am not sure I have. I certainly should have.

Q. I am sorry. I assumed you would have been shown this. Let me ask you, doesn't it show the Philadelphia National Bank demand deposits of partnerships and corporations, being customers located outside the four-county area, or of customers located inside the four-county area that are not limited to a choice of banks in the four or ten-county area, that the demand deposits are $290,782,000, and that the loans are considerably less, $226,141,000, and you will see a similar difference in the Girard?

A. Yes, sir.

Q. Their demand deposits are $143,188,000, and the loans are $114,988,000?

A. Yes, sir.

Q. Does that cast any light on this assumption that you have taken of 10 per cent?

A. Well, to be honest with you, I don't think it does.

Q. You don't think it makes any difference?

A. I don't think it bears directly on what I am talking about, because it seems to me, almost by definition, when we are talking about customers who are attracted to open [fol. 4602] credit lines or by the increased size of the lending limit, we are talking about customers who are likely to be oriented toward their borrowing capacity and who are likely to want to get the maximum borrowing capacity they can get in exchange for a minimum amount of deposits. Many of these customers are customers who have large economic activities in the area and who are motivated to carry large deposits here because of services and other factors connected with this.

Q. But you still have the deposits there in excess of the loans, don't you?

A. Right, but the question before us is what will happen with respect to additional deposits and loans that will be attracted in here as a result of the expansion of the bank. Frankly, I simply do not believe that you can judge that they will behave in the same fashion as the average deposits and loans that are here already.

Q. Let me ask you right there; if you think that the danger to the community lies in the fact that there might be additional loans made by the larger bank over the presently existing loans, resulting in disadvantageous results to the community, why is it that just an increase of loans by this merged bank is going to have such a direful result on the economy of the Philadelphia area?

[fol. 4603] A. In the first place, I never said it would be a direful effect.

Q. Didn't you say that an increase in loans would decrease the availability of credit?

A. Yes, but all I am trying to say is that in order to say whether this will have a direful effect on the area, one has

to take into account all of the implications of the merger, not only just this one——

Q. Well, I am asking you about this one.

A. Right.

Q. I am right, am I not, that you have said that an increase in loans would decrease the availability of credit?

A. I believe it would.

Q. And this is so whether the loans are to companies outside Philadelphia or inside Philadelphia?

A. Well——

Q. You said that before.

A. I am talking about additional loans, that is right.

Q. Right. Well, let me ask you, if there is a reduction in loans, will that increase the availability of credit?

A. The reduction in loans?

Q. Will that increase the availability of credit?

A. Of course it will. A reduction of loans in Philadelphia [fol. 4604] banks, customers repaying loans to Philadelphia banks, will make funds available to those banks which they can use to lend to other customers.

Q. If you think the first is a bad result on the financial community, do you think the second is——

A. Not necessarily. You have to judge what the cause is. In the second case I am talking about customers paying bank loans. Whether it is good or bad all depends on the reason they pay the loans back. If they pay the loans back because of a decline of business activity in the area that does not require them to have that money any more, this is a bad effect.

Q. Doctor, let me just understand what the kernel or the heart of your theory is. Is it that if you increase loans, it is going to be bad for the economy of the Philadelphia area?

A. Let me say that it depends on the assumptions one makes about the magnitudes of these coefficients in this formula. From the estimates I made, which I feel are the best ones, most applicable, as far as I can judge, from the material available to me, it seems to me there would be a net loss to the area. If the coefficients are estimated incorrectly, and if, for example, the coefficients one could derive from D-26 are the correct coefficients, my conclusion [fol. 4605] would be reversed, but still the effect would,

it seems to me, be rather weak. That is, you have to take account of both the deposits coming in and the funds going out as a result of the loans, and they tend to cancel each other out to some extent. It is a question of whether there is a net inflow or net outflow. I judge, as best I can on what seems to be data that are likely to be most relevant, that there would be an outflow.

Q. So that your whole conclusion, as I understand it, rests on the assumption that the deposits are only 10 per cent of the loans and that 97½ per cent of the proceeds of the loans move outside the Philadelphia metropolitan area?

A. And the assumption that loans are 35 per cent of lines.

By the Court:

Q. Are those two valid assumptions?

A. Yes.

Q. Now, you say "plus." What is your plus?

A. There are two other assumptions. One is that the reserve requirements of Philadelphia banks are 16½ per cent, and the final one is that the ratio of loans to credit lines is approximately 35 per cent.

By Mr. Littleton:

Q. So the best thing for the Philadelphia banks to do [fol. 4606] is not to make any more loans; is that correct?

A. No.

Q. For the good of the area?

A. No, because the loans are necessary. That is, to the extent that the loans are necessary to finance economic activity in the area, fine, but my point is that it is at least questionable, when, as far as I can see, economic activity in the area is being satisfactorily financed as it stands, to shift the financing of it to the Philadelphia area by opening a larger bank. I judge that the net effect of this would be a drain of credit on the area.

The Court: Doctor, have you finished?

The Witness: Yes.

The Court: I want the reporter to read your answer back, and I want to ask you a question about one statement therein made.

Read the answer back.

(The reporter read as follows:)

"A. No, because the loans are necessary. That is, to the extent that the loans are necessary to finance economic activity in the area, fine, but my point is that it is at least questionable, when, as far as I can see, economic activity in the area is being satisfactorily [fol. 4607] financed as it stands, to shift the financing of it to the Philadelphia area by opening a larger bank. I judge that the net effect of this would be a drain of credit on the area."

By the Court:

Q. Doctor, you said, "As far as I can see, economic activity in the area is being satisfactorily serviced as it stands." What did you base that on? What evidence? You have made the statement. Now I would like to know on what evidence. As I said, this case started almost 60 days ago. I have heard a lot of evidence in this case, a lot of things, but I am rather amazed that you make such a positive, dogmatic statement, and I would like your basis for making that statement.

A. The truth is I can't provide a basis for that statement. It was a comment I made in connection with trying to explain my answer to a question. In the first place, I don't think anybody can define properly what you mean by "satisfactorily financed." I am sorry I made the statement.

Q. Then I am quite sure that we both agree that we will forget it was made and we will go on.

A. All right.

By Mr. Littleton:

[fol. 4608] Q. It is impossible to escape the conclusion, isn't it, Doctor, from your theory, that it is disadvantageous to the Philadelphia metropolitan area for this bank or the merged bank to get any additional customers?

A. Well, you certainly can't say it from the formula.

Q. I beg your pardon?

A. You certainly can't say it from the formula.

Q. What do you say, Doctor?

A. You have to know what the estimates of the coefficients

in the formula are. That is, you have to make specific estimates.

Q. You told me that you wouldn't go along and say that your theory means that we shouldn't make more loans. I am asking you, should we try to get more customers?

A. Well, I think so. I mean I believe in letting banks do as they feel appropriate with respect to attracting new customers.

Q. As to all areas?

A. That is right, and it may very well be highly advantageous to the banks to do this.

Q. And would it be advantageous to the area also?

A. Well, whether it would be advantageous to the area on the whole would involve a pretty complicated analysis of the whole situation.

May I comment?

[fol. 4609] Q. Sure.

A. All I am trying to do is to analyze a proposition that was introduced into this case by the defendants in which they argued that there would be a positive inflow of credit into Philadelphia. I am simply trying as best I can to judge whether this statement is correct or not.

Q. And you do that on certain assumptions?

A. That is correct.

Q. The correctness of which you have not established?

A. Well, yes.

Mr. Littleton: All right, that is all.

By Mr. Price:

Q. And one of the assumptions is that the figures shown on D-26 and D-40 are not figures which indicate what other depositors and borrowers would do?

A. Yes, sir.

Q. And you have no basis for that other than your assumption?

A. It is other than my judgment, that is right.

Mr. Price: That is all. Thank you.

Redirect examination.

By Mr. Reycraft:

Q. Professor Smith, isn't it a fact that the basis for [fol. 4610] your judgment on D-26 is Mr. MacLaren's testimony and Mr. McDowell's testimony?

Mr. Littleton: That is a leading question and I object to it.

Mr. Price: He said he had none.

By Mr. Reycraft:

Q. Let me refer you to page 2504 of Mr. MacLaren's testimony and let me ask you whether you considered that testimony in forming your judgment.

Mr. Price: Objected to. He said he did not.

The Witness: I said what?

Mr. Reycraft: Would you answer my question, Doctor.

The Court: Wait a minute. There has been an objection. Let me hear the question.

(The reporter read as follows:)

"Q. Let me refer you to page 2504 of Mr. MacLaren's testimony and let me ask you whether you considered that testimony in forming your judgment."

The Court: I will sustain the objection to the question as framed.

By Mr. Reycraft:

Q. In reaching your conclusion on D-26 as to which you were asked on cross-examination, what factors did you [fol. 4611] take into consideration?

Mr. Price: Objected to. He has testified that he had nothing except his own judgment as the basis for his rejection of the operation of D-26 on the future of borrowers.

Mr. Reycraft: And I am asking him what went into his judgment.

The Court: That question opens up his entire testimony again, doesn't it, as to his formula?

Mr. Reycraft: No, all it opens up is the question of the fact that he relied on D-26 and D-40, which is what I believe I can establish by asking these questions.

The Court: That he relied on those?

Mr. Reycraft: Yes, for his assumption.

The Court: If that is the purpose, I am going to sustain all objections to the questions, because he has testified fully about it.

Mr. Reycraft: He was asked a question on cross-examination as to what the basis for his judgment was.

The Court: Keep it very short. I am going to let you proceed. Keep it very short. This is getting to be [fol. 4612] repetitious.

By Mr. Reycraft:

Q. Dr. Smith, in reaching a judgment which you were asked about on cross-examination, did you consider the testimony of Mr. MacLaren on D-26?

A. Yes, I did.

Q. And what weight did you give that testimony?

A. Well, that testimony and also the testimony of Mr. McDowell——

Mr. Price: Can we have what the testimony is that you are talking about, Professor, before you tell us what weight you gave it?

The Witness: The testimony of Mr. MacLaren, particularly on page 2517, where, after having been questioned about the individual customers listed on Exhibit D-26——

Let's see. He was asked whether those customers who were rendered services such as include payroll accounts would not be likely to carry larger deposits than would be required as compensating balances for loans, and he replied that he thought they would.

By Mr. Reycraft:

Q. Will you refer also to 2518.

A. And again here, in answer to a question, "Assuming [fol. 4613] you did not have the payroll servicing of the customer . . ."

Mr. Price: Would you mind saying it loud enough for me to hear?

The Witness: "Assuming you did not have the payroll servicing of the customer and he was merely a borrowing customer, are these deposits representative of the deposits that you would require as a compensating balance or expect to get against loans?

"A. Oh, no, these are in excess of what we expect to get just against the loan.

"Q. Far in excess, are they?

"A. Yes."

Mr. Reycraft: That is all I have.

Recross-examination.

By Mr. Price:

Q. What does that mean to you with reference to D-26?

A. Well, it means that in conjunction, I might say, with the extensive testimony on the individual accounts by Mr. McDowell, that these are companies that have payrolls in this area and carry large deposits in connection with those payrolls and I would judge are relatively uninterested in maximizing credit lines or else getting services from local banks that they could not get elsewhere. If this were not the case and if they were strongly interested in credit lines, [fol. 4614] I would expect them to transfer their banking activity to a bank in, say, New York, where they could get a credit line commensurate with the deposit they need to use for local activity purposes.

Q. Do you know whether that is a fact in respect to any of those——

A. No, I do not.

Q. You are just assuming that?

A. I am just judging that.

Q. Aren't you inferring that from something?

A. Yes, sir.

Q. And you suggested that all you have to do is go to New York with a deposit or check in your hand and establish a credit line in some bank? Is that the way you do it?

A. I think that is pretty much true for the kind of large companies we are talking about here. In most cases they would have no particular difficulty in establishing a credit line in New York.

Q. So you think a customer walks into a bank with a check and puts it down and establishes himself a credit line the way you do in a grocery store or haberdashery store?

[fol. 4615] A. Not every company does, but we are talking here about large and pretty well established concerns.

Q. You think that is the way they do it?

A. I don't know what they do when they go in the bank with respect to what officer they see and what they do with the check they write.

Q. Do you know how they establish a credit line?

A. Negotiate a credit line with an officer of the bank.

Q. Do you know what they have to do to establish a credit line?

A. Well, they have to supply the information concerning their activities, and statements of condition of the firm, and so on.

Q. Did you ever establish one yourself?

A. No, of course not.

Q. Did you ever participate in the establishing of one?

A. No, of course not.

Mr. Price: That is all.

By Mr. Littleton:

Q. Professor Smith, when you were reading from Mr. MacLaren's testimony as the basis for an opinion, you of course read all of Mr. MacLaren's testimony?

A. Yes, I did.

[fol. 4616] Q. I say, you of course read all of Mr. MacLaren's testimony?

A. I believe I did, yes.

Q. And on the next page to the one you were reading, page 2524, where Mr. Reycraft is cross-examining Mr. MacLaren, let me ask you if you took Mr. MacLaren's answer here made into consideration. The question asked of Mr. MacLaren was:

> "Q. D-26 is not a very reliable indication, is it, of what type of deposits the Philadelphia National Bank might expect to get in compensation for loans unrelated to other services?"

And Mr. MacLaren's answer was:

"A. The intention of this is not to make a measure of the deposits against the loans. The intention of this is to show that for big customers the type of business you do for them brings in very substantial deposit balances."

Did you take that into consideration in forming your opinion?

A. Yes, I read that.

Q. And dismissed it?

A. Well, in going back further in this case, it seems to [fol. 4617] me that the emphasis in attracting deposits has been on the size of the credit line. Now, it is possible, but I think it is a matter to be established, that a larger bank could in fact render services which would attract the depositors. This is probably true, but it is something to be established. I have addressed myself to the effect of the credit line because it seemed to me that was the original argument, and there may—I only arrived in Philadelphia yesterday—and there may very well be testimony bearing on this point that I have not yet had a chance to examine.

Q. Did you read or didn't you bother to read the testimony of all the customer witnesses?

A. No, I did not have a chance to do that, sir.

Mr. Littleton: All right, that is all.

By Mr. Price:

Q. And so because this latest statement of Mr. MacLaren that Mr. Littleton read you does not fit into your theory, you rejected it; is that right?

A. No.

Q. You didn't accept it, did you?

A. No. No, I didn't accept it.

Mr. Price: All right.

Mr. Reycraft: That is all.

[fol. 4618] The Court: Mr. Degnan, have you included that matter we discussed yesterday?

Mr. Degnan: Your Honor, I believe the defendants have those exhibits prepared and they plan to introduce them this morning.

The Court: The point I am making is, I called the United States Attorney's office yesterday and talked with Mr. Degnan. I had proposed to get in touch with defendants' counsel to do whatever is necessary to protect the customer list which has been discussed here by number or letter, and Mr. Degnan informed me that there had been pretty much agreement between you as to what would go in the record.

I would much prefer that the record be a public record, and I want full protection, which has been agreed upon very gentlemanly between the Government and the defendant, of people who are not parties to this proceeding. There are certain exhibits here which had to be discussed by number or letter, and I asked Mr. Degnan to make sure by this morning that that was in shape, so I would have to issue no impounding order. I would prefer not to issue any impounding order.

Mr. Degnan: I believe the defendants have their exhibits prepared, Your Honor.

[fol. 4619] The Court: All right.

Mr. Reycraft: Earlier in the case Your Honor inquired whether the Government might be able to limit some of the exhibits it offered, in terms of the pages involved, and particularly the application, and I have prepared—I might say more accurately Mr. O'Donnell has prepared—a statement of the pages on which we will rely and will therefore be willing to substitute exhibits.

I hand copies to defense counsel (handing).

(Copies handled to defense counsel and to the Court.)

Mr. Littleton: We understood that the application had already been offered in evidence and accepted in evidence.

Mr. Reycraft: They have been received subject to the Court's request that the Government attempt to reduce the number of pages involved.

The Court: The application as such is admitted for all purposes.

Mr. Littleton: Thank you, sir.

Mr. Reycraft: I am talking about the applications for branch banking.

The Court: Oh, yes, yes.

Mr. Reycraft: As Your Honor may recall, there was some [fol. 4620] parts of it on which we did not rely, but we

offered them for completeness. Now we have indicated the pages of particular documents on which we will rely.

The Court: There were 21 or something in that area?

Mr. Reycraft: Something like that.

(The document referred to reads as follows:)

United States of America v. The Philadelphia National Bank and Girard Trust Corn Exchange Bank.

The government will rely on the indicated pages of the following exhibits:

	Exhibit	Page
	G72	1
	72a	1
		2a
		3
	72b	1
	72c	1
		2
		2a
	72d	1
	72e	1
		2a
[fol. 4621]	72e	3
		4
	73	1
	73a	1
		2
		3
		4
		7
	74	1
		2
		4
		7
	76j	1
	76k	1
		2
		3
	76l	1
	76m	1
		3

Exhibit	Page
76n	1
76o	1
	3
76p	1
76q	1
	3
[fol. 4622] 76r	1
76s	1
	3
76t	1
76u	1
	3
76v	1
76w	1
	3
77	1
77a	1
	3
	6
77b	1
77c	1
	3
77d	1
89	1
	2
	4—par. 9 only
	6
	7—first 2. pars. only
	1
	2
[fol. 4623] 91	3—first. pars. only
	8
	10—second full par. at top of page and Item 11 in full
	11
	12—Item 13 only

Exhibit	Page
93	1
	2
	4—Item 9 only
	5—last 2. pars.
	8
	9—Item 13

Mr. Reycraft: With reference to G-23, 24, 25, and 27, questions were raised about some of the percentages, where errors in the neighborhood of a half per cent may have been made, and we have revised those tables and are satisfied that they are accurate.

(Document headed "Table 23—Revised" was marked Exhibit G-23 (revised) and admitted in evidence.)

(Document headed "Table 24—Revised" was marked Exhibit G-24 (revised) and admitted in evidence.)

[fol. 4624] (Document headed "Table 25—Revised" was marked Exhibit G-25 (revised) and admitted in evidence.)

Mr. Reycraft: I have handed counsel copies of revised 27.

(Document headed "Table 27—Revised" was marked for identification Exhibit G-27 (revised) and admitted in evidence.)

Mr. Reycraft: As to G-29, the question was raised that some of the figures furnished to us by the Philadelphia National Bank included domestic and foreign bank deposits, and these figures have been omitted from revised 29, so that they are now strictly comparable.

(Document headed "Table 29—Revised" was marked for identification G-29 (revised) and admitted in evidence.)

Mr. Reycraft: We wish to withdraw Government's Exhibit 182.

The Court: Which is what?

Mr. Reycraft: G-182 is a document entitled "Total Number of Loans and Proportion of all Loans of Philadelphia National Bank and Girard Made to Borrowers in Philadelphia, Bucks, Delaware, and Montgomery Counties."

We have been unable to reconcile certain figures of the

defendant's exhibits, but it is not important so we withdraw [fol. 4625] it in favor of their exhibit. The difference is not important.

(Exhibit G-182 withdrawn)

Now, on Government's Exhibit 183, the source, which was a Government exhibit, was omitted, and that has been included in revised 183.

(Document headed "Changes in the Number of Banks With Head Offices in Philadelphia Shown by Size of Bank" was marked Exhibit G-183 (revised) and received in evidence.)

The same with reference to G-184, where the Government's exhibit which was the source of that document was omitted, and that has been supplied as G-184 revised.

(Document headed "Commercial Banks in the Four-County Area" was marked for identification G-184 (revised) and received in evidence.)

Now, with reference to G-187 there was a question about the number of banks with head offices in the four counties, and we are satisfied that our figures are accurate and have nothing further to say on that.

(Exhibit G-187 received in evidence.)

With reference to Government's Exhibit 197 and 198, the question was raised as to our addition of deposits and loans [fol. 4626] of merged banks, and we are satisfied that the arithmetic is correct and that the method is valid, and I might point out that at page 24 of the bank's application to merge—that is Government's Exhibit 57—the same mathematical addition was used, and we see no reason to change that.

The Court: That is one of the reliable parts?

Mr. Reycraft: That is one of them, yes, sir.

(Exhibits G-197 and G-198 admitted in evidence.)

Now, with further reference to Mr. Degnan's statement, I understand that references were made to the names of customers in the following exhibits:

21-A, 67, 68, 69, 123, 125, 132, 133, 134, 135, 136, 141, 146,

200, 201, 220 and 227, and we have no objection to the exhibits without the names being substituted. I understand that the banks are going to make the substitution.

(Exhibits to be substituted for G-21-A, 67, 68, 69, 123, 125, 132, 133, 134, 135, 136, 141, 146, 201, 200, 220 and 227.)

[fol. 4627] That is as to all except G-67, G-28, and G-29, which my associates have taken up with the attorneys for the banks, and I will now hand these to the reporter.

(Exhibits G-67, G-68, and G-69 handed to the reporter to be substituted for previous Exhibits G-67, G-68 and G-69.)

The Court: You have inked out the name of the customer?

Mr. Reycraft: Yes, sir.

The Court: That is fine. These can now be public.

Mr. Reycraft: I understand that there is no objection to their being part of the public record.

The Court: All right.

OFFERS IN EVIDENCE

Mr. Reycraft: With reference to the exhibits which were marked by the Government during the defendant's case, G-246 to G-255, we now offer them in evidence.

The Court: They will be received.

(Exhibits G-246 to G-255 inclusive, received in evidence.)

Mr. von Starck: To complete this, may we have back from the Government the keys to D-26 and G-245, which gave to the Government the names of the customers who appeared as numbers or letters on those exhibits?

Mr. Reycraft: We would like to keep those—and we, [fol. 4628] of course, are instructed by the Court and intend to abide by the instruction not to disclose it—for the purpose of comparing, for example, when one customer appears in two places.

The Court: At this stage, Mr. von Starck, I would refuse your request because there is a lot of work still to be done here, and they really are entitled to their use.

Mr. von Starck: Could we get them back contemporaneously with the filing of the briefs?

Mr. Reycraft: I am not sure about that. I have no objection whatever to giving them back to you——

The Court: We are going to meet one day with you soon. They are under instructions not to disclose them except among themselves, this team of lawyers of the Department of Justice. They are not to be exhibited to anybody else. I feel that they are entitled to them for such use as they may need in comparison, and I can see a valid use of them without disclosure; so, consequently, I wouldn't require their return at this point. They may even need them in the oral argument before me. I see every valid reason why they should retain them, Mr. von Starck.

Mr. von Starck: All right, sir.

[fol. 4629] The Court: I ask you, however, not to make any copies of reproductions of them.

Mr. Reycraft: I don't see any need to. Whether we do have one or two copies now, I don't know.

The Court: Don't increase them, and keep them available for return if the order should come.

Mr. Reycraft: That is no problem.

Mr. von Starck: In addition, Your Honor, could we have at least 24 hours to check over the details of the new revised exhibits that Mr. Reycraft is now substituting?

The Court: Yes, certainly.

Mr. Reycraft: I would like to make one brief statement with reference to Government's Exhibit 245, which is a series of appendices numbered consecutively from 1 through 86.

The Court: A series of what?

Mr. Reycraft: Appendices to another document which was handed to us by the Philadelphia National Bank on June 26, 1961, pursuant to instructions from the Court, and I would like to state that each of the appendices relates to a borrower who has obtained commercial or industrial loans or lines of credit from commercial banks outside of [fols. 4630-5636] Philadelphia in the past five years and identifies the banks from which such loans or lines of credit were obtained; and of the 86 companies represented in G-245, they are part of a more complete list of over 526 borrowers from the Philadelphia National Bank which we did not put in the record for purposes of volume, in other words, to reduce the volume, but the information was furnished by the Philadelphia National Bank in response to question 6 of the questions propounded by the Govern-

ment to the defendant, which is marked as G-147, and the corresponding answer of the Girard Trust Corn Exchange Bank in question 6 is Government's Exhibit 200, and we close. We have nothing further.

The Court: The Government has rested.

Mr. Price: I have nothing more.

Mr. Littleton: We have nothing more.

The Court: The Government has rested, Philadelphia National has rested, and Girard Trust has rested.

Gentlemen, I have the schedules here, and I will see you as the schedules require.

(Adjourned at 12:15 P.M.)

[fol. 5637] GOVERNMENT'S EXHIBIT 1 (S)

TABLE 1

Number of Banking Offices of Commercial Banks with Head Offices in Philadelphia, Montgomery, Delaware and Bucks Counties in Pensylvania

Bank	Number of Banking Offices	Per cent of Total
The Philadelphia National Bank	27	9.5
Girard Trust Corn Exchange Bank	38	13.4
Total Phila. Natl. Bank and Girard Trust	65	22.9
First Pennsylvania Bank & Trust Co., Phila.	38	13.4
Provident Tradesmens Bank & Trust Co., Phila.	20	7.0
Fidelity-Philadelphia Trust Co., Phila.	27	9.5
Central-Penn National Bank, Phila.	18	6.3
Broad Street Trust Co., Phila.	16	5.6
Liberty Real Estate Bank & Trust Co., Phila.	9	3.2
Nine other commercial banks with head offices in Philadelphia[1]	23	8.1
Montgomery County Bank & Trust Co., Norristown	11	3.9
Fifteen other commercial banks with head offices in Montgomery County[2]	33	11.6
Delaware County National Bank, Chester	9	3.2
Nine commercial banks with head offices in Bucks County[3]	15	5.3
Total[3]	284	100.0

Sources: Data for The Philadelphia National Bank and Girard Trust Corn Exchange Bank were secured from these defendant banks' answers to the Government's complaint. These answers were dated 3/10/1961.

Data for all other banks were secured from the Report by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency under Section 18(c) of the Federal Deposit Insurance Act on this proposed consolidation. This Report was transmitted to the Acting Assistant Attorney General of the Antitrust Division, Department of Justice on 3/1/1961. The bank office data were as of 10/3/1960.

[FOOTNOTE ON PAGE 2348]

[FOOTNOTE FROM PAGE 2347]

[fol. 5638]

[1] Includes: Citizens and Southern Bank; Frankford Trust Company; Industrial Trust Company; Second National Bank of Philadelpjhia; Sonsitaly Bank and Trust Company; Pennsylvania Warehousing and Safe Deposit Company; Finance Company of Pennsylvania (Industrial bank); The Marian Bank (Private bank); Brown Brothers Harriman and Company (Private bank. This firm's head office is in New York but it has a major office in Philadelphia.)

[2] Includes: Bridgeport National Bank; Cheltenham National Bank; Elkins Park National Bank; Harleysville National Bank; Peoples National Bank of Norristown; National Bank of Royersford; National Bank & Trust Co. of Schwenksville; Peoples National Bank of Souderton; Union National Bank & Trust Co. (Souderton); Jenkintown Bank & Trust Co.; Bryn Mawr Trust Company; Security Trust of Pottstown; Bank of Old York Road (Willow Grove); Collegeville National Bank; Perkiomen National Bank of East Greenville.

[3] Includes: Chalfont National Bank; Doylestown National Bank & Trust Co.; Solebury National Bank of New Hope; First National Bank & Trust Co. of Newtown; Quakertown National Bank; First National Bank of Riegelsville; Bucks County Bank & Trust Co. (Perkasie); Doylestown Trust Co.; Morrisville Bank.

[4] Table does not include First Camden National Bank & Trust Company which has one office in Philadelphia nor National Bank of Chester County and Trust Company which has one office in Delaware County.

[fol. 5639]

GOVERNMENT'S EXHIBIT 2 (S)

TABLE 2

Comparison of Total Deposits and Deposits of Individuals, Partnerships and Corporations of the Philadelphia National Bank and Girard Trust Corn Exchange Bank with Such Deposits of all Commercial Banks with Head Offices in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania as of October 3, 1960.

Bank	Total Deposits (000 Omitted)	Percent of Total of 4 Counties	IPC Deposits (000 Omitted)	Percent Total of 4 Counties
The Philadelphia National Bank	$ 986,634	21.3	$ 603,534	16.8
Girard Trust Corn Exchange Bank	668,823	14.5	560,039	15.6
	$1,655,457	35.8	$1,163,573	32.4
First Pennsylvania Banking & Trust Co., Phila.	1,021,841	22.1	761,055	21.1
Provident Tradesmens Bank & Trust Co., Phila.	457,082	9.9	378,294	10.5
Fidelity-Philadelphia Trust Co., Phila.	431,013	9.3	358,408	9.9
Central-Penn National Bank, Phila.	241,506	5.2	205,823	5.7
Broad Street Trust Co., Phila.	132,220	2.9	115,598	3.2
Liberty Real Estate Bank & Trust Co., Phila.	93,599	2.0	85,747	2.4
Nine other commercial banks with head offices in Phila.	146,948	3.2	134,535	3.8
Montgomery County Bank & Trust Co., Norristown (Montgomery County)	85,165	1.8	78,825	2.2
Fifteen other commercial banks with head offices in Montgomery County[2]	190,474	4.1	174,574	4.9
Delaware County National Bank, Chester (Delaware County)	72,948	1.6	55,096	1.5
Nine commercial banks with head offices in Bucks County[3]	94,754	2.1	87,173	2.4
Total[4]	$4,623,007	100.0	$3,598,701	100.0

[FOOTNOTE ON PAGE 2350]

[FOOTNOTE FROM PAGE 2349]

[fol. 5640]

Sources: Report by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency under Section 18(c) of the Federal Deposit Insurance Act on this proposed consolidation, p. 6. This Report was transmitted to the Acting Assistant Attorney General of the Antitrust Division, Department of Justice on 3/1/1961.

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[1] Includes: Citizens and Southern Bank; Frankford Trust Company, Industrial Trust Company; Second National Bank of Philadelphia; Sonsitaly Bank and Trust Company; Pennsylvania Warehousing and Safe Deposit Company; Finance Company of Pennsylvania (Industrial bank); The Marian Bank (Private bank); Brown Brothers Harriman and Company (Private bank. This firm's head office is in New York but it has a major office in Philadelphia. Only the deposits of this firm's Philadelphia office are included.)

[2] Includes: Bridgeport National Bank; Cheltenham National Bank; Collegeville National Bank; Perkiomen National Bank of East Greenville; Elkins Park National Bank; Harleysville National Bank; Peoples National Bank of Norristown; National Bank of Royersford; National Bank & Trust Co. of Schwenksville; Peoples National Bank of Souderton; Union National Bank & Trust Co. (Souderton); Jenkintown Bank & Trust; Bryn Mawr Trust Company; Security Trust of Pottstown; Bank of Old York Road (Willow Grove).

[3] Includes: Chalfont National Bank; Doylestown National Bank & Trust Co.; Solebury National Bank of New Hope; First National Bank & Trust Co. of Newtown; Quakertown National Bank; First National Bank of Riegelsville; Bucks County Bank & Trust Co. (Perkasie); Doylestown Trust Co.; Morrisville Bank.

[4] Table does not include First Camden National Bank and Trust Company which has one office in Philadelphia nor National Bank of Chester County and Trust Company which has one office in Delaware County.

[fol. 5641] GOVERNMENT'S EXHIBIT 3 (S)

TABLE 3

Comparison of Total Net Loans of the Philadelphia National Bank and Girard Trust Corn Exchange Bank With Such Loans of all Commercial Banks With Head Offices in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania as of October 3, 1960.

Bank	Total Loans (000 Omitted)	Percent of Total of 4 Counties
The Philadelphia National Bank	$ 548,598	19 8
Girard Trust Corn Exchange Bank	406,660	14 6
	$ 955,258	34 4
First Pennsylvania Banking & Trust Co., Philadelphia	658,718	23 8
Provident Tradesmens Bank & Trust Co., Philadelphia	282,064	10 2
Fidelity-Philadelphia Trust Co., Philadelphia	252,794	9 1
Central-Penn National Bank, Philadelphia	165,446	6 0
Broad Street Trust Co., Philadelphia	99,102	3 6
Liberty Real Estate Bank & Trust Co., Philadelphia	64,687	2 2
Nine other commercial banks with head offices in Philadelphia[1]	80,817	2 9
Montgomery County Bank & Trust Co., Norristown (Montgomery County)	42,195	1 5
Fifteen other commercial banks with head offices in Montgomery County[2]	97,519	3 5
Delaware County National Bank, Chester (Delaware County)	27,715	1 0
Nine commercial banks with head offices in Bucks County[3]	50,934	1 8
Total[4]	$2,774,249	100 0

[fol. 5642]

Sources: Report by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency under Section 18(c) of the Federal Deposit Insurance Act on this proposed consolidation, p. 7. This Report was transmitted to the Acting Assistant Attorney General of the Antitrust Division, Department of Justice on 3/1/1961.

[1] Includes: Citizens and Southern Bank; Frankford Trust Company, Industrial Trust Company; Second National Bank of Philadelphia; Sonsitaly Bank and Trust Company; Pennsylvania Warehousing and Safe Deposit Company; Finance Company of Pennsylvania (Industrial Banks); The Marian Bank (Private bank); Brown Brothers Harriman and Company (Private bank. This firm's head office is in New York but it has a major office in Philadelphia. Only the loans of this firm's Philadelphia office are included.)

[2] Includes: Bridgeport National Bank; Cheltenham National Bank; Collegeville National Bank; Perkiomen National Bank of East Greenville; Elkins Park National Bank; Harleysville National Bank; Peoples National Bank of Norristown; National Bank of Royersford; National Bank & Trust Co. of Schwenksville; Peoples National Bank of Souderton; Union National Bank & Trust Co. (Souderton); Jenkintown Bank & Trust; Bryn Mawr Trust Company; Security Trust of Pottstown; Bank of Old York Road (Willow Grove).

[3] Includes: Chalfont National Bank; Doylestown National Bank & Trust Co.; Solebury National Bank of New Hope; First National Bank & Trust Co. of Newtown; Quakertown National Bank; First National Bank of Riegelsville; Bucks County Bank & Trust Co. (Perkasie); Doylestown Trust Co.; Morrisville Bank.

[4] Table does not include First Camden National Bank and Trust Company which has one office in Philadelphia nor National Bank of Chester County and Trust Company which has one office in Delaware County.

[fol. 5643] GOVERNMENT'S EXHIBIT 4 (S)

TABLE 4

Comparison of Capital Funds of the Philadelphia National Bank and Girard Trust Corn Exchange Banks With Such Capital of all Commercial Banks With Head Offices in Philadelphia, Montgomery, Delaware and Bucks Counties in Pennsylvania as of October 3, 1960.

Bank	Total Capital (000 Omitted	Percent of Total of 4 Counties
The Philadelphia National Bank	$ 94,590	19.6
Girard Trust Corn Exchange Bank	74,981	15.5
	$ 169,571	35.1
First Pennsylvania Banking & Trust Co., Philadelphia	95,314	19.7
Provident Tradesmens Bank & Trust Co., Philadelphia	57,776	12.0
Fidelity-Philadelphia Trust Co., Philadelphia	43,702	9.0
Central-Penn National Bank, Philadelphia	25,079	5.2
Broad Street Trust Co., Philadelphia	12,560	2.6
Nine other commercial banks with head offices in Philadelphia[1]	24,529	5.1
Liberty Real Estate Bank & Trust Co., Philadelphia	8,997	1.9
Montgomery County Bank & Trust Co., Norristown (Montgomery County)	10,043	2.1
Fifteen other commercial banks with head offices in Montgomery County[2]	20,411	4.2
Delaware County National Bank, Chester (Delaware County)	4,182	.9
Nine commercial banks with head offices in Bucks County[3]	10,676	2.2
Total[4]	$ 482,840	100.0

[fol. 5644]

Sources: Report by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency under Section 18(c) of the Federal Deposit Insurance Act on this proposed consolidation, p. 7. This Report was transmitted to the Acting Assistant Attorney General of the Antitrust Division, Department of Justice on 3/1/1961.

[1] Includes: Citizens and Southern Bank; Frankford Trust Company; Industrial Trust Company; Second National Bank of Philadelphia; Sonsitaly Bank and Trust Company; Pennsylvania Warehousing and Safe Deposit Company; Finance Company of Pennsylvania (Industrial bank); The Marian Bank (Private bank); Brown Brothers Harriman and Company (Private bank. This firm's head office is in New York but it has a major office in Philadelphia.)

[2] Includes: Bridgeport National Bank; Cheltenham National Bank; Collegeville National Bank; Perkiomen National Bank of East Greenville; Elkins Park National Bank; Harleysville National Bank; Peoples National Bank of Norristown; National Bank of Royersford; National Bank & Trust Co. of Schwenksville; Peoples National Bank of Souderton; Union National Bank & Trust Co. (Souderton); Jenkintown Bank & Trust; Bryn Mawr Trust Company; Security Trust of Pottstown; Bank of Old York Road (Willow Grove).

[3] Includes: Chalfont National Bank; Doylestown National Bank & Trust Co.; Solebury National Bank of New Hope; First National Bank & Trust Co. of Newtown; Quakertown National Bank; First National Bank of Riegelsville; Bucks County Bank & Trust Co. (Perkasie); Doylestown Trust Co.; Morrisville Bank.

[4] Table does not include First Camden National Bank and Trust Company which has one office in Philadelphia nor National Bank of Chester County and Trust Company which has one office in Delaware County.

[fol. 5645] GOVERNMENT'S EXHIBIT 5

TABLE 5

Comparison of Deposits Due to Banks in the Philadelphia National Bank and Girard Trust Corn Exchange Bank With Such Deposits of the Principal[1] Other Commercial Banks in Philadelphia Holding Such Deposits as of October 3, 1960

Bank	Deposits Due to Banks (000 Omitted)	Percent of Total of 4 Counties[1]
The Philadelphia National Bank	$ 208,012	39.0
Girard Trust Corn Exchange Bank	55,099	10.3
	$ 263,111	49.3
First Pennsylvania Banking & Trust Co., Philadelphia	176,480	33.1
Fidelity-Philadelphia Trust Co., Philadelphia	40,049	7.6
Provident Tradesmens Bank & Trust Co., Philadelphia	38,341	7.2
Central-Penn National Bank, Philadelphia	15,228	2.8
	$ 533,209	100.0

Sources: Report by the Board of Governors of the Federal Reserve System to the Comptroler of the Currency under Section 18(c) of the Federal Deposit Insurance Act on this proposed consolidation, p. 7. This Report was transmitted to the Acting Assistant Attorney General of the Antitrust Division, Department of Justice on 3/1/1961.

[1] The Report of the Board of Governors of the Federal Reserve System states that the amount of such deposits in Philadelphia is significant in only the above six banks.

*[fol. 5646]

GOVERNMENT'S EXHIBIT 6 (S)

TABLE 6

Analysis of Loans of the Philadelphia National Bank and Girard Trust Corn Exchange Bank and Comparison of Their C
in Philadelphia and With Total Loans of Commercial Banks with Head Offices in Philadelphia, Delaware, Montgo

	Thousands of Dollars			
	Philadelphia National Bank	Girard Trust Corn Exchange Bank	Phila. Nat. & Girard Combined	Total Commer. Banks in Phila.
1. Real Estate Loans				
(a) Secured by farm land (including improvements)	$ 1,094	$ 11	$ 1,105	$ 2,028
(b) Secured by residential non-farm prop. and insured by FHA	10,711	4,958	15,669	40,989
(c) Secured by residential non-farm prop. and insured or guar. by VA	7,988	3,382	11,370	18,673
(d) Secured by residential non-farm prop. and not insured or guar. by FHA or VA	18,201	12,038	30,239	82,956
(e) Secured by non-farm Non-residential properties	24,871	12,319	37,190	85,923
Total Real Estate Loans	62,865	32,708	95,573	230,569
2. Loans to Financial Institutions				
(a) To domestic commercial and foreign banks	14,312	4,931	19,243	22,398
(b) To other financial institutions	52,213	26,683	78,896	233,810
Total Loans to Financial Institutions	66,525	31,614	98,139	256,208
3. Loans for Purchasing or Carrying Securities				
(a) To brokers and dealers	213	2,809	3,022	25,033
(b) Other loans for purpose of purchase or carrying securities	1,602	904	2,506	70,073
Total Loans for Purchasing or Carrying Securities	1,815	3,713	5,528	95,106
4. Loans to Farmers (secured & unsecured, except loans secured by real estate above)[1]	164	87	251	606
5. Commercial and Industrial Loans (secured or unsecured, except loans secured by real estate above)	295,514	200,427	495,941	1,161,350
6. Loans to Individuals for Household, Family and Other Pers. Expend. (excl. business, farmer and real estate loans)				
(a) To purchase private passenger autos on installments (incl. purchased paper)	18,407	9,642	28,049	217,824
(b) To purchase other retail consumer goods on installments (incl. purchased paper)	19,122	10,588	29,710	71,916
(c) Installment loans to repair and modernize residential property	10,692	12,210	22,902	85,270
(d) Other installment loans for household, family & personal expenditures	13,102	17,854	30,956	121,727
(e) Single-payment loans for household, family & personal expenditures	24,204	70,871	95,075	228,103
Total loans to Individuals for Household, Family & Other Per. Expend.	85,527	121,165	206,692	724,840
7. All Other Loans (Including overdrafts)	11,640	12,246	23,886	57,432
8. Total Gross Loans and Discounts	525,050	401,962	927,012	2,526,110
9. Less: Reserve for bad debts, unallocated chargeoffs and other valuation reserves	18,284	9,255	27,539	74,974
10. Total Net Loans and Discounts	$506,766	$392,707	$899,473	$2,451,137

Sources: Reports of Condition of The Philadelphia National Bank, Girard Trust Corn Exchange Bank and Second National Bank of Philadelphia; Summary of each Montgomery, and Bucks Counties, Pennsylvania prepared by Federal Reserve Bank of Philadelphia; and Summary of the same items appearing on Reports of Cond ing of the Commonwealth of Pennsylvania for Philadelphia, Montgomery and Bucks Counties, Pennsylvania. There were no state non-member banks in Delaware bank with headquarters in New York and an office in Philadelphia.

[1] All loans to farmers under line 4 classifications on Schedule A were in the 4(b) "Other loans to farmers" category.

[2] *Includes the following banks:* **Philadelphia;* Broad Street Trust Co.; Citizens & Southern Bank; Frankford Trust Co.; Industrial Trust Co.; Liberty Real Estate Trust Co.; First Pennsylvania Banking & Trust Co.; Girard Trust Corn Exchange Bank; Philadelphia National Bank; Provident Tradesmens Bank & Trust Co.; M of East Greenville; Elkins Park National Bank; Harleysville National Bank & Trust Co.; Jenkintown Bank & Trust Co.; Montgomery County Bank & Trust Co.; & Trust Co." of Schwenksville; Peoples National Bank of Souderton; Union National Bank & Trust Co. of Souderton; Bryn Mawr Trust Co.; Security Trust Co., Pe Doylestown National Bank & Trust Co.; Solebury National Bank of New Hope; First National Bank & Trust Co. of Newtown; Bucks County Bank & Trust Co.; Pe Does not include Finance Company of Penna., Phila.; Pennsylvania Warehousing & Safe Deposit Co., Phila.; Brown Brothers Harriman & Co., New York, Boston & Trust Co., which has one office in Delaware County.

* Second National Bank of Phila.

GOVERNMENT'S EXHIBIT 6 (S)

TABLE 6

he Philadelphia National Bank and Girard Trust Corn Exchange Bank and Comparison of Their Combined Loans with Total Loans of Commercial Banks with Head Offices
l With Total Loans of Commercial Banks with Head Offices in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of June 15, 1960.

	Thousands of Dollars					Per Cent of Total Commer. Banks in Philadelphia			Per Cent of Total Commer. Banks in 4 Counties		
	Philadelphia National Bank	Girard Trust Corn Exchange Bank	Phila. Nat. & Girard Combined	Total Commer. Banks in Phila.	Total Commer. Banks in 4 Counties	Philadelphia National Bank	Girard Trust Corn Exchange Bank	Phila. Nat. & Girard Combined	Philadelphia National Bank	Girard Trust Corn Exchange Bank	Phila. Nat. & Girard Combined
	$ 1,094	$ 11	$ 1,105	$ 2,028	$ 5,610	53.9	0.5	54.5	19.5	0.2	19.7
	10,711	4,958	15,669	40,989	44,417	26.1	12.1	38.2	24.1	11.2	35.3
VA	7,988	3,382	11,370	18,673	27,452	42.8	18.1	60.9	29.1	12.3	41.4
y FHA or VA	18,201	12,038	30,239	82,956	124,816	22.0	14.5	36.5	14.6	9.6	24.2
	24,871	12,319	37,190	85,923	110,725	29.0	14.3	43.3	22.5	11.1	33.6
	62,865	32,708	95,573	230,569	313,020	27.3	14.2	41.5	20.1	10.4	30.5
	14,312	4,931	19,243	22,398	22,398	63.9	22.0	85.9	63.9	22.0	85.9
	52,213	26,683	78,896	233,810	239,502	22.3	11.4	33.7	21.8	11.1	32.9
	66,525	31,614	98,139	256,208	261,900	26.0	12.3	38.3	25.4	12.1	37.5
	213	2,809	3,022	25,033	25,998	0.9	11.2	12.1	0.8	10.8	11.6
	1,602	904	2,506	70,073	70,588	2.3	1.3	3.6	2.3	1.3	3.6
	1,815	3,713	5,528	95,106	95,586	1.9	3.9	5.8	1.9	3.8	5.7
l estate above)[1]	164	87	251	606	3,355	27.1	14.3	41.4	4.9	2.6	7.5
as secured by real estate	295,514	200,427	495,941	1,161,350	1,215,316	25.4	17.3	42.7	24.3	16.5	40.8
l. (excl. business, farmer											
ased paper)	18,407	9,642	28,049	217,824	239,154	8.5	4.4	12.9	7.7	4.0	11.7
urchased paper)	19,122	10,588	29,710	71,916	75,518	26.6	14.7	41.3	25.3	14.0	39.3
	10,692	12,210	22,902	85,270	89,197	12.5	14.3	26.8	12.0	13.7	25.7
litures	13,102	17,854	30,956	121,727	138,936	10.7	14.7	25.4	9.4	12.9	22.3
res	24,204	70,871	95,075	228,103	246,152	10.6	31.1	41.7	9.8	28.8	38.6
er. Expend	85,527	121,165	206,692	724,840	788,957	11.8	16.7	28.5	10.8	15.4	26.2
	11,640	12,246	23,886	57,432	63,794	20.3	21.3	41.6	18.2	19.2	37.4
	525,050	401,962	927,012	2,526,110	2,742,927	20.8	15.9	36.7	19.1	14.7	33.8
on reserves	18,284	9,255	27,539	74,974	77,848	24.4	12.3	36.7	26.5	11.9	35.4
	$506,766	$392,707	$899,473	$2,451,137	$2,665,080	20.7	16.0	36.7	19.0	14.7	33.7

l Trust Corn Exchange Bank and Second National Bank of Philadelphia; Summary of each item appearing on Schedule A of Reports of Condition by federal reserve member banks for Philadelphia, Delaware and erve Bank of Philadelphia; and Summary of the same items appearing on Reports of Condition by banks which were not members of the federal reserve system reported to and compiled by the Department of Bank- and Bucks Counties, Pennsylvania. There were no state non-member banks in Delaware County, Pennsylvania. The Pennsylvania summary does not include Brown Brothers, Harriman and Company, a private

the 4(b) "Other loans to farmers" category.

tizens & Southern Bank; Frankford Trust Co.; Industrial Trust Co.; Liberty Real Estate Bank & Trust Co.; Marian Bank; Sonsitaly Bank & Trust Co.; Central Penn National Bank of Phila.; Fidelity Philadelphia xchange Bank; Philadelphia National Bank; Provident Tradesmens Bank & Trust Co.; *Montgomery;* Bridgeport National Bank; Cheltenham National Bank; Collegeville National Bank; Perkiomen National Bank ak & Trust Co.; Jenkintown Bank & Trust Co.; Montgomery County Bank & Trust Co.; Peoples National Bank of Norristown; Farmers National Bank of Pennsburg; National Bank of Royersford; National Bank on National Bank & Trust Co. of Souderton; Bryn Mawr Trust Co.; Security Trust Co., Pottstown; Bank of Old York Road, Willow Grove; *Bucks;* Doylestown Trust Co.; Morrisville Bank; Chalfont National Bank; Hope; First National Bank & Trust Co. of Newtown; Bucks County Bank & Trust Co.; Perkasie; Quakertown National Bank; First National Bank of Riegelsville; *Delaware;* Delaware County National Bank, Chester. using & Safe Deposit Co., Phila.; Brown Brothers Harriman & Co., New York, Boston & Phila.; First Camden National Bank & Trust Co., which has one office in Phila.; nor National Bank of Chester County &

[fol. 5647] GOVERNMENT'S EXHIBIT 6-A

TABLE 6A

Percentage Analysis of Loans and Discounts of Philadelphia National Bank, Girard Trust Corn Exchange Bank and All Commercial Banks with Head Offices in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of June 15, 1960.

Loans and Discounts	PNB	Girard	Total Commercial Banks in 4 Counties
	Per Cent of Total Loans		
1. Real Estate Loans			
(a) Secured by farm lands	0 2	*	0 2
(b) Secured by resi, non-farm prop. and insured FHA	2 1	1 3	1 7
(c) Secured by resi, non-farm prop. insured or guar. by VA	1 6	0 9	1 0
(d) Secured by resi, non-farm prop. not FHA or VA	3 6	3 1	4 7
(e) Secured by non-farm, non-resi. properties, FHA or VA	4 9	3 1	4 2
Total	12 4	8 3	11 7
2. Loans to Financial Institutions			
(a) To dom., commercial & foreign banks	2 8	1 3	0 8
(b) To other financial institutions	10 3	6 8	9 0
Total	13 1	8 1	9 8
3. Loans for Purchasing or Carrying Securities			
(a) To brokers and dealers	*	0 7	1 0
(b) Other loans for purpose of purchase or carrying securities	0 3	0 2	2 6
Total	0 4	0 9	3 6
4. Loans to Farmers (secured or unsecured, except loans secured by real estate above)[1]	*	*	0 1
5. Commercial and Industrial Loans (secured or unsecured, except loans secured by real estate above)	58 3	51 0	45 6
6. Loans to Indiv. for Household, family & other pers. expend. (excl. business, farmer & real estate loans)			
(a) To pur. pvt. pass. autos on installments (inc. purchased paper)	3 6	2 5	9 0
(b) To pur. other retail consumer goods on installments (inc. purchased paper)	3 8	2 7	2 8
(c) Installment loans to repair & modernize residential property	2 1	3 1	3 3
(d) Other install. loans for Household, family & Other per. expenditures	2 6	4 5	5 2
(e) Single payment loans for Household, family & other per. expenditures	4 8	18 0	9 2
Total	16 9	30 9	29 6
7. All Other Loans (inc. overdrafts)	2 3	3 1	2 4
8. Total Gross Loans and Discounts	103 6	102 4	102 9
9. Less: Reserve for bad debts, unallocated chargeoffs & other valuation reserves	3 6	2 4	2 9
10. Total Net Loans and Discounts	100 0	100 0	100 0

Source: Table 6. * Less than 0.05.

[1] All loans to farmers under line 4 classifications on Schedule A were in the 4(b) "Other loans to farmers" category.

[fol. 5648]

GOVERNMENT'S EXHIBIT 7 (S)

TABLE 7

Analysis of Deposits of the Philadelphia National Bank and Girard Trust Corn Exchange Bank and Comparison of Their Combined Deposits with Total Deposits of Comm
Head Offices in Philadelphia and with Total Deposits of Commercial Banks with Head Offices in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of

	Thousands of Dollars					Per Cent of Total Commer. Bank	
Demand Deposits	Philadelphia National Bank	Girard Trust Corn Exchange Bank	Phila. Nat. & Girard Combined	Total Commer. Banks in Phila.	Total Commer. Banks in 4 Counties	Philadelphia National Bank	Girard Trust Corn Exchange Bank
1. Deposits of Individuals, Partnerships and Corporations	$509,561	$445,201	$ 954,762	$2,581,536	$2,798,478	19.8	17.2
2. Deposits of U. S. Government	45,741	23,304	69,045	163,193	171,413	28.0	14.3
3. Deposits of States and Political Subdivisions	37,622	6,767	44,389	90,856	107,994	41.4	7.4
4. Deposits of Banks in the United States	178,599	48,938	227,537	494,610	495,073	36.1	9.9
5. Deposits of Banks in Foreign Countries	18,208	4,486	22,694	NA	NA	NA	NA
6. Certified & Officers' Checks, Letters of Credit & Travelers' Checks Sold for Cash	7,212	4,782	11,994	37,432	40,361	19.3	12.8
7. Total Demand Deposits	796,942	533,478	1,330,420	3,393,752	3,640,443	23.5	15.7
Time Deposits							
1. Deposits of Individuals, Partnerships and Corporations	$106,478	$121,590	$ 228,068	$ 624,105	$ 794,548	17.1	19.5
2. Deposits of U. S. Government and Postal Savings Deposits	0	7	7	504	554	0	1.4
3. Deposits of States and Political Subdivisions	4,897	3,543	8,440	27,746	30,663	17.6	12.8
4. Deposits of Banks in the United States	0	450	450	1,470	1,470	0	30.6
5. Deposits of Banks in Foreign Countries	12,950	2,750	15,700	NA	NA	NA	NA
6. Total Time Deposits	124,325	128,339	252,664	670,526	843,938	18.5	19.1
Total Deposits	$921,267	$661,817	$1,583,084	$4,063,278	$4,483,381	22.7	16.3

[1] Includes the following banks: *Philadelphia:* Broad Street Trust Company; Citizens and Southern Bank; **Frankford Trust Company**; Industrial Trust Company; Liberty Real Estate Bank and Trust Company; Mat
tional Bank of Philadelphia; Fidelity Philadelphia Trust Company; The First Pennsylvania Banking & Trust Company; **Girard Trust Corn Exchange Bank**; The Philadelphia National Bank; Provident Tradesmens Banl
gomery County: The Bridgeport National Bank; The Cheltenham National Bank; Collegeville National Bank; **The Perkiomen National Bank of East Greenville**; The Elkins Park National Bank; Harleysville National B
Montgomery County Bank and Trust Company, Norristown; Peoples National Bank of Norristown; **Farmers National Bank of Pennsburg**; National Bank of Royersford; National Bank and Trust Company of Schwenk
and Trust Company of Souderton; Bryn Mawr Trust Company; Security Trust Company, Pottstown; **Bank of Old York Road, Willow Grove.** *Bucks County:* Chalfont National Bank; Doylestown National Bank and Tr
Bank and Trust Company of Newtown; Bucks County Bank and Trust Company, Perkasie; **Quakertown National Bank; First National Bank of Riegelsville**; Doylestown Trust Company; Morrisville Bank. *Delaware Coun*
Does not include: Finance Company of Pennsylvania, Philadelphia; Pennsylvania Warehousing & Safe Deposit Co., Philadelphia; Brown Brothers Harriman and Company, New York, Boston and Philadelphia; First Cat
Philadelphia; nor National Bank of Chester County and Trust Company, which has one office in Delaware County.

Sources: Reports of Condition of The Philadelphia National Bank, Girard Trust Corn Exchange Bank and Second National Bank of Philadelphia; Summary of each item appearing on Schedules E and F of Reports of Con
and Montgomery, and Bucks Counties, Pennsylvania prepared by Federal Reserve Bank of Philadelphia; and Summary of comparable items appearing on Reports of Condition by banks which were not members of the fe
of Banking of the Commonwealth of Pennsylvania for Philadelphia, Montgomery and Bucks Counties, Pennsylvania. There were no state non-member banks in Delaware County, Pennsylvania. The Pennsylvania sumr
private bank with headquarters in New York and an office in Philadelphia.

GOVERNMENT'S EXHIBIT 7 (S)

TABLE 7

Analysis of Deposits of the Philadelphia National Bank and Girard Trust Corn Exchange Bank and Comparison of Their Combined Deposits with Total Deposits of Commercial Banks with Head Offices in Philadelphia and with Total Deposits of Commercial Banks with Head Offices in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania, as of June 15, 1960.[1]

	Thousands of Dollars					Per Cent of Total Commer. Banks in Philadelphia			Per Cent of Total Commer. Banks in 4 Counties		
Demand Deposits	Philadelphia National Bank	Girard Trust Corn Exchange Bank	Phila. Nat. & Girard Combined	Total Commer. Banks in Phila.	Total Commer. Banks in 4 Counties	Philadelphia National Bank	Girard Trust Corn Exchange Bank	Phila. Nat. & Girard Combined	Philadelphia National Bank	Girard Trust Corn Exchange Bank	Phila. Nat. & Girard Combined
ips and Corporations	$509,561	$445,201	$ 954,762	$2,581,536	$2,798,478	19.8	17.2	37.0	18.2	15.9	34.1
	45,741	23,304	69,045	165,193	171,413	28.0	14.3	42.3	26.7	13.6	40.3
bdivisions	37,622	6,767	44,389	90,856	107,994	41.4	7.4	48.8	34.8	6.3	41.1
tates	178,599	48,938	227,537	494,610	495,073	36.1	9.9	46.0	36.1	9.9	46.0
ntries	18,208	4,486	22,694	NA	NA	NA	NA	NA	NA	NA	NA
rs of Credit & Travelers' Checks Sold for Cash	7,212	4,782	11,994	37,432	40,361	19.3	12.8		17.4	11.6	29.0
	796,942	533,478	1,330,420	3,393,752	3,640,443	23.5	15.7	39.2	21.9	14.7	36.6
Time Deposits											
ips and Corporations	$106,478	$121,590	$ 228,068	$ 624,105	$ 794,548	17.1	19.5	36.6	13.4	15.3	28.7
Postal Savings Deposits	0	7	7	504	554	0	1.4	1.4	0	1.3	1.3
bdivisions	4,897	3,543	8,440	27,746	30,663	17.6	12.8	30.4	16.0	11.5	27.5
tates	0	450	450	1,470	1,470	0	30.6	30.6	0	30.6	30.6
tries	12,950	2,750	15,700	NA	NA	NA	NA	NA	NA	NA	NA
	124,325	128,339	252,664	670,526	843,938	18.5	19.1	37.6	14.7	15.2	29.9
	$921,267	$661,817	$1,583,084	$4,063,278	$4,483,381	22.7	16.3	39.0	20.5	14.8	35.3

delphia; Broad Street Trust Company; Citizens and Southern Bank; Frankford Trust Company; Industrial Trust Company; Liberty Real Estate Bank and Trust Company; Marian Bank; Sonsitaly Bank and Trust Company; Central Penn Na-hiladelphia Trust Company; The First Pennsylvania Banking & Trust Company; Girard Trust Corn Exchange Bank; The Philadelphia National Bank; Provident Tradesmens Bank & Trust Company; Second National Bank of Philadelphia. *Mont-*al Bank; The Cheltenham National Bank; Collegeville National Bank; The Perkiomen National Bank of East Greenville; The Elkins Park National Bank; Harleysville National Bank and Trust Company; Jenkintown Bank and Trust Company; Company, Norristown; Peoples National Bank of Norristown; Farmers National Bank of Pennsburg; National Bank of Royersford; National Bank and Trust Company of Schwenksville; Peoples National Bank of Souderton; Union National Bank n Mawr Trust Company; Security Trust Company, Pottstown; Bank of Old York Road, Willow Grove. *Bucks County:* Chalfont National Bank; Doylestown National Bank and Trust Company; Solebury National Bank of New Hope; First National Bucks County Bank and Trust Company, Perkasie; Quakertown National Bank; First National Bank of Riegelsville; Doylestown Trust Company; Morrisville Bank. *Delaware County:* Delaware County National Bank, Chester. of Pennsylvania, Philadelphia; Pennsylvania Warehousing & Safe Deposit Co., Philadelphia; Brown Brothers Harriman and Company, New York, Boston and Philadelphia; First Camden National Bank and Trust Company, which has one office in ester County and Trust Company, which has one office in Delaware County.

Philadelphia National Bank, Girard Trust Corn Exchange Bank and Second National Bank of Philadelphia; Summary of each item appearing on Schedules E and F of Reports of Condition by federal reserve member banks for Philadelphia, Delaware Pennsylvania prepared by Federal Reserve Bank of Philadelphia; and Summary of comparable items appearing on Reports of Condition by banks which were not members of the federal reserve system reported to and compiled by the Department nnsylvania for Philadelphia, Montgomery and Bucks Counties, Pennsylvania. There were no state non-member banks in Delaware County, Pennsylvania. The Pennsylvania summary does not include Brown Brothers, Harriman and Company, a York and an office in Philadelphia.

[fol. 5649] GOVERNMENT'S EXHIBIT 7-A

TABLE 7A

Analysis of Deposits of Philadelphia National Bank, Girard Trust Corn Exchange Bank and All Commercial Banks with Head Offices in Philadelphia, Delaware, Montgomery & Bucks Counties, Pennsylvania, as of June 15, 1960.

	PNB	Girard	Total Four Counties
Demand Deposits	Per Cent of Total Deposits		
Deposits of Individuals, Partnerships & Corporations	55.3	67.3	62.4
Deposits of United States Government	5.0	3.5	3.8
Deposits of States & Political Subdivisions	4.1	1.0	2.4
Deposits of Banks in the United States	19.4	7.4	11.0
Deposits of Banks in Foreign Countries	2.0	0.7	NA
Certified & Officers' Checks, Letters of Credit and Travelers' Checks sold for Cash	0.8	0.7	0.9
Total Demand Deposits	86.5	80.6	81.2
Time Deposits			
Deposits of Individuals, Partnerships & Corporations	11.6	18.4	17.7
Deposits of U. S. Govt. & Postal Savings Deposits	0	*	*
Deposits of States & Political Subdivisions	0.5	0.5	0.7
Deposits of Banks in the United States	0	0.1	*
Deposits of Banks in Foreign Countries	1.4	0.4	NA
Total Time Deposits	13.5	19.4	18.8
Total Demand & Time Deposits of Individuals, Partnerships & Corporations	66.9	85.6	80.1
Total Deposits	100.0	100.0	100.0

Source: Table 7.

* Less than 0.05.

[fpl. 5650] GOVERNMENT'S EXHIBIT 8 (S)

TABLE 8

Comparison of Total Assets of The Philadelphia National Bank and Girard Trust Corn Exchange Bank with Total Assets of All Commercial Banks with Main Offices in Philadelphia and with Total Assets of All Commercial Banks with Main Offices in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania.

As of June 30, 1960

	Thousands of Dollars	Per Cent of All Commercial Banks in Phila.	Per Cent of All Commercial Banks in 4 Counties
Philadelphia National Bank	$1,086,147	23.1	21.0
Girard Trust Corn Exchange	757,572	16.1	14.7
Phila. Nat. & Girard Combined	1,843,719	39.2	35.7
All Commercial Banks in Phila.	4,698,276	100.0	90.9
All Commercial Banks in 4 counties	5,169,361		100.0

Source: Polk's Bank Directory, 132nd Edition, September 1960, R. L. Polk & Co., Nashville, Tenn.

[fol 5651]

GOVERNMENT'S EXHIBIT 9 (S) Revised

TABLE 9 (Revised)

Analysis of Commercial and Industrial Loans of Philadelphia National Bank As of October 5, 1955 by Location of Borrower

	Loans $1–$49,999				Loans $50,000–$99,999			
	Value		No. of Loans		Value		No. of Loans	
	Dollars (000's)	%	No.	%	Dollars (000's)	%	No.	%
Philadelphia	$3,202	44.6	263	42.6	$2,618	48.9	43	48.9
Mont., Del. & Bucks Counties	1,475	20.6	182	29.5	405	7.6	7	8.0
Total Phila., Mont., Del. & Bucks Counties	4,677	65.2	445	72.1	3,024	56.5	50	56.9
Chester County, Pa.	58	0.8	5	0.8	0	0	0	0
Other Counties, Pa.	491	6.8	27	4.4	833	15.6	13	14.8
Mercer, Burl., Camden, Salem & Glous. Counties, N. J.	214	3.0	16	2.6	50	0.9	1	1.1
Other Counties, N. J.	325	4.5	26	4.2	202	3.8	3	3.4
New Castle County, Del.	45	0.6	1	0.2	0	0	0	0
Other Counties, Del.	26	0.4	3	0.5	0	0	0	0
All Other Locations	1,337	18.6	94	15.2	1,246	23.3	21	23.9
Total	7,173	100.0	617	100.0	5,356	100.0	88	100.0

[fol. 5652]

	Loans $100,000–$249,999				Loans $250,000–$499,999			
	Value		No. of Loans		Value		No. of Loans	
	Dollars (000's)	%	No.	%	Dollars (000's)	%	No.	%
Philadelphia	$4,432	48.8	35	50.7	$3,271	44.9	10	43.5
Mont., Del. & Bucks Counties	840	9.2	5	7.2	846	11.6	3	13.1
Total Phila., Mont., Del. & Bucks Counties	5,272	58.0	40	58.0	4,117	56.5	13	56.5
Chester County, Pa.	132	1.5	1	1.4	0	0	0	0
Other Counties, Pa.	560	6.2	5	7.2	500	6.9	2	8.7
Mercer, Burl., Camden, Salem & Glous. Counties, N. J.	0	0	0	0	0	0	0	0
Other Counties, N. J.	353	3.9	3	4.3	450	6.2	1	4.3
New Castle County, Del.	157	1.7	1	1.4	0	0	0	0
Other Counties, Del.	0	0	0	0	0	0	0	0
All Other Locations	2,609	28.7	19	27.5	2,225	30.5	7	30.4
Total	9,084	100.0	69	100.0	7,282	100.0	23	100.0

[fol. 5653]

	Loans $500,000–$999,999				Loans $1,000,000 or more			
	Value		No. of Loans		Value		No. of Loans	
	Dollars (000's)	%	No.	%	Dollars (000's)	%	No.	%
Philadelphia	$4,915	27.8	8	29.6	$37,477	52.6	25	53.2
Mont., Del. & Bucks Counties	2,059	11.7	3	11.1	2,800	3.9	2	4.2
Total Phila., Mont., Del. & Bucks Counties	6,974	39.5	11	40.7	40,277	56.5	27	57.4
Chester County, Pa.	1,520	8.6	2	7.4	2,425	3.4	2	4.3
Other Counties, Pa.	2,433	13.8	4	14.8	2,441	3.4	1	2.1
Mercer, Burl., Camden, Salem & Glous. Counties, N. J.	1,584	9.0	2	7.4	2,375	3.3	2	4.3
[illegible] Counties, N. J.								
[illegible]ew Castle County, Del.	540	3.1	1	3.7	0	0	0	0
Other Counties, Del.	750	4.2	1	3.7	1,450	2.1	1	2.1
All Other Locations	0	0	0	0	0	0	0	0
Total	3,850	21.8	6	22.2	22,300	31.3	14	29.8
	17,651	100.0	27	100.0	71,268	100.0	47	100.0

Source: Government Exhibit 9 E, a schedule of loans of Philadelphia National Bank submitted to the Federal Reserve System in the course of the latter's *Survey of Bank Loans for Commercial and Industrial Purposes Outstanding on October 5, 1955*. Value data reflect the original amount of the loan or the amount of last renewal if renewed. The above data cover all commercial and industrial loans of $1,000,000 or more and 1 loan out of each 6 for smaller loans.

Business Loans of Member Banks

IN OCTOBER 1955, the Board of Governors of the Federal Reserve System and the Federal Reserve Banks conducted a third sample survey of commercial and industrial loans made by member banks.[1] Previous surveys had been made in 1942 and 1946. The new Survey provides current information on the characteristics of this most important category of member bank loans and the terms on which bank credit is extended to business. Reports on approximately 190,000 individual loans were submitted by a representative sample of 1,900 banks. A small number of banks, about 5 per cent of those invited to participate, found it impossible to respond to the questionnaire. The Survey was carried out with the cooperation of the American Bankers Association, the Reserve City Bankers Association, and the Robert Morris Associates.

On the Survey date, October 5, member banks had outstanding credit to business totaling $31.6 billion. This included an estimated 1.3 million individual bank loans amounting to $30.8 billion and $780 million in holdings of open market paper—that is, bankers' acceptances, commercial paper, and bearer notes of sales finance companies. The dollar amount of business loans outstanding was 2⅓ times as large as in 1946 and the number was twice as large.

The distribution of these loans among industries reflects the broad redirection of resources in the economy since 1946. The proportion of loans outstanding to manufacturing and mining concerns and to wholesale trade has declined while the proportion to sales finance companies and real estate, construction, and service firms has increased. In every major business group, however, the amount and number of loans have increased considerably since 1946.

Over the postwar years, there has been a substantial shift in the distribution of loans by asset size of borrower. This no doubt reflects in large part a shift in the size distribution of the business population owing to the upward movement in prices and the growth in volume of business activity. The proportion of loans to concerns in the smallest size group—assets under $50,000—declined, while the proportion to those with assets of $50,000-$5,000,000 increased. Borrowing by concerns with assets of $5 million and over accounted for about the same percentage of total loans as in 1946. This shift toward medium-sized borrowers is reflected particularly in the loan portfolios

[1] The Survey of Bank Loans for Commercial and Industrial Purposes was under the general supervision of Ralph A. Young, Director, and Albert R. Koch, Assistant Director, of the Division of Research and Statistics, and of James B. Eckert, Chief of the Banking Section of the Division. This article was prepared by Mr. Eckert.

The Division of Research and Statistics had the primary responsibility for organizing the Survey, analyzing its results, and preparing the special articles reporting the findings that appear in the BULLETIN. A Federal Reserve System Committee under Clarence W. Tow, Vice President, Federal Reserve Bank of Kansas City, assisted the Division in planning the Survey. The information was collected by the Federal Reserve Banks.

A copy of the form used in the Survey with accompanying instructions for its completion is appended to this article.

of the smaller banks, which do most of their lending to small and medium-sized businesses. Large banks, however, maintained the 1946 proportion of loans to the smallest businesses, an increase in the proportion for medium-sized borrowers having been offset by a decrease for borrowers having assets of $5 million and over.

As in 1946, long-term loans accounted for about one-third of the total dollar amount of business loans by member banks, but small, particularly unincorporated enterprises, have obtained greater access to such credit than they had then. The proportion of total loans outstanding to unincorporated firms, however, has decreased.

Average interest rates on business loans were considerably higher in October 1955 than in 1946, but the 1955 spread in average rates among industries was smaller. The largest increases in average rates since 1946 were in industries which then borrowed on the most favorable terms.

This first article summarizing the findings of the Survey covers only major characteristics of member bank business lending. Detailed analyses in a number of areas, such as term lending, interest rates, collateral, and size and location of borrower, will appear in future issues of the BULLETIN.

BUSINESS OF BORROWER

On October 5, 1955, member banks had 1.3 million loans outstanding for commercial and industrial purposes, totaling $30.8 billion. This was about 2⅓ times the amount and twice the number of such loans held by member banks at the time of the earlier business loan survey as of November 20, 1946. Over this period, the average size of loan rose from $19,600 to $23,400 or about 20 per cent, somewhat less than the rise in wholesale prices.

Loans to manufacturing and mining concerns accounted for about 37 per cent of the outstanding amount of loans in the present Survey, compared with 43 per cent in 1946, as shown in Table 1. Changes in the distribution of loans within the manufacturing and mining group generally were small, except those to food, liquor, and tobacco companies, which declined from 12 to 6 per cent of total business loans. This decline reflects in part the earlier stage in the fall seasonal upswing when the 1955 Survey was made, and the lower level of agricultural prices prevailing then as compared with late November 1946.

Loans to wholesale trade (including commodity dealers) declined considerably in relative importance between 1946 and 1955. During this period, they rose only about one-sixth as much as other business loans and in October accounted for 10 per cent of the amount outstanding compared with 18 per cent in 1946. Expansion of loans to retail trade was about the same as the 134 per cent growth in total dollar volume of business loans since 1946. Retailers borrowed more than wholesalers in late 1955, whereas in 1946 wholesalers had borrowed about two-thirds more than retailers. Loans to retail trade still account for the largest number of business loans to any industry group, but they rank next to the smallest in average size.

Perhaps the most significant development since 1946 in the industry distribution of business loans is the rise to prominence of loans to real estate concerns. Such loans, which were relatively unimportant in 1946 and included in the "all other" business category, totaled $2.4 billion in the fall of 1955 and accounted for 8 per cent of the amount

TABLE 1

BUSINESS LOANS OF MEMBER BANKS, 1955 AND 1946, BY BUSINESS OF BORROWER [1]

[Estimates of outstanding loans]

Business of borrower	Amount of loans				Number of loans			
	In millions of dollars		Percentage distribution		In thousands		Percentage distribution	
	1955	1946	1955	1946	1955	1946	1955	1946
All businesses	**30,820**	**13,189**	**100.0**	**100.0**	**1,317**	**673**	**100.0**	**100.0**
Manufacturing and mining, total	**11,283**	**5,650**	**36.6**	**42.8**	**225**	**116**	**17.1**	**17.2**
Food, liquor, and tobacco	1,838	1,536	6.0	11.6	36	18	2.7	2.7
Textiles, apparel, and leather	1,689	484	5.5	3.7	31	16	2.3	2.4
Metals and metal products	3,235	1,629	10.5	12.4	59	29	4.5	4.3
Petroleum, coal, chemicals, and rubber	2,646	1,061	8.6	8.0	28	13	2.2	1.9
Other	1,875	939	6.1	7.1	72	40	5.4	5.9
Trade, total	**6,539**	**3,883**	**21.2**	**29.5**	**517**	**341**	**39.2**	**50.7**
Retail	3,476	1,472	11.3	11.2	411	253	31.2	37.6
Wholesale [2]	3,063	2,411	9.9	18.3	105	88	8.0	13.1
Other, total	**12,998**	**3,656**	**42.2**	**27.7**	**575**	**216**	**43.7**	**32.0**
Sales finance companies	2,872	779	9.3	5.9	13	7	1.0	1.0
Transportation, communication, and other public utilities	2,906	1,222	9.4	9.3	44	38	3.4	5.6
Construction	1,691	446	5.5	3.4	105	43	7.9	6.4
Services	1,783	490	5.8	3.7	239	76	18.2	11.3
Other nonfinancial [3]	3,745	719	12.2	5.4	174	52	13.2	7.7

[1] Data for 1946 were reported in "Business Loans of Member Banks," Federal Reserve BULLETIN, March 1947. Additional articles summarizing the results of the 1946 survey appeared in the May, June, July, and August 1947 issues of the BULLETIN.

[2] Totals for 1955 include 8,900 loans to commodity dealers amounting to $751 million. These loans were included in wholesale trade in 1946 and not separately reported.

[3] Totals for 1955 include 75,600 loans to real estate concerns amounting to $2,405 million. These loans were included in "all other" in 1946 and not separately reported.

NOTE.—Details may not add to totals because of rounding.

and 6 per cent of the number of all business loans. A substantial proportion of these loans represented loans to mortgage companies to aid in carrying temporarily large inventories of residential mortgages. The marked growth in these, as well as in construction loans, however, also reflects the high level of construction activity which has developed since 1946.

Borrowing by sales finance companies and service enterprises has also expanded greatly since 1946, at about twice the rate for business loans generally. Sales finance company borrowing was the most heavily concentrated of all business categories, with 1 per cent of the number of loans accounting for over 9 per cent of the amount outstanding. The average size loan of $213,500 was over twice that of any other category. The growth in these loans since 1946, however, has accounted for only a small proportion of the total increase in borrowed resources of sales finance companies, whose operations have expanded sharply with the increased volume of instalment selling of consumer durable goods. The marked expansion in loans to service enterprises also reflects the rapid growth in this sector of the economy in the postwar period. As disposable income has risen, consumers have been spending a larger percentage of their incomes for services.

SIZE OF BUSINESS OF BORROWER

Most individual business loans of member banks were to borrowers with relatively small total assets, as shown in Table 2. The dollar volume of loans, as might be expected, was more heavily concentrated in borrowers with large total assets. Nevertheless, only for sales finance companies and transportation, communication, and other public utilities was borrowing heavily con-

TABLE 2

BUSINESS LOANS OF MEMBER BANKS, OCTOBER 5, 1955, BY BUSINESS AND SIZE OF BORROWER

[Estimates of outstanding loans]

Business of borrower	All borrowers	Size of borrower (total assets, in thousands of dollars)							
		Under 50	50–250	250–1,000	1,000–5,000	5,000–25,000	25,000–100,000	100,000 and over	Not ascertained
	Amount of loans, in millions of dollars								
All businesses	30,820	1,688	4,465	4,976	5,592	4,941	3,431	5,546	182
Manufacturing and mining, total	11,283	235	951	1,466	2,265	2,268	1,854	2,201	44
Food, liquor, and tobacco	1,838	38	121	228	334	341	344	424	9
Textiles, apparel, and leather	1,689	35	192	313	482	334	156	176	1
Metals and metal products	3,235	58	250	372	547	717	479	803	10
Petroleum, coal, chemicals, and rubber	2,646	31	110	183	404	582	662	658	16
Other	1,875	72	277	370	500	295	213	140	7
Trade, total	5,788	614	1,551	1,374	973	587	242	390	57
Retail	3,476	518	1,088	662	394	254	161	359	39
Wholesale	2,312	96	463	711	579	333	81	31	18
Other, total	13,749	840	1,963	2,136	2,354	2,085	1,335	2,955	81
Commodity dealers	751	9	60	113	161	171	65	169	2
Sales finance companies	2,872	6	83	208	396	450	460	1,252	17
Transportation, communication, and other public utilities	2,906	91	125	189	266	474	397	1,360	4
Construction	1,691	137	419	451	384	217	50	11	20
Real estate	2,405	110	495	560	645	434	112	38	12
Services	1,783	371	529	333	218	134	100	81	19
Other nonfinancial	1,340	116	252	282	283	205	151	44	7
	Number of loans, in thousands								
All businesses	1,316.9	608.7	469.2	145.4	45.5	13.3	5.0	6.5	23.2
Manufacturing and mining, total	225.1	72.7	83.5	39.7	16.2	5.2	2.1	1.6	4.1
Food, liquor, and tobacco	35.9	13.5	11.6	5.6	2.1	.9	.7	.4	1.2
Textiles, apparel, and leather	30.6	8.6	12.4	5.7	2.6	.8	.3	.1	.1
Metals and metal products	58.7	17.8	22.8	10.6	4.3	1.6	.5	.5	.7
Petroleum, coal, chemicals, and rubber	28.3	7.2	8.8	5.7	3.3	1.1	.5	.4	1.3
Other	71.6	25.5	27.9	12.2	4.0	.7	.3	.2	.4
Trade, total	507.7	248.9	191.0	45.6	9.7	1.9	.5	.8	9.4
Retail	411.2	220.5	149.2	26.6	4.9	.8	.3	.7	7.8
Wholesale	96.5	28.1	41.8	19.1	4.8	1.0	.2	.1	1.5
Other, total	584.1	287.2	194.7	60.1	19.6	6.2	2.4	4.1	9.8
Commodity dealers	8.9	2.5	3.3	1.6	.9	.3	.1	.2	.1
Sales finance companies	13.4	1.0	2.9	2.6	2.5	1.6	.9	1.5	.4
Transportation, communication, and other public utilities	44.2	20.5	12.3	4.9	2.1	1.2	.7	1.9	.6
Construction	104.5	42.3	41.6	14.5	3.4	.5	.1	.1	1.9
Real estate	75.6	20.3	33.9	13.7	5.2	1.2	.3	.2	.8
Services	239.3	143.1	74.3	13.7	2.7	.8	.1	.2	4.1
Other nonfinancial	98.1	57.4	26.3	9.1	2.8	.6	.2	.1	1.6

NOTE.—Details may not add to totals because of rounding.

centrated in businesses with assets of $100 million and over. Even in manufacturing and mining, where most business is done by relatively large firms, outstanding loans to companies with assets of $5-$25 million about equaled those to firms with assets of $100 million and over.

The largest number of loans for every industry was in one of the two asset size classes under $250,000. Moreover, for every industry except sales finance the aggregate number of loans in these two classes exceeded that in all other classes combined.

Since 1946, the size-of-borrower distribution of member bank loans has shifted appreciably from the smallest to the intermediate categories, as shown in Table 3. Loans to concerns with assets under $50,000 declined from 65 to 46 per cent of the num-

TABLE 3

BUSINESS LOANS OF MEMBER BANKS, 1955 AND 1946
BY SIZE OF BORROWER

[Percentage of total]

Size of borrower (Total assets, in thousands of dollars)	Amount of loans		Number of loans	
	1955	1946	1955	1946
All borrowers	100.0	100.0	100.0	100.0
Under 50	5.5	9.2	46.2	64.5
50–250	14.5	16.4	35.6	24.0
250–5,000	34.3	29.0	14.5	8.3
5,000 and over	45.2	44.3	1.9	1.7
Not ascertained	.6	1.2	1.8	1.5

NOTE.—Details may not add to totals because of rounding.

ber and from 9 to 6 per cent of the amount of total loans outstanding, although the amount and number of such loans rose somewhat over the period. The amount of loans to concerns with assets of $50,000-$250,000 also declined relative to other size categories, but the number of such loans rose sharply. The percentage of total loans to businesses with assets of $250,000-$5,000,000, however, rose substantially with respect to both amount and number. Loans to borrowers with assets of $5 million and over accounted for about the same proportion of total loans in 1955 as in 1946.

The shift in the distribution of outstanding loans from the smallest to the intermediate categories between 1946 and 1955 probably reflects in large part the general upward valuation of business assets and the growth in total business volume while the asset size classes remain unchanged. It may also reflect the unusually large proportion of new and reestablished small businesses in the immediate postwar business population and the increasing availability of internal and nonbank funds as businesses mature and become established. Increased reliance on internal and nonbank funds may also explain in part the absence of any appreciable rise in the proportion of loans to enterprises with assets of $5 million and over. Another important and perhaps related consideration is the decline in relative importance of loans to the manufacturing and mining group where large concerns predominate.

SIZE OF LENDING BANK

The size of lending bank is closely related to the size of business of the borrower. Thus the bulk of the dollar volume of outstanding loans of small banks was to small businesses and of large banks to large businesses, as shown in Table 4. In all bank size classes, the largest number of loans was to relatively small enterprises.

The loan portfolios of the smaller banks, which do most of their lending to small and medium-sized businesses, were particularly affected by the upward shift in the size-of-borrower distribution of outstanding business loans since 1946. All bank size classes with deposits under $100 million showed decreases in the proportion of loans to businesses with assets under $50,000. They showed increases in the proportion in most of the larger size categories.

Banks with deposits of $100 million and over maintained the 1946 proportion of their portfolios in loans to borrowers under $50,000 in assets while also increasing the proportion to borrowers in the $50,000-$5,000,000 categories. Active development of small loan departments, particularly for term loans, by some of the larger banks undoubtedly accounts for an appreciable part of this growth. The proportion of loan volume at these banks to businesses with assets of $5 million and over, however, declined substantially between 1946 and 1955.

Loans to manufacturing and mining concerns accounted for nearly half of the business loans of banks with deposits of $1 bil-

TABLE 4

BUSINESS LOANS OF MEMBER BANKS, OCTOBER 5, 1955, BY SIZE OF BORROWER AND SIZE OF BANK

[Estimates of outstanding loans]

Size of borrower (Total assets, in thousands of dollars)	All banks	Size of bank (total deposits, in millions of dollars)									
		Under 2	2-10	10-20	20-50	50-100	100-250	250-500	500-1,000	1,000-2,500	2,500 and over
	Amount of loans, in millions of dollars										
All borrowers	30,820	107	1,479	1,213	2,068	2,056	3,221	4,109	3,844	5,264	7,459
Under 50	1,688	55	490	213	216	144	150	149	112	47	112
50-250	4,465	43	674	537	720	526	553	474	348	232	358
250-1,000	4,976	6	191	291	616	646	792	861	535	391	646
1,000-5,000	5,592	1	49	83	268	462	890	1,045	933	814	1,047
5,000-25,000	4,941	1	10	20	79	128	395	754	778	1,173	1,603
25,000-100,000	3,431	(1)	11	6	31	53	150	344	467	944	1,424
100,000 and over	5,546	(1)	9	13	50	97	291	482	670	1,664	2,270
Not ascertained	182	.....	45	49	88	.....	(1)	.....	(1)	.....	.....
	Percentage distribution within bank size group										
All borrowers	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under 50	5.5	51.0	33.2	17.6	10.4	7.0	4.7	3.6	2.9	.9	1.5
50-250	14.5	40.5	45.6	44.3	34.8	25.6	17.2	11.5	9.1	4.4	4.8
250-1,000	16.1	6.0	12.9	24.0	29.8	31.4	24.6	21.0	13.9	7.4	8.7
1,000-5,000	18.1	1.1	3.3	6.8	13.0	22.5	27.6	25.4	24.3	15.5	14.0
5,000-25,000	16.0	.7	.7	1.7	3.8	6.2	12.3	18.4	20.2	22.3	21.5
25,000-100,000	11.1	.4	.7	.5	1.5	2.6	4.7	8.4	12.2	17.9	19.1
100,000 and over	18.0	.4	.6	1.1	2.4	4.7	9.0	11.7	17.4	31.6	30.4
Not ascertained	.6	.....	3.1	4.1	4.3	.....	(2)	.....	(2)	.....	.....

[1] Less than $500,000.
[2] Less than 0.05 per cent.

NOTE.—Details may not add to totals because of rounding.

lion and over compared with less than one-fifth for banks with less than $10 million deposits. Trade loans, as shown in Table 5, accounted for roughly two-fifths of the outstanding loans of the smallest banks but less than one-seventh for the largest. Similarly, loans to service and construction enterprises were relatively more important to small than to large banks. Sales finance company loans were held in large volume by all sizes of banks except the smallest, while loans to real estate concerns accounted for 8-12 per cent of business loans of all size classes of banks with deposits between $10 million and $1 billion.

Since 1946, manufacturing and mining and trade loans have decreased in relative importance at nearly all size classes of banks, whereas loans to sales finance companies and construction and service firms have become more important. At small banks, loans to transportation, communication, and other public utilities have declined in relative importance while loans to service firms have increased.

TERM LOANS

Loans having an original maturity of more than one year, generally referred to as "term loans," accounted for 34 per cent of member bank business loan portfolios in October 1955, about the same proportion as in November 1946. Nearly 40 per cent of the $10.4 billion total of such loans was confined to two major industry groups, transportation, communication, and other public utilities, and petroleum, coal, chemicals, and rubber, as shown in Table 6. These two groups also showed the highest ratios of term to total bank borrowing, 69 and 74 per cent, respectively, reflecting the large proportion of their assets in heavy fixed investment

TABLE 5

BUSINESS LOANS OF MEMBER BANKS, OCTOBER, 5, 1955, BY BUSINESS OF BORROWER AND SIZE OF BANK

[Estimates of outstanding loans]

Business of borrower	All banks	Size of bank (total deposits, in millions of dollars)									
		Under 2	2–10	10–20	20–50	50–100	100–250	250–500	500–1,000	1,000–2,500	2,500 and over
	Amount of loans, in millions of dollars										
All businesses	30,820	107	1,479	1,213	2,068	2,056	3,221	4,109	3,844	5,264	7,459
Manufacturing and mining, total	11,283	19	265	251	459	529	951	1,401	1,530	2,419	3,459
Food, liquor, and tobacco	1,838	6	48	41	75	83	198	281	260	380	485
Textiles, apparel, and leather	1,689	1	29	30	64	69	160	192	152	409	583
Metals and metal products	3,235	4	57	62	131	164	245	405	522	665	982
Petroleum, coal, chemicals, and rubber	2,646	2	34	41	71	81	151	260	353	659	994
Other	1,875	7	97	77	119	132	217	262	244	307	414
Trade, total	5,788	46	547	408	602	501	793	782	564	623	1,013
Retail	3,476	41	458	297	397	300	415	456	319	328	465
Wholesale	2,312	5	88	111	205	201	288	326	244	295	547
Other, total	13,749	42	667	554	1,007	1,025	1,567	1,926	1,751	2,222	2,988
Commodity dealers	751	2	28	15	28	55	70	152	41	113	246
Sales finance companies	2,872	1	31	44	135	174	382	372	552	625	556
Transportation, communication, and other public utilities	2,906	4	77	46	75	87	198	308	333	633	1,146
Construction	1,691	8	139	124	186	172	210	253	214	139	247
Real estate	2,405	2	79	102	221	248	328	408	356	344	317
Services	1,783	19	237	159	239	174	211	233	140	209	162
Other nonfinancial	1,340	5	76	64	122	114	168	200	116	159	314
	Percentage distribution within bank size group										
All businesses	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Manufacturing and mining, total	36.6	18.0	17.9	20.7	22.2	25.7	29.5	34.1	39.8	46.0	46.4
Food, liquor, and tobacco	6.0	5.2	3.2	3.4	3.6	4.1	5.5	6.9	6.8	7.2	6.5
Textiles, apparel, and leather	5.5	1.0	2.0	2.5	3.1	3.4	5.0	4.7	4.0	7.8	7.8
Metals and metal products	10.5	3.6	3.8	5.1	6.3	8.0	7.6	9.9	13.6	12.6	13.2
Petroleum, coal, chemicals, and rubber	8.6	2.1	2.3	3.4	3.4	3.9	4.7	6.3	9.2	12.5	13.3
Other	6.1	6.2	6.5	6.3	5.7	6.4	6.8	6.4	6.3	5.8	5.6
Trade, total	18.8	43.1	37.0	33.6	29.1	24.4	21.8	19.0	14.7	11.8	13.6
Retail	11.3	38.4	31.0	24.5	19.2	14.6	12.9	11.1	8.3	6.2	6.2
Wholesale	7.5	4.7	6.0	9.2	9.9	9.8	9.0	7.9	6.4	5.6	7.3
Other, total	44.6	38.9	45.1	45.7	48.7	49.9	48.7	46.9	45.5	42.2	40.1
Commodity dealers	2.4	1.8	1.9	1.3	1.4	2.7	2.2	3.7	1.1	2.2	3.3
Sales finance companies	9.3	1.2	2.1	3.7	6.5	8.5	11.9	9.1	14.4	11.9	7.5
Transportation, communication, and other public utilities	9.4	3.6	5.2	3.8	3.6	4.2	6.1	7.5	8.7	12.0	15.4
Construction	5.5	7.2	9.4	10.2	9.0	8.4	6.5	6.2	5.6	2.6	3.3
Real estate	7.8	2.1	5.4	8.4	10.7	12.1	10.2	9.9	9.3	6.5	4.2
Services	5.8	18.0	16.0	13.1	11.6	8.5	6.6	5.7	3.6	4.0	2.2
Other nonfinancial	4.4	4.9	5.2	5.3	5.9	5.6	5.2	4.9	3.0	3.0	4.2

NOTE.—Details may not add to totals because of rounding.

having relatively long service life.

The smallest users of term credit, both in absolute amount and relative to their total bank borrowing, were commodity dealers and sales finance companies, which have little fixed investment. Textiles, leather, and apparel manufacturers, wholesale trade, and construction firms also borrow to only a limited extent at longer maturities.

The ratio of term to total bank borrowing varied with size of business for most industries except transportation, communication, and other public utilities. The highest ratios of term borrowing generally were for concerns with assets of $25 million and over and the lowest for those with assets between $250,000 and $5 million. The relative importance of term borrowing by businesses

with assets under $50,000, however, was nearly as great as for the largest companies and considerably greater than for any other size class except those of $25 million and over. Moreover, the relative importance of term borrowing by small enterprises generally has increased substantially since 1946. For those with assets under $50,000, the ratio of term to total bank borrowing has risen from 29 to 41 per cent. On the other hand, the ratio has declined among the largest firms.

The proportion of term to total borrowing was about the same for unincorporated as for incorporated enterprises, both for total business loans and for most industry groups. In 1946, term borrowing was considerably more important for corporations than for unincorporated enterprises.

TABLE 6

TERM LOANS OF MEMBER BANKS, OCTOBER 5, 1955, BY BUSINESS AND SIZE OF BORROWER

[Estimates of outstanding loans]

Business of borrower	All borrowers	Size of borrower (total assets, in thousands of dollars)							
		Under 50	50–250	250–1,000	1,000–5,000	5,000–25,000	25,000–100,000	100,000 and over	Not ascertained
	Amount of term loans, in millions of dollars								
All businesses	10,441	687	1,287	1,158	1,331	1,768	1,671	2,495	44
Manufacturing and mining, total	4,540	82	238	311	579	989	1,100	1,228	13
Food, liquor, and tobacco	402	15	36	44	36	76	113	80	3
Textiles, apparel, and leather	268	4	15	14	58	73	53	52	(1)
Metals and metal products	1,193	22	67	94	160	244	198	407	2
Petroleum, coal, chemicals, and rubber	1,946	17	52	69	189	444	588	582	6
Other	731	24	67	90	137	153	147	108	3
Trade, total	1,455	226	370	220	194	142	61	231	11
Retail	1,076	207	296	131	96	73	45	220	8
Wholesale	379	19	74	89	98	69	16	11	3
Other, total	4,447	379	678	627	558	638	510	1,036	20
Commodity dealers	55	1	7	8	6	6	15	10	1
Sales finance companies	135	1	10	9	24	16	8	68	(1)
Transportation, communication, and other public utilities	1,995	70	66	140	181	364	306	866	3
Construction	329	41	81	66	67	52	13	7	3
Real estate	707	44	205	175	128	96	24	33	4
Services	797	175	230	138	95	46	67	38	8
Other nonfinancial	429	48	79	92	58	59	76	15	2
	As a percentage of total loans within industry size group								
All businesses	33.9	40.7	28.8	23.3	23.8	35.8	48.7	45.0	24.3
Manufacturing and mining, total	40.2	34.9	25.1	21.2	25.6	43.6	59.3	55.8	29.6
Food, liquor, and tobacco	21.9	38.7	30.1	19.2	10.6	22.2	32.9	18.8	30.7
Textiles, apparel, and leather	15.9	10.8	7.8	4.6	12.0	21.7	33.9	29.4	13.0
Metals and metal products	36.9	37.3	26.8	25.2	29.2	34.0	41.4	50.7	17.4
Petroleum, coal, chemicals, and rubber	73.6	55.7	47.7	37.5	46.8	76.2	88.8	88.4	35.4
Other	39.0	33.8	24.3	24.3	27.5	52.0	69.3	76.8	33.9
Trade, total	25.1	36.8	23.9	16.0	20.0	24.2	25.2	59.3	19.3
Retail	31.0	39.9	27.2	19.8	24.4	28.6	28.2	61.2	19.9
Wholesale	16.4	20.2	15.9	12.5	16.9	20.8	19.2	36.8	18.0
Other, total	32.3	45.2	34.6	29.4	23.7	30.6	38.2	35.1	25.0
Commodity dealers	7.3	14.9	12.4	6.9	4.0	3.4	22.7	6.1	35.6
Sales finance companies	4.7	8.7	12.0	4.4	5.9	3.5	1.8	5.4	2.1
Transportation, communication, and other public utilities	68.6	77.0	52.6	73.8	67.9	76.8	77.2	63.7	59.9
Construction	19.5	30.1	19.2	14.6	17.4	23.7	26.8	58.5	14.0
Real estate	29.4	39.7	41.3	31.3	19.8	22.1	21.1	86.3	31.5
Services	44.7	47.1	43.6	41.4	43.5	34.4	67.7	46.6	44.2
Other nonfinancial	32.0	41.4	31.5	32.7	20.4	28.7	50.4	33.5	26.4

(1) Less than $500,000.

NOTE.—Details may not add to totals because of rounding.

FORM OF ORGANIZATION

Nearly four-fifths of the dollar amount of member bank business loans was to incorporated enterprises, as shown in Table 7. The proportion varied from 48 per cent for service firms to 95 per cent for sales finance companies. In general, the ratio of corporate to total borrowing was highest in businesses requiring heavy fixed investment, such as manufacturing and mining and transportation, communication, and other public utilities, and lowest in those with relatively small capital requirements, such as trade, construction, real estate, and services.

Member bank loans to unincorporated enterprises accounted for 72 per cent of the total number of loans. By business groups, the proportion ranged from 84 per cent for services down to only 21 per cent for sales finance companies. Unincorporated businesses accounted for a substantially larger proportion of the number than of the amount of loans for all business categories.

Loans to incorporated enterprises were 78 per cent of the total dollar amount of business loans in late 1955 as compared with 72 per cent in 1946. Although the 1946 ratio was temporarily depressed owing to the rapid growth in number of new unincorporated enterprises in the immediate postwar period, most of the increase probably represents more extensive use of the corporate form of organization. As technology increases the capital requirements for efficient operation, this form of business organization tends to become more advantageous.

Outstanding loans of construction concerns and wholesale and retail trade showed the largest shift from unincorporated to in-

TABLE 7

BUSINESS LOANS OF MEMBER BANKS, OCTOBER 5, 1955, BY BUSINESS AND FORM OF ORGANIZATION OF BORROWER

[Estimates of outstanding loans]

Business of borrower	Amount of loans				Number of loans			
	In millions of dollars		As a percentage of industry total		In thousands		As a percentage of industry total	
	Corporate	Noncorporate	Corporate	Noncorporate	Corporate	Noncorporate	Corporate	Noncorporate
All businesses	23,948	6,871	77.7	22.3	371	946	28.2	71.8
Manufacturing and mining, total	9,868	1,415	87.5	12.5	106	119	47.1	52.9
Food, liquor, and tobacco	1,630	208	88.7	11.3	13	23	35.6	64.4
Textiles, apparel, and leather	1,521	168	90.1	9.9	18	13	58.6	41.4
Metals and metal products	3,020	216	93.3	6.7	33	26	55.8	44.2
Petroleum, coal, chemicals, and rubber	2,115	531	80.0	20.0	10	19	34.1	65.9
Other	1,582	293	84.4	15.6	33	39	46.0	54.0
Trade, total	3,780	2,088	65.3	34.7	126	382	24.7	75.3
Retail	2,006	1,470	57.7	42.3	82	329	19.9	80.1
Wholesale	1,774	538	76.7	23.3	44	53	45.3	54.7
Other, total	10,300	3,469	74.9	25.1	140	445	23.9	76.1
Commodity dealers	584	168	77.7	22.3	4	5	39.8	60.2
Sales finance companies	2,726	146	94.9	5.1	11	3	78.6	21.4
Transportation, communication, and other public utilities	2,610	296	89.8	10.2	18	26	41.1	58.9
Construction	1,061	630	62.7	37.3	28	76	27.0	73.0
Real estate	1,647	758	68.5	31.5	25	50	33.2	66.8
Services	855	929	47.9	52.1	37	202	15.6	84.4
Other nonfinancial	818	522	61.1	38.9	17	81	17.0	83.0

NOTE.—Details may not add to totals because of rounding.

corporated enterprise between 1946 and 1955. The proportion of loans to incorporated enterprises rose from 42 to 63 per cent for construction, from 66 to 77 per cent for wholesale trade, and from 45 to 58 per cent for retail trade. In the case of trade concerns, the rapid spread of supermarket merchandising in the postwar period has probably been an important factor in this shift.

AVERAGE INTEREST RATES

The average interest rate on business loans outstanding at member banks on October 5, 1955 was 4.2 per cent, as shown in Table 8. The lowest rates were obtained by industries in which borrowing is heavily concentrated in large enterprises with high credit rating and large individual loans, such as sales finance companies and transportation, communication, and other public utilities. The short-term rates for loans to these industries were only slightly above the 3¼ per cent "prime rate" in effect at the time of the Survey on loans at large city banks to customers with highest credit rating. The highest rates were paid by industries such as construction, services, and retail trade, in which smaller and less well-established businesses predominate and the individual loan is ordinarily small to medium size. The 4.2 per cent average in 1955 was considerably higher than the 2.9 per cent which obtained in 1946, but the spread between the lowest and the highest average rates among industries was considerably less in 1955 than in 1946.

Rates were lower on short-term loans than on long-term loans in most industries, but the differences generally were small. As a result of the heavy concentration of term loans in industries with relatively low rates, the average long-term rate for all industries combined was no higher than the short-term rate. The relationship between short- and long-term rates within industries reflects primarily the size and credit standing of the borrowers. For example, the long-term rate for the petroleum, coal, chemicals, and rubber group was considerably lower than the short-term rate, but three-fifths of the long-term borrowing in that industry was by companies with assets of $25 million and over whereas those concerns accounted for only about one-fifth of the short-term borrowing.

TABLE 8

AVERAGE INTEREST RATES ON MEMBER BANK BUSINESS LOANS, OCTOBER 5, 1955
BY BUSINESS OF BORROWER AND MATURITY OF LOAN

(Per cent per annum)

Business of borrower	All loans	Short-term (One year or less)	Long-term (Over one year)
All businesses	4.2	4.2	4.2
Manufacturing and mining, total	4.0	4.1	4.0
Food, liquor, and tobacco	3.8	3.8	3.9
Textiles, apparel, and leather	4.0	3.9	4.0
Metals and metal products	4.1	4.1	4.1
Petroleum, coal, chemicals, and rubber	3.9	4.2	3.8
Other	4.3	4.4	4.1
Trade, total	4.6	4.6	4.8
Retail	4.7	4.7	4.8
Wholesale	4.5	4.5	4.8
Other, total	4.2	4.2	4.3
Commodity dealers	3.7	3.7	4.3
Sales finance companies	3.6	3.5	3.9
Transportation, communication, and other public utilities	3.6	3.6	3.7
Construction	5.0	4.8	5.7
Real estate	4.5	4.5	4.5
Services	5.1	4.8	5.3
Other nonfinancial	4.3	4.2	4.6

OPEN MARKET PAPER

Member banks held an estimated $780 million of open market paper on October 5, 1955, representing 2.5 per cent of their outstanding business credit. Over half of this amount was in negotiable unsecured notes of sales finance companies placed directly or acquired through dealers, and nearly two-thirds of the remainder was other commercial paper, as shown in Table 9. Bankers' acceptances accounted for only a small

proportion of the total.

Over half the sales finance company paper was held by country banks, and it was widely distributed among Federal Reserve Districts, as shown in Table 10. Holdings by large city banks were negligible, reflecting generally full commitment of their statutory loan limits to the larger finance companies under established lines of credit.

TABLE 9

MEMBER BANK HOLDINGS OF OPEN MARKET PAPER OCTOBER 5, 1955, BY TYPE AND BY CLASS OF BANK

[Estimates, in millions of dollars]

Type	All member banks	Central reserve city banks		Reserve city banks	Country banks	Weekly reporting banks
		New York City	Chicago			
Open market paper, total	779	63	12	362	343	470
Acceptances	139	50	8	74	7	127
Commercial paper (excluding sales finance company paper)	244	1	2	113	129	115
Sales finance company paper[1]	396	12	3	174	207	228

[1] Placed directly or acquired through dealers, exclusive of direct loans other than open market paper.

NOTE.—Details may not add to totals because of rounding.

Commercial paper was largely held by reserve city and country banks, over one-third of it in the Dallas District. Bankers' acceptances, however, were held almost entirely at New York central reserve city and San Francisco reserve city banks, mostly at banks with deposits of $1 billion or more.

Including holdings of open market paper, member bank loans to sales finance companies on October 5, 1955 totaled nearly $3.3 billion, or more than 10 per cent of all business loans by member banks. These holdings of open market paper accounted for about one-fifth of the open market paper of such companies outstanding on that date, including paper placed through dealers.

TABLE 10

MEMBER BANK HOLDINGS OF OPEN MARKET PAPER OCTOBER 5, 1955 BY TYPE AND BY FEDERAL RESERVE DISTRICT

[Estimates, in millions of dollars]

District	Total	Acceptances	Commercial paper (excluding sales finance company paper)	Sales finance company paper[1]
All districts	779	139	244	396
Boston	76	5	39	32
New York	122	53	13	57
Philadelphia	44	1	19	25
Cleveland	20	1	(2)	19
Richmond	40	(2)	5	35
Atlanta	46	2	18	26
Chicago	112	10	32	71
St. Louis	25	1	8	16
Minneapolis	7	(2)	2	5
Kansas City	59	(2)	8	51
Dallas	142	8	88	46
San Francisco	84	59	12	13

[1] Placed directly or acquired through dealers, exclusive of direct loans other than open market paper.

[2] Less than $500,000.

NOTE.—Details may not add to totals because of rounding.

Member banks held less than one-fifth of the acceptances outstanding on that date.

COVERAGE OF THE SURVEY

The 1955 Survey of Bank Loans for Commercial and Industrial Purposes was confined to a stratified probability sample of some 2,000 member banks representing about 30 per cent of all member banks and 93 per cent of the volume of their business loans.

The major classification for sampling purposes was size of bank as measured by total deposits. The sample included all banks with deposits of more than $50 million and a declining proportion of each smaller size class. In the sampled size classes, banks within each Federal Reserve District generally were grouped by geographic region, population of community, or ratio of business loans to total assets or total deposits. Sample banks within these groups generally were selected by use of a table of random numbers.

SHEET NO. _____

SHEET NO. _____ (71-73)

CONFIDENTIAL

SCHEDULE OF LOANS FOR COMMERCIAL AND INDUSTRIAL PURPOSES OUTSTANDING ON OCTOBER 5, 1955.

(For banks with total deposits on 6-30-55 of $10,000,000 or less)

Form F.R. 643a (Rev. 8-55)
Form approved
Budget Bureau No. 55-S393
(Approval expires 1-31-56)

NAME OF BANK _____ CITY _____ STATE _____

DO NOT USE

FIELD	A	B	C	D	E	F	G	H	I	J
DESCRIPTION	DIST.	STATE	BANK	BRANCH	SIZE	POP.	SUB. R	LOAN R	C.R.S.	CLASS
CODE										
COLUMN	1-2	3-4	5-8	9-12	13	14	15	16	17	18-19

DETACH BEFORE MAILING

FILL OUT THIS BOX ON FIRST SHEET ONLY

1. Total amount of real estate loans for commercial and industrial purposes outstanding on October 5, 1955 (included in Schedule A, Item 6, of Call Report form) ..... $ _____

2. Total amount of "commercial and industrial" loans outstanding on October 5, 1955 (as defined in Call Report instructions for Schedule A, Item 1):
   (a) Open market paper, total ..... $ _____
   (1) Acceptances ..... $ _____
   (2) Commercial paper (excluding finance company paper) ..... $ _____
   (3) Finance company paper (placed directly or acquired through paper dealers) ..... $ _____
   (b) All other loans for commercial and industrial purposes ..... $ _____
   (c) Total a + b above ..... $ _____

3. Do you have minimum average deposit requirements for any business borrowers? Check one YES ___ NO ___
   If yes, please explain your policy with regard to such requirements on the back of this form.

4. Do you extend lines of credit or give firm commitments to extend credit to individual businesses up to a specified limit? Check one YES ___ NO ___
   If yes, please explain your policy with regard to such accommodations on the back of this form.

NOTE: Please see instructions on loan coverage and reporting procedure on the reverse side of this sheet before filling out this form.

Name of borrower	1 Location of borrower (city and state)	Leave blank	2 Business of borrower (usually available from instructions or loan)	3 Total assets of borrower (enter approximate dollar amount as of most recent date available; estimate if necessary)	Form of business organization (check one): 4 Incorporated	5 Unincorporated	6 Call Report Sched. A number (see instructions or loan)	7 Amount of loan (see instructions or loan): Amount outstanding on October 5, 1955 (omit cents)	Leave blank	8 Original amount or amount at last renewal, if renewed (omit cents)	9 Date made or last renewed, if renewed (Mo., Day, Yr.) (see instructions or loan)	10 Date due (Mo., Day, Yr.) (if demand, write in "demand") (see instructions or loan)	Repayment method (check one): 11 Single payment (see instructions or loan)	12 Paid in installments with interest charged on original amount	13 Paid in installments with interest charged on unpaid balance	14 Effective interest rate (annual rate on unpaid balance, see instructions or loan)	15 Major security (enter code from instructions or loan)	Participation with another commercial bank (check one, if applicable): Excess or over-line type participation: 16 Originating with this bank	17 Originating with another bank	18 Paid type participation	19 Check if U. S. Gov't. guarantee or U. S. Gov't. participation	Special Codes
		20	21-22	23-29	30		31	32-39	40 41	42-49	50-55	56-61	62			63-66	67-68	69			70	74 75	76-77
(Example) Wholesale Distrib. Inc.	Newtown, Mo.		6	293,800	✓		1	38,000		38,000	9/1/55	12/1/55	✓			4.75	9	✓	a			
(Example) Doris White	Fortune, Vt.		13	20,000		✓	1	900		1,200	6/25/55	6/25/56		✓		12.00	4					

(For instructions referred to in box headings, see opposite page.)

This survey provides for an analysis of your loans for commercial and industrial purposes outstanding on October 5, 1955. Please mail the completed worksheet forms so as to reach your Federal Reserve Bank not later than October 24, 1955.

A column is provided on the form for entering the names of borrowers whose loans are reported. This column is for your convenience. It should be detached and saved. It should *not* be returned to the Federal Reserve Bank. The information on individual loans supplied on the form will be treated as confidential by your Reserve Bank. The results of this survey will be published only in the form of totals for groups of banks.

Loan Coverage

The loans for commercial and industrial purposes covered by this survey include *all* commercial and industrial loans as defined in the Call Report instructions for Schedule A, Item 1, and such real estate loans as have been made *for commercial and industrial purposes* included in Schedule A, Item 6, of the Call Report.

Loans for commercial and industrial purposes include all *business* loans to individuals, partnerships, and corporations, whether secured or unsecured, or whether for the purpose of financing capital expenditures or current operations.

Be sure to include loans for business purposes carried in your GI or instalment loan departments. These loans should be classified under Schedule A, Item 1, for Call Report purposes as well as for this survey. Unless your loans are correctly classified the results of this survey might seriously understate the volume of loans to small business.

Reporting Procedure

Caution: It is important not to depart from the following instructions. Any attempt to substitute purposely a particular loan believed to be more "representative" in preference to a loan falling in the sample by chance will bias the sample and distort the survey results.

1. Separate the following groups of loans from your total loan file in a manner most convenient to you:

Group A—Open market paper

Group B—Real estate loans for commercial and industrial purposes

Group C—All other loans for commercial and industrial purposes, including instalment and GI loans for business purposes.

2. In the box at the top of the form, report the total dollar amount outstanding on October 5, 1955, for each group in 1 above. Please note that separate totals are required for the three types of open market paper, but no individual reporting of such loans is required.

3. Report the detailed information requested on the form for *each* loan in groups B and C in 1 above.[1] Be sure to read the instructions to Column 7 before filling in the information on individual loans.

INSTRUCTIONS

Column 2. Enter in Column 2 the code opposite the business classification of borrower shown below which best describes the *largest part of borrower's business.* Use only one code number. Note that loans to sales finance and real estate companies should be included in this survey, but loans to all other financial institutions and to nonprofit organizations should be excluded.

Code	*Business of Borrower*
	Manufacturing and Mining
1	Food, liquor, and tobacco
2	Textiles, apparel, and leather
3	Metal and metal products (including iron, steel, and nonferrous metals and their products; electrical and other machinery; and automobiles and other transportation equipment and parts)
4	Petroleum, coal, chemicals, and rubber
5	All other manufacturing and mining (including lumber; furniture; paper; printing and publishing; and stone, clay, and glass)
	Trade
6	Wholesale trade (including sales to businesses as final buyers)
7	Retail trade
	Other
8	Commodity dealers (establishments primarily engaged in buying and selling commodity contracts and which are members, or associated with members, of recognized commodity exchanges)
9	Sales finance companies (firms primarily engaged in financing retail sales made on the instalment plan)
10	Transportation, communication, and other public utilities
11	Construction (including operative builders)
12	Real estate (including operators, owners, agents, brokers, and subdividers and developers of real property)
13	Service firms (including hotels; repair services; amusements; personal and domestic services; and medical, legal, and other professional services)
14	All other nonfinancial

Column 6. Enter item number under which loan would be classified in Schedule A of Call Report; for example, for a loan classified in Schedule A as "commercial and industrial," enter 1; for a loan classified as real estate, enter 6.

Column 7. If several notes or advances are outstanding to a single borrower representing different loan arrangements, treat each note or advance separately in selecting your sample of loans to report. However, several notes outstanding to a borrower representing a single loan arrangement, or several notes discounted for a customer in a single transaction, should be totaled and reported as one loan.

Column 8. Enter original amount (before addition of interest or deduction of discount) of note or notes entered in Column 7.

Column 9. If several notes representing a single loan arrangement, give date first note was made.

Column 10. If a serial or instalment loan, or several notes representing a single loan arrangement, give date last payment is due.

Column 11. Loans scheduled for lump sum repayment, including loans customarily renewed for same or reduced amount.

Column 14. For a single payment loan or a loan repayable in instalments on which the interest charge is computed periodically on the unpaid balance, the effective interest rate is the same as the stated or nominal rate. For a loan repayable in instalments on which the interest charge is computed on the original amount of the loan, either on a discount or add on basis, the effective rate is higher than the stated rate. For example, if the loan is repayable in full in equal instalments, the effective rate is approximately twice the stated rate.

If more than one rate is charged under a serial note or other loan arrangement, report the average effective rate.

Column 15. Enter in Column 15 the code opposite the classification below which best describes the major security, if any, pledged as collateral for the loan. If the loan is secured by several kinds of collateral, indicate only the major security.

Code	*Major Security*
1	Unsecured
2	Endorsed, co-maker, or nongovernment guarantee
	Secured by collateral:
3	Inventories (including trust receipts, warehouse receipts, and factors liens)
4	Equipment (including assignment of title and chattel mortgages)
5	Plant and other real estate
6	U. S. Government securities
7	Other bonds
8	Stocks
9	Assignment of claims or contracts, accounts receivable, and oil runs
10	Life insurance and savings accounts
11	Other security

[1] This instruction applied only to respondent banks with total deposits on June 30, 1955 of $10 million or less. Banks with total deposits of more than $10 million but not more than $100 million were requested to report on every loan of $100,000 or more and every sixth of their smaller loans. Banks with more than $100 million of deposits were requested to report on every loan of $1 million or more and every sixth of their smaller loans. A few banks with unusually large numbers of business loans were permitted to report on a somewhat smaller fraction of their smaller loans.

[fol. 5667]

Sampling procedures were also used by respondent banks in the selection of individual loans to report. Banks with total deposits on June 30, 1955 of more than $100 million reported on all their loans of $1 million or more and on every sixth of their smaller loans (although a smaller proportion was permitted for a few banks with unusually large numbers of business loans). Banks with total deposits of $10-$100 million reported on every loan of $100,000 or more and on every sixth of their smaller loans. Banks with total deposits of $10 million or less reported on all of their business loans. Detailed information was supplied on about 190,000 individual loans.

The Survey covered all loans for business purposes. This included not only loans classified in the Member Bank Call Report as commercial and industrial but also those classified as real estate loans which had been made for commercial and industrial purposes. Holdings of each type of open market paper (acceptances, commercial paper, and sales finance company paper) were also reported, but the respondent banks were not asked to furnish detailed information on the characteristics of such paper as in the case of other business loans.

Reports were received from 1,900 or about 95 per cent of the banks included in the sample. This unusually high rate for voluntary response reflects in part the active encouragement of banks to participate by the American Bankers Association, the Reserve City Bankers Association, and the Robert Morris Associates.

[fol. 5668]

GOVERNMENT'S EXHIBIT 10 (S)

TABLE 10 (Revised)

Analysis of Commercial and Industrial Loans of Girard Trust Corn Exchange Bank As of October 5, 1955 by Location of Borrower

	Loans $1–$49,999				Loans $50,000–$99,999			
	Value		No. of Loans		Value		No. of Loans	
	Dollars (000's)	%	No.	%	Dollars (000's)	%	No.	%
Philadelphia	$2,094	68.3	175	77.4	$2,422	67.0	39	67.2
Mont., Del. & Bucks Counties	203	6.6	16	7.1	409	11.3	6	10.3
Total Phila., Mont., Del. & Bucks Counties	2,297	74.9	191	84.5	2,831	78.4	45	77.6
Chester County, Pa.	0	0	0	0	0	0	0	0
Other Counties, Pa.	290	9.5	13	5.8	198	5.5	3	5.2
Mercer, Burl., Camden, Salem & Glous. Counties	100	3.3	5	2.2	0	0	0	0
Other Counties, N. J.	55	1.8	4	1.8	255	7.1	4	6.9
New Castle County, Del.	28	0.9	1	0.4	75	2.1	1	1.7
Other Counties, Del.	36	1.2	1	0.4	50	1.4	1	1.7
All Other Locations	259	8.5	11	4.9	204	5.6	4	6.9
Total	3,065	100.0	226	100.0	3,613	100.0	58	100.0

[fol. 5669]

	Loans $100,000–$249,999				Loans $250,000–$499,999			
	Value		No. of Loans		Value		No. of Loans	
	Dollars (000's)	%	No.	%	Dollars (000's)	%	No.	%
Philadelphia	$ 4,691	71.9	32	66.7	$ 2,119	50.1	7	50.0
Mont., Del. & Bucks Counties	529	8.1	5	10.4	690	16.3	2	14.3
Total Phila., Mont., Del. & Bucks Counties	5,220	80.0	37	77.1	2,809	66.4	9	64.3
Chester County, Pa.	0	0	0	0	0	0	0	0
Other Counties, Pa.	200	3.1	2	4.2	300	7.1	1	7.1
Mercer, Burl., Camden, Salem & Glous. Counties, N. J.	130	2.0	1	2.1	0	0	0	0
Other Counties, N. J.	0	0	0	0	0	0	0	0
New Castle County, Del.	0	0	0	0	0	0	0	0
Other Counties, Del.	173	2.7	1	2.1	0	0	0	0
All Other Locations	800	12.3	7	14.6	1,120	26.5	4	28.6
Total	6,523	100.0	48	100.0	4,229	100.0	14	100.0

[fol. 5669a]

	Loans $500,000–$999,999				Loans $1,000,000 or More			
	Value		No. of Loans		Value		No. of Loans	
	Dollars (000's)	%	No.	%	Dollars (000's)	%	No.	%
Philadelphia	$ 8,480	62.2	13	61.9	$11,548	29.1	6	26.1
Mont., Del. & Bucks Counties	900	6.6	1	4.8	2,638	6.7	1	4.3
Total Phila., Mont., Del. & Bucks Counties	9,380	68.8	14	66.7	14,186	35.8	7	30.4
Chester County, Pa.	0	0	0	0	0	0	0	0
Other Counties, Pa.	1,795	13.2	3	14.3	6,505	16.4	3	13.1
Mercer, Burl., Camden, Salem & Glous. Counties, N. J.	0	0	0	0	3,419	8.6	2	8.7
Other Counties, N. J.	0	0	0	0	1,472	3.7	1	4.3
New Castle County, Del.	750	5.5	1	4.8	2,113	5.3	1	4.3
Other Counties, Del.	0	0	0	0	0	0	0	0
All Other Locations	1,715	12.6	3	14.3	11,970	30.2	9	39.1
Total	13,640	100.0	21	100.0	39,665	100.0	23	100.0

Source: Government Exhibit 9 D, a schedule of loans of Girard Trust Corn Exchange Bank submitted to the Federal Reserve System in the course of the latter's *Survey of Bank Loans for Commercial and Industrial Purposes Outstanding on October 5, 1955*. Value data reflect the original amount of the loan or the amount of last renewal if renewed. The above data cover all commercial and industrial loans of $1,000,000 or more and 1 loan out of each 6 for smaller loans.

[fol. 5670] GOVERNMENT'S EXHIBIT 11

TABLE 11

Number of Commercial Banks and Offices in the United States, 1900–1960

Year [1]	Number of Banks	Number of Offices	Number of Branches
1900	8,738	8,857	119
1910	21,486	22,034	548
1920	29,087	30,368	1,281
1930	22,172	25,694	3,522
1933	14,450	17,236	2,786
1940	14,344	17,875	3,531
1950	14,121	18,842	4,721
1955	13,715	20,638	6,923
1960	13,468	23,683	10,215

Sources: 1900–1955, *Survey of Branch Banking in the Philadelphia Area*, prepared under the direction of E. Gordon Keith of the University of Pennsylvania, Table IA. (This Survey secured 1900–1950 data from *Monetary Policy and the Management of the Public Debt*, I, Joint Committee on the Economic Report, 82nd Congress, 2nd Session, pp. 553–555 and 1955 data from *Annual Report of Federal Deposit Insurance Corporation*; 1955, p. 110).

1960 data were obtained from *Annual Report of the Board of Governors of the Federal Reserve System*, 1960, p. 131.

[1] As of December 31 for each year except 1920, which is as of June 30.

[fol. 5671] GOVERNMENT'S EXHIBIT 12

TABLE 12

Number of Commercial Banking Facilities in Pennsylvania
As of December 31 of the years 1945, 1950, 1955, and 1959

Year	Number of Banks			Number of Branches	Total Number of Banking Offices
	Unit Banks	Banks Operating Branches	Total Number of Banks		
1945	967	59	1026	120	1146
1950	907	64	971	193	1164
1955	680	138	818	471	1289
1959	526	193	719	740	1459
Net Change 1945–1959	−441	+134	−307	+620	+313
Per Cent Change 1945–1959	−45.6	+227.1	−29.9	+516.7	+27.3

Source: 1945–1955, *Survey of Branch Banking in the Philadelphia Area*, Prepared under the direction of E. Gordon Keith of the University of Pennsylvania. (This Survey secured 1945, 1950 and 1955 data from *Annual Reports of the Federal Deposit Insurance Corporation* for those years). 1959 data were secured from *Annual Report of F.D.I.C.*, 1959.

[fol. 5672] GOVERNMENT'S EXHIBIT 13 (S)

TABLE 13

Summary of Number of Commercial Banks and Banking Offices in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania As of December 31, 1947, June 30, 1956 and October 3, 1960

	1947	1956	1960	Decrease	Per Cent Change
Number of Banks With Head Offices In					
Philadelphia	39	19	17	−22	−43.6
Del., Mont & Bucks Counties	69	39	26	−43	−62.3
Total 4 Counties	108	58	43	−65	−60.2
Number of Branch Offices In					
Philadelphia	62	99	NA	NA	NA
Del., Mont., & Bucks Counties	8	75	NA	NA	NA
Total 4 Counties	70	174	240[1]	+170	+242.9
Total Number of Banking Offices In					
Philadelphia	101	118	NA	NA	NA
Del., Mont. & Bucks Counties	77	114	NA	NA	NA
Total 4 Counties	178	232	283[1]	+105	+59.0

Sources: 1947 and 1956 data are from *Survey of Branch Banking in the Philadelphia Area*, prepared under the direction of E. Gordon Keith of the University of Pennsylvania, Tables II A and II B. 1960 data are from Report by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency under the Federal Deposit Insurance Act re the proposed merger of The Philadelphia National Bank and Girard Trust Corn Exchange Bank, p. 6.

[1] Includes Philadelphia office of Brown Brothers Harriman and Company, a private bank, the head office of which is in New York. Does not include First Camden National Bank & Trust Company, which has one office in Philadelphia, nor National Bank of Chester County and Trust Company, which has one office in Delaware County.

GOVERNMENT'S EXHIBIT 14 (S)

TABLE 14

Major Structural Changes Affecting the Number of Commercial Banks and Commercial Bank Offices in the United States, By Years, 1940, 1945 Through 1960

Year	New Banks	De Novo Branches	Consolidations and Absorptions	Suspensions	Voluntary Liquidations	Net Change	
						No. of Banks	No. of Branches
1940	32	43	96	22	49	−133	+ 35
1945	118	65	79	—	18	+ 21	+ 91
1946	144	142	93	—	16	+ 33	+179
1947	111	146	84	1	11	+137 [1]	+188 [1]
1948	80	151	75	—	12	− 10	+189
1949	72	158	77	4	12	− 15	+206
1950	68	179	91	1	12	− 35	+236
1951	62	234	82	3	11	− 32	+273
1952	73	217	100	3	13	− 43	+280
1953	64	280	115	4	10	− 65	+353
1954	73	341	206	3	7	−141	+481
1955	116	442	231	4	5	−124	+602
1956	123	560	189	3	7	− 76	+688
1957	88 [2]	501	157	3	3	− 75	+604
1958	97	540	151	8	4	− 67 [3]	+645
1959 [4]	117	584	166	3	3	− 55	+775
1960	135	771	131	2	4	− 2	+828

Sources: 1940–1956, *Survey of Branch Banking in the Philadelphia Area*, prepared under the direction of E. Gordon Keith of the University of Pennsylvania, Tables I-C and V-A. (This Survey secured 1940–1950 data from *Monetary Policy and the Management of the Public Debt*, I, Joint Committee on the Economic Report, 82nd Congress, 2nd Session, pp. 554–556, and compiled 1951–1956 data from *Annual Reports of the Board of Governors of the Federal Reserve System*, 1951–1955 and *Federal Reserve Bulletins*, August 1956 and February 1957.) Data for 1957–1960 have been compiled from *Annual Reports of the Board of Governors of the Federal Reserve System*, 1957–1960.

[1] Includes 113 banks and 9 branches added because of revision in statistical series.
[2] Includes 1 "reopening."
[3] Includes 1 "other liquidation."
[4] Includes 28 banks and 91 branches in Alaska and Hawaii.

GOVERNMENT'S EXHIBIT 15 (S)

TABLE 15

Summary of Savings and Time Deposits of Girard Trust Corn Exchange Bank by Location of Depositors

Savings Fund Accounts	Phila.	Delaware, Montgomery & Bucks Counties	Total Phila., Del., Mont. & Bucks Counties	Other Penna.	All Other Areas	Total
Number of Accounts						
Under $10,000	70,636	45,776	116,412	478	2,619	119,519
Over $10,000	NA	NA	NA	NA	NA	1,538
Per Cent of Total Under $10,000	59.1	38.3	97.4	0.4	2.2	100.0
Christmas Club Accounts						
Number of Accounts	11,807	13,031	24,838	282	382	25,502
Per Cent of Total No.	46.3	51.1	97.4	1.1	1.5	100.0
Vacation Club Accounts						
Number of Accounts	336	1,925	2,261	58	0	2,319
Per Cent of Total No.	14.5	83.0	97.5	2.5	0	100.0
Time Accts. & Certificates of Deposit						
Number of Accounts	9	6	15	NA	NA	20
Per Cent of Total No.	45.0	30.0	75.0	NA	NA	100.0
Time Accounts over $10,000						
Number of Accounts	41	5	46	5	3	54
Dollar Volume[1]	$6,938	$180	$7,118	$1,157	$319	$8,594
Per Cent of Total Number of Accounts	75.9	9.3	85.2	9.3	5.5	100.0

Sources: Compilation of Girard Trust Corn Exchange Bank submitted to the U.S. Department of Justice, Antitrust Division on May 18, 1961 and May 24, 1961, in response to questions submitted to defendants on April 28, 1961 and modified May 2, 1961. Time Accounts over $10,000 are for depositors with average balances of $10,000 or more during June 1960. They do not include savings deposits. All other data show "the number of time accounts under $10,000 as of March 31, 1961 and an estimate of the percentage in number of accounts by Counties.

[1] In thousands of dollars. NA means not available.

[fol. 5675]

GOVERNMENT'S EXHIBIT 16 (S)

TABLE 16

Concentration of Assets of Insured Commercial Banks in Philadelphia, Delaware, Mont. and Bucks Counties, Pennsylvania in 1947, 1950, 1956 and 1960, and Effect of Proposed Merger Upon Such Concentration of Assets

(All Assets are In Millions of Dollars)

	Philadelphia			Phila., Dela., Mont. and Bucks Counties		
	Largest Bank	2 Largest Banks	4 Largest Banks	Largest Bank	2 Largest Banks	4 Largest Banks
December 31, 1947						
Total Assets	$ 766	$1,376	$1,882	$ 766	$1,376	$1,882
Phila. Nat. Bank	766	766	766	766	766	766
Penna. Co.		610	610		610	610
Corn Exchange Bank			283			283
Girard Trust Co.			223			223
Total—All Ins'd Banks	3,334	3,334	3,334	3,839	3,839	3,839
Per Cent of Total	23.0	41.3	56.5	20.0	35.9	49.1
June 30, 1950						
Total Assets	$ 763	$1,402	$1,921	$ 763	$1,402	$1,921
Phila. Nat. Bank	763	763	763	763	763	763
Penna. Co.		639	639		639	639
Corn Exchange Bank			289			289
Girard Trust Co.			230			230
Total—All Ins'd Banks	3,394	3,394	3,394	3,949	3,949	3,949
Per Cent of Total	22.5	41.3	56.5	19.3	35.5	48.6

June 30, 1956						
Total Assets	$1,039	$2,022	$3,027	$1,039	$2,022	$3,027
First Penna. Co.	1,039	1,039	1,039	1,039	1,039	1,039
Phila. Nat. Bank		983	983		983	983
Girard Trust Corn Exchange			657			657
Fidelity Phila.			348			348
Total—All Ins'd Banks	4,142	4,142	4,142	4,693	4,693	4,693
Per Cent of Total	25.1	48.8	73.1	22.2	43.1	64.5
June 30, 1960 (actual)						
Total Assets	$1,183	$2,269	$3,539	$1,183	$2,269	$3,539
First Penna. Co.	1,183	1,183	1,183	1,183	1,183	1,183
Phila. Nat. Bank		1,086	1,086		1,086	1,086
Girard Trust Corn Exchange			758			758
Provident Tradesmens			512			512
Total—All Ins'd Banks	4,689	4,689	4,689	5,160	5,160	5,160
Per Cent of Total	25.2	48.4	75.5	22.9	44.0	68.6
June 30, 1960 (If PNB & Girard were Combined)						
Total Assets	$1,844	$3,027	$4,005	$1,844	$3,027	$4,005
PNB & Girard Combined	1,844	1,844	1,844	1,844	1,844	1,844
First Penna. Co.		1,183	1,183		1,183	1,183
Provident Tradesmens			512			512
Fidelity Phila.			466			466
Total—All Ins'd Banks	4,689	4,689	4,689	5,160	5,160	5,160
Per Cent of Total	39.3	64.5	85.4	35.7	58.7	77.6

Sources: Data for 1947, 1950 and 1956 were obtained from *Survey of Branch Banking in the Philadelphia Area*, prepared under the direction of E. Gordon Keith of the University of Pennsylvania, Table A-X. June 1960 data were compiled from Polk's Bank Directory, 132nd Edition, September 1960, R. L. Polk & Co., Nashville, Tennessee.

[fol. 5676]

GOVERNMENT'S EXHIBIT 17 (S)

TABLE 17

Large Loans and Lines of Credit of Girard Trust Corn Exchange Bank Outstanding on September 21, 1960 by Location of Borrower

(000 Omitted in Dollar Figures)

	Philadelphia	Delaware, Montgomery & Bucks Counties	Total Philadelphia Del., Mont., & Bucks Counties	Other Penna.	All Other Areas	Total
103 Largest Loans						
Number of Loans	46	7	53	10	40	103
Dollar Volume	$52,669	8,373	61,042	12,628	51,380	$125,050
Per Cent of Total						
Number of Loans	44.7%	6.8%	51.5%	9.7%	38.8%	100.0%
Dollar Volume	42.1%	6.7%	48.8%	10.1%	41.1%	100.0%
100 Largest Lines of Credit						
Number of Lines	47	9	56	9	35	100
Dollar Volume	$151,600	27,500	179,100	24,650	92,500	$296,250
Per Cent of Total						
Number of Lines	47.0%	9.0%	56.0%	10.0%	35.0%	100.0%
Dollar Volume	51.2%	9.3%	60.5%	8.3%	31.2%	100.0%
All Loans of $50,000 or More						
Number of Loans	518	160	678	97	210	985
Dollar Volume	$124,066	27,878	151,944	27,286	77,726	$256,956
Per Cent of Total						
Number of Loans	52.6%	16.3%	68.9%	9.8%	21.3%	100.0%
Dollar Volume	48.3%	10.8%	59.1%	10.7%	30.2%	100.0%
All Lines of Credit of $50,000 or More						
Number of Lines	355	78	433	66	215	714
Dollar Volume	$234,830	43,300	278,130	44,095	153,500	$475,725
Per Cent of Total						
Number of Lines	49.7%	10.9%	60.6%	9.3%	30.1%	100.0%
Dollar Volume	49.4%	9.1%	58.5%	9.3%	32.2%	100.0%

Source: Supplied by defendants in response to questions submitted by plaintiff on April 28, 1961 and modified May 2, 1961.

[fol. 5677]

GOVERNMENT'S EXHIBIT 18 (S)

TABLE 18

Summary of Loans and Lines of Credit of Philadelphia National Bank Outstanding on September 21, 1960, by Location of Borrower
(All dollar volume data are in thousands)

	Philadelphia	Delaware, Montgomery & Bucks Counties	Total Phila., Del., Montgomery & Bucks Counties	Other Penna.	All Other Areas	Total
100 Largest Loans						
Number of Loans	31	8	39	7	54	100.0
Dollar Volume	67,776	20,295	88,071	13,546	142,057	243,674
Per cent of Total						
Number of Loans	31.0	8.0	39.0	7.0	54.0	100.0
Dollar Volume	27.8	8.3	36.1	5.6	58.3	100.0
107 Largest Lines of Credit						
Number of Loans	38	7	45	4	58	107
Dollar Volume	198,844	35,250	234,094	13,597	307,427	555,118
Per Cent of Total						
Number of Loans	35.5	6.5	42.1	3.7	54.2	100.0
Dollar Volume	35.8	6.4	42.2	2.4	55.4	100.0
All Loans of $50,000 or More						
Number of Loans	309	246	555	98	298	951
Dollar Volume	129,256	55,798	185,054	31,736	208,209	424,999
Per cent of Total						
Number of Loans	32.5	25.9	58.4	10.3	31.3	100.0
Dollar Volume	30.4	13.1	43.5	7.5	49.0	100.0

[fol. 5678]

All Lines of Credit $50,000 or More						
Number of Lines of Credit	290	122	412	63	429	904
Dollar Volume	317,380	76,607	393,987	56,380	501,792	952,159
Per cent of Total						
Number of Lines of Credit	32.1	13.5	45.5	7.0	47.5	100.0
Dollar Volume	33.3	8.0	41.3	6.0	52.7	100.0

Source: Furnished by defendants in response to questions submitted by plaintiff on April 28, 1961 and modified on May 2, 1961.

[fol. 5679]

GOVERNMENT'S EXHIBIT 19

TABLE 19

PNB and GIRARD—Commercial Loans $50,000 or More—(Category #5 on Call Report)
(000 Omitted in Dollar Figures)

Girard Trust	Philadelphia	Delaware, Montgomery & Bucks Counties	Total in Four Counties	Other Pennsylvania	All Other Areas	Totals
No. of Loans	305	78	383	67	104	554
Dollar Volume	$83,135	$18,428	$101,563	$21,313	$41,147	$164,023
Per Cent of Total						
No. of Loans	55.1%	14.0%	69.1%	12.1%	18.8%	100.0%
Dollar Volume	50.7%	11.2%	61.9%	13.0%	25.1%	100.0%
Philadelphia National						
No. of Loans	253	142	395	68	159	622
Dollar Volume	$108,046	$40,448	$148,494	$26,948	$109,008	$284,450
Per Cent of Total						
No. of Loans	40.7%	22.8%	63.5%	10.9%	25.6%	100.0%
Dollar Volume	38.0%	14.2%	52.2%	9.5%	38.3%	100.0%

Source: Supplied by defendants in response to questions submitted by plaintiff on April 28, 1961 and modified May 2, 1961.

[fol. 5680]

GOVERNMENT'S EXHIBIT 20 (S)

TABLE 20

Girard—Loans and Lines of Credit Under $50,000

	Phila.	Del., Mont., & Bucks Counties	Total in Four Counties	Penna.	All Other Areas	Total
Mortgage Loans						
Number of Loans	10	30	40	1	1	42
Dollar Volume	92,704	203,214	295,198	547	5,376	301,841
Per Cent of Total						
Number of Loans	23.8%	71.4%	95.2%	2.4%	2.4%	100.0%
Dollar Volume	30.7%	67.3%	98.0%	0.2%	1.8%	100.0%
Commercial Loans						
Number of Loans	22	33	55	2	3	60
Dollar Volume (2 lists: (1) one dated 5/10/61 from Del. Cnty. Div., Upper Darby, Pa.; (2) one dated 5/8/61, no other identification)	273,015	236,139	509,154	3,867	29,055	542,076
Per Cent of Total						
Number of Loans	36.7%	55.0%	91.7%	3.3%	5.0%	100.0%
Dollar Volume	50.4%	43.6%	94.0%	0.7%	5.3%	100.0%
Collateral Loans						
Number of Loans	46	32	78	2	11	91
Dollar Volume	443,112	197,351	640,463	12,500	127,961	780,924
Per Cent of Total						
Number of Loans	50.5%	35.2%	85.7%	2.2%	12.1%	100.0%
Dollar Volume	56.7%	25.3%	82.0%	1.6%	16.4%	100.0%
Lines of Credit Under $50,000						
Number of Lines	NA		170[1]	NA	16	186
Dollar Volume	NA		NA	NA	NA	NA

Source: Supplied by defendants in response to questions submitted on April 28, 1961 and Modified May 2, 1961. Loans are based on a random sample of one out of 50 in each group. Lines of Credit are the actual total number as reported by Girard. They estimated that 170 of them came from Phila., Bucks, Del. and Mont. Counties.

[1] 91.4 per cent. NA means not available.

9335

[fol. 5681]

GOVERNMENT'S EXHIBIT 21 (S)

TABLE 21

Philadelphia National Bank—Loans and Lines of Credit Under $50,000

	Phila.	Del. Mont. & Bucks	Four Counties	Other Penna.	Other U. S.	Foreign	Total
Loans under $50,000 [1] (Excluding Consumer Credit and Mortgage Loans)							
Number of Loans	21	75	96	9	12	1	118
Dollar Volume	343,348	432,919	776,267	68,849	181,856	3,500	1,030,472
Per Cent							
Number of Loans	17.8	63.6	81.4	7.6	10.2	0.8	100.0
Dollar Volume	33.3	42.0	75.3	6.7	17.6	.3	100.0
Mortgage Loans under $50,000 [1]							
Number of Loans	6	58	64	3	5	—	72
Dollar Volume	79,963	444,440	524,403	29,791	63,413	—	617,608
Per Cent							
Number of Loans	8.3	80.6	88.9	4.2	6.9	—	100.0
Dollar Volume	12.9	72.0	84.9	4.8	10.3	—	100.0
Time Credit Loans [1]							
Number of Loans	53	121	174	7	25	—	206
Dollar Volume	28,795	89,397	118,192	8,424	30,443	—	157,059
Per Cent							
Number of Loans	25.7	58.7	84.5	3.4	12.1	—	100.0
Dollar Volume	18.3	56.9	75.3	5.4	19.4	—	100.0

[fol. 5682]

Lines of Credit Under $50,000 [1]	Phila.	Del. Mont. & Bucks	Four Counties	Other Penna.	Other U. S.	Foreign	Total
Number of Lines	NA	NA	27	NA	NA	NA	50
Dollar Volume	NA	NA	610,000	NA	NA	NA	1,248,000
Per Cent							
Number of Loans	NA	NA	54 0	NA	NA	NA	100 0
Dollar Volume	NA	NA	48 9	NA	NA	NA	100 0

Source: Information furnished by Philadelphia National Bank in response to questions submitted by plaintiff on April 28, 1961, and modified on May 2, 1961.

[1] Based on a random sample of 1 out of 50 loans in each group.
[2] Based on a random sample of 1 out of 300 loans.
[3] Absolute figures.
NA means not available.

[fol. 5683]

GOVERNMENT'S EXHIBIT 22

TABLE 22

Philadelphia National Bank Commercial & Industrial Loans $50M & Over Outstanding September 21, 1960

(000 Omitted in Dollar Figures)

Size	Phila.	Other 3 Counties	4-County Total	All Others	Totals
$50M to $100M					
No. of Loans	77	69	146	51	197
Dollar Volume	$ 5,040	$ 4,838	$ 9,878	$ 3,515	$13,393
Percent					
No. Loans	39.0%	35.0%	74.0%	26.0%	100.0%
Dollar Vol.	38.0%	36.0%	74.0%	26.0%	100.0%
$100M to $500M					
No. of Loans	121	58	179	111	290
Dollar Volume	$27,347	$12,152	$39,499	$23,917	$63,416
Percent					
No. Loans	42.0%	20.0%	62.0%	38.0%	100.0%
Dollar Vol.	43.0%	19.0%	62.0%	38.0%	100.0%
$500M to $1MM					
No. of Loans	27	7	34	28	62
Dollar Volume	$18,786	$ 4,859	$23,645	$19,238	$42,883
Percent					
No. Loans	44.0%	11.0%	55.0%	45.0%	100.0%
Dollar Vol.	44.0%	11.5%	55.5%	44.5%	100.0%

$1MM & Over					
No. of Loans	27	8	35	37	72
Dollar Vol.	$56,479	$18,599	$75,078	$89,405	$164,483
Percent					
No. Loans	37.5%	11.1%	48.6%	51.4%	100.0%
Dollar Vol.	34.5%	11.2%	45.7%	54.3%	100.0%
Total No. Loans	252	142	394	227	621
Dollar Vol.	$107,652	$40,448	$148,100	$136,075	$284,175
Percent of Total					
No. of Loans	40.5%	22.5%	63.0%	37.0%	100.0%
Dollar Vol.	37.5%	14.5%	52.0%	48.0%	100.0%

Source: Information supplied by defendants in response to questions submitted by plaintiff on April 28, 1961, and modified May 2, 1961.

[fol. 5684]

GOVERNMENT'S EXHIBIT 23 (Revised)

TABLE 23—Revised

Girard Trust Corn Exchange Bank Commercial & Industrial Loans, $50M & Over Outstanding September 21, 1960

(000 Omitted in Dollar Figures)

Size of Loan	Phila.	Delaware, Bucks & Montgomery	Total Four Counties	All Other Areas	Totals
$50M to $100M					
No. of Loans	127	39	166	60	226
Dollar Volume	8,835	2,790	11,625	4,510	16,135
Percent of Total					
No. of Loans	56.2%	17.3%	73.5%	26.5%	100%
Dollar Volume	54.8	17.3	72.1	27.9	100
$100M to $500M					
No. of Loans	143	32	175	79	254
Dollar Volume	34,172	7,321	41,493	18,593	60,086
Percent of Total					
No. of Loans	56.3%	12.6%	68.9%	31.1%	100%
Dollar Volume	56.9	12.2	69.1	30.9	100
$500M to $1MM					
No. of Loans	20	3	23	16	39
Dollar Volume	13,699	1,946	15,645	11,972	27,617

Percent of Total					
No. of Loans	51.3%	7.7%	59.0%	41.0%	100%
Dollar Volume	49.6	7.0	56.6	43.4	100
$1MM & Over					
No. of Loans	13	4	17	16	33
Dollar Volume	23,063	6,371	29,434	27,385	56,819
Percent of Total					
No. of Loans	39.4%	12.1%	51.5%	48.5%	100%
Dollar Volume	40.6	11.2	51.8	48.2	100
Totals					
No. of Loans	303	78	381	171	552
Dollar Volume	79,769	18,428	98,197	62,460	160,657
Percent of Total					
No. of Loans	54.9%	14.1%	69.0%	31.0%	100%
Dollar Volume	49.6	11.5	61.1	38.9	100

Source: Information supplied by defendants in response to questions submitted by plaintiff on April 28, 1961, and modified May 2, 1961.

[fol. 5685]

GOVERNMENT'S EXHIBIT 24 (Revised)

TABLE 24—Revised

Commercial & Industrial Loans $50,000 and Over
Merging Banks' Combined Totals
(Add 000 to Dollar Figures)

Size of Loan	Phila.	Delaware, Bucks & Montgomery	Total Four Counties	All Other Areas	Grand Total
$50M to $100M					
No. of Loans	204	108	312	111	423
Dollar Volume	13,875	7,628	21,503	8,025	29,528
Percent					
No. of Loans	48.2%	25.5%	73.7%	26.3%	100%
Dollar Volume	47.0%	25.8%	72.8%	27.2%	100%
$100M to $500M					
No. of Loans	264	90	354	190	544
Dollar Volume	61,519	19,473	80,992	42,510	123,502
Percent					
No. of Loans	48.5%	16.5%	65.0%	35.0%	100%
Dollar Volume	49.8%	15.8%	65.6%	34.4%	100%
$500M to $1MM					
No. of Loans	47	10	57	44	101
Dollar Volume	32,485	6,805	39,290	31,210	70,500

Percent					
No. of Loans	46.5%	9.9%	56.4%	43.6%	100%
Dollar Volume	46.0%	9.7%	55.7%	44.3%	100%
$1MM and Over					
No. of Loans	40	12	52	53	105
Dollar Volume	79,542	24,970	104,512	116,790	221,302
Percent					
No. of Loans	38.1%	11.4%	49.5%	50.5%	100%
Dollar Volume	35.9%	11.3%	47.2%	52.8%	100%
Total					
No. of Loans	555	220	775	398	1,173
Dollar Volume	187,421	58,876	246,297	198,535	444,832
Percent					
No. of Loans	47.3%	18.8%	66.1%	33.9%	100%
Dollar Volume	42.1%	13.3%	55.4%	44.6%	100%

Source: Information supplied by defendants in response to questions submitted by plaintiff on April 28, 1961, and modified May 2, 1961.

GOVERNMENT'S EXHIBIT 25 (Revised)

TABLE 25—Revised

Philadelphia National Bank

All Loans $50M & Over, Except Commercial & Industrial, Outstanding September 21, 1960

(000 Omitted in Dollar Figures)

Category	Phila.	Delaware, Montgomery & Bucks	Total Four Counties	All Other Areas	Totals
Real Estate Loans					
No. of Loans	17	61	78	57	135
Dollar Volume	12,867	4,875	17,742	11,426	29,168
Percent of Total					
No. of Loans	12.6%	45.2%	57.8%	42.2%	100%
Dollar Volume	44.1	16.7	60.8	39.2	100
Loans to Financial Institutions					
No. of Loans	5	15	20	80	100
Dollar Volume	4,042	5,365	9,407	64,817	74,224
Percent of Total					
No. of Loans	5%	15.0%	20.0%	80.0%	100%
Dollar Volume	5.5	7.2	12.7	87.3	100
Loans for Purchasing or Carrying Securities					
No. of Loans	2	5	7	2	9
Dollar Volume	287	599	886	14,925	15,811
Percent of Total					
No. of Loans	22.0%	56.0%	78.0%	22.0%	100%
Dollar Volume	1.8	3.8	5.6	94.4	100

Loans to Individuals					
No. of Loans	8	19	27	1	28
Dollar Volume	630	2,142	2,772	87	2,859
Percent of Total					
No. of Loans	28.6%	67.9%	96.5%	3.5%	100%
Dollar Volume	22.0	75.0	97.0	3.0	100
All Other Loans (Includes Loans to Govts)					
No. of Loans	26	31	57	35	92
Dollar Volume	3,563	3,474	7,037	20,770	27,807
Percent of Total					
No. of Loans	28.3%	33.7%	62.0%	38.0%	100%
Dollar Volume	12.8	12.5	25.3	74.7	100
Totals by Area					
No. of Loans	58	131	189	175	364
Dollar Volume	21,389	16,455	37,844	112,025	149,869
Percent of Total					
No. of Loans	15.9%	36.0%	51.9%	48.1%	100%
Dollar Volume	14.3	11.0	25.3	74.7	100

Source: Information supplied by defendants in response to questions submitted by plaintiff April 28, 1961, and modified May 2, 1961.

[fol. 5687]

GOVERNMENT'S EXHIBIT 26

TABLE 26

Girard Trust Corn Exchange Bank

All Loans $50M & Over, Except Commercial & Industrial, Outstanding September 21, 1960
(000 Omitted in Dollar Figures)

Category	Phila.	Delaware, Montgomery & Bucks	Total four counties	All other areas	Totals
Real Estate Loans					
No. of Loans	38	15	53	26	79
Dollar Volume	8,299	1,479	9,778	4,806	14,584
Percent of Total					
No. of Loans	48.0%	19.0%	67.0%	33.0%	100%
Dollar Volume	56.0%	10.2%	66.2%	33.8%	100%
Loans to Financial Institutions					
No. of Loans	12	3	15	28	43
Dollar Volume	5,418	1,025	6,443	19,268	25,711
Percent of Total					
No. of Loans	28.0%	7.0%	35.0%	65.0%	100%
Dollar Volume	21.0%	4.0%	25.0%	75.0%	100%
Loans for Purchasing or Carrying Securities					
No. of Loans	23	2	25	6	31
Dollar Volume	4,637	133	4,770	806	5,576
Percent of Total					
No. of Loans	74.0%	6.5%	80.5%	19.5%	100%
Dollar Volume	83.0%	2.4%	85.6%	14.4%	100%

Loans to Individuals					
No. of Loans	133	59	192	61	253
Dollar Volume	18,741	5,896	24,637	9,459	34,096
Percent of Total					
No. of Loans	52.5%	23.5%	76.0%	24.0%	100%
Dollar Volume	55.0%	17.0%	72.0%	28.0%	100%
All Other Loans (Includes loans to Government)					
No. of Loans	6	2	8	13	21
Dollar Volume	2,489	907	3,396	8,213	11,609
Percent of Total					
No. of Loans	28.5%	9.5%	38.0%	62.0%	100%
Dollar Volume	21.2%	7.8%	29.0%	71.0%	100%
Totals by Area					
No. of Loans	212	81	293	134	427
Dollar Volume	39,584	9,440	49,024	42,552	91,576
Percent of Total					
No. of Loans	49.5%	19.0%	68.5%	31.5%	100%
Dollar Volume	43.5%	10.5%	54.0%	46.0%	100%

Source: Information supplied by defendants in response to questions submitted by plaintiff on April 28, 1961, and modified May 2, 1961.

[fol. 5688]

GOVERNMENT'S EXHIBIT 27 (Revised)

TABLE 27—Revised

All Loans $50M and Over Except Commercial & Industrial
Merging Banks' Combined Totals, Outstanding September 21, 1960
(Add 000 to Dollar Figures)

Category	Phila.	Delaware, Montgomery & Bucks	Total Four Counties	All Other Areas	Grand Total
Real Estate Loans					
No. of Loans	55	76	131	83	214
Dollar Volume	21,166	6,354	27,520	16,232	43,752
Per Cent					
No. of Loans	25.7%	35.5%	61.2%	38.8%	100%
Dollar Volume	48.4	14.5	62.9	37.1	100
Loans to Financial Institutions					
No. of Loans	17	18	35	108	143
Dollar Volume	9,460	6,390	15,850	84,085	99,935
Per Cent					
No. of Loans	11.9%	12.6%	24.5%	75.5%	100%
Dollar Volume	9.5	6.4	15.9	84.1	100
Loans for Purchasing or Carrying Securities					
No. of Loans	25	7	32	8	40
Dollar Volume	4,924	732	5,656	15,731	21,387
Per Cent					
No. of Loans	62.5%	17.5%	80.0%	20.0%	100%
Dollar Volume	23.0	3.4	26.4	73.6	100
Loans to Individuals					
No. of Loans	141	78	219	62	281
Dollar Volume	19,371	8,038	27,409	9,546	36,955

Per Cent					
No. of Loans	50.1%	27.8%	77.9%	22.1%	100%
Dollar Volume	52.4	21.8	74.2	25.8	100
All Other Loans (Includes Loans to Governments)					
No. of Loans	32	33	65	48	113
Dollar Volume	6,052	4,381	10,433	28,983	39,416
Per Cent					
No. of Loans	28.3%	29.2%	57.5%	42.5%	100%
Dollar Volume	15.4	11.1	26.5	73.5	100
Totals by Area					
No. of Loans	270	212	482	309	791
Dollar Volume	60,973	25,895	86,868	154,577	241,445
Per Cent					
No. of Loans	34.1%	26.8%	60.9%	39.1%	100%
Dollar Volume	25.3	10.7	36.0	64.0	100

Source: Information supplied by defendants in response to questions submitted by plaintiff April 28, 1961, and modified May 2, 1961.

[fol. 5689]

GOVERNMENT'S EXHIBIT 28 (S)

TABLE 28

Philadelphia National Bank

All Personal & Business Demand Deposit Accounts $10M & Over

(000 Omitted in Dollar Figures)

Size	Phila.	Delaware, Montgomery, & Bucks	Total Four Counties	All Other Areas	Totals
$10M to $50M					
No. of Accounts	1,366	945	2,311	510	2,821
Dollar Volume	29,465	19,128	48,593	11,214	59,807
Percent of Total					
No. of Accounts	48.5%	33.5%	82.0%	18.0%	100%
Dollar Volume	49.5	32.0	81.5	18.5	100
$50M to $100M					
No. of Accounts	231	111	342	178	520
Dollar Volume	16,31	7,563	23,882	12,272	36,154
Percent of Total					
No. of Accounts	44.5%	22.0%	66.5%	33.5%	100%
Dollar Volume	45.0	21.0	66.0	34.0	100
$100M to $500M					
No. of Accounts	261	72	333	244	577
Dollar Volume	54,150	14,251	68,401	46,823	115,224
Percent of Total					
No. of Accounts	45.5%	12.5%	58.0%	42.0%	100%
Dollar Volume	47.0	12.5	59.5	40.5	100

$500M to $1,000M					
No. of Accounts	28	8	36	44	80
Dollar Volume	20,176	5,648	25,824	31,114	56,938
Percent of Total					
No. of Accounts	35.0%	10.0%	45.0%	55.0%	100%
Dollar Volume	35.5	10.0	45.5	54.5	100
$1,000M & Over					
No. of Accounts	34	4	38	20	58
Dollar Volume	94,066	8,802	102,868	43,748	146,616
Percent of Total					
No. of Accounts	58.5%	7.0%	65.5%	34.5%	100%
Dollar Volume	63.0	6.0	69.5	30.5	100
Totals by Area					
No. of Accounts	1,920	1,140	3,060	996	4,056
Dollar Volume	214,176	55,392	269,568	145,171	414,739
Percent of Total					
No. of Accounts	47.5%	28.0%	75.5%	24.5%	100%
Dollar Volume	51.5	13.5	65.0	35.0	100

Source: Information as of June 1960 supplied by defendants in response to questions submitted by plaintiff on April 28, 1961, and modified May 2, 1961.

[fol. 5690]

GOVERNMENT'S EXHIBIT 28-A (S).

TABLE 28A

Time Deposits, $10,000 and Over, and Government Demand Deposits of Philadelphia National Bank in Philadelphia, Bucks, Delaware and Montgomery Counties, Pennsylvania, as of June 1960

(000 Omitted in Dollar Figures)

Category	Philadelphia	Bucks, Delaware & Montgomery Counties	Four County Total	All Other Areas	Totals
Time Deposits, $10M and Over					
No. of Accounts	42	14	56	38	94
Dollar Volume	14,200	911	15,111	18,068	33,179
Per Cent —					
No. of Accounts	44.5%	15.0%	59.5%	40.5%	100%
Dollar Volume	43.0	2.8	45.8	54.3	100
Government Demand Deposits					
No. of Accounts	27	84	111	19	130
Dollar Volume	69,863	3,811	73,674	23,803	97,477
Per Cent					
No. of Accounts	20.5%	64.5%	85.0%	15.0%	100%
Dollar Volume	71.0	4.0	75.0	25.0	100

Source: Information supplied by Philadelphia National Bank in response to questions submitted by plaintiff on April 18, 1961 and modified May 2, 1961.

[fol. 5691]

GOVERNMENT'S EXHIBIT 29 (Revised)

TABLE 29—Revised

Individual, Partnership and Corporation Demand Deposit Accounts $10M and Over of Philadelphia National Bank, Girard Trust Corn Exchange Bank, and Merging Banks Combined

(Add 000 to Dollar Figures)

	Phila.	Delaware, Montgomery and Bucks	Total Four Counties	All Other Areas	Totals
Philadelphia National Bank					
No. of Accounts	1,920	1,140	3,060	996	4,056
Dollar Volume	214,176	55,392	269,568	145,711	414,739
Per Cent					
No. of Accounts	47.3%	28.1%	75.4%	24.6%	100%
Dollar Volume	51.6	13.4	65.0	35.0	100
Girard Trust Corn Exchange					
No. of Accounts	2,961	1,058	4,019	778	4,797
Dollar Volume	185,632	37,088	222,720	62,520	285,240
Per Cent					
No. of Accounts	61.7%	22.1%	83.8%	16.2%	100%
Dollar Volume	65.1	13.0	78.1	21.9	100
PNB and Girard Combined					
No. of Accounts	4,881	2,198	7,079	1,774	8,853
Dollar Volume	399,808	92,480	493,288	207,691	699,979
Per Cent					
No. of Accounts	55.0%	25.0%	80.0%	20.0%	100%
Dollar Volume	57.1	13.2	70.3	29.7	100

Source: Information as of June 30, 1960, supplied by defendants in response to questions submitted by plaintiff April 28, 1961, and modified May 2, 1961.

[fol. 5692]

GOVERNMENT'S EXHIBIT 30 (S)

TABLE 30

Analysis of 100 Largest IPC Demand Deposit Accounts of Girard Trust Corn Exchange Bank and 100 Largest IPC Demand Deposits Accounts of Philadelphia National Bank by Location of Such Depositors

(Add 000 to Dollar Volumes)

Girard	Phila.	Other 3 Counties	4-County Total	Other Penna	All Others	Grand Total
No. of accounts	61	7	68	10	22	100
Dollar Volume	68,639	4,744	73,383	9,345	14,586	97,314
Per Cent						
No. of Accounts	61.0%	7.0%	68.0%	10.0%	22.0%	100%
Dollar Volume	70.5	4.9	75.4	9.6	15.0	100
Philadelphia National Bank						
No. of Accounts	45	10	55	7	38	100
Dollar Volume	103,036	13,515	116,551	9,464	59,340	185,355
Per Cent						
No. of Accounts	45.0%	10.0%	55.0%	7.0%	38.0%	100%
Dollar Volume	55.6	7.3	62.9	5.1	32.0	100
Girard & Philadelphia National Bank Combined						
No. of Accounts	106	17	123	17	60	200
Dollar Volume	171,675	18,259	189,934	18,809	73,926	282,669
Per Cent						
No. of Accounts	53.0%	8.5%	61.5%	8.5%	30.0%	100%
Dollar Volume	60.7	6.5	67.2	6.7	26.1	100

Source: Based on information supplied by defendants in response to questions submitted by plaintiff April 28, 1961, and modified May 2, 1961. Average deposit balance during month of June, 1960. IPC Deposits are those of individuals, partnerships and corporations other than those of banks and governmental organizations.

[fol. 5693] GOVERNMENT'S EXHIBIT 31 (S)

TABLE 31

The Philadelphia National Bank

Number and Location of Savings Accounts and Time Deposits under $10,000 as of March 31, 1961

Savings Accounts

	No.	%
4-county area	88,055	94.5%
7-county surrounding area consisting of Chester (Pa), Burlington (N.J.), Camden (N.J.), Gloucester (N.J.), Mercer (N.J.), Salem (N.J.), New Castle (Del.)	3,254	3.5%
Outside 11-county area	1,864	2.0%
Total	93,173	100.0%

Time Deposits under $10,000

	No.	%	Dollar Amt.	%
4-county area	16	72.7%	$59,805	65.1%
7-county surrounding area consisting of Chester (Pa.), Burlington (N.J.), Camden (N.J.), Gloucester (N.J.), Mercer (N.J.), Salem (N.J.), New Castle (Del.)	1	4.6%	$ 8,000	8.7%
Outside 11-county area	5	22.7%	$24,049	26.2%
Total	22	100.0%	$91,854	100.0%

Source: Prepared from information submitted by defendant Philadelphia National Bank in response to question 13 propounded by plaintiff April 28, 1961, and modified May 2, 1961.

[fol. 5694] GOVERNMENT'S EXHIBIT 32

TABLE 32

Relative Ranking of the Five Largest Philadelphia Banks by Total Deposits

(No. 1 Bank=100)

Before Consolidation		After Consolidation	
Bank No. 1 (1st Penna)	100	Bank No. 1 (Phila-Girard)	100
Bank No. 2 (Phila Nat'l)	97	Bank No. 2 (1st Penna)	62
Bank No. 3 (Girard)	65	Bank No. 3 (Provident Tradesmen)	28
Bank No. 4 (Provident Tradesmen's)	45	Bank No. 4 (Fidelity-Phila)	26
Bank No. 5 (Fidelity-Phila)	42	Bank No. 5 (Central-Penn)	15

Source: Based on information in report by the Board of Governors of the Federal Reserve System to the Comptroller of the Currency on the proposed consolidation of The Philadelphia National Bank and Girard Trust Corn Exchange Bank, p. 9.

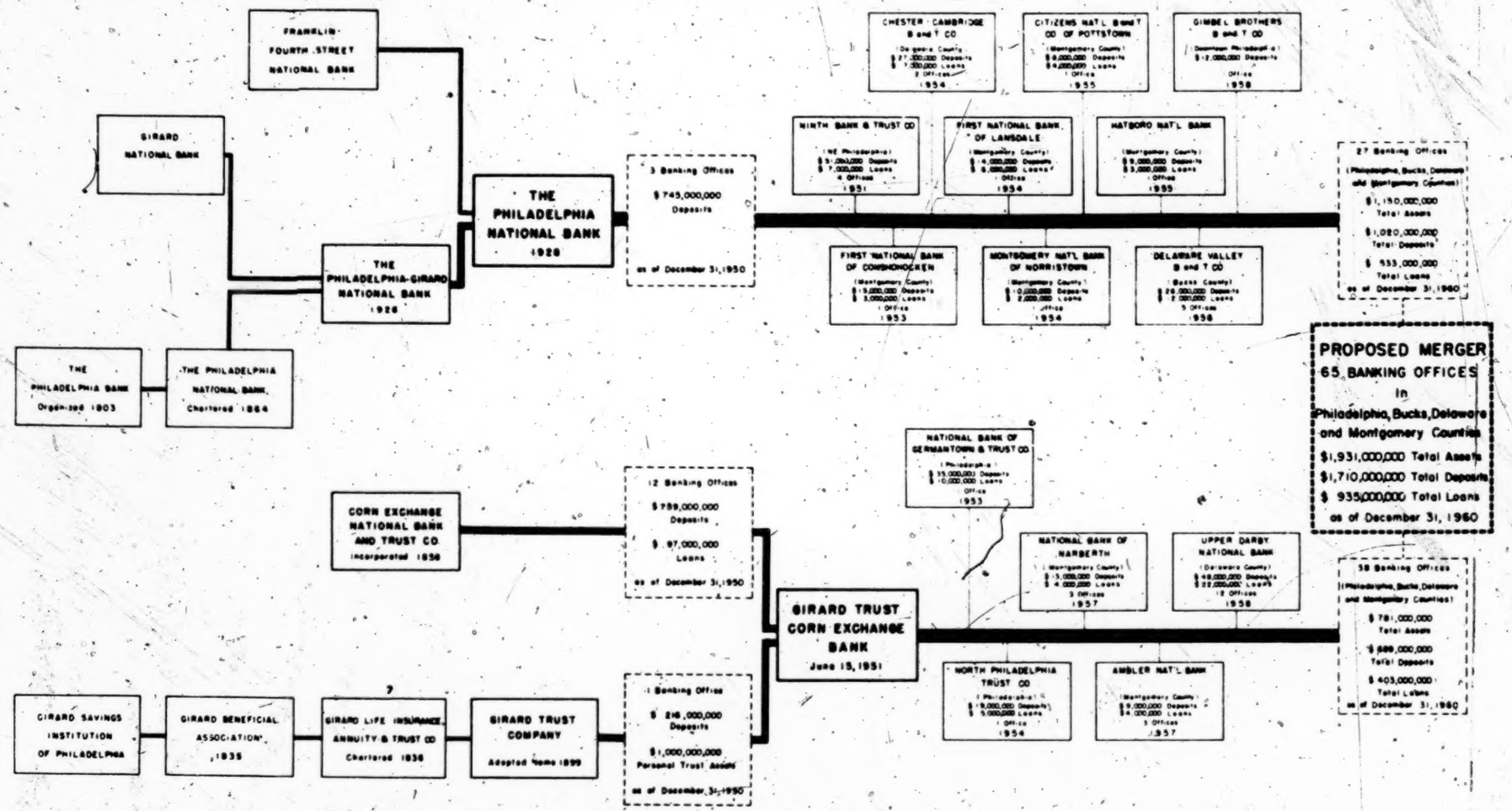
[fol. 5695]

GOVERNMENT'S EXHIBIT 33-B

Chart I

FINANCIAL HISTORY OF THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK

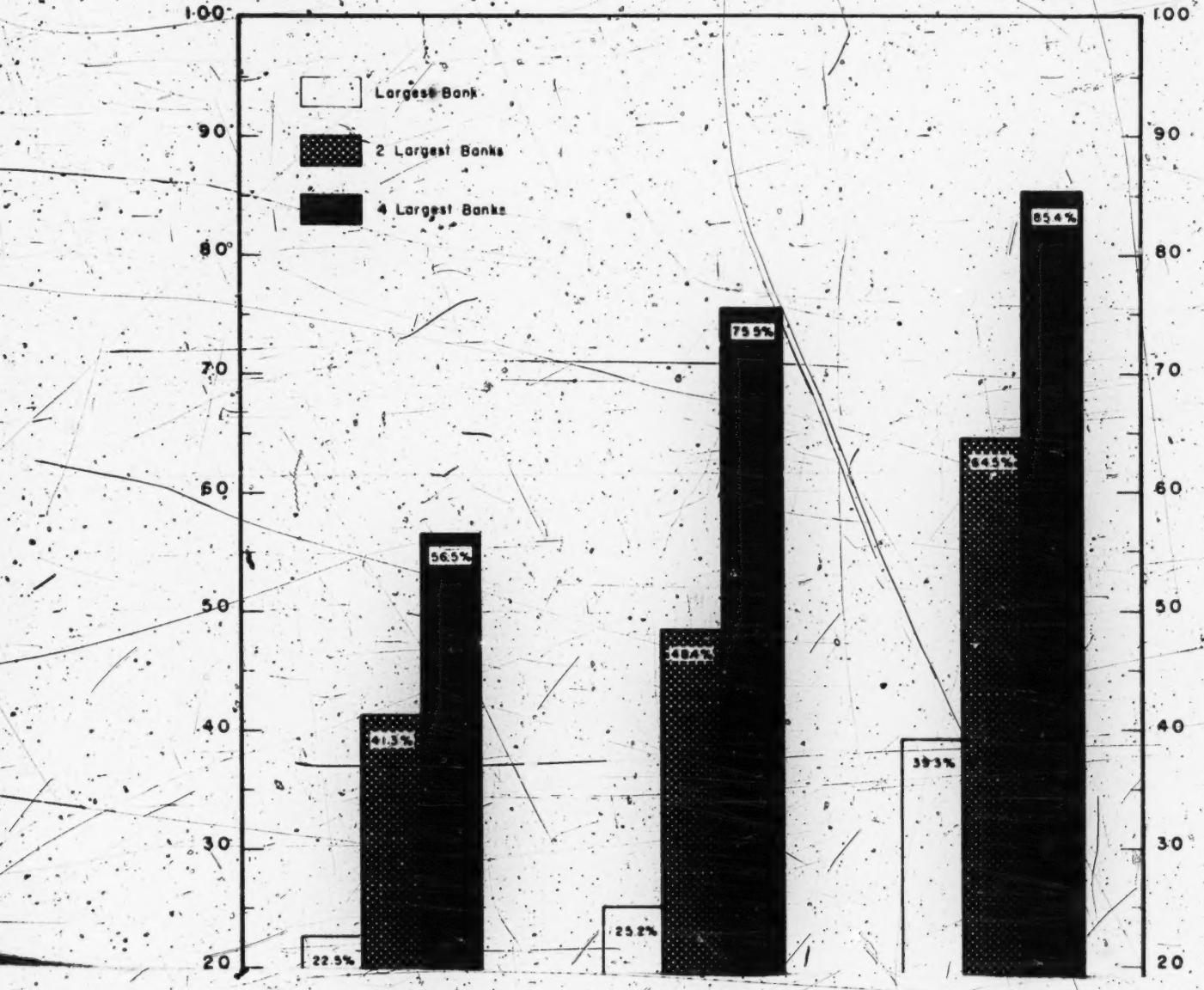
Showing All Acquisitions Since 1950 and Total Offices, Assets, Deposits and Loans of Proposed Merger



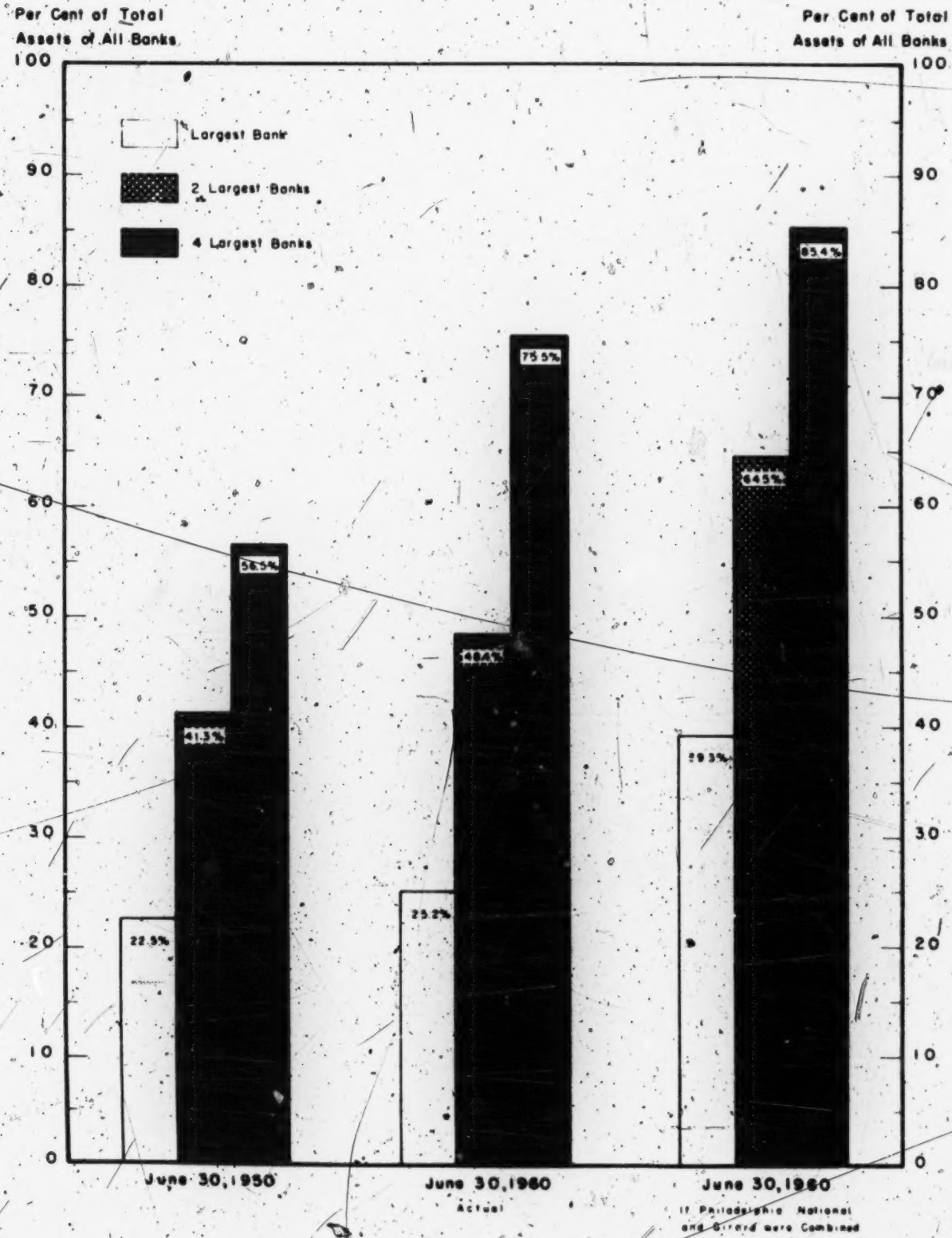
Sources: Application for Approval to Merge Girard Trust Corn Exchange Bank into The Philadelphia National Bank filed with the Comptroller of the Currency, November 15, 1960. Reports of Condition of Girard Trust Corn Exchange Bank and The Philadelphia National Bank as of December 31, 1950, and Answers of said banks to the government's Complaint re said proposed merger (Civil Action 29287, U.S. District Court E.D. of Pa., Filed February 25, 1961) Defendants' Answers to the Complaint were dated March 10, 1961.

[fol. 5696] GOVERNMENT'S EXHIBIT 34 Chart - II

Concentration of Assets of Insured Commercial Banks in Philadelphia as of June 30, 1950 and June 30, 1960 and Effect of Proposed Merger Upon Such Concentration



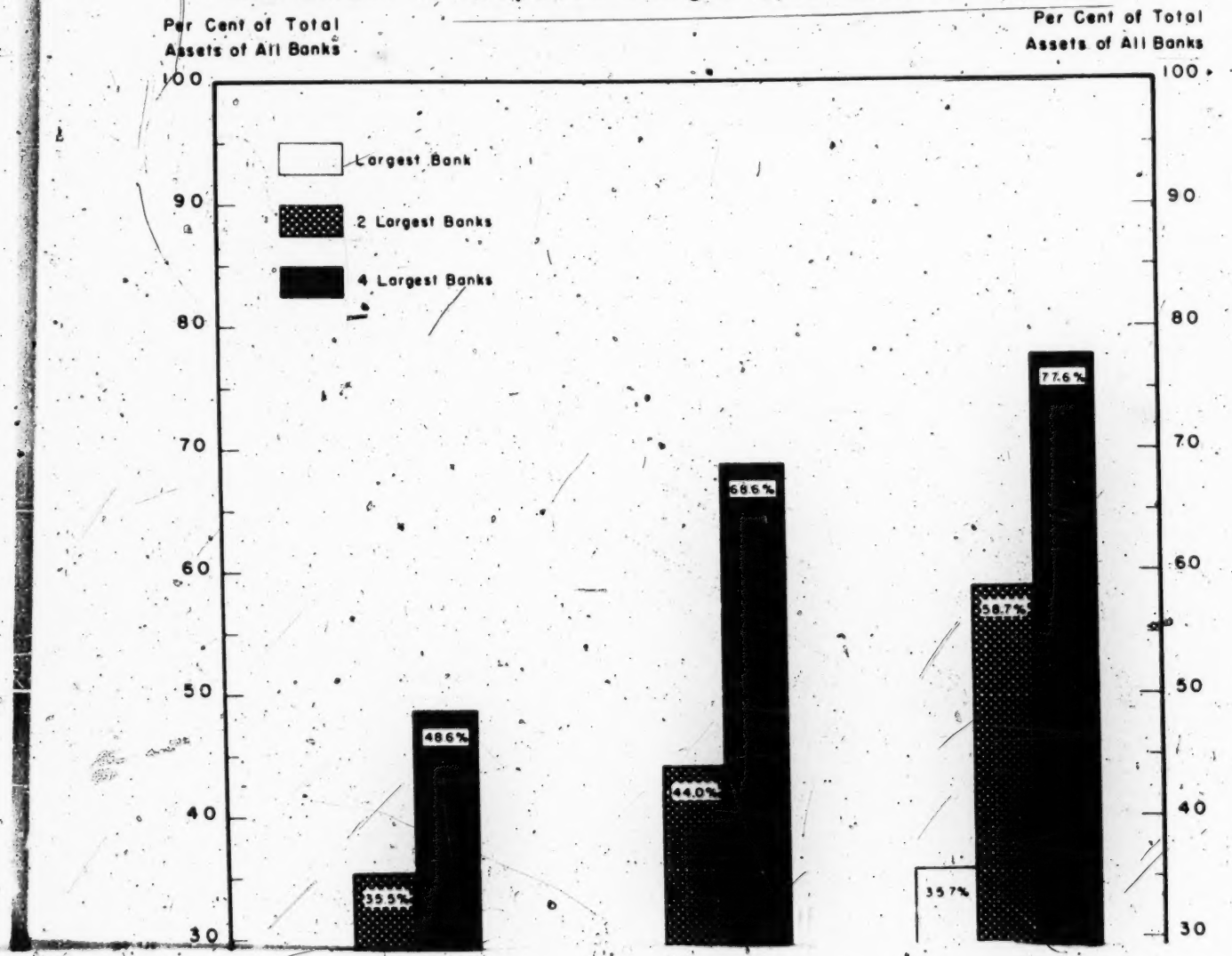
and Effect of Proposed Merger Upon Such Concentration

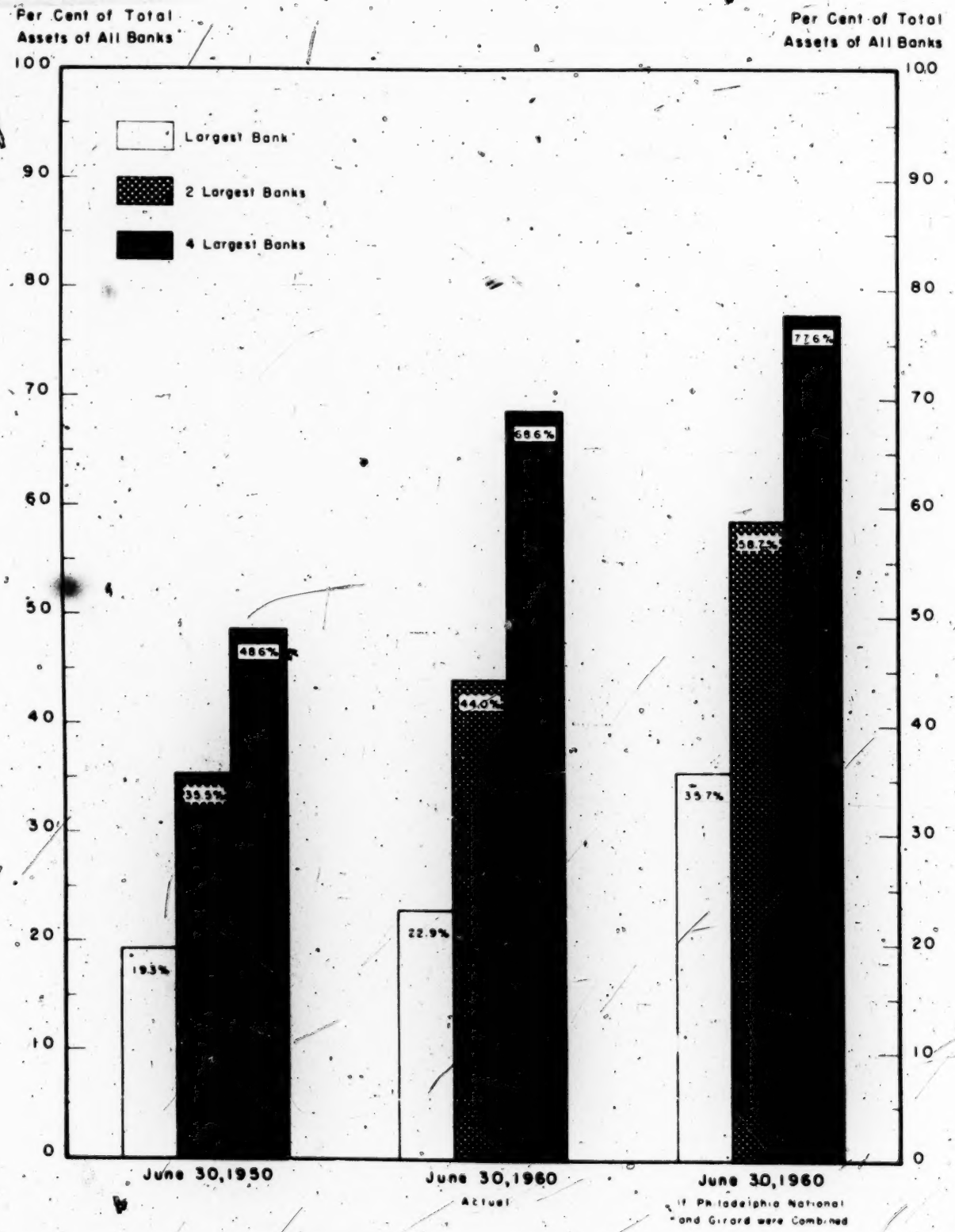


Source: Table 16

[fol. 5697] GOVERNMENT'S EXHIBIT 35 Chart III

Concentration of Assets of Insured Commercial Banks in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania as of June 30, 1950 and June 30, 1960 and Effect of Proposed Merger upon Such Concentration





Source Table 16

[fol. 5698] GOVERNMENT'S EXHIBIT 45 (S)

Comparison of Proposed Service Charges of "Resulting" Bank With Service Charges of Philadelphia National Bank and Girard Trust Corn Exchange Bank Immediately Prior to Their Application To Merge

Categories of Service Charges to Customers	No. of Proposed Charges of "Resulting" Bank Which are			
	The Higher of PNB or G	The Lower of PNB or G	Between PNB & G	Unchanged
Special Checking Accounts	5	0	1[2]	3
Company and Personal Accounts	2	0	0	0
Analysis—Personal Accounts over $500	2	1	0	1
Analysis—Company Accounts over $500	2	3	0	1
Other Analysis Charges	9	0	1[2]	2
Other Miscellaneous Charges[1]	4	0	0	0
Charges to Correspondent Banks	6	0	0	0
Total	30	4	2	7

Source: Application for Approval to Merge Girard Trust Corn Exchange Bank into the Philadephia National Bank filed with the Comptroller of the Currency, November 15, 1960, pp. 104–107.

[1] The net effect of the difference was indeterminte in two classes of charges (those relating to "payrolls" and "checks cashed").

[2] Both of these charges were closer to the higher than to the lower previous charge.

[fol. 5699] GOVERNMENT'S EXHIBIT 52

Hypothetical Illustration of Expansion of Credit by Commercial Banks

Assumptions

(1) Bank A obtains $100,000 by borrowing at its district Federal Reserve bank.

(2) All banks are subject to a 20 per cent reserve requirement to be held in the form of a deposit at their district Federal Reserve banks or in cash.

(3) All banks are initially holding reserves exactly equal to 20 per cent of their deposits, i.e., they have no "excess reserves."

The effect of the initial borrowing on Bank A's balance sheet would be as follows:

Bank A

Assets		Liabilities	
Reserves	+ 100	Bills payable	+ 100

Stage I

Bank A now has $100 thousand dollars of reserves in excess of requirements and can make loans to customers (or buy securities) to the extent of this amount. Assuming customers take their loans initially in the form of credits to their demand deposit accounts, the effect of this would be as follows:

Bank A

Loans	+ 100	Demand deposits	+ 100

However, we may expect that the borrowers will use their newly borrowed funds quite promptly and since our banking system contains over 13,000 independent banks, virtually all of the checks written on the newly created deposits will be deposited by their recipients in other banks in the system. When this happens and the checks are collected through the Federal Reserve System, the effect on Bank A's balance sheet will be as follows:

Bank A

Reserves	− 100	Demand deposits	− 100

[fol. 5700] *Conclusion: A single bank in a unit banking system, such as ours, containing many banks, can safely lend only approximately the amount of its excess reserves.*

Stage II

The reserves and deposits lost by Bank A are, however, deposited in other banks, which we may designate as Banks B, whose balance sheets will show the following:

Banks B

Reserves	+ 100	Demand deposits	+ 100

The original deposits in Bank A were created by the bank in the process of making loans, whereas these deposits in Banks B result from the actual deposit of checks by customers. Past experience tells the banker that deposits received in this way show a stability of behavior which makes it safe for him to maintain fractional reserves behind them. Accordingly, Banks B set aside $20 thousand of the newly-received reserves to satisfy the requirements for the new deposits and have $80 thousand of excess reserves to lend or invest. When they do this, however, as in the case of Bank A, they can expect to lose the deposits and reserves quite promptly. The result is as follows:

Banks B

Loans	+	80	Demand deposits	+	80
Reserves	−	80	Demand deposits	−	80

Stage III

The $80 thousand reserves and deposits lost by Banks B are received by another set of Banks C, which set aside $16,000 of reserves behind the new deposits and lend out the remaining $64,000. They, in turn, lose the $64,000 of reserves and deposits to another set of banks. Their balance sheets will show:

Banks C

Reserves	+	80	Demand deposits	+	80
Loans	+	64	Demand deposits	+	64
Reserves	−	64	Demand deposits	−	64

The $64,000 of deposits and reserves are received by other banks (Banks D), which can set aside 20 per cent of the reserves and lend out the rest, and so on.

[fol. 5701] Recapitulation

As can be seen from the above analysis, Banks B come out with $100 thousand of additional deposits, Banks C with $80 thousand, Banks D with $64,000, and so on in a series of stages. This process can go on spreading the reserves around from bank to bank until a pyramid of deposits and loans amounting to $500,000 has been created on the basis of the original $100,000 of reserves. When the process has been completed, the consolidated balance sheet for the banking system as a whole will show the following result, as compared with the situation existing before the process started:

Banking System

Reserves	+ 100	Bills payable	+ 100
Loans	+ 500	Demand deposits	+ 500

Conclusion: Even though any individual bank can lend only an amount approximately to its excess reserves (i.e., can only lend the amount of reserves it can afford to lose), the banking system as a whole can expand its loans and deposits by an amount equal to several times its excess reserves. (The multiple is determined, approximately, by taking the reciprocal of the reserve requirement—e.g., in the above illustration the multiple is the reciprocal of 20 per cent, or 5.)

[fol. 5702] GOVERNMENT'S EXHIBIT 54

TABLE IIa

Consolidated Balance Sheet all Commercial Banks in the United States December 31, 1960

(billions of dollars)

Assets		Liabilities and Capital Accounts	
Cash assets	52.2	Deposits	229.8
Loans and investments	199.5		
		Demand	156.4
U. S. government securities	67.2	Time	73.4
Other Loans and investments	132.3		
		Other liabilities	6.8
Other assets	5.9	Capital accounts	21.0
Total assets	257.6	Total liabilities and capital accounts	257.6

Source: *Federal Reserve Bulletin*, April 1961, p. 431.

[fol. 5703] GOVERNMENT'S EXHIBIT 55

TABLE III

Loans and Investments of all Commercial Banks, December 31, 1960

(amounts in billions)

	Amount	Percent of Total
Total loans and investments	$201.9	100.0
Total loans	120.0	59.4
Commercial loans	43.1	21.3
Agricultural loans	5.7	2.8
Loans for purchasing or carrying securities	5.1	2.5
Loans to financial institutions	8.1	4.0
Real estate loans	28.7	14.2
Other loans to individuals	26.4	13.1
Other loans	2.9	1.4
Total investments	81.9	40.6
U. S. Government obligations	61.0	30.3
State and local government obligations	17.6	8.7
Other securities	3.3	1.6

Note: Items may not add to totals due to rounding.

Source: *Federal Reserve Bulletin*, April 1961, p. 434.

[fol. 5704] GOVERNMENT'S EXHIBIT 56

TABLE IIIa

Assets of Savings and Loan Associations in the United States, December 31, 1959

(amounts in millions)

Type of Asset	Amount	Per cent of Total
Cash assets	$ 2,189	3.5
U. S. Government securities	4,471	7.0
Mortgage loans	53,087	83.6
Other assets	3,725	5.9
Total	$63,472	100.0

Number of associations: 6,230.

Source: *Savings and Loan Fact Book, 1960* (United States Savings and Loan League).

[fol. 5705] GOVERNMENT'S EXHIBIT 57

Application for Approval to Merge Girard Trust Corn Exchange Bank into The Philadelphia National Bank

November 15, 1960

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[fol. 5708]

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Form No. 1931
(Rev. July 1960)
Treasury Department
Office of the Comptroller of the Currency
Application for Approval to Merge
Date—November 15, 1960.

Comptroller of the Currency,
Washington 25, D. C.

SIR:

Pursuant to the attached certified copies of resolutions of the Boards of Directors of the following banks, application is hereby made for the approval of the Comptroller of the Currency, which is required under the provisions of Section 18(c) of the Federal Deposit Insurance Act, as amended (12 USC 1828(c)), and Section 215a of Title 12, United States Code, to merge

Girard Trust Corn Exchange Bank		Philadelphia
(County)	(State)	(City)
Philadelphia County	Pennsylvania	A State Bank (Charter No.)

into

The Philadelphia National Bank		Philadelphia
(Name of Bank)		(City)
Philadelphia County	Pennsylvania	Charter No. 539
(County)	(State)	(Charter No.)

under the Charter of The Philadelphia National Bank and with the Title, Philadelphia Girard National Bank and Trust Company

Desired effective date, March 17, 1961.

[fol. 5710]

Application is hereby also made on behalf of such Resulting Bank to the Comptroller of the Currency, pursuant to Section 5155 of the United States Revised Statutes, for permission to establish branches at the following locations now occupied by the head office and branches, or to be occupied by approved branches of Girard Trust Corn Exchange Bank.

Branch	Date Opened	How Acquired	Population of City, Town or Village
Philadelphia County Division Main Office	Main Office of Girard Trust Company chartered on March 17, 1836	Girard merged with Corn Exchange National Bank on June 18, 1951	1,971,239
Downtown 2nd & Chestnut Sts., Phila.	Former main office of Corn Exchange National Bank. Chartered September 23, 1858	Corn Exchange merged with Girard Trust Company on June 18, 1951	1,971,239
Arch Street 3rd & Arch Sts. Phila.	1858	Union Bank & Trust Company liquidation April 12, 1929	1,971,239
Bridesburg Kirkbride, Ash & Thompson Sts. Phila.	1918	Oxford Bank & Trust Company merger November 1, 1928	1,971,239
Burholme Rising Sun and Cottman Aves. Phila.	12/16/22	Oxford Bank & Trust Company merger November 1, 1928	1,971,239
Germantown 5500 Germantown Ave. Phila.	1819	National Bank of Germantown merger September 14, 1953	1,971,239
Mayfair Cottman Ave., east of Frankford Ave. Phila.	1/31/52	Opened by Girard–Corn Bank	1,971,239

North Philadelphia Broad St., Germantown & Erie Aves. Phila.	5/6/03	North Philadelphia Trust Company merger 1/25/54	1,971,239
[fol. 5711]			
Orthodox Torresdale Ave. & Orthodox St., Phila.	1923	Oxford Bank & Trust Company merger 11/1/28	1,971,239
Frankford 4700 Frankford Ave. Phila.	6/15/18	Oxford Bank & Trust Company merger 11/1/28	1,971,239
Sixty-Third Street 427 N. 63rd St. Phila.	12/9/57	Opened by Girard-Corn Bank	1,971,239
Germantown & Lehigh 2721 Germantown Ave. Phila.	1912 (new 8/20/56)	Union Bank & Trust Company. liquidation 4/12/29	1,971,239
South Philadelphia Passyunk Ave. west of 23rd St. Phila.	8/6/56	Opened by Girard-Corn Bank	1,971,239
Spring Garden Street 12th & Spring Garden Phila.	1899 10/4/55 (New)	Union Bank & Trust Company liquidation 4/12/29	1,971,239
Stenton Avenue Stenton Ave. and Washington Lane Phila.	11/6/57	Opened by Girard-Corn Bank	1,971,239
Suburban Station 17th St. & Penna. Blvd. Phila.	3/26/56	Opened by Girard-Corn Bank	1,971,239

Branch	Date Opened	How Acquired	Population of City, Town or Village
Twenty-Second Street 22nd & Indiana Phila.	12/4/57	Opened by Girard-Corn Bank	1,971,239
West Oak Lane 72nd & Ogontz Ave. Phila.	2/3/49	Opened by Girard-Corn Bank	1,971,239
West Philadelphia 60th & Ludlow Sts. Phila.	1918	Union Bank & Trust Company liquidation 4/12/29	1,971,239
[fol. 5712]			
Wissinoming Torresdale Ave. & Howell St. Phila.	6/8/20	Oxford Bank & Trust Company merger 11/1/28	1,971,239
N.E. Cor. Comly Road & Roosevelt Blvd. Phila.	Approval obtained but not opened.		
Ambler Division Bank of Ambler Butler Ave. & Spring Garden St.	3/1/34	Former main office of the Ambler National Bank which merged, together with its two other offices, with Girard-Corn 10/14/57	6,750
Flourtown Bethlehem Pike & Wissahickon Ave.	3/1/55		13,800
Fort Washington Fort Washington Industrial Park	10/10/57		5,100

Narberth Division Narberth Bank of Narberth Haverford & Essex Aves.	5/9/34	Former main office of The National Bank of Narberth which merged, together with its two other offices, with Girard-Corn 10/14/57	5,101
Bala-Cynwyd Bala & City Line Aves.	1/7/57		12,565
Wynnewood Lancaster Pike & Wynnewood Road	3/30/55		15,631
[fol. 5713]			
Delaware County Division Upper Darby 6910 Market St. (present)	Chartered 5/29/28 1935	Former main office of Upper Darby National Bank which merged, together with its eleven other offices, with Girard-Corn 4/28/58	92,786
Broomall West Chester Pike & Summit Ave.	10/19/51		19,664
Clifton Heights (Penn Oak) Penn Fruit Bldg.	11/8/57		92,786
Drexel Hill Ferne Blvd. near Burmont Road	4/16/48		92,786
Upper Darby Drive-In Ludlow & Glendale Sts.	9/14/54		92,786
Havertown Darby Road near Mill Road	9/21/49		53,896
Lawrence Park In Shopping Center	2/1/57		19,664
Newtown Square West Chester Pike, near Newtown Road	5/9/53		9,210

Branch	Date Opened	How Acquired	Population of City, Town or Village
Pilgrim Gardens In Shopping Center	6/22/54		92,786
Terminal P.T.C. Terminal 69th & Market Sts.	4/18/50		92,786
Yeadon 712 Church Lane	6/19/51		11,506
Manoa In Shopping Center	4/6/56		53,896

[fol. 5714]

There are also attached, and made a part of this application, a copy of the agreement between the participating banks relating to the proposal which provides the basis of this application and supplementary documents, statements, schedules, and exhibits relative to the factors which the Comptroller of the Currency and other Federal agencies are required to consider under the provisions of applicable statutes.

[fol. 5715] Summarize the basic reasons and the negotiations which led to the filing of this application and explain fully the extent of common ownership or management of the participating banks.

Basic Reasons

The basic reasons for the proposed merger are;

1. To provide the Philadelphia area with a bank commensurate with its size and therefore adequate to meet the area's banking needs;
2. To establish a more diversified bank by combining the complementary services of the participants; and
3. To combine the separate institutions into a bank with greater depth in management and a more complete organization of specialists and technicians to render more effective service.

Philadelphia's metropolitan area ranks fourth in the country. Moreover, during the last ten years it has undergone a remarkable revitalization and modernization. There has been a notable expansion of industry and extensive urban and suburban development and redevelopment. Traditional city, county and even state lines have been obscured by the expansion of the metropolitan area and submerged in a new concept, "Delaware Valley, U.S.A." A significant factor in this trend is the explosive decentralization of business and industry with the rise of suburban and rural industrial parks and commercial centers. This development has been materially aided in the Philadelphia industrial community by excellent transportation and communication facilities and by the availability of extensive areas of open land.

Consequently, the Philadelphia area is big and is getting bigger. Its banking needs have increased correspondingly and will continue to increase. Expansion has required many Philadelphia banks to broaden their service areas in order to follow and keep their customers and to attract the business of newcomers. Because of both the expanding service areas of the banks in neighboring cities, such as New York and Pittsburgh, and the national and regional scope of an increasing number of industrial and commercial enterprises, Philadelphia's banks have been brought

into competition with banks in other cities on an ever greater scale and in terms of an increasing variety of services. Philadelphia is unique in its proximity to New York. Thus Philadelphia banks face a competitive obstacle not experienced by banks in other cities.

[fol. 5716] Philadelphia's banks have not been sufficiently large to fill the area's banking needs, and therefore have not been able to keep pace progressively with the area's growth. Although Philadelphia is the fourth city in the country, five smaller cities—Detroit, Boston, San Francisco, Pittsburgh and Cleveland—all have one or more banks larger than Philadelphia's largest. As of December 31, 1959 the largest bank in Philadelphia ranks 20th nationally and 12th outside New York.

The comparative situation becomes even more pronounced when Philadelphia's greater size is given proportionate weight. For instance, the Cleveland metropolitan area has a population about 40% of Philadelphia's. Yet Cleveland's biggest bank is 19% larger than Philadelphia's biggest bank in assets and 25% larger in capital and surplus. When the twelve largest metropolitan areas are ranked on the basis of deposits, loans and lending limits of the biggest bank in each area relative to various measures of the economic requirements of its area, Philadelphia stands 10th or 11th in every category. It is not surprising, then, that Philadelphia banks have not been able to meet fully the banking needs of the expanding Philadelphia metropolitan area.

No Philadelphia bank has a lending limit high enough to serve the credit needs of large industry. The largest New York bank has a lending limit of $65,000,000; the limit of the fifth largest New York bank is $20,000,000. Two Chicago banks and Pittsburgh's leading bank have lending limits in excess of $25,000,000. Three San Francisco banks have lending limits in excess of $10,000,000, and one of these is $50,000,000. By contrast the highest lending limit in Philadelphia is $8,000,000. Since the deposits and loans of large industry are closely related and in turn lead to the use of other banking services, Philadelphia's low lending limits place it at a further disadvantage. For instance, although Philadelphia's port is now the largest in the country with respect to import tonnage, Philadelphia banks at-

tract but a small fraction of the nation's foreign banking business.

As a result a great part of the industrial needs of the Philadelphia area is met by banks in other cities. Since sizeable loans may be placed in Philadelphia only by the participation of several banks, most of the area's largest industrial enterprises go elsewhere for their primary requirements. For example, Philadelphia's largest single industry is the petroleum industry with six major refineries in the area (Sun Oil, Atlantic Refining, Gulf Oil, Socony-[fol. 5717] Mobil, Sinclair and Tidewater.) Only two of these companies are known to carry more than accommodation balances in any Philadelphia bank. When, for example, Atlantic Refining, which has its headquarters in Philadelphia, requires a large loan, it goes to New York. The result is often merely a participation offered to a Philadelphia bank by a New York lead bank.

Twenty-six of the nation's largest manufacturing enterprises have headquarters nearer to Philadelphia than to any other major banking center. Yet only 12.9% of their cash as of December 31, 1959 was on deposit with the Charter Bank, and only 4.4% with the Merging Bank. Some of these undoubtedly have additional cash on deposit with other banks in the Philadelphia area. Yet it is apparent that many of them are heavily dependent on larger banks in other cities (notably New York) for their major financial requirements.

The $15,000,000 lending limit of the Resulting Bank will substantially improve its ability to finance local and national industry. This in turn should attract more deposit balances and also enable it to acquire a more equitable share of the other banking business of large corporations located in or near its service area, such as foreign banking services, pension trusts, and other corporate trust services, all of which have had a tendency to gravitate to New York. The increased lending limit (together with other improvements in banking services, as explained below) should also help to attract new business enterprises to the Philadelphia area, with consequent benefits not only to all Philadelphia banks but the area as a whole.

There is no feasible way other than a merger that will accomplish these results. Sale of additional capital stock by either participant is impractical because their capital

positions are already strong in relation to deposits, and the effect would be an undue dilution of the rate of return on equity investment. The normal rate of increase in deposits is not sufficient to produce the desired results.

The second reason for the merger arises from the fact that the proposed merger is a combination of two banks whose functions are essentially complementary—an extremely fortunate situation. The Philadelphia National Bank has been traditionally a wholesale bank. Girard Trust Corn Exchange Bank has specialized in retail and trust services. The merger will result in a more diversified bank better able to render a wide variety of services in a more efficient manner.

[fol. 5718] Additionally, the merger will combine complementary geographical areas, as a study of the branches of each participant will show. In only one locality outside the central city area do the participants presently provide overlapping branch-bank services.

The third reason for the merger is the need to retain and attract quality and depth in management, and to develop the more highly trained specialists required by the increasingly complex banking needs of an industrial community. As an example of the latter, the proposed organization plan of the combined bank provides for resetting selected loan and credit activities on a specialized basis by industry groups, rather than on merely geographic lines as at present. It will also provide for full-time attention of staff departments to the following activities that are not now so covered by either of the applicants: forward planning, organization planning, economic research, new product development, and a more intensified program of electronic research and development. The public interest will be served by these plans since they should result in improved banking service and in the more effective development of new banking services than could be obtained without the merger.

In the regional, national and international fields, competition can only be improved by strengthening Philadelphia's relative banking position. This improvement will not result in disproportionate strength. As stated previously, Philadelphia currently ranks 4th in terms of population, but only 10th or 11th in relative banking strength among the 12 major metropolitan areas. Post-merger, it would

climb to only 7th or 8th. In terms of absolute size, the proposed bank will rank only 15th nationally. There will still be seven larger banks outside New York, of which four will be in cities smaller than Philadelphia. However, the Resulting Bank will be in a better position than now to meet more effectively the strong competition from large banks in New York and other cities for the banking business of the larger corporate enterprises.

The improvement in regional and national competition will not be accompanied by an adverse effect on local banking competition. The merger will not create a disproportionately large bank in Philadelphia, but will serve to make the banking picture in Philadelphia more nearly comparable with that of other cities. The relative sizes of the five largest Philadelphia banks will be in better proportion than in Los Angeles, Detroit, Boston, Pittsburgh and San Francisco, and about the same as in Chicago, St. Louis, Cleveland, Washington and Baltimore.

[fol. 5719] The available evidence as set forth in Exhibit K does not indicate that a bank's size gives it an advantage in competing for essentially local accounts. The Resulting Bank will not have a competitive advantage in its attraction of local banking business. In the Philadelphia area during the last decade a number of smaller banks have been able to grow more rapidly than many of the larger banks whose main offices or branches are in direct competition with them. The major present deficiency of the Philadelphia banking structure is not in its ability to serve small local businesses or retail accounts, but in its current inability to service the credit needs of large commercial enterprises.

[fol. 5720] Negotiations

The negotiations which led to the filing of this application go back many years. This is not a sudden idea for a merger, but one that was discussed seriously and at great length as long ago as 1956. The principal reason why it did not reach the application stage at that time was the opinion of both managements that a proper basis for the exchange of shares could not be developed then. A further "shake-down period" appeared to be necessary both for the purpose of determining the true potential earning power of

the two banks and to work out the minor operating problems resulting from previous smaller mergers.

The present negotiations commenced in April 1960. The senior managements of both banks established the main outlines of the proposed organization chart for the combined institution and also the proposed basis for the exchange of shares. A committee of three directors from each bank took part in all major discussions in these areas, and toward the final stages of discussion a fourth director was added by each institution.

[fol. 5721] Common Ownership or Management

The participating banks have no common management, and common ownership is insignificant.

No director or officer of either bank is a director or officer of the other. Hence, there is no common management.

The stock of each bank is widely dispersed, Philadelphia National's 2,647,812½ shares being owned by about 16,372 shareholders, and Girard's 1,691,875 shares by approximately 9,536. The largest holding of an individual shareholder of Philadelphia National is only 24,694 shares, or approximately .9% of its stock outstanding. In the case of Girard, the corresponding figure is 6,500 shares or about .38%.

In determining the common ownership of shares of the two banks, all persons holding 1,000 shares in either (i.e., approximately 1/26 of 1% in Philadelphia National and 1/17 of 1% in Girard) and any shares in the other (no matter how small a number) were listed. The results, broken down as between individual, trustee and corporate holders on the one hand and trust company and savings institution investors on the other, show that only about 10% of the shares of Philadelphia National and 15.5% of those of Girard are in common ownership on this basis:

	Girard	Philadelphia National
Individuals, trustees and corporations	140,403 shares	134,936 shares
Trust and Savings Institutions	121,860 shares	137,182 shares
	262,263 shares or 15.5%	272,118 shares or 10%

The largest holding by an individual of not less than 1,000 shares of Philadelphia National and some shares

of Girard is only 6,200 shares of the former, or about ¼ of 1%. The largest such holding in Girard (combined with some shares in Philadelphia National) includes only 5,000 shares of Girard, or about ⅛ of 1%. The largest trustee holdings, on the same basis, are only about .4% of 1% of Girard's stock and the same percentage of that of Philadelphia National; the largest corporate holdings (part of an insurance company investment portfolio) are approximately 1½% of Girard's stock and about ⅓ of 1% of that of Philadelphia National; and the largest trust company and savings institution portfolio holdings are about ¾ of 1% of Girard's stock and less than ½ of 1% of that of Philadelphia National.

[fol. 5722] Holdings registered in the names of brokers and nominees have been excluded from the foregoing tabulation because the true ownership of such holdings is most often unknown. Experience has shown that these, too, are widely dispersed in beneficial ownership. Thus, in the case of Girard's nominee firm of Steere & Co., the largest beneficial ownership of Philadelphia National's stock, determined from Girard's records, is 3,357 shares or approximately 1/5 of 1%. Further, the largest nominee holding of shares, without regard to beneficial ownership, of Philadelphia National approximates only 3% of its shares, and of Girard only about 4% of its shares.

[fol. 5723] Has any consideration, monetary or otherwise, been paid, given or offered to any stockholder, director, or officer of either bank as compensation or inducement for assistance in consummating the proposed transaction? If so, give full details and reasons therefor.

No. Additional details concerning the proposal may be obtained by communication with:

Wistar H. MacLaren, Vice President and Comptroller, The Philadelphia National Bank, Philadelphia 1, Pennsylvania. Walnut 3-2000.

It is understood that the cost of any necessary examination or investigation in relation to this application will be borne by:

Equally by the applicants

Applicants

The applicants hereby represent that the information contained in this application is true and complete to the best of their knowledge and belief.

The Philadelphia National Bank.

By Frederic A. Potts, President.

Girard Trust Corn Exchange Bank.

By G. W. Owens, President.

[fol. 5724] (1) Financial History and Condition

Information provided by the applicants should include the date of primary organization of each participating bank, and in chronological order with respect to each such bank the date of any reorganization, merger, consolidation, acquisition of assets, or assumption of deposit liabilities occurring during the past ten years, and the name and location of the head office and branches, description of area served, type of business conducted, total loans, and total deposits of each bank which discontinued operations as a result of such transactions.

Historical Background—Philadelphia National Bank.

The Philadelphia National Bank (originally organized in 1803 as The Philadelphia Bank) was chartered on October 20, 1864 under an Act of Congress approved June 3 of that year.

On April 1, 1926, it merged with the Girard National Bank to form The Philadelphia-Girard National Bank. At the time of this merger, Philadelphia National was much the largest bank in Philadelphia, with deposits of $140 Million, loans of $103 Million and total assets of $165 Million. Girard National was fourth largest, with deposits of $73 Million, loans of $47 Million, and total assets of $87 Million. Fidelity-Philadelphia Trust Company was second largest, and Pennsylvania Company for Insurance on Lives, etc.

was third, with total resources of $120 Million and $100 Million respectively.

Two years later, Philadelphia-Girard merged with the Franklin Fourth Street National Bank (which had been formed by merger in it meantime) and took the name of the oldest of the four banks originally concerned—The Philadelphia National Bank. The announcement that the merger had been ratified attracted wide popular acclaim. According to the *Philadelphia Record* of March 3, 1928:

> "Philadelphia's tremendous growth in the past decade was fittingly exemplified in the formal approval of the merger of the city's two biggest national banks at meetings of directors of The Philadelphia-Girard and the Franklin Fourth Street banks yesterday. The consolidation was hailed by business bodies as the greatest single movement in years to attract to Philadelphia the well-earned prestige, as well as the solid financial facilities, consistent with the status of the third largest city in the United States."

[fol. 5725] Capital and Surplus of the merged institution was established at $50 Million, and the increased lending limit afforded thereby was most helpful in attracting and holding business from major commercial and industrial customers such as Ford Motor Company, duPont, Baldwin Locomotive Works, Bethlehem Steel, Sears Roebuck, and many others of both local and national importance.

The wholesale nature of its business up until 1951 is evidenced by the fact that its $745,248M of deposits at the end of 1950 were held in less than 11,000 accounts, of which about 1,000 accounts were from domestic and foreign correspondent banks. It operated only 3 banking offices, offered no personal trust services, had no savings or special checking accounts, no consumer credit department, no safe deposit boxes.

The decision made in 1951 to enter into the retail banking and trust fields, and at the same time to continue expanding its wholesale business and its lending power, created the need to obtain offices in outlying sections of both city and suburbs that were conveniently located to serve its present customers. For that reason Philadelphia National has engaged in 8 relatively small mergers in the last decade,

and has purchased certain assets and assumed the deposit liabilities of another bank, as follows:

Ninth Bank and Trust Company
Merger date—September 21, 1951
Name and Location of Offices—

Front Street (Head Office)	Front & Norris Sts., Phila., Pa.
Allegheny	Allegheny & Kensington Aves., Phila., Pa.
Northern	7th & Dauphin Sts., Phila., Pa.
Fairhill	Front St. & Allegheny Ave., Phila., Pa.
Erie	Erie & Kensington Ave., Phila., Pa. (subsequently moved to 1501-07 E. Erie Ave., Phila., Pa.)

Area Served: All of the offices of Ninth Bank & Trust Company were located in the older Northeast section of Philadelphia which is residential (characterized by row-type dwellings), interspersed with many industrial plants. Also there are many small and medium-sized retail stores throughout the area.

[fol. 5726]

Type of Business Conducted: General banking, including complete trust services and retail services such as personal loans and special checking accounts.
Total Loans $ 6,677M
Total Deposits $50,739M

The First National Bank of Conshohocken
Merger date—September 25, 1953
Name and Location of Office—

Head Office	Fayette and Hector Streets, Conshohocken, Pa. (subsequently moved to 5th and Fayette Sts., Conshohocken, Pa.)

Area Served: Conshohocken is both residential and industrial. Several of the industrial plants are large-scale. The town has its own retail shopping section.

Type of Business Conducted: General banking and trust business.
Total Loans $ 3,409M
Total Deposits $14,890M

Chester-Cambridge Bank and Trust Company
Merger date—February 20, 1954
Name and Location of Offices—

Head Office	501-03 Market St., Chester, Pa.
Marcus Hook	10th & Market Sts., Marcus Hook, Pa.

[fol. 5727]

Area Served: Chester and vicinity embraces a sizable residential area and many industrial plants, a number of which are very large. The population is served by local retail facilities.

Type of Business Conducted: General banking and trust business.
Total Loans $ 6,647M
Total Deposits $26,978M

The First National Bank of Lansdale
Merger date—February 20, 1954
Name and Location of Office—

Head Office	210 W. Main St., Lansdale, Pa.

Area Served: Lansdale is a residential community surrounded by an agricultural area. A number of industrial plants have been located in the vicinity, particularly in recent years, and the town has a retail shopping section.

Type of Business Conducted: General banking and trust business.
Total Loans $ 5,627M
Total Deposits $14,472M

Montgomery National Bank of Norristown
Merger date—February 20, 1954
Name and Location of Office—
Head Office 110 W. Main St., Norristown, Pa.
Area Served: Norristown, the county seat of Montgomery County, is a residential center which also includes many industrial enterprises and a fairly large retail shopping section. Several industrial parks and shopping centers have been or are being established nearby.

[fol. 5728]

Type of Business Conducted: General banking and trust business.
Total Loans $ 1,788M
Total Deposits $10,401M

The Hatboro National Bank
Merger date—December 9, 1955
Name and Location of Office—
Head Office 210-12 S. York Rd., Hatboro, Pa.
Area Served: Hatboro is a rapidly growing residential community. In recent years a number of industrial enterprises have been established in this vicinity, and the town has a moderate-sized retail shopping section.

Type of Business Conducted: General banking and trust business.
Total Loans $ 2,795M
Total Deposits $ 9,118M

The Citizens National Bank and Trust Company of Pottstown
Merger date—December 9, 1955
Name and Location of Office—
Head Office 401 High St., Pottstown, Pa.
Area Served: Pottstown is heavily industrialized and includes a number of very large plants. It is also a residential community and has a fairly large retail shopping section.

[fol. 5729]

Type of Business Conducted: General banking and trust business
Total Loans $ 3,633M
Total Deposits $ 8,478M

Delaware Valley Bank and Trust Company
Merger date—November 9, 1956
Name and Location of Offices—

Head Office	200 Radcliffe St., Bristol, Pa.
Levittown	323-25 Levittown Shopping Center, Levittown, Pa.
Midway	Route 413 & Newportville Rd., Midway, Bucks County, Pa.
Southampton	689 Second St. Pike, Southampton, Pa.
Yardley	10 S. Main St., Yardley, Pa.

Area Served:	Bristol Office—(Head Office)	Bristol has a number of moderate-sized industrial enterprises. It is also a residential community and has a number of small retail stores.
	Levittown Office	Levittown is primarily a residential community but this office also serves and is located in a large shopping center.
	Midway, Yardley, and Southampton Offices	These offices are located in and serve residential communities with limited retail facilities.
Type of Business Conducted:		General Banking and trust business.
Total Loans		$11,502M
Total Deposits		$26,124M

[fol. 5730]

Gimbel Brothers Bank and Trust Company—(Acquired by purchase of assets and assumption of deposit liabilities)
Acquisition date—July 11, 1958
Name and Location of Office—
Head Office 35 S. 9th Street, Phila., Pa.

Area Served:	This office is located in and serves the center city district of Philadelphia which is heavily commercial. It also serves personal customers throughout the Philadelphia area who shop in center city.
Type of Business Conducted:	Located in Gimbel Brothers department store, this bank had primarily personal checking and savings accounts. It made no loans.
Total Loans	None
Total Deposits	$11,768M

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Historical Background—Girard Trust Corn Exchange Bank.

The Girard Life Insurance, Annuity and Trust Company of Philadelphia was chartered March 17, 1836 by act number 128 of the Pennsylvania Legislature. It was organized as the successor to the Girard Beneficial Association whose name had been changed on May 21, 1835 from the Girard Savings Institution of Philadelphia, and had opened for business on July 1, 1835. In addition to becoming a bank of deposit, it was chartered to engage in two lines of business, then new and undeveloped, being life insurance and trust service. Subsequently, the life insurance business was discontinued.

[fol. 5731] On June 22, 1899 the name of the bank was changed to the Girard Trust Company. On November 3, 1917, it became a member of the Federal Reserve System.

Girard placed its primary emphasis on trust business and the accompanying bank services for those customers

and other individuals. Also it specialized in the making of collateral loans secured by marketable securities or by the cash surrender value of life insurance. By the end of 1939 the estimated value of the personal trust assets had grown to $700 Million, the deposits to a total of $122 Million and the capital funds to $14 Million.

In 1940 special efforts were begun to be placed on the development of Commercial business as well as consumer credit loans.

Girard had but one office. During the late 1940's studies of the changing customer banking practices, as well as the relatively larger growth taking place in business and population in other sections of the City but principally on the periphery and in adjoining counties, led to the conclusion that the Girard should acquire or develop branches. By the end of 1950 the estimated market value of the personal trust assets had grown to one billion dollars, the deposits to a total of $216 Million and the capital funds to $19 Million.

The aforementioned decisions eventually resulted in the merger on June 15, 1951 with the Corn Exchange National Bank which had a very desirable branch system as well as a substantial commercial business, consumer credit and foreign departments. With this merger the name of the bank was changed to the Girard Trust Corn Exchange Bank under an act of the Legislature and the business continued under the Girard Trust Company charter.

Girard-Corn has engaged in six mergers during the last ten years, as follows:—

Corn Exchange National Bank and Trust Company

Merger date—June 15, 1951

Name and Location of Offices—	
Head Office (Downtown)	Second and Chestnut Sts., Phila., Pa.

[fol. 5732]

Central City	1510-12 Chestnut St., Phila., Pa. (Closed 3/26/54)
Oxford (Frankford)	Frankford & Oxford Ave., Phila., Pa.
Arch Street	Third and Arch Sts., Phila., Pa.
West Philadelphia	Sixtieth & Ludlow Sts., Phila., Pa.
Wissinoming	Torresdale Ave. & Howell Sts., Philadelphia, Pa.
Germantown Ave. (Germantown and Lehigh)	2721-27 Germantown Ave., Pahila., Pa.
Burholme	Rising Sun & Cottman Aves., Phila., Pa.
Orthodox	Orthodox St. & Torresdale Ave., Phila., Pa.

Bridesburg	Ash St. intersection of Thompson and Kirkbride Sts., Phila., Pa.
Spring Garden Street	Twelfth St., Ridge Ave., and Spring Garden St., Phila., Pa.
West Oak Lane	7179–81 Ogontz Ave., Phila., Pa.

Area Served: All of the Corn Exchange National's offices were located in the City of Philadelphia, two in the general business and commercial area of central city, two in the commercial, industrial and foreign trade area of downtown, five in the commercial industrial and residential areas of Northeast Philadelphia, and one each in the commercial and residential areas of West and North Philadelphia.

Type of Business Conducted: General banking covering all commercial and personal types including foreign as well as general trust business.

Total Loans $ 96,791M
Total Deposits $288,618M

[fol. 5733]

National Bank of Germantown and Trust Company, Philadelphia

Merger date—September 11, 1953

Name and Location of Office—

Head Office (Germantown) Germantown Ave. & School Lane, Phila., Pa.

Area Served: This office is actually located in, and services, one of the older residential sections of Philadelphia which includes a large commercial section. In addition, there are a number of industrial plants within easy transportation distance.

Type of Business Conducted: General banking and trust business.

Total Loans $ 9,781M
Total Deposits $35,371M

North Philadelphia Trust Company

Merger date—January 22, 1954

Name and Location of Office—

Head Office (North Philadelphia) 3711-15 Germantown Ave., Phila., Pa.

Area Served: The North Philadelphia Trust Company was located in the north-central part of the city. It had many personal accounts but was located in a relatively large commercial district.

Type of Business Conducted: General banking business. It was also active as an agent for real estate settlement and title business.

Total Loans $ 5,409M
Total Deposits $19,146M

[fol. 5734]

The National Bank of Narberth

Merger date—October 11, 1957

Name and Location of Offices—

Head Office (Narberth)	Haverford and Essex Ave., Narberth, Pa.
Wynnewood	18 East Wynnewood Rd., Wynnewood, Pa.
Bala-Cynwyd	#1 Bala Avenue, Bala-Cynwyd, Pa.

Area Served: Narberth contains an older residential section and is located in a quality suburban residential area.

A relatively large commercial development exists in Narberth and there are additional businesses outside the borough. The two branches at Wynnewood and Bala-Cynwyd are located in two of the shopping centers which have developed in this area.

Type of Business Conducted: General banking business.

Total Loans $ 4,467M

Total Deposits $12,539M

Ambler National Bank

Merger date—October 11, 1957

Name and Location of Offices—

Head Office (Ambler)	Butler Ave. & Spring Garden St., Ambler, Pa.
Flourtown	Bethlehem Pike and Wissahickon Ave., Flourtown, Pa.
Fort Washington	Fort Washington Industrial Park, Fort Washington, Pa.

[fol. 5735]

Area Served: Ambler and vicinity contains an older residential section and substantial new residential construction. The commercial development in town is now expanding into regional shopping areas. Ambler contains several important industrial concerns and the Fort Washington Industrial Park, where one of the branches is located, is nearby.

Type of Business Conducted: General banking business, including renting of safe deposit boxes.

Total Loans $ 3,568M

Total Deposits $ 8,799M

The Upper Darby National Bank

Merger date—April 25, 1958

Names and Location of Offices—

Head Office (Upper Darby)	6908-10 Market St., Upper Darby, Pa.
P.T.C. Terminal	P.T.C. Terminal Bldg., Market at 69th St., Upper Darby, Pa.
Upper Darby Drive-In	Glendale Rd. & Ludlow St., Upper Darby, Pa.
Drexel Hill	4211 Ferne Blvd. Drexel Hill, Pa.
Havertown	1625 E. Darby Rd., Havertown, Pa.
Yeadon	712½ Church Lane, Yeadon, Pa.
Broomall	West Chester Pike & Summit Ave., Broomall, Pa.
Newtown Square	3533 West Chester Pike, Newtown Square, Pa.
Pilgrim Gardens	1021 Pontiac Road, Pilgrim Gardens, Drexel Hill, Pa.
Manoa	Manoa Shopping Center, West Chester Pike & Eagle Rd., Havertown, Pa.
Lawrence Park	Lawrence Park Shopping Center, Lawrence & Sproul Rds., Broomall, Pa.
Penn Oak	Penn Fruit Bldg., Baltimore Pike & Oak Lane, Upper Darby Twp., (Clifton Heights, P. O.)

[fol. 5736]

Area Served:	This is a quality suburban residential area, with substantial commercial developments in regional shopping areas. The Upper Darby section is a very busy transportation center, providing goods and services for a large segment of Delaware, Philadelphia, and Montgomery Counties.
Type of Business Conducted:	Principally a general retail banking business including all types of service.
Total Loans	$22,302M
Total Deposits	$48,311M

[fol. 5737]

Statement of Assets and Liabilities As of June 30, 1960

	Charter Bank	Merging Bank	Adjustments (Explain on next page)		Pro Forma Statement Resulting Bank
		(In Thousands of Dollars)			
Assets					
Cash and due from banks	$ 265,904	$147,730	$ +4(b)	$ −21(a)	$ 413,617
U.S. Government obligations—Direct and fully guaranteed	169,281	142,129			311,410
Obligations of States and political subdivisions	56,842(m)	22,446			79,288
Other securities	16,469(n)	11,339			27,808
Loans and discounts—net	523,612	399,362			922,974
Valuation reserves deducted	(18,293)	(9,265)	(—)	(—)	(27,558)
Bank premises	8,796	11,333			20,129
Furn. and fixtures	1,620	922			2,542
Other Assets	21,811(o)	5,659			27,470
Total assets	$1,064,335	$740,920	$ +4	$ −21	$1,805,238
Liabilities					
Demand deposits	$ 786,974	$521,260	$ −21(a)		$1,308,213
Time & Savings Deposits	137,521	129,530			267,051
Total deposits	$ 924,495	$650,790	$ −21		$1,575,264
Other liabilities	46,533	16,071			62,604
Capital Accounts					
Capital	26,478	16,919		+4,865(c)	48,262
Surplus	53,522	43,081		+5,135(d)	101,738
Undivided Profits	13,307	14,059	−9,996(e)		17,370
Other capital accounts	0	0			
Total capital accounts	93,307	74,059	−9,996	+10,000	167,370
Total liabilities and capital accounts	$1,064,335	$740,920	−10,017	+10,000	$1,805,238

(m) After deducting $1,000M of reserves (n) After deducting $2,373M of reserves (o) Includes $3,350M indirectly representing bank premises, plus $200M for land value of property at Fourth & Chestnut Streets held for future banking use.

[fol. 5738] Description and Explanation of Adjustments (Statement of Assets and Liabilities on Preceding Page)

(a) Deduction of bank deposits, net of reciprocals, carried between the Charter and Merging Banks.

(b) Cash receipt of proceeds of sale of 98-7/16 new shares of stock, as detailed under "Adequacy of Capital Structure."

(c) Credit to Capital Account, being

(1) Par value of 486,414-1/16 additional shares issued in accordance with terms of merger agreement of 12,875 shares of the Resulting Bank for each of the 1,691,875 shares of Girard Trust Corn Exchange Bank, and

(2) Par value of 98-7/16 new shares being issued to round-out the number of outstanding shares at 4,826,000.

(d) Credit to Surplus Account, being

(1) Cash receipt in excess of par value on 98-7/16 new shares of stock sold at an estimated current market price of $43 per share ($3,248); and

(2) Transfer of funds from Undivided Profits to Surplus to round-out the combined Capital and Surplus Account at $150 Million ($5,131,627).

(e) Charge to Undivided Profits, being

(1) Transfer to Capital of $4,864,141 covering the par value of 486,414-1/16 additional shares issued in accordance with the terms of merger agreement, and

(2) Transfer to Surplus Account of $5,131,627 to round-out the combined Capital and Surplus Ac-Accounts at $150 Million.

[fol. 5739]

Analysis of Loan and Deposit Accounts

(See Statement of Assets and Liabilities)

Analysis of Loan Account	Charter Bank	Merging Bank
	(In Thousands)	
Commercial and industrial loans	$306,587	$200,001
Loans to farmers (not on real estate)	178	92
Single payment loans to individuals	24,200	71,572
Total	$330,965	$271,665
Loans on farm real estate	$ 1,090	$ 10
Loans on residential property—FHA and GI	18,690	8,352
Loans on residential property—not gtd	18,150	11,952
Loans on business and other property	24,851	12,636
Total	$ 62,781	$ 32,950
Loans to brokers and dealers in securities	$ 133	$ 2,632
Other loans on securities	1,586	897
Total	$ 1,719	$ 3,529
Instalment loans on automobiles	$ 18,964	$ 9,964
Instalment loans on consumer goods	19,320	10,148
FHA—Title I loans	10,821	-0-
Other instalment loans	18,900	30,455
Total	$ 68,005	$ 50,567
All other loans	$ 78,435	$ 49,916
Loans and discounts—gross	$541,905	$408,627
Less reserves	18,293	9,265
Loans and discounts—net	$523,612	$399,362
Demand Deposits		
Individuals, partnerships and corporations (IPC)	$510,501	$429,440
United States Government	62,806	30,142
States and political subdivisions	38,936	10,494
Banks	167,879	45,387
Certified and officers' checks	4,984	5,570
Other demand deposits	1,868	227
Total demand deposits	$786,974	$521,260
[fol. 5740] Time Deposits.		
Individuals, partnerships, and corporations (IPC)	$113,409	$122,087
United States Government	-0-	7
States and political subdivisions	9,437	3,536
Banks	14,675	3,900
Other time deposits	-0-	-0-
Total time deposits	$137,521	$129,530
Total deposits	$924,495	$650,790

[fol. 5741] (2) Adequacy of Capital Structure

If additional capital is to be supplied or a reduction in capital is planned, a full explanation should be given under the foregoing schedule, "Description and Explanation of Adjustments."

There is no reduction in capital planned nor any material capital to be supplied. The Charter Bank proposed to sell on the date of merger 98-7/16 new shares, at the then current market price, in order to "round-out" the number of shares to be outstanding at 4,826,200 as noted in the foregoing schedule "Description and Explanation of Adjustments." In addition to the aforementioned transaction, it is proposed to transfer from the Undivided Profits account sufficient funds, which when added to the present fund plus the proceeds of sale of the 98-7/16 shares, will increase the combined Capital and Surplus accounts from the present total of $140,000,000 to a total of $150,000,000 for the combined institution.

A statement of the Total Assets, Risk Assets, Deposit and Capital Accounts as of June 30, 1960 and the relative ratios are as follows:

	Charter Bank	Merging Bank	Adjustments	Combined Pro-Forma
Total Assets—Gross	$ 1,107,813M	$ 757,572M	$− 17M	$ 1,865,368
Less: Recip. Bk. Bal.	− 21,812	− 7,387		− 29,199
Loan Reserves	− 18,293	− 9,265		− 27,558
Security Reserves	− 3,373	—		− 3,373
Total Assets—Net	$ 1,064,335	$ 740,920	$− 17	$ 1,805,238
Less: Net Cash & Govts.	− 435,185	−289,859		− 725,044
Rick Assets—Net	$ 629,150M	$ 451,061M	$− 17M	$ 1,080,194M
Total Deposits—Gross	$ 946,307M	$ 658,177M	$− 21M	$ 1,604,463M
Less: Recip. Bk. Bal.	− 21,812	− 7,387		− 29,199
Total Deposits—Net	$ 924,495M	$ 650,790M	$− 21M	$ 1,575,264M
Capital Stock	$ 26,478M	$ 16,9 M	$+ 4,865M	$ 48,262M
Surplus	53,522	43,081	+ 5,135	01,738
Sub-Total	80,000	60,000	+ 10,000	150,000
Undivided Profits	13,307	14,059	− 9,996	17,370
Total Capital Accounts	$ 93,307M	$ 74,059M	$+ 4M	$ 167,370M

Ratios:	Charter Bank	Merging Bank	Combined Pro-Forma
Capital Accounts to:			
Total Assets—Net	8.8%	10.0%	9.3%
Risk Assets—Net	14.8	16.4	15.5
Total Deposits—Net	10.1	11.4	10.6

[fol. 5742] The Federal Reserve Banks of Philadelphia and New York have reported in their Circulars, as of December 31, 1959, the latest data available, that the banks in their Districts of relative deposit size had capital ratios as follows:

Ratios: Capital Accounts to:	Philadelphia Average for Banks with Deposits $100 Million and Over	New York Average for Banks with Deposits $100 Million to $1 Billion	New York Average for Banks with Deposits $1 Billion and Over
Total Assets—Net	8.7%	9.8%	9.3%
Risk Assets—Net	15.2	17.3	15.9
Total Deposits—Net	9.8	11.6	10.9

The existing banks and the proposed combined bank have strong and adequate capital structures. In addition, the combined bank will have in excess of $27 million in loan reserves and $3 million in security reserves or a total of $30 million of additional funds to meet any possible losses from those assets.

The capital ratios for the existing and combined bank illustrate the relative capital strength. Furthermore, these ratios compare favorably with the corresponding average ratios for banks of relative deposit size in the Third Federal Reserve District and the banks in the City of New York, with head offices in Manhattan, of the Second Federal Reserve District, as shown above.

[fol. 5743] (3) Future Earnings Prospects

Statements of Current Operating Income and Expense

The following statements should include actual current operating income and expense for the participating banks for the last full calendar year. The estimate for the Resulting Bank should give effect to any anticipated economy in operations or any reduction or increase in income or expense which is expected to result from the proposed transaction.

	Charter Bank Year 1959	Merging Bank Year 1959	Estimate First Twelve Months' Operations of Resulting Bank*
	(in thousands of dollars)		
Current operating income:			
Interest and dividends on securities	$ 7,324	$ 5,543	$14,709
Interest and discount on loans	24,367	20,306	48,137
Commissions, fees, and collection, exchange, and service charges	1,543	2,387	4,121
Other current operating income	1,689	6,770	8,276
Gross current operating income	$34,923	$35,006	$75,243
Current operating expense:			
Salaries, wages, and fees	$ 9,768	$10,578	$21,237
Interest on time and savings deposits	2,607	2,538	6,357
Interest and discount on borrowings	363	477	849
Taxes (other than on income)	871	1,344	2,564
Recurring depreciation on banking house, furniture and fixtures	581	588	1,231
Other current operating expenses	5,453	5,646	12,298
Total current operating expense	$19,643	$21,171	$44,536
Net current operating income	$15,280	$13,835	$30,707

Net Current Operating Income
Previous Five Calendar Years

Year	Charter Bank	Merging Bank
1959	$15,280	$13,835
1958	13,474	12,825
1957	14,318	13,084
1956	13,203	13,210
1955	10,315	11,409
Average	$13,318	$12,873

* See supporting memoranda on following page.

[fol. 5744] Supporting Memoranda to (3) Future Earnings Prospects

The "Estimate of the First Twelve Months' Operations of the Resulting Bank" has been determined by first adding together the figures for the Charter Bank and the Merging Bank for the twelve months ended June 30, 1960, and then making adjustments to project to twelve months ended September 30, 1960. The resultant figures have then been adjusted for the following estimated changes:

	Effect on Net Operating Income (Before Fed. Inc. Tax)
Annual effect of reduction in the prime loan interest rate from 5% to 4½%	$−2,561M
Additional interest from securities due to recent investment changes	+ 828M
Interest at 3% on the estimated amount of legal reserves released by recent changes permitting the counting of cash	+ 300M
Reduction in rental expense due to the termination of the Mall Building lease in August 1961	+ 40M
Total—changes not caused by merger	$−1,393M
Interest at 3% on the estimated reduction in duplicate deposit balances carried in other banks	$+ 90M
Net increase resulting from disposition of non-conforming assets	+ 9M
Increased expense due to extending to Merged Bank employees Major Medical Insurance coverage as now in effect for Charter Bank employees	− 101M
Increased expense due to extending to Charter Bank employees the more liberal pension benefits, and the profit sharing net of a reduction in bonus, as now in effect for the merged bank employees	− 572M
Reduction in advertising expense, estimated at 25% of the 1959 expenditures	+ 193M
[fol. 5745]	
Estimated overtime, legal and other expenses resulting from the merger, combining and centralizing departments	$− 600M
Elimination of Charter-Bank Bank's 69th Street Office expenses by combining with the Merging Bank's office in adjoining property	+ 76M
Total—changes caused by merger	$− 905M

Note: No estimated reduction in personnel expenses is included because it is believed that these savings should come from the gradual blending of the operating departments and only a small portion of the potential would be realized during the first year. It will be the planned policy not to dismiss competent employees to reduce any excess staff, but rather to realize economy where possible through the normal turn-over without making replacements.

No increase is included for establishing the contemplated expansion of specialized and technical personnel as it is believed that substantially all can be developed from the present official and clerical staffs.

[fol. 5746] (4) Management

List of the present directors and principal executive officers of the Participating Banks, and under each name is pertinent information relating to his banking experience and qualifications, major business or professional occupation, and other banking and business affiliations.

The Philadelphia National Bank

Name and Business Affiliation	Age	Title	Annual Salary	Par Value of stock now owned
Walter J. Beadle Retired	64	Director		$ 1,500
Richard C. Bond President John Wanamaker Philadelphia	50	Director		1,500
I. W. Booth Retired	77	Director		12,000
Thomas A. Bradshaw President Provident Mutual Life Insurance Company	54	Director		2,500
Jay Cooke Chairman of the Board Cooke & Bieler, Inc.	63	Director		10,000
Paul J. Cupp President American Stores Company	58	Director		1,000
Wilfred D. Gillen President The Bell Telephone Company of Pennsylvania	60	Director		1,000
F. O. Haas President Rohm & Haas Company	45	Director		1,000
H. Thomas Hallowell, Jr. President Standard Pressed Steel Co.	52	Director		1,000
[fol. 5747]				
J. H. Ward Hinkson, Esq. Hinkson & Cantlin	64	Director		10,000
McClure Kelley President Baldwin-Lima-Hamilton Corp.	62	Director		1,500
P. Blair Lee President Western Saving Fund Society	64	Director		4,500
Arthur Littleton, Esq. Morgan, Lewis & Bockius	64	Director		3,810

Name and Business Affiliation	Age	Title	Annual Salary	Par Value of stock now owned
John McDowell Executive Vice President The Philadelphia National Bank	55	Director Ex. V. P.	$45,000	1,250
James P. Newell Vice President Pennsylvania Railroad Company	58	Director		1,500
G. Willing Pepper Vice President Scott Paper Company	52	Director		1,000
Frederic A. Potts President The Philadelphia National Bank	56	Director President	85,500	2,500
Frank H. Reichel Chairman of the Board and Chief Executive Officer American Viscose Corp.	63	Director		1,500
Roy G. Rincliffe President and Chief Executive Officer Philadelphia Electric Company	61	Director		1,500
[fol. 5748]				
Floyd T. Starr Financial Vice President Penn Mutual Life Insurance Company	55	Director		1,500
G. Stockton Strawbridge President & General Manager Strawbridge & Clothier	46	Director		1,500
Girard Trust Corn Exchange Bank				
Earle E. Baruch President Johnson and Higgins	54	Director		$2,000
George H. Brown, Jr. President Girard Trust Corn Exchange Bank	54	Director	$75,000	1,000
William H. Brown Vice President and Treasurer American Viscose Corp.	62	Director		930
George R. Clark Vice Chairman of Board Girard Trust Corn Exchange Bank	50	Director Vice Chm. Bd.	40,000	1,350
Morris Duane, Esq. Duane, Morris & Heckscher	59	Director		1,000
Walter S. Franklin Retired	76	Director		3,600
James E. Gowen, Esq. Retired	65	Director		8,700

Name and Business Affiliation	Age	Title	Annual Salary	Par Value of stock now owned
Charles B. Grace President Heintz Manufacturing Co., Inc.	54	Director		540
[fol. 5749]				
A. J. Greenough President Pennsylvania Railroad Company	55	Director		1,000
C. Jared Ingersoll Chairman of the Board Muskogee Company	66	Director		12,300
Robert L. Johnson (Dr.) Chancellor Temple University	66	Director		1,290
Ralph H. Knode President Westmoreland Coal Company	67	Director		2,940
Hilding R. Krook President Robert Krook, Inc.	61	Director		45,000
Edwin M. Lavino Chairman of the Board E. J. Lavino and Company	65	Director		900
Graeme Lorimer Trustee	57	Director		6,500
John R. Park Executive Vice President and Treasurer American Stores Company	44	Director		500
Joseph M. Patterson President West Bank Oil Terminal, Inc.	69	Director		5,760
Henry R. Pemberton Financial Vice President University of Pennsylvania	62	Director		2,400
R. Stewart Rauch, Jr., Esq. President Philadelphia Saving Fund Society	46	Director		5,000
[fol. 5750]				
Theodore E. Seelye President North Pennsylvania Railroad Company	73	Director		3,000
Geoffrey S. Smith, Esq. Chairman of the Board Girard Trust Corn Exchange Bank	59	Director Chm. of Bd.	$70,000	10,000
E. H. Smoker President United Gas Improvement Company	54	Director		300

Name and Business Affiliation	Age	Title	Annaul Salary	Par Value of stock now owned
Joseph C. Wilkinson Chairman of the Board Wilkinson Associates, Inc.	67	Director		50,300
David E. Williams Retired	71	Director		7,500

Note: The Board of Directors of the Resulting Bank will be selected from the above list and a schedule filed at a later date. Those selected holding less than the number of qualifying shares will purchase sufficient shares to meet the requirement.

[fo]. 5751]

(5) Convenience and Needs of Community

	Population Head Office City or Town	Population of Head Office Service Area [1]
The Philadelphia National Bank	1,971,239 [2]	17,725,187 [3]
Girard Trust Corn Exchange Bank	1,971,239 [2]	1,971,239 [2]
Resulting Bank		17,725,187 [3]

[1] The service area of the Head Office of The Philadelphia National Bank is considerably larger than the service area of the Bank as a whole. In order to account for 75% of the "IPC" deposits of the Head Office it is necessary to include the entire states of Pennsylvania, New Jersey, and Delaware. In the case of the Girard Trust Corn Exchange Bank, 75% of the "IPC" deposits are from within the City of Philadelphia and therefore the City alone is designated as the service area of the Head Office.

[2] Preliminary as of August 1960.

[3] Preliminary as of April 1960. Includes entire states of Pennsylvania, New Jersey, and Delaware.

Source: Census Bureau, Philadelphia Office.

Assign consecutive numbers and provide the following information with respect to the head office of the Charter Bank, Merging or Consolidating Bank, and each other commercial bank competing within the "service areas" of the Participating Banks.

Number	Name and Location of Bank	Total* Banking Offices	Estimated "IPC" Deposits and Loans of H. O. Service Area (Indicate D and L) (Thousands of Dollars) Deposits	Loans	Distance in Road Miles and Direction from Head Office of Applicant and Other Bank
1	Bank of Old York Road Old York Rd. & Easton Rd., Willow Grove, Pa.	3	$10,500	$ 6,249	N. 14 miles
4	Bridgeport National Bank Swedesford Rd., Bridgeport, Pa.	1	8,000	4,333	N.W. 15 miles
5	Broad Street Trust Co. Broad & Thompson Sts., Philadelphia	17	30,000	33,000	N. 1½ miles
22	Brown Brothers Harriman 1531 Walnut Street, Phila.	1	119,500	77,800	S.W. nominal
[fol. 5752]					
24	Bryn Mawr Trust Company Bryn Mawr & Lancaster Ave. Bryn Mawr, Pa.	3	$ 30,000	$ 15,300	N.W. 9 miles
26	Bucks County Bank & Trust Co. 7th & Chestnut Sts., Perkasie, Pa.	4	6,500	4,300	N.W. 29 miles
30	Central-Penn National Bank of Philadelphia N.W. cor. Broad & Walnut Sts. Philadelphia, Pa.	19	60,000	43,000	S. nominal
49	The Chalfont National Bank Route 202, Chalfont, Pa.	1	3,300	1,894	N.W. 23 miles
50	The Cheltenham National Bank 500 Central Avenue Cheltenham, Pa.	5	12,500	6,800	N.E. 8½ miles

55	Citizens & Southern Bank & Trust Company 1849 South Street, Phila., Pa.	2	2,800	1,900	S.W. 2½ miles
57	The Collegeville Natl. Bank Ridge & Germantown Pikes, Collegeville, Pa.	1	4,800	3,365	N.W. 22 miles
58	The Delaware County National Bank 4th & Market Sts., Chester, Pa.	8	39,700	22,500	S.W. 12½ miles
67	The Doylestown Natl. Bank & Trust Co. East Court St., Doylestown, Pa.	4	10,000	8,700	N.W. 25 miles
71	Doylestown Trust Company North Main St., Doylestown, Pa.	1	11,000	6,500	N.W. 25 miles
72	The Elkins Park Natl. Bank Harrison & Montgomery Aves. Elkins Park, Pa.	1	3,000	991	N.E. 9½ miles
73	Fidelity-Philadelphia Trust Co. Broad & Walnut Streets, Philadelphia, Pa.	27	197,000	145,000	S.E. nominal
100	First Natl. Bank of Riegelsville Riegelsville, Pa.	1	4,651	3,008	N.W. 44 miles

[fol. 5753]

101	First National Bank & Trust Co. (Newtown) Newtown, Bucks County	1	$ 8,300	$ 3,126	N.E. 23 miles
102	The First Pennsylvania Banking & Trust Company S.E. cor. 15th & Chestnut Sts. Philadelphia, Pa.	41	282,000	263,000	W. nominal
142	Frankford Trust Company Unity & Frankford Ave. Philadelphia, Pa.	3	24,600	16,000	N.E. 7 miles
145	Girard Trust Corn Exchange Bank N.W. cor. Broad & Chestnut Sts. Philadelphia, Pa.	39	211,000	58,000	—

Number	Name and Location of Bank	Total* Banking Offices	Estimated "IPC" Deposits and Loans of H. O. Service Area (Indicate D and L) (Thousands of Dollars) Deposits	Loans	Distance in Road Miles and Direction from Head Office of Applicant and Other Bank
184	Harleysville Natl. Bk. & Trust Co. Main St., Harleysville, Pa.	2	5,000	2,562	N.W. 25 miles
186	Industrial Trust Company 1944 N. Front St., Phila., Pa.	10	9,500	8,000	N.E. 3 miles
196	Jenkintown Bank & Trust Co. York Rd. & West Ave. Jenkintown, Pa.	4	21,700	13,700	N. 10½ miles
200	Liberty Real Estate Bank & Trust Company N.E. cor. Broad & Arch Sts. Philadelphia, Pa.	10	36,000	28,000	N.E. ½ mile
210	The Marian Bank 4th & Fairmount Ave. Philadelphia, Pa.	1	900	195	N.E. 4½ miles
211	Montgomery County Bank & Trust Co. Main & Swedes Sts. Norristown, Pa.	11	43,200	24,900	N.W. 14½ miles
222	The Morrisville Bank 2 E. Bridge St., Morrisville, Pa.	2	10,000	6,142	N.E. 27 miles
[fol. 5754]					
224	National Bank of Chester County & Trust Company 17 N. High St., West Chester, Pa.	2**	$ 19,000	$ 9,340	W. 18½ miles
225	The National Bank of Royersford 3 Main St., Royersford, Pa.	1	4,500	1,414	N.W. 25½ miles
226	The National Bank of Schwenksville Main St., Schwenksville, Pa.	1	4,000	2,685	N.W. 26 miles

227	Peoples Natl. Bk. & Tr. Co. of Norristown Main & Swede Sts. Norristown, Pa.	8	12,000	12,000	N.W. 14½ miles
233	The Peoples National Bank of Soudertown 6 Main St., Soudertown, Pa.	1	3,600	2,371	N.W. 26 miles
234	Perkiomen National Bank Main St., East Greenville, Pa.	1	6,300	1,706	N.W. 38 miles
235	The Philadelphia Natl. Bank N.E. cor. Broad & Chestnut Sts. Philadelphia, Pa.	28	221,890	220,678	
263	Provident Tradesmens Bank & Trust Company S.W. cor. Broad & Chestnut Sts. Philadelphia, Pa.	20	70,000	55,000	S. nominal
283	Quakertown National Bank Broad & Third Sts. Quakertown, Pa.	1	7,700	4,516	N.W. 34 miles
285	Second Natl. Bank of Phila. 4356 Frankford Ave. Philadelphia, Pa.	5	21,275	14,200	N.W. 7 miles
289	The Security Trust Co. of Pottstown High & Hanover Sts. Pottstown, Pa.	2	$3,500	8,121	N.W. 32 miles
[fol. 5755]					
290	Sonsitaly Bank & Trust Co. Broad & Tasker Sts., Philadelphia, Pa.	1	$ 4,370	$ 1,717	S. 2 miles
291	The Solebury Natl. Bank of New Hope Bridge & Main Sts., New Hope, Pa.	1	5,100	2,932	N.W. 31 miles
292	Union Natl. Bank & Trust Co. 10 West Broad Street Souderton, Pa.	3	6,500	4,700	N.W. 26 miles

** Branch Office in Delaware County, Head Office in Chester County

Number	Name and Location of Bank	Total* Banking Offices	Estimated "IPC" Deposits and Loans of H. O. Service Area (Indicate D and L) (Thousands of Dollars) Deposits	Loans	Distance in Road Miles and Direction from Head Office of Applicant and Other Bank
		New Jersey			
295	Audubon National Bank Audubon, Camden County, New Jersey	1	9,800	4,408	S.E. 7¼ miles
296	The Bank of Levittown Levittown, Burlington County New Jersy	1	4,500	2,776	N.E. 17 miles
297	Bordentown Banking Co. Bordentown, Burlington County New Jersey	2	6,600	3,500	N.E. 28½ miles
298	The Broad Street National Bank 143-49 E. State Street Trenton, New Jersey	3	34,000	16,800	N.E. 32 miles
301	Burlington Bank & Trust Co. 324 High Street Burlington, N. J.	1	7,300	3,474	N.E. 19½ miles
302	Burlington County Trust Co. Moorestown, Burlington County New Jersey	3	18,500	9,182	N.E. 11 miles
305	Camden Trust Company Broadway & Market Streets Camden, New Jersey	11	72,800	70,600	E. 2 miles
316	Cinnaminson Bank & Trust Co. Riverton, Burlington County New Jersey	3	5,800	3,361	N.E. 9 miles
[fol. 5756]					
319	The Farmers & Mechanics Natl. Bank & Tr. Co. of Woodbury Woodbury, New Jersey	2	$ 9,000	$ 5,500	S. 10 miles

321	The Farmers Natl. Bk of Mullica Hill Mullica Hill, Gloucester County, New Jersey	1	2,000	1,371	S.W. 18 miles
322	The Farmers Trust Company 19 Mill Street Mount Holly, New Jersey	1	4,700	1,755	N.E. 20½ miles
323	First Camden Natl. Bk & Trust Company Broadway, Cooper & 6th Sts. Camden, New Jersey	8	59,000	46,500	E. 2 miles
331	First Natl. Bk. & Trust Co. of Beverly Beverly, Burlington County New Jersey	1	4,400	2,618	N.E. 16 miles
332	First Natl. Bank of Bordentown Bordentown, Burlington County New Jersey	1	4,400	2,298	N.E. 28½ miles
333	First Natl. Bank of Collingswood West Collingswood, Camden County New Jersey	1	7,200	3,757	S.E. 5 miles
334	First Natl. Bank of Hamilton Square Hamilton Square Mercer County, New Jersey	2	8,500	4,527	N.E. 34½ miles
336	The First National Bank of Marlton, Marlton Burlington County, New Jersey	1	4,100	2,406	S.E. 14 miles
337	First National Bank of Paulsboro The Paulsboro, Gloucester County New Jersey	3	7,500	2,000	S.W. 13 miles
340	The First National Bank of Riverside Riverside, Burlington County, New Jersey	1	6,000	2,189	N.E. 13½ miles
[fol. 5757]					
341	First National Bank & Trust Co. of Roebling Main St. & 5th Avenue Roebling, New Jersey	1	$ 5,200	$ 2,282	N.E. 25 miles
342	First Natl. Bk. & Tr. Co. of Westville The Westville, Gloucester County New Jersey	2	6,500	3,400	S.E. 7½ miles

Number	Name and Location of Bank	Total* Banking Offices	Estimated "IPC" Deposits and Loans of H. O. Service Area (Indicate D and L) (Thousands of Dollars) Deposits	Loans	Distance in Road Miles and Direction from Head Office of Applicant and Other Bank
344	First National Bank & Trust Co. of Woodbury, The 2 S. Broad St., Woodbury, New Jersey	1	10,000	6,727	S. 10 miles
345	First Trenton Natl. Bank One West State Street Trenton, New Jersey	9	96,600	55,900	N.E. 32 miles
354	Haddonfield National Bank 110 Kings Highway East Haddonfield, New Jersey	3	17,500	8,130	S.E. 8 miles
357	Mechanics Natl. Bank of Burlington High & Broad Sts. Burlington County, New Jersey	4	9,500	6,500	N.E. 19½ miles
360	Merchantville Natl. Bank & Trust Company Merchantville, Camden County New Jersey	1	11,400	3,607	E. 6 miles
361	National Bank of Mantua, The Mantua, Gloucester County New Jersey	1	7,200	4,602	S. 11½ miles
362	Peoples Natl. Bank of Laurel Springs Laurel Springs, Camden County New Jersey	3	5,000	3,800	S.E. 13 miles
365	Riverside Trust Company Riverside, Burlington County New Jersey	2	5,200	2,532	N.E. 13½ miles
[fol. 5758]					
367	The Security National Bank of Trenton Brunswick & Olden Avenue Trenton, New Jersey	1	$ 16,000	$ 9,694	N.E. 32 miles

368	Swedesboro Trust Company Swedesboro, Gloucester County New Jersey	1	4,900	1,690	S.E. 19½ miles
369	The Third Natl. Bank & Trust Company of Camden 27th & Westfield Ave. Camden, New Jersey	1	7,300	2,899	E. 2 miles
370	Trenton Trust Company 28 W. State Street Trenton, New Jersey	6	69,500	40,800	N.E. 32 miles
376	Union Natl. Bk & Tr. Co. of Mt. Holly Mt. Holly, Burlington County New Jersey	2	9,000	2,854	N.E. 20½ miles
378	Woodbury Trust Company 19 N. Broad Street Woodbury, New Jersey	2	4,600	3,271	S. 10 miles
380	The Yardville National Bank Yardville, Mercer County New Jersey	1	5,200	3,279	N.E. 32½ miles
		Delaware			
381	Bank of Delaware 9th & Market Streets Wilmington, Delaware	11	59,700	43,000	S.W. 26 miles
386	Colonial Trust Company 1901 W. 4th Street Wilmington, Delaware	3	4,000	2,500	S.W. 26 miles
387	Commercial Trust Comapny 8th & King Streets Wilmington, Delaware	1	2,500	1,674	S.W. 26 miles
388	Delaware Trust Company 9th & Market Streets Wilmington, Delaware	8	43,900	24,300	S.W. 26 miles

[fol. 5759]

	Farmers Bank of the State of Delaware Dover, Kent County** Delaware	14	-	-	S.W. 67 miles

Number	Name and Location of Bank	Total* Banking Offices	Estimated "IPC" Deposits and Loans of H. O. Service Area (Indicate D and L) (Thousands of Dollars) Deposits	Loans	Distance in Road Miles and Direction from Head Office of Applicant and Other Bank
397	Peoples Bank & Trust Company 1300 Market Street Wilmington, Delaware	1	$ 8,000	$ 4,130	S.W. 26 miles
398	Wilmington Trust Comapny 10th & Market Streets Wilmington, Delaware	14	191,400	116,800	S.W. 26 miles

Note: Only branches within the service area in New Castle County, Delaware, are assigned map code numbers and shown on the map. Some of these banks have branches throughout the State of Delaware, however, and these are included in the total number of offices column above.

* Includes offices approved—not open

[fol. 5760] Continue assignment of consecutive numbers and provide the following information with respect to each branch office of (a) Charter Bank and (b) Merging Bank, and (c) each branch office of each other commercial bank competing within the "service areas" of the participating banks.

Number	Name and Location of Branch	Estimated [1] Population Branch Serv. Area	Estimated "IPC" Deposits & Loans Br. Service Area (in thousands) Deposits	Loans	Road Miles and Direction from Nearest Listed Banking Office: Miles & Direction	Number
	Bank of Old York Road					
2	County Line & Old York Road, Horsham, Pa.	8,911	$ .300	$ —	3 S.E.	258
3	London Rd. & Old York Road, Abington, Pa.	55,872	200	—	1½ N.E.	1
	Broad St. Trust Company					
6	Broad & Market Sts., Phila., Pa.	1,971,341	18,000	18,000	Nom. S.E.	145
7	Broad & Fairmount Ave., Phila., Pa.	1,971,341	15,000	22,000	½ S.	6
8	Broad & Nedro Ave., Phila., Pa.	1,971,341	5,000	2,500	Nom. S.	187
9	Germantown Ave. & Gravers Lane, Phila., Pa.	1,971,341	5,000	2,500	⅔ N.W.	127
10	39th & Lancaster Ave., Phila., Pa.	1,971,341	2,000	1,000	¾ S.E.	121
11	7508 Haverford Ave., Phila., Pa.	1,971,341	5,000	1,500	⅓ N.W.	77
12	1715 S. Broad St., Phila., Pa.	1,971,331	—	—	Nom. N.	290
13	8th & Christian Sts., Phila., Pa.	1,971,341	2,000	1,000	½ N.E.	119
14	336 Market St., Phila., Pa.	1,971,341	300	200	⅓ S.W.	118
15	2200 Benj. Franklin Parkway, Phila., Pa.	1,971,341	100	—	¾ S.E.	31
16	Exeter & Willets Rd., Phila., Pa.	1,971,341	1,000	500	2 S.W.	112
17	6824-26 Bustleton Ave., Phila., Pa.	1,971,341	4,000	2,000	¾ S.W.	143
18	Chester Pike & Amos Land Rd., Norwood, Pa.	6,729	12,000	4,000	1 W.	20
19	25 Morton Ave., Morton, Pa.	2,200	3,000	1,500	1 S.E.	255
20	1006 Lincoln Ave., Prospect Park, Pa.	6,551	4,000	2,500	1 N.E.	18

[1] Approved—not open.

[fol. 5761]

Number	Name and Location of Branch	Estimated Population Branch Serv. Area	Estimated "IPC" Deposits & Loans Br. Service Area		Road Miles and Direction from Nearest Listed Banking Office	
			Deposits (in thousands)	Loans	Miles & Direction	Number
21	Easton Rd. & Glenside Ave., Glenside, Pa.	36,072	6,000	3,000	1 N. E.	54
	Bryn Mawr Trust Company					
23	38 West Avenue, Wayne, Pa.	6,216	1,000	500	½ E.	133
25	Station Rd. & Lancaster Ave., Haverford, Pa.	2,094	300	—	1½ N.W.	24
	Bucks Co. Bank & Tr. Co.					
27	3rd. W. Broad St. & Bethlehem Pike, Quakertown, Pa.	6,850	7,500	5,400	Nom. E.	275
28	Quakertown Shopping Plaza, Quakertown, Pa.	6,850	—	—	1 N.W.	283
29	Main Street, Dublin, Pa.	500	3,000	1,500	4½ S.W.	26
	Central-Penn National Bank					
31	1710 Arch Street, Phila., Pa.	1,971,341	8,000	6,000	Nom. S.E.	146
32	21 South 12th St., Phila., Pa.	1,971,341	7,000	5,500	Nom. S.W.	265
33	7th & Chesnut Sts., Phila., Pa.	1,971,341	30,000	24,000	Nom. N.E.	117
34	2nd & Pine Streets, Phila., Pa.	1,971,341	10,000	8,000	½ S.W.	119
35	58th & Baltimore Ave., Phila., Pa.	1,971,341	5,000	4,000	1¼ N.E.	123
36	60th & Lansdowne Ave., Phila., Pa.	1,971,341	5,000	4,000	½ S.W.	158
37	65th & Woodland Ave., Phila., Pa.	1,971,341	6,000	5,000	½ N.E.	124
38	Broad & Passyunk Ave., Phila., Pa.	1,971,341	10,000	8,000	½ N.W.	12
39	Broad & South Sts., Phila., Pa.	1,971,341	11,000	9,000	¼ W.	55
40	62nd & Lancaster Ave., Phila., Pa.	1,971,341	1,500	1,000	¾ S.W.	36
41	Broad St. & Glenwood Ave., Phila., Pa.	1,971,341	7,500	5,000	½ S.W.	106

[fol. 5762]

42	5th & Wyoming Ave., Phila., Pa.	1,971,341	$14,000	$11,000	¾ N.W.	270
43	118 S. Bellevue St., Langhorne, Pa.	1,980	5,500	4,000	2 S.E.	45
44	Bustleton Ave. & Doe's Lane, Feasterville, Pa.	12,680	4,000	3,000	1½ S.W.	288
45	U.S. Route #1 & Hulmeville Rd., Pendell, Pa.	2,260	3,000	2,000	1¼ N.E.	46
46	U.S. Route #1 & New Rodgers Rd., Levittown, Pa.	55,000	1,500	500	1¼ S.W.	45
47	State & Washington St., Newtown, Pa.	1,590	4,500	2,500	Nom. N.W.	101
48	Belmont & City Line Ave., Bala Cynwyd, Pa.	5,945	500	200	½ S.W.	98
	The Cheltenham National Bank					
51	74th & Cheltenham Ave., Cheltenham, Pa.	36,072	3,000	1,000	4/10 S.W.	163
52	Front & Cheltenham Ave., Cheltenham, Pa.	36,072	1,500	500	1¼ S.	82
53	Fox & Huntingdon Pike, Rockledge, Pa.	2,587	2,000	500	1½ S.E.	50
*54	Easton & Cross Roads, Abington, Pa.	55,872	—	—	1 S.W.	21
	Citizens & Southern Bank					
56	20th & Chestnut Sts., Phila., Pa.	1,971,341	1,000	300	¾ E.	75
	Delaware County Natl. Bank					
59	15th & W. 4th Street, Chester, Pa.	63,053	—	—	Nom. W.	93
60	Radio Park Lane & Middletown Road, Brookhaven, Pa.	5,250	1,000	200	2 S.W.	64
**61	2620 Edgemont Ave., Parkside, Pa.		1,000	100		
62	Prince and Powhatton Ave., Tinicum, Pa.	4,385	5,000	2,500	1¾ N.E.	20

[fol. 5763]

63	Baltimore Pike & South Ave., Media, Pa.	5,863	$ 1,500	$ 300	¼ N.E.	277
64	Village Green Shopping Center, Route 452, Aston, Pa.	10,606	300		2 N.E.	60
65	1444 Chester Pike, Sharon Hill, Pa.	7,062	4,000	300	1 S.W.	135
66	59th & Main St., Darby, Pa.	14,006	6,000	2,000	1¼ S.W.	65

* Approved not open.
** Recently closed.

Number	Name and Location of Branch	Estimated Population Branch Serv. Area	Estimated "IPC" Deposits & Loans Br. Service Area		Road Miles and Direction from Nearest Listed Banking Office	
			Deposits (in thousands)	Loans	Miles & Direction	Number
	Doylestown Natl. Bk. & Tr. Co.					
68	U.S. 611 & Route 313, Cross Keys, Pa.	5,800	1,000	500	1½ S.E.	71
69	Bristol Rd. & U.S. 611, Warrington, Pa.	4,500	700	300	4 S.E.	70
70	Street & York Road, Warminster, Pa.	13,500	300	—	2 S.W.	258
	Fidelity Phila. Trust Co.					
74	5th & Chesnut Sts., Phila., Pa.	1,971,341	25,00	15,000	Nom. E.	236
75	18th & Walnut Sts., Phila., Pa.	1,971,341	6,000	2,000	Nom. E.	22
76	Ogontz Ave. & Washington Lane, Phila., Pa.	1,971,341	3,500	1,000	½ N.W.	131
77	7636 City Line Ave., Phila., Pa.	1,971,341	5,000	1,000	⅓ S.E.	11
78	21st & Wharton Sts., Phila., Pa.	1,971,341	11,000	5,000	¾ E.	202
79	23rd & Snyder Ave., Phila., Pa.	1,971,341	3,500	1,000	½ S.	159
80	Magee Ave. & Roosevelt Blvd., Phila., Pa.	1,971,341	3,500	1,500	½ N.W.	17
81	Phila. International Airport, Phila., Pa.	1,971,341	300	—	2¾ N.W.	65
82	5th & Olney Ave., Phila., Pa.	1,971,341	13,000	6,000	Nom. S.E.	203
83	Welsh Rd. & Roosevelt Blvd., Phila., Pa.	1,971,341	300	100	¾ N.W.	144
84	Route 13 & Locust Ave., Andalusia, Pa.	24,800	1,000	500	¼ N.W.	207
[fol. 5764]						
85	244 Radcliffe St., Bristol, Pa.	13,150	$13,000	$ 8,000	Nom. N.W.	246
86	Route 13 & Clover Ave., Croydon, Pa.	65,000	3,000	2,000	3¼ N.W.	85
87	Fairless Hills Shopping Center, Fairless Hills, Pa.	65,000	4,000	2,500	1¾ S.W.	88
88	6902 Newportville-Fallsington Rd., Levittown, Pa.	65,000	3,000	2,000	1¾ N.E.	87
89	Baltimore Ave. & Ogden St., Clifton Hghts., Pa.	8,011	3,000	1,000	¾ S.W.	92
90	Lansdowne Ave. & Baltimore Ave., Lansdowne, Pa.	12,336	8,500	4,000	1 S.W.	89
91	48 W. Marshall Rd., Lansdowne, Pa.	12,336	500	—	¾ S.E.	90

92	220 W. Baltimore Ave., Clifton Hghts., Pa.	8,041	10,000	5,500	1/4 S.W.	175
93	5th & Market Sts., Chester, Pa.	63,053	5,000	2,500	Nom. W.	58
94	1930 W. 3rd St., Chester, Pa.	63,053	1,000	500	1 1/2 N.E.	93
95	10th & Market Sts., Marcus Hook, Pa.	3,165	2,000	1,000	Nom. N.W.	254
96	Swarthmore & Hinckley Ave., Ridley Park, Pa.	7,399	5,000	2,500	1 1/4 N.E.	20
97	McDade & Fairview Rd., Woodlyn, Pa.	35,280	200	—	1 1/4 S.W.	253
98	49 E. City Line Ave., Bala, Pa.	5,945	1,000	500	1/2 N.E.	48
99	Old York Rd. & Susquehanna Rds., Abington, Pa.	55,872	7,000	3,000	3/4 S.	199
First Penna. Bkg. & Tr. Co.						
103	Annex—S.E. Cor. 15th & Chestnut Sts., Phila., Pa.	1,971,341	(included with Main Office)		Nom. W.	102
104	Girard Ave. & Franklin St., Phila., Pa.	1,971,341	10,000	7,000	1/2 N.W.	5
105	Girard Ave. & Frankford Ave., Phila., Pa.	1,971,341	40,000	30,000	Nom. N.W.	189
106	1006 W. Lehigh Ave., Phila., Pa.	1,971,341	15,000	10,000	Nom. N.E.	154
107	6th & Erie Ave., Phila., Pa.	1,971,341	20,000	15,000	6 10 W.	155
[fol. 5765]						
108	Kensington & Allegheny Ave., Phila., Pa.	1,971,341	$15,000	$10,000	Nom. N.W.	240
109	5001 N. Broad St., Phila., Pa.	1,971,341	12,000	9,000	1/4 S.	270
110	6836 Torresdale Ave., Phila., Pa.	1,971,341	4,000	2,000	3/4 N.E.	111
111	7157 Frankford Ave., Phila., Pa.	1,971,341	7,000	3,000	1/8 N.E.	156
112	8001 Frankford Ave., Phila., Pa.	1,971,341	11,000	9,000	1/8 S.W.	156
113	6740 Germantown Ave., Phila., Pa.	1,971,341	7,000	5,000	1 1/4 S.E.	126
114	N.W. Cor. Ridge Ave. & Green Lane, Phila., Pa.	1,971,341	10,000	7,000	Nom. S.	115
115	N.E. Cor. Ridge Ave. & Green Lane, Phila., Pa.	1,971,341	—	—	Nom. N.	114
116	Reading Terminal, 12th & Market Sts., Phila., Pa.	1,971,341	2,000	—	Nom. S.	32
117	6th & Chestnut Sts., Phila., Pa.	1,971,341	20,000	15,000	Nom. S.W.	33
118	315 Chestnut St., Phila., Pa.	1,971,341	40,000	30,000	Nom. W.	266
119	5th & Bainbridge St., Phila., Pa.	1,971,341	10,000	7,000	1/8 N.E.	34
120	7th & Wolf Sts., Phila., Pa.	1,971,341	7,000	5,000	3/4 N.W.	38
121	32nd & Market Sts., Phila., Pa.	1,971,341	20,000	15,000	Nom. N.	244
122	45th & Walnut Sts., Phila., Pa.	1,971,341	12,000	8,000	3/4 S.W.	123
123	4826 Baltimore Avenue, Phila., Pa.	1,971,341	10,000	8,000	3/4 N.E.	122
124	6150 Woodland Ave., Phila., Pa.	1,971,341	3,000	2,000	1/2 S.W.	37
125	2490 N. 54th St., Phila., Pa.	1,971,341	12,000	9,000	1/2 N.E.	179

[fol. 5766]

Number	Name and Location of Branch	Estimated [1] Population Branch Serv. Area	Estimated "IPC" Deposits & Loans Br. Service Area		Road Miles and Direction from Nearest Listed Banking Office	
			Deposits (in thousands)	Loans	Miles & Direction	Number
126	16 W. Chelten Ave., Phila., Pa.	1,971,341	20,000	15,000	¼ S.W.	269
127	8527 Germantown Ave., Phila., Pa.	1,971,341	10,000	6,000	⅓ S.E.	9
128	Presidential Blvd. & City Line Ave., Phila., Pa.	1,971,341	1,000	—	½ S.W.	48
129	17th & Pennsylvania Blvd., Phila., Pa.	1,971,341	$ 3,000	$ 2,000	Nom. N.	146
130	Chelten & Wayne Aves., Phila., Pa.	1,971,341	1,000	—	¼ N.E.	269
131	2510 Cheltenham Ave., Phila., Pa.	1,971,341	1,500	—	⅓ S.E.	76
132	18 Garrett Road Upper Darby, Pa.	92,786	20,000	10,000	½ E.	168
133	Lancaster & Wayne Aves., Wayne, Pa.	21,580	12,000	6,000	½ E.	23
134	517 W. Lancaster Ave., Strafford, Pa.	21,580	3,000	1,000	½ S.E.	23
*135	MacDade Blvd. & Ashland Ave., Glenolden, Pa.	7,219	—	—	¾ N.E.	65
136	Radnor, Chester Rd. & Lancaster Pike, Radnor, Pa.	21,580	500	—	2 W.	133
137	Township Line & Sproul Rd., Springfield, Pa.	26,748	500	—	1¼ S.E.	279
138	7 E. Lancaster Road, Ardmore, Pa.	6,366	28,000	18,000	4/10 N.E.	256
139	Inbound Station, P.R.R., Ardmore, Pa.	6,366	—	—	3/10 N.E.	256
140	2560 Huntingdon Pike, Lower Moreland, Pa.	5,735	9,000	5,000	2½ N.E.	288
*141	202 Ridge Pike, Plymouth, Pa.	11,438	—	—	1 N.E.	229
*141A	Levittown Parkway & Bristol Pike, Levittown, Pa.	65,000	—	—	Nom. W.	247
Frankford Trust Company.						
143	Caster Ave. & Hellerman St., Phila.,Pa.	1,971,341	12,000	6,000	¾ N.E.	17
144	Welsh Rd. & Bustleton Ave., Phila., Pa.	1,971,341	8,000	4,000	¾ S.E.	83
[fol. 5767]						
Girard Trust Corn Exchange Bank						
146	17th St. & Penna. Blvd. Suburban Station Bldg., Phila., Pa.	1,971,341	(Included in Main Office)		Nom. S.	129

147	N.E. Cor. 3rd & Arch Sts., Phila., Pa.	1,971,341	28,400)	17,300)	1/8 S.W.	14
148	N.E. Cor. 2nd & Chestnut Sts., Phila., Pa.	1,971,341	"	"	1/8 W.	118
*149	N.E. Cor. Comly Rd. & Roosevelt Blvd., Phila., Pa.	1,971,341	—	—	1 1/2 N.W.	288
150	Kirkbride, Ash & Thompson Sts., Phila., Pa.	1,971,341	6,600	1,000	3/4 N.W.	157
151	S.W. Cor. Rising Sun & Cottman Ave., Phila., Pa.	1,971,341	9,700	2,300	1/2 S.W.	50
152	4700 Frankford Ave., Phila., Pa.	1,971,341	29,600	4,300	1/8 S.W.	142
153	5500 Germantown Ave., Phila., Pa.	1,971,341	30,200	18,600	Nom. N.	206
154	2721 Germantown Ave., Phila., Pa.	1,971,341	10,100	3,400	Nom. S.W.	106
155	3711-15 Germantown Ave., Phila., Pa.	1,971,341	15,900	5,400	Nom. N.	268
156	4010-12 E. Cottman Ave., Phila., Pa.	1,971,341	5,800	2,400	1/8 S.W.	111
157	N.W. Cor. Orthodox & Torresdale Ave., Phila., Pa.	1,971,341	(Included in No. 152)		1/8 W.	142
158	427-35 N. 63rd St., Phila., Pa.	1,971,341	4,400	2,000	1/2 N.E.	36
159	23rd, Passyunk & Ritner Sts., Phila., Pa.	1,971,341	4,800	1,400	1/3 N.	79
160	12th & Spring Garden Sts., Phila., Pa.	1,971,341	11,000	4,100	1/2 N.W.	7
161	Stenton Ave. & Washington Lane, Phila., Pa.	1,971,341	9,200	2,400	3/4 N.E.	163
162	2942 N. 22nd St., Phila., Pa.	1,971,341	7,500	4,100	3/4 S.E.	41
163	7179-81 Ogontz Ave., Phila., Pa.	1,971,341	(Included in No. 161)		1/3 N.W.	76
[fol. 5768]						
164	60th & Ludlow Sts., Phila., Pa.	1,971,341	14,000	3,900	5/8 N.W.	158
165	Torresdale Ave. & Howell St., Phila., Pa.	1,971,341	(Included in No. 152)		1 W.	204
166	6808-10 Market St., Upper Darby, Pa.	92,786	21,400	16,900	Nom. W.	251
167	P.T.C. Terminal, 69th & Market Sts., Upper Darby, Pa.	92,786	"	"	3/10 S.	166
168	Glendale Rd. & Ludlow St., Upper Darby, Pa.	92,786	"	"	Nom. N	166
169	West Chester Pike & Summit Ave., Broomall, Pa.	19,664	2,400	1,300	1-3/10 S.E.	173
170	4221 Ferne Blvd., Drexel Hill, Pa.	92,786	5,700	2,700	1 N.W.	176
171	1625 E. Darby Rd., Havertown, Pa.	53,896	4,900	2,500	1-2/10 S.W.	173
172	Lawrence Park Shopping Center, Broomall, Pa.	19,664	2,000	500	1-2/10 S.E.	137
173	Manoa Shopping Center, Havertown, Pa.	53,896	3,100	1,200	1-2/10 N.E.	171
174	3533 W. Chester Pike, Newtown Square, Pa.	9,210	2,400	1,100	2 1/2 S.E.	169
175	Penn Fruit Bldg., Pike & Oak Lane, Clifton Hgts., Pa.	92,786	1,500	1,800	1/3 N.E.	92
176	Pilgrim Gardens Shopping Center, Drexel Hill, Pa.	92,786	3,300	800	1 S.E.	170
177	712 1/2 Church Lane, Yeadon, Pa.	11,506	2,900	800	1-3/10 S.W.	66

*Approved—not open.

Number	Name and Location of Branch	Estimated Population Branch Serv. Area	Estimated "IPC" Deposits & Loans Br. Service Area (in thousands)		Road Miles and Direction from Nearest Listed Banking Office	
			Deposits	Loans	Miles & Direction	Number
178	Haverford & Essex Aves., Narberth, Pa.	5,101	9,000	5,200	¾ S.W.	180
179	1 Bala Avenue, Bala Cynwyd, Pa.	12,565	4,000	4,100	¼ N.E.	98
180	18 E. Wynnewood Rd., Wynnewood, Pa.	15,631	5,500	2,800	1 N.E.	178
181	Butler Ave. & Spring Garden Sts., Ambler, Pa.	6,750	7,000	2,900	Nom. W.	282
182	Bethlehem Pike & Wissahickon Ave., Flourtown, Pa.	13,800	2,800	1,300	1¾ S.E.	127
183	Fort Washington Industrial Park, Fort Washington, Pa.	5,100	2,100	900	2 N.W.	282
[fol. 5769]						
Harleysville National Bk. & Tr. Co.						
185	Skippack Pike, Skippack, Pa.	3,338	(included in Main Office)		4 S.W.	57
Industrial Trust Company						
187	Broad & Nedro Sts., Phila., Pa.	1,971,341	$ 5,000	$ 4,000	Nom. N.	8
188	Kensington and Huntingdon Aves., Phila., Pa.	1,971,341	5,000	4,000	¾ S.W.	239
189	136-38 W. Girard Ave., Phila., Pa.	1,971,341	1,000	200	Nom. S.E.	105
190	3173 Richmond Ave., Phila., Pa.	1,971,341	2,000	500	1 N.W.	108
191	1518 Walnut St., Phila., Pa.	1,971,341	8,000	5,000	Nom. N.W.	22
192	1015 Chestnut St., Phila., Pa.	1,971,341	500	—	Nom. W.	265
193	1620 Wadsworth Ave., Phila., Pa.	1,971,341	1,500	500	¾ S.E.	131
*194	Large & Cottman Sts., Phila., Pa.	1,971,341	—	—	Nom. S.	286
*195	140 Montgomery Ave., Bala, Pa.	5,945	—	—	¾ S.E.	125
Jenkintown Bank & Trust Company						
197	Reading Railroad Station, Jenkintown, Pa.	5,017	300	—	3/10 E.	196
198	Benson Apts., York Rd. & Twp. Line Rd., Jenkintown, Pa.	5,017	1,000	500	¾ N.E.	196
*199	Baederwood Shopping Center, York Rd., Abington, Pa.	55,872	—	—	½ N.	99

Liberty Real Estate Bk. & Tr. Co.						
201	15th & Sansom Sts., Phila., Pa.	1,971,341	30,000	25,000	Nom. N.	102
202	Broad & Federal Sts., Phila., Pa.	1,971,341	12,000	6,000	⅓ S.	290
[fol. 5770]						
203	417-19 Olney Ave., Phila., Pa.	1,971,341	6,000	3,000	Nom. N.W.	82
204	5119-25 Frankford Ave., Phila., Pa.	1,971,341	1,500	500	½ S.W.	152
205	Henry Ave. & Cathedral Rd., Phila., Pa.	1,971,341	500	—	1¾ N.E.	127
206	Germantown Ave. & School House Lane, Phila., Pa.	1,971,341	1,500	500	Nom. S.	153
*207	Knights & Woodhaven Rd., Phila., Pa.	1,971,341	—	—	3/10 S.E.	184
208	8344 Bustleton Ave., Phila., Pa.	1,971,241	500	—	¾ S.E.	245
209	49 S. 69th St., Upper Darby, Pa.	92,786	500	—	3/10 N.	166
Montgomery County Bk. & Tr. Co.						
212	510 W. Marshall St., Norristown, Pa.	38,827	—	—	½ S.E.	211
213	Main & Mill Sts., Norristown, Pa.	38,827	—	—	3/10 N.W.	227
214	Johnson Highway & Markley St., Norristown, Pa.	38,827	1,000	500	1-2/10 S.W.	228
215	5th & Broad Sts., Lansdale, Pa.	12,584	2,000	500	½ S.W.	259
216	Main & Broad Sts., Hatfield, Pa.	1,941	6,000	3,000	2 S.	215
217	114 N. Main St., North Wales, Pa.	3,670	6,000	2,000	3 N.W.	259
218	205 High St., Pottstown, Pa.	26,066	2,000	1,000	7/10 W.	261
219	High & Wilson Sts., Pottstown, Pa.	26,066	20,000	13,500	3/10 W.	289
220	West High St., Stowe, Pa.	3,477	1,500	500	1¾ S.E.	289
221	Valley Forge Shopping Center, King of Prussia, Pa.	16,924	300	—	1¼ N.E.	4
[fol. 5771]						
The Morrisville Bank						
223	Trenton & Pennsylvania Ave., Morrisville, Pa.	8,080	$ 2,000	$ 1,000	¾ S.	222
The Peoples Natl. Bank & Trust Co. of Norristown						
228	2743 DeKalb Pike, E. Norristown, Pa.	7,756	400	—	1-2/10 S.W.	214
229	Joshua Rd. & Germantown Pike, Whitemarsh, Pa.	12,274	2,000	1,000	1 S.W.	141
230	Egypt Rd. & Ridge Pike, W. Norristown, Pa.	8,312	1,500	1,000	1¼ N.W.	262

*Approved—not open.

Number	Name and Location of Branch	Estimated Population Branch Serv. Area	Estimated "IPC" Deposits & Loans Br. Service Area		Road Miles and Direction from Nearest Listed Banking Office	
			Deposits (in thousands)	Loans	Miles & Direction	Number
231	DeKalb Pike, King of Prussia, Pa.	16,924	1,900	—	1¾ N.E.	221
232	1 Main St., Pennsburg, Pa.	1,709	500	—	1 N.W.	234
The Philadelphia Natl. Bank						
236	421 Chestnut St., Phila., Pa.	1,971,341	70,852	51,861	Nom. W.	74
237	35 S. 9th St., Phila., Pa.	1,971,341	9,841	421	Nom. W.	192
238	3 Penn Center Plaza, Phila., Pa.	1,971,341	4,383	1,207	⅛ N.W.	146
239	Front & Norris Sts., Phila., Pa.	1,971,341	11,298	2,860	Nom. S.	186
240	Allegheny & Kensington Aves., Phila., Pa.	1,971 341	16,644	7,246	Nom. S.E.	108
241	7th & Dauphin Sts., Phila., Pa.	1,971,341	7,532	1,335	½ N.W.	106
242	Front St. & Allegheny Ave., Phila., Pa.	1,971,341	7,472	1,335	¾ E.	240
243	Erie & Castor Aves., Phila., Pa.	1,971,341	17,798	6,293	½ S.W.	272
244	3131 Market St., Phila., Pa.	1,971,341	9,059	685	Nom. S.	121
245	8200 E. Roosevelt Blvd., Phila., Pa.	1,971,341	—	—	¾ N.W.	208
246	200 Radcliffe St., Bristol, Pa.	13,150	9,112	20,083	Nom. S.W.	85
247	Levittown Shopping Center, Levittown, Pa.	65,000	6,701	1,713	Nom. E.	141A
[fol. 5772]						
248	Midway Shopping Center, Levittown, Pa.	65,000	$ 1,472	$ 305	2¼ N.E.	88
249	689 Second St. Pike, Southampton, Pa.	7,930	4,191	1,283	4 S.E.	44
250	10 S. Main St., Yardley, Pa.	2,350	4,445	2,028	3¾ S.E.	223
251	6912 Market St., Upper Darby, Pa.	92,786	780	311	Nom. E.	166
252	5th & Market Sts., Chester, Pa.	63,053	23,944	10,779	¾ N.	253
253	11th & Madison Sts., Chester, Pa.	63,053	1,686	2,463	¾ S.	252

254	10th & Market Sts., Marcus Hook, Pa.	3,165	2,606	1,026	Nom. W.	95
*255	MacDade Blvd. & Kedron Rd., Ridley Township, Pa.	35,280	—	—	¾ S.E.	20
256	75 St. James Place, Suburban Square, Ardmore, Pa.	6,366	3,001	2,087	3/10 S.E.	139
257	Fayette St. at 5th Ave., Conshohocken, Pa.	10,235	16,871	13,261	2 N.W.	141
258	South York Rd., Hatboro, Pa.	7,307	11,236	5,510	2 N.E.	70
259	W. Main Street, Lansdale, Pa.	12,584	16,777	13,667	½ N.E.	215
260	110 W. Main St., Norristown, Pa.	38,287	13,381	9,682	¼ N.	212
261	401 High St., Pottstown, Pa.	26,066	11,132	9,976	7/10 W.	218
262-9	2773 Ridge Pike, Trooper, Pa.	9,904	35	—	1¼ S.E.	230
Provident Tradesmens Bk. & Tr. Co.						
264	17th & Chestnut Sts., Phila., Pa.	1,971,341	72,000	55,000	Nom. S.W.	75
265	12th & Chestnut Sts., Phila., Pa.	1,971,341	25,000	20,000	Nom. N.E.	32
266	4th & Chestnut Sts., Phila., Pa.	1,971,341	25,000	20,000	Nom. E.	118
267	6th & Spring Garden Sts., Phila., Pa.	1,971,341	30,000	20,000	¼ N.E.	210
268	3701 N. Broad St., Phila., Pa.	1,971,341	4,000	2,000	Nom. S.	155
[fol. 5773]						
269	150-154 W. Chelten Ave. Phila., Pa.	1,971,341	$15,000	$10,000	¼ S.	130
270	Broad & Louden St., Phila., Pa.	1,971,341	5,000	3,000	¼ N.	109
271	19 S. 52nd St., Phila., Pa.	1,971,341	18,000	10,000	¾ S.E.	122
272	Erie Ave. & "I" St., Phila., Pa.	1,971,341	4,000	2,000	½ N.E.	243
273	Juniper & Market Sts., Phila., Pa.	1,971,341	58,000	20,000	¼ N.W.	200
274	3301 S. Galloway St., Food Distribution Center, Phila., Pa.	1,971,341	1,000	500	¾ N.W.	120
275	224-8 W. Broad St., Quakertown, Pa.	6,850	6,000	4,000	Nom. S.W.	27
276	209 N. Main St., Sellersville, Pa.	2,500	2,000	1,000	1¼ N.E.	26
277	State St. & South Ave., Media, Pa.	5,863	24,000	15,000	¼ S.W.	63
278	Chester Rd. & Rutgers Ave., Swarthmore, Pa.	5,753	6,000	3,000	1½ S.E.	19
279	Saxer Ave. & Hart Lane, Springfield, Del. Co., Pa.	26,748	2,000	1,000	1¼ N.W.	137
280	Baltimore Pike & Beatty Rd., Nether Providence, Pa.	10,410	1,000	—	1¼ N.W.	63

*Approved—not open.

Number	Name and Location of Branch	Estimated Population Branch Serv. Area	Estimated "IPC" Deposits & Loans Br. Service Area		Road Miles and Direction from Nearest Listed Banking Office	
			Deposits (in thousands)	Loans	Miles & Direction	Number
*281	Baltimore Pike & War Admiral Lane, Lima, Pa.	12,002	—	—	2½ N.E.	63
282	Butler Ave. & Main St., Ambler, Pa.	6,750	5,000	3,000	Nom. S.E.	181
	Second National Bank of Philadelphia					
284	3314 Germantown Ave., Phila., Pa.	1,971,341	6,000	3,000	½ N.W.	155
286	2200 Cottman Ave., Phila., Pa.	1,971,341	4,000	2,000	Nom. N.E.	194
287	6705 Rising Sun Ave., Phila., Pa.	1,971,341	1,000	500	¾ N.E.	151
288	11830 Bustleton Ave., Phila., Pa.	1,971,341	1,000	300	2½ S.W.	140
	[fol. 5774]					
	Security Trust Co. of Pottstown					
289A	930 N. Charlotte St., Pottstown, Pa.	26,066	$ 500	$ —	½ N.E.	289
	Union National Bank & Trust Company of Soudertown					
293	Gravel Pike, Green Lane, Pa.	566	2,000	1,000	4 N.W.	232
294	Penn Avenue, Telford, Pa.	2,170	3,000	1,500	1¼ S.E.	292
	Bordentown Banking Company					
297A	Route No. 130 & Cemetary Lane, Bordentown Twp., N.J.	6,020	1,000	100	½ W.	297
	The Broad Street National Bank of Trenton					
299	Hamilton & Chestnut Aves., Trenton, N.J.	114,015	2,000	1,000	¼ E.	349
300	240 Hermitage at Artisan St., Trenton, N.J.	114,015	1,000	500	½ N.E.	374

Burlington County Trust Co.						
303	Maple Shade, N.J.	12,792	1,500	500	2½ W.	360
304	Masonville, N.J.	5,262	1,000	500	3 W.	302
Camden Trust Company (excluding branches not in service area)						
306	2614 Federal St., Camden, N.J.	115,363	5,000	3,000	Nom. N.	369
307	1219 Broadway, Camden, N.J.	115,363	15,000	7,000	Nom. N.	324
308	Church & Main Sts., Blackwood, N.J.	17,572	3,000	1,000	3 E.	363
309	765 Haddon Ave., Collingswood, N.J.	17,368	10,000	5,000	½ N.W.	333
310	Marlton Pike & Virginia Ave., Erlton, N.J.	31,065	2,000	1,000	¾ S.E.	356
311	500 Monmouth St., Gloucester City, N.J.	15,424	3,000	1,000	2 S.E.	313
312	Kings Highway E. and Chestnut St., Haddonfield, N.J.	13,122	10,000	4,000	Nom. W.	354
[fol. 5775]						
*313	205 N. Black Horse Pike, Mt. Ephraim, N.J.	5,444			1 S.E.	326
314	507 White Horse Pike, Oaklyn, N.J.	4,789	$ 8,000	$ 3,000	1 N.	309
*315	Clements Bridge Rd. & Lindsay Ave., Runnemede, N.J.	8,384	3,000	1,500	1½ N.W.	326
Cinnaminson Bank & Trust Co.						
317	Cinnaminson Twp., New Jersey	8,265	500		1½ N.W.	316
318	Palmyra, N.J.	7,008	1,000	50	1 N.E.	316
The Farmers & Mechanics National Bank of Woodbury						
320	6 West Avenue, Wenonah, New Jersey	2,099	1,000	501	1½ N.	379
First Camden National Bank & Trust Company (excluding branches not in service area)						
324	Broadway & Sycamore Sts., Camden, N.J.	115,363	10,000	5,000	Nom. S.	307
325	Broadway Terminal Bldg., Camden, N.J.	115,363	1,000		½ N.	305
326	Black Horse Pike & Browning Rd., Bellmawr, N.J.	11,846	2,000	500	1 S.E.	313

*Approved not open.

Number	Name and Location of Branch	Estimated Population Branch Serv. Area	Estimated "IPC" Deposits & Loans Br. Service Area		Road Miles and Direction from Nearest Listed Banking Office	
			Deposits (in thousands)	Loans (in thousands)	Miles & Direction	Number
**327	White Horse Pike, Talington Ave., Berlin, N.J.	—	—	—	—	—
328	Station & Atlantic Aves., Haddon Heights, N.J.	9,232	8,000	4,000	1 N.W.	295
329	Browning Rd. & Westfield Ave., Pennsauken, N.J.	33,869	5,500	2,500	1½ S.E.	360
330	223 Market St., Phila., Pa.	1,971,341	5,000	3,000	Nom. W.	14
[fol. 5776]						
	The First National Bank of Hamilton Square					
335	Mercerville, N.J.	64,819	—	—	1⅓ N.E.	334
	The First National Bank & Trust Company of Paulsboro					
338	Gibbstown, N.J.	4,060	$ 1,000	$ 500	3½ N.E.	337
339	West Deptford, N.J.	11,154	1,000	500	1¾ S.E.	344
	The First National Bank of Westville					
343	Delsea Drive & Cooper St., Deptford, N.J.	17,809	1,500	500	1 E.	342
	First Trenton National Bank (excluding branches not in service area)					
346	[North Warren St., Trenton, N.J.	114,015	—	—	Nom. S.W.	345
347	1119 S. Broad & Liberty Sts., Trenton, N.J.	114,015	6,000	3,000	½ W.	372
348	1488 Pennington Rd., at Olden Ave., Ewing, N.J.	26,606	5,000	3,000	1 S.	374
349	534 Hamilton Ave. at Chambers St., Trenton, N.J.	114,015	7,000	3,400	¼ N.	299
350	Pennington Traffic Circle, Hopewell Twp., N.J.	7,805	1,000	500	½ W.	352
351	Brunswick Circle, Lawrence, N.J.	13,620	1,500	500	½ S.W.	367

352	1 N. Main St. Pennington, N.J.	2,065	5,500	3,000	½ S.	350
353	1201 E. State St. at Olden Ave., Trenton, N.J.	114,015	2,500	1,000	2/3 S.W.	349
	Haddonfield National Bank					
355	315 Haddon Avenue, Haddonfield, N.J.	13,122	2,500	1,000	½ N.	354
356	Berlin & Evesham Rds., Haddonfield, N.J.	3,775	—	—	½ S.W.	309
[fol. 5727]						
	Mechanics National Bank of Burlington					
359A	Rt. 130, Burlington Twp., New Jersey	6,268	$ 1,000	$ 500	½ S.	366
358	Florence, Mansfield Twp., New Jersey	2,056	2,500	1,000	3 E.	359
359	Main & Atlantic Sts., Mansfield Twp., N.J.	2,056	500	—	3 W.	358
	Peoples National Bank of Laurel Springs					
363	Clementon, New Jersey	3,781	2,500	1,000	1 N.W.	362
364	Somerdale, New Jersey	4,807	2,000	1,000	2 S.E.	362
	Riverside Trust Company					
366	Levittown, New Jersey	11,796	500	—	½ S.W.	296
	Trenton Trust Company					
371	Broad & Market Sts., Trenton, New Jersey	114,015	7,000	4,000	¼ N.	298
372	Broad & Hudson Sts., Trenton, New Jersey	114,015	3,000	1,000	½ N.E.	299
373	100 S. Clinton Ave., Trenton, New Jersey	114,015	1,500	500	¼ S.E.	299
374	853 Prospect St., Trenton, New Jersey	114,105	8,000	3,000	½ S.W.	300
375	1564 Edgewood Ave., Trenton, New Jersey	114,105	2,000	1,000	¾ S.E.	300
	The Union National Bank & Trust Company at Mt. Holly					
377	Mt. Holly, New Jersey	13,260	4,000	1,500	1½ N.W.	322

**Not in service area.

Number	Name and Location of Branch	Estimated Population Branch Serv. Area	Estimated "IPC" Deposits & Loans Br. Service Area		Road Miles and Direction from Nearest Listed Banking Office	
			Deposits (in thousands)	Loans	Miles & Direction	Number
	Woodbury Trust Company					
379	Mantua & Cherry Sts., Woodbury Heights, N.J.	1,719	500	—	1½ N.W.	378
	Bank of Delaware (excluding branches not in service area)					
382	6th & Market Sts., Wilmington, Delaware	94,234	40,000	32,000	Nom. N.E.	387
383	2nd & Union Sts., Wilmington, Delaware	94,234	5,000	3,500	Nom. N.E.	386
[fol. 5778]						
384	Merchandise Mart, Marsh Rd., Wilmington, Del.	94,234	$ 5,000	$ 3,000	¾ N.W.	401
385	duPont Experimental Station, Wilmington, Del.	94,234	2,000	500	1¼ N.W.	403
	Colonial Trust Company					
386A	Maryland Ave. & Chandler St., Wilmington, Del.	94,234	1,000	300	½ N.E.	393
386B	901 Madison Ave., Wilmington, Delaware	94,234	700	100	¼ E.	382
	Delaware Trust Company (excluding branches not in service area)					
389	Fairfax, Wilmington, Delaware	94,234	2,500	1,000	1¾ S.W.	385
390	Penny Hill, Wilmington, Delaware	94,234	2,500	1,000	¾ S.W.	401
391	Price's Corner, Wilmington, Delaware	94,234	1,000	500	2¾ S.W.	383
392	Wilmington Manor, Wilmington, Delaware	94,234	2,000	1,000	4 N.W.	391
	****Farmers Bank of the State of Delaware (excluding branches not in service area)**					
393	3rd & Market Sts., Wilmington, Delaware	94,234	8,000	4,000	¼ N.	382
394	9th & Shipley Sts., Wilmington, Delaware	94,234	33,500	27,400	Nom. E.	399

395	30th & Market Sts., Wilmington, Delaware	94,234	2,000	1,000	½ N.E.	401
396	John Wanamaker Store, Wilmington, Delaware	94,234	2,000	1,000	1 S.E.	400
	Wilmington Trust Company (excluding branches not in service area)					
399	Shipley & 10th Sts., Wilmington, Delaware	94,234	13,000	10,000	Nom. W.	394
400	2420 Market St., Wilmington, Delaware	94,234	2,000	1,000	¼ S.E.	397
401	3605 Market St., Wilmington, Delaware	94,234	2,000	1,000	½ S.W.	395
[fol. 5779]						
402	Claymont, Delaware	6,000	$ 5,000	$ 2,000	4½ S.W.	390
403	Greenville, Delaware	3,500	2,000	1,000	1¼ S.E.	385

[1] In those cases where the estimated population of the branch service area is not available the population of the political subdivision in which the branch is located is given.

**Head Office not in service area.

[fol. 5780] If the Charter Bank or Merging or Consolidating Bank has pending applications for approval of branches, or has received authority to establish branches which are not yet open for business, furnish pertinent details. Such branches should be listed and assigned numbers continuing the sequence established in the foregoing schedules, and should be shown and appropriately identified on the map.

Branches Approved—Not Actually Open

The Philadelphia National Bank

255 Ridley Township Office (under construction)
MacDade Blvd. & Kedron Avenue
Folsom, Delaware County, Pa.
Date Approved: July 14, 1959. Expected Opening: December 1960.

245 Pennypack Circle Office (construction to start soon)
8200 E. Roosevelt Blvd.
Philadelphia, Pa.
Date Approved: May 5, 1959. Expected Opening: Spring 1961.

Relocation

249 Southampton Office—relocating approximately 300 feet East from old location on 2nd St. Pike to new location at 736 Street Road, Upper Southampton, Bucks County, Pa.

Girard Trust Corn Exchange Bank

149 Roosevelt Boulevard Office
Northeast corner Comly Road & Roosevelt Boulevard
Philadelphia, Pa.
Date Approved: September 25, 1959. Expected Opening: Late 1960.

[fol. 5781] List the assigned numbers of any branches of the participating banks, including branches approved or applied for, which it is planned to discontinue or abandon if the proposed transaction is effected, and furnish pertinent details.

The Philadelphia National Bank

251 Upper Darby Office
6912 Market Street
Upper Darby, Pa.

This small office of Philadelphia National was opened in July 1959. Deposits on June 30, 1960 were $78M and loans, $311M.

Its 900-odd customers can be fully serviced at the large and active branch of Girard (branch number 166) that is right next door, and which had been the Main Office of The Upper Darby National Bank prior to its merger with Girard-Corn.

Furthermore the map attached to this application indi-

cates that there are many choices of other banking institutions in the immediate vicinity, should any of these customers desire other banking connections.

Closing this office will not cause a real estate problem to the Resulting Bank since the space is rented rather than owned and the lease will terminate in May 1962.

[fol. 5782] State whether the service area or areas of the Resulting Bank will be predominantly agricultural, industrial, residential, or mixed, and describe the growth trend therein over the past ten years and the present economic outlook. (A concise general statement, rather than statistical data, is desired.)

As indicated on the map which accompanies this application, the service area of the Resulting Bank is comprised of Philadelphia, Bucks, Montgomery, and Delaware Counties in Pennsylvania; portions of Mercer, Burlington, Camden, Gloucester, and Salem counties in New Jersey; and a portion of New Castle County in Delaware. This area lies in the heart of "Delaware Valley," which is one of the most —if not the most—industrialized areas in the United States. It is not dependent upon a single or a few major industries, but enjoys an extremely high degree of diversity. In no other area would one find a more representative cross-section of the nation's durable and nondurable manufacturing and processing facilities. A roster of Delaware Valley manufacturing industries would include primary and fabricated metals, electrical machinery, textile, apparel, and leather, chemicals, petroleum, and many more. For example:

Amchem Products, Inc., Ambler, Pennsylvania.
G. & W. H. Corson, Inc., Plymouth Meeting, Pennsylvania.
N. Y. Shipbuilding Corp., Camden, New Jersey.
Sun Shipbuilding & Drydock Co., Chester, Pennsylvania.
James Lees & Sons Co., Bridgeport, Pennsylvania.
Campbell Soup Company, Camden, New Jersey.
E. I. duPont de Nemours, Wilmington, Delaware.
Scott Paper Company, Chester, Pennsylvania.
Keasby & Mattison Co., Ambler, Pennsylvania.
Lee Rubber & Tire Co., Conshohocken, Pennsylvania.

Industrial activity is fed and vitalized by the Port of the Delaware Valley which is the world's largest fresh-water port.

Complementing the industrial sector, the area is characterized by abundant, modern, wholesale and retail facilities. The $100,000,000 Food Distribution Center in South Philadelphia is an impressive example of the development of warehousing and distribution facilities. The many city department and specialty stores, as well as the suburban shopping centers, constitute an unexcelled outlet for consumer products.

[fol. 5783] The service area of the Resulting Bank must also be described as residential for it includes a large and expanding population. Philadelphia is of course the largest city, but Trenton, Camden, and Wilmington have populations in the vicinity of 100,000 each. Some of the suburban sections have been among the fastest growing in the nation. In the past ten years, for example, the population of Bucks County has increased some seven times the national average growth and that of Burlington County some four times the average. In regard to population it is noted that the service area has a diversified, highly skilled labor force, which is one of its richest resources.

Over the past ten years the economic trend in the area has been in the direction of sizable growth and expansion. Industrial enterprises have expended tremendous sums for new plants and equipment. In accommodation of these capital expansion programs we have witnessed the appearance and development of a relative newcomer to the industrial scene—the industrial park. Fort Washington Industrial Park, Pennsauken Industrial Park, King of Prussia Industrial Park and Valley Forge Industrial Park are among those which have met with considerable early success.

The outlook is for continued economic growth. It is estimated that in 1961 some $600,000,000 will be spent for new plants and equipment in Delaware Valley, which represents a sharp increase over 1960's total as estimated a year ago. Growth prospects are underscored by projects such as the following: General Electric will build a $14,000,000 research and development center for space technology; Alan Wood Steel has a $36,000,000 expansion program underway; Shell

Oil's Shell Chemical is planning a $20,000,000 resins and plastics plant; Scott Paper is building a $10,000,000 research center.

Despite the substantial expansion which has taken place, there is ample room for further development within the service area. In the September 1954 issue of *Fortune* magazine it was said, "The oldest industrial area in the U. S. has become the newest . . . the Delaware Valley is growing into one vast industrial complex." This is even truer today than it was six years ago, and we believe that the current evidence augurs well for significant growth in the years ahead.

[fol. 5784] Discuss the lending power and capacity of each of the participating banks in relation to the credit needs of its service area, and how the lending power and capacity of the Resulting Bank will relate to those needs.

The capital and surplus of the Philadelphia National Bank is presently $80 million, indicating a legal lending power or limit of $8 million to any one borrower. Girard Trust Corn Exchange Bank's capital and surplus is $60 million; hence, its legal limit is $6 million. Over the years both banks have recognized the necessity and importance of increasing the availability of credit to their larger borrowers, and in the case of the Philadelphia National, this limit has been increased from $5 million to $8 million since 1950. At the time of the Girard Trust-Corn Exchange merger in 1951, those combined banks had a lending limit of $3,800,000, which, as has been mentioned, has since been increased to $6 million.

Of the above increases in lending limits, in the case of Philadelphia National $1,144M came from additions to capital and surplus as a result of the various small mergers described previously under "Financial History and Condition" and $1,856M came from transfers from Undivided Profits. In the case of Girard Corn, $925M came from mergers, and $1,375M from transfers.

The customers of Philadelphia National and Girard Trust Corn Exchange include many corporations headquartered in their service areas whose borrowing requirements far exceed the limit of either of the banks individually and who for that reason obtain their credit needs in New York and other financial centers where there are larger banks. In

this respect, both banks compete actively with institutions particularly in New York City but also in other cities with banks having larger lending limits even though several of those cities are smaller than Philadelphia.

Philadelphia is the fourth largest industrial and commercial center, and many enterprises located here have grown very substantially over the past ten years. Each of the participating banks has, as far as possible, tried to keep pace with the growing requirements of its customers. Nevertheless, both have found it impossible to increase their lending power commensurate with the expanding credit needs of industry in the service area. On the basis of providing increased credit facilities to the larger customers [fol. 5785] of both banks, there will come back to Philadelphia—where they rightfully belong—balances now carried in banks in New York City and other financial centers. The proposed merger would represent a constructive step toward meeting the borrowing requirements of the larger customers of the two banks, since the Resulting Bank is to have a lending limit of $15 million.

[fol. 5786] Discuss the types of service which the Resulting Bank will offer which are not now offered by the participating banks in their respective areas, indicating the extent to which such services are offered by other commercial banks competing within such areas.

While many of the services offered by each participant are identical in nature there are certain benefits in merging which are based not so much on the character of the service provided, but on the amount and degree such services will be available.

The substantially higher legal lending limit of the resulting bank will permit a far larger portion of the needs of the customers in the combined service area to be met entirely on a local basis without recourse to banks in other large financial centers such as New York City and Pittsburgh. To the extent that local businesses no longer find it necessary to maintain distant accounts, more funds for the expansion of local industry will be made available.

The staff of the resulting bank will represent a greater store of combined experience, and will permit a degree of specialization which neither participant could support individually. Rapid technological advances and the continued

growth of new and existing industries in the Delaware Valley Area demand that the services rendered by its commercial banks be constantly improved and expanded. The specialization that the combined staff will supply will promote more rapid and effective solutions to problems of area industries.

A major factor contributing to the growth of the Delaware Valley area is its extremely active fresh water port. Both participants are very active in the fields of import and export financing, and have contributed in no small measure to the increasing importance of Philadelphia as an international port. With the talents of each participant combined, the effect cannot help but accelerate future port development and benefit area businessmen engaged in international trade.

Turning to more specific facilities which will be offered as new or expanded services, the field of trade promotion must be mentioned. The Charter Bank has a fully staffed Trade Promotion Department to aid exporters in locating foreign markets for their products. Additionally, this department is active in locating sources for imports of par- [fol. 5787] ticular products from abroad to meet local demands. Expansion of this service to each office of the Merging Bank will help to stimulate the interest of more local industries in foreign business.

The Charter Bank acts as syndicate head and dealer in handling tax-supported municipal bond issues, and is the only bank in Pennsylvania to do so.

Each participant offers a wide range of services to its correspondents, and as a result of the proposed merger a clearing house for handling the purchase and sale of "federal funds" for correspondents will be established.

The Charter Bank, along with two local competitors is a sponsor and stockholder in a local Small Business Investment Company. This facility will likewise be actively promoted in all offices of the Resulting Bank and will therefore benefit more local businesses in need of equity financing.

The automation equipment of each participant permits the processing of a large number of transactions and services for their customers. By combining these facilities more efficient use can be made of such equipment and a greater

volume of customer transactions will be able to be processed, and new services developed.

It has recently been made possible for correspondents to purchase participations in Charter Bank loans to finance companies as a means of employing temporarily idle funds. This facility will be made available to all correspondents of the Resulting Bank.

The Philadelphia International Investment Corporation (an Edge Act subsidiary) of the Charter Bank has not limited its activities to Charter Bank customers. However, the closer relationship with the Merging Bank's customers will provide a broader base for the encouragement of the development of private enterprise in foreign countries. This is the only Edge Act company in Pennsylvania, and one of six in the nation; four of which are located in New York City, and one in Boston.

As a result of the merger, the activity in handling sales and purchases of commercial paper for customers and correspondents will be substantially increased. A department will be established to handle purchases and sales of paper directly instead of going through Commercial Paper Brokers.

[fol. 5788] Discuss the past record of the applying banks with respect to their growth, awareness of their responsibilities to their communities, and alertness to provide needed service.

Growth.

The growth record of the Charter Bank and the Merging Bank for the ten-year period from December 31, 1949 to December 31, 1959 is shown on the attached table entitled Growth Record. It indicates in dollars and in percent the extent to which this growth has resulted from either mergers or from management's operating results.

For comparative purposes, there is also shown below the percentage growth results of deposits and loans of various groups of banks for the same ten-year period.

	Deposits	Loans
Charter Bank (a)	15 15%	203 84%
Merging Bank (a)	8 42	141 57
Combined Bank (a)	12 31%	173 23%
Commercial Banks in Philadelphia (b)	23 38%	158 65%
Member Banks in Third Federal Reserve District (c)	40 69%	171 18%
All Active Banks in United States and Possessions (d)	54 62%	173 76%

(a) Excludes deposits and loans acquired by merger, as of the date of merger—

Charter Bank—deposits $172,968M; loans $41,354M
Merging Bank—deposits $124,165M; loans $45,526M

(b) Excludes deposits and loans acquired by merger of banks in other counties, as of the last published dates—

Commercial Banks in Philadelphia—deposits $353,256M; loans $120,300M

[fol. 5789] (c) Member Banks in Third Federal Reserve District—information from publications of the Board of Governors of the Federal Reserve System—Member Bank Call Reports #114 for 12/31/49 and #154 for 12/31/59.

(d) All Active Banks in United States and Possessions—information from the 97th Annual Report of the Comptroller of the Currency.

From the foregoing it can be seen that neither participant has experienced the overall growth in deposits during the past decade which their competitors in Philadelphia, the Third Federal Reserve District or the nation have achieved. An important factor in this record is that large corporate customers continue to find it necessary to maintain deposits in other financial centers.

Despite the relatively smaller growth in deposits, each participant has, none the less, expanded it's loan portfolio in an effort to meet the needs of the communities.

Further examination of the attached table, previously referred to, shows that the gross earnings have increased 133.58% even though the Combined Bank's total assets have increased but 16.31%. The increased credit demand together with rising interest rates have been the major factors accountable for the increase in gross earnings.

Expenses have been held in good control despite rising costs of all types including interest paid, as well as increased salaries and employee benefits for the staff of the banks merged. The fact of good control is illustrated by an increase in Net Operating Earnings Before Tax of 139.12% compared to the net rise of 133.58% in gross earnings.

The Net Operating Earnings after applicable taxes increased 67.36%. The relative increase in applicable taxes was caused principally by the increase in the Federal Income Tax rate of 14% from 38% to 52% together with the

liquidation of tax-free securities to meet credit demands and maintain desired liquidity.

[fol. 5790] Growth in Capital and Reserve accounts has continued, and the maintenance of conservative accounting and dividend policies should assure further capital increases. However, the Reserve for Bad Debts is at the present permissible ceiling for each bank and therefore there will be little growth in this Reserve unless loans continue to rise or unless the U. S. Treasury formula is revised under which additions to the Reserve are calculated. The security and other reserves will depend upon future operations.

Awareness of Responsibility to Their Communities

Both participants have consistently displayed an awareness of their community responsibilities. In this connection the expansion of loan portfolios has already been mentioned, and this, of course, is strong evidence of meeting community responsibilities. Additionally, the Charter Bank has recently taken a leading role in organizing and investing in a privately owned and privately financed Small Business Investment Company.

They take major participations in loans to finance public organizations devoted to civic betterment or city redevelopment, such as Philadelphia's Food Distribution Center and the Philadelphia Industrial Development Corporation.

They assist the Commonwealth of Pennsylvania, the City of Philadelphia, and various local municipalities with their financing plans, advise public officials on the best means for the temporary investment of surplus public funds; and the Charter Bank makes markets for local municipal securities. Both banks take substantial positions in helping to underwrite new U. S. Treasury issues.

As part of their educational programs, they hold top-level economic forums for their customers and their officers and financially assist their staff with advanced education through evening schools, banking schools, and the AMA. They also help in locating and training future officers for correspondent banks.

They provide their customers with new ideas on products, processes, etc., and develop for them opportunities for diversification and growth through the purchase of new businesses.

As a matter of stated policy, both banks make their senior officers available for major positions in civic, charitable [fol. 5791] and professional organizations such as the following, and also encourage participation at lower levels throughout their organizations:

> United Fund, local Community Chests, hospitals, educational institutions.
>
> Greater Philadelphia Movement, Citizens' Council on City Planning, various Authorities for Redevelopment, Parking, or Housing, Chamber of Commerce, and all local regional and national Banking Associations.

Both banks contribute liberally to the United Fund and other charities.

Alertness to Provide Needed Services

The history of the applicant banks is one of banking innovations.

In commercial banking, they are providing account reconciliation service, lock boxes, and other types of services devised in recent years for the accommodation of large corporate customers.

The foreign departments of both banks are actively participating in joint commercial financing with the Export-Import Bank. In view of the growth of foreign trade nationally, and particularly at the local level, both banks have recognized the necessity of keeping well informed on world affairs. In this connection, they have expanded their foreign travelling programs and have reported their findings abroad both to their own officers and customers. Further, the Charter Bank has recently organized a subsidiary, Philadelphia International Investment Corporation under the "Edge Act" for making direct investments abroad.

Recognizing the importance of promoting thrift in the community, both banks have actively solicited savings accounts. The activities of the Merging Bank in this field date back to the 1930's. Additionally, special checking accounts have been made available to encourage the inexpensive and safe payment of funds by all members of the community. This service was first offered by the Merging Bank in 1938. The Merging Bank was the first in the Philadelphia area to offer unsecured personal loans repayable in monthly in-

stallments, and today each has a fully staffed Time Credit Department with a steadily increasing portfolio.

[fol. 5792] In 1953, the Merging Bank was one of the national leaders in introducing a "bank credit card" service to accommodate small business concerns and their customers. Shortly thereafter there was developed and offered an "executive loan" service which provides responsible creditworthy borrowers with fast and direct loan service.

When the new concept of a revolving or standby credit for individuals was developed each participant was quick to offer it to the community.

In its Consumer Credit function, each bank in addition to providing financing plans for almost all types of consumer goods, including mobile and prefabricated homes, has offered a plan for financing tuition costs. They are cooperating with 72 schools and colleges to enable parents to pay these bills in full at the start of each academic year, and then pay the loan in monthly instalments. Agreements generally cover the entire period to completion and appropriate life insurance is carried to assure schooling finances in case of death of the borrower.

The Resulting Bank has provided branch locations and will offer complete banking service throughout its systems.

Since 1949 the participating banks, together with banks previously merged, established 28 de novo offices (7 by Girard Corn, 2 by Ambler National, 2 by National of Narberth, 10 by Upper Darby National, 5 by Philadelphia National, 2 by Delaware Valley Bank and Trust Company, Bristol) and at this date have obtained approval for the establishment of three additional offices. The Main Office of the Charter Bank was moved to modern and larger quarters and five existing branches have been completely rebuilt and four more entire rebuilding projects are in progress. Substantial renovations and modernization was made in both the Charter Bank's and the Merging Bank's head offices and office buildings. Furthermore, the physical facilities of all offices have been modernized in keeping with present day demands for banking services. Most offices have been air-conditioned, and with few exceptions, adequate parking and/or drive-in facilities have been provided.

During the 1920's the Merging Bank organized one of the first Estate Planning Departments in the country. This

became a model for many banks throughout the nation. It introduced and developed an Investment Advisory Service and created the first common or diversified trust fund in Pennsylvania.

[fol. 5793] The Merging Bank has developed a service known as the Family Business Group which even today makes it one of the few banks in the country specializing in estate and trust service for owners of close corporations and other family businesses.

The Pension and Profit Sharing Division of the Merging Bank was the first in the City, and the Diversified Pension Fund, introduced in 1954, was one of the first in the nation. The Charter Bank is also active in providing pension and profit sharing services through its Trust Department.

The Profit Sharing Trust for employees, started in 1945, became a model for many banks and industrial concerns.

Specialized service for Correspondent Banks has been expanded in many ways by each participant, and the advent of expensive automation equipment makes it likely that a greater volume of such services will be performed for correspondents in the future.

In operations both banks continuously installed the most modern equipment to effect economies and to produce better records and faster service.

Punch card equipment has been utilized for many years and both banks are in the process of ordering the newest of electronic equipment, keeping pace with modern developments in order to provide the best service available.

Many systems have been improved or introduced to provide Management with the latest as well as better and more complete information. Such systems have been of great assistance in making proper decisions.

The philosophy of both banks has been and will continue to be dominated by recognition of their responsibility to meet fully the banking needs of the communities they serve. This responsibility requires that each not only keep abreast of public needs, but, in many cases, anticipate them by leading the way with new innovations and services.

Growth Record
(Dollars in Thousands)

	Deposits	Loans	Total Assets	Capital Accounts	Reserve Accounts	Gross Earnings	Net Earns. Before Tax	Net Oper. Earnings
12/31/49								
Girard	$ 215,939	$ 69,343	$ 237,125	$ 18,707	$ 3,204	$ 7,305	$ 2,499	$ 1,781
Corn	277,471	72,188	301,404	19,002	1,734	6,245	1,824	1,192
Total	493,410	141,531	538,529	37,709	4,938	13,550	4,323	2,973
PNB	674,513	146,406	743,289	61,071	10,382	12,088	6,435	4,928
Combined	$1,167,923	$287,937	$1,281,818	$ 98,780	$ 15,320	$ 25,638	$ 10,758	$ 7,901
12/31/59								
Girard-Corn	$ 659,135	$387,427	$ 753,044	$ 72,517	$ 9,392	$ 35,006	$ 13,835	$ 7,145
PNB	949,669	486,188	1,064,836	91,560	21,923	34,923	15,280	8,311
Combined	$1,608,804	$873,615	$1,817,880	$164,077	$ 31,315	$ 69,929	$ 29,115	$ 15,456
Increase during the ten year period 12/31/49 to 12/31/59								
Amount:								
Gross Increase								
Girard-Corn	$165,725	$245,896	$214,515	$ 34,808	$ 4,454	$ 21,456	$ 9,512	$ 4,172
PNB	275,156	339,782	321,547	30,489	11,541	22,835	8,845	3,383
Combined	$440,881	$585,678	$536,062	$ 65,297	$ 15,995	$ 44,291	$ 18,357	$ 7,555
Increase by Merged Banks								
Girard-Corn	$−124,165	$−45,526	$−137,193	$−11,448	$− 1,165	$− 4,833	$− 1,577	$− 1,042
PNB	−172,968	−41,354	−189,840	−15,878	− 724	− 5,212	− 1,814	− 1,191
Combined	$−297,133	$−86,880	$−327,033	$−27,326	$− 1,889	$−10,045	$− 3,391	$− 2,233

Increase—Net Proceeds Sale of Stock—Girard-Corn				$- 4,746				
Net Increase								
Girard-Corn	$ 41,560	$200,370	$ 77,322	$ 18,614	$ 3,289	$ 16,623	$ 7,935	$ 3,130
PNB	102,188	298,428	131,707	14,611	10,817	17,623	7,031	2,192
Combined	$143,748	$498,798	$209,029	$ 33,225	$ 14,106	$ 34,246	$ 14,966	$ 5,322

[fol. 5795]

Percentage:								
Gross Increase								
Girard-Corn	33.59%	173.74%	39.83%	92.31%	90.20%	158.35%	220.03%	140.33%
PNB	40.79	232.08	43.26	49.92	111.16	188.91	137.45	68.65
Combined	37.75%	203.40%	41.82%	66.10%	104.41%	172.76%	170.64%	95.62%
Increase by Merged Banks								
Girard-Corn	−25.17%	−32.17%	−25.48%	−30.36%	−23.59%	−35.67%	−36.48%	−35.05%
PNB	−25.64	−28.24	−25.54	−26.00	− 6.97	−43.12	−28.19	−24.17
Combined	−25.44%	−30.17%	−25.51%	−27.66%	−12.33%	−39.18%	−31.52%	−28.26%
Increase—Net Proceeds Sale of Stock—Girard-Corn				−12.59%				
Net Increase								
Girard-Corn	8.42%	141.57%	14.35%	49.36%	66.61%	122.68%	183.55%	105.28%
PNB	15.15	203.84	17.72	23.92	104.19	145.79	109.26	44.48
Combined	12.31%	173.23%	16.31%	33.63%	92.08%	133.58%	139.12%	67.36%

[fol. 5796] Other supporting information relative to the factor of convenience and needs of the communities served by the participating banks and to be served by the Resulting Bank is as follows:

None.

[fol. 5797] (6) Consistency of Corporate Powers of the Applying Banks with the Purposes of the Federal Deposit Insurance Act

(The corporate powers of all banks that would be required to file this application with the Comptroller of the Currency are consistent with the purposes of the Federal Deposit Insurance Act.)

The Corporate powers of the participating banks are consistent with the purposes of the Federal Deposit Insurance Act.

[fol. 5798] (7) Effect of Proposed Transaction on Competition

(Including any tendency toward monopoly)

Furnish herewith as part of this application the following exhibits:

Exhibit A—Schedules showing the total "IPC" deposits, both demand and time, and total loans and discounts of:

1. Charter Bank, Merging or Consolidating Bank, and each other commercial bank competing within the service area or areas of the Charter Bank;
2. Merging or Consolidating Bank, Charter Bank, and each other commercial bank competing within the service area or areas of the Merging or Consolidating Bank;
3. Resulting Bank and each other commercial bank competing within the service area or areas of the Resulting Bank;

and showing for each service area the percentages of "IPC" deposits and loans and discounts of each bank in relation to the aggregates for that particular service area.

[fol. 5798] EXHIBIT—A

	Estimated "IPC" Deposits	%	Loans	%
(1)				
Charter Bank	$ 483,581,000	10 58	$ 344,056,000	11 81
Merging Bank and All Other Banks	4,089,277,000	89 42	2,569,594,000	88 19
Total	$4,572,858,000	100 00	$2,913,650,000	100 00
(2)				
Merging Bank	$ 478,200,000	13 19	$ 177,400,000	7 62
Charter Bank and All Other Banks	3,146,328,000	86 81	2,151,048,000	92 38
Total	$3,624,528,000	100 00	$2,328,448,000	100 00
(3)				
Resulting Bank	$ 961,781,000	21 03	$ 521,456,000	17 90
All Other Banks	3,611,077,000	78 97	2,392,194,000	82 10
Total	$4,572,858,000	100 00	$2,913,650,000	100 00

See pages 43 to 71 for detailed figures.

EXHIBIT—B

[fol. 5799] Comment on the extent and intensity of competition in the service areas of the Charter Bank and Merging or Consolidating Bank provided by (a) mutual savings banks, (b) savings and loan associations, (c) industrial banks, and furnish a schedule showing the total withdrawable balances and total loans of each such institution operting an office or offices within the respective service areas.

The Charter Bank and the Merging Bank face intense competition in Philadelphia and the three adjacent counties, in which they have branch offices, from 4 large mutual savings banks, and from 421 Federal and State chartered Savings, Building and Loan Associations. Because this is the area of greatest competition, the tables below deal with it rather than with the full service area of the constituent banks. Further, there are no industrial banks within the area covered by the tables, and consequently such institutions are not considered under this Exhibit B.

Competition is provided by the Mutuals and the Savings and Loan Associations to a limited extent in the field of mortgages, and to a highly significant extent in the field of Time or Savings Deposits. The importance of this competition is shown by the record since December 31, 1950, which indicates that it is in the area of time or savings

deposits that the commercial banks must look primarily for deposit increases in the years ahead.

The existence of a large number of Mutuals and Savings and Loan Associations, some of them with multiple offices, means that individuals have a wide variety of choices open to them if they are seeking mortgage money, or if they are looking for a convenient place to lodge their savings dollars.

Figures on the various institutions as of December 31, 1959, are given on the tables attached to this Exhibit B, and are summarized as follows:

[fol. 5799]

	Number of		IPC Savings		Mortgages	
	Institutions	Offices	No. of Accts.	Dollars (Millions)	No. of Accts.	Dollars (Millions)
Charter Bank	1	26	87,557	97.7	3,869	$ 62.8
Merging Bank	1	38	117,640	114.0	2,198	19.4
Combined	1	64	205,197	$ 211.7	6,067	$ 82.2

[fol. 5800]

Competing Mutual Savings Bank and Savings and Loan Associations

Mutual Savings Banks						
Beneficial Mutual Svgs.	1	8	165,578	$ 212.6	N.A.	$ 115.3(a)
Phila. Saving Fund Society	1	18	856,699	1,058.4	N.A.	500.4(a)
Svg. Fund Society of Germantown	1	10	92,933	145.1	N.A.	73.9(a)
Western Saving Fund Society	1	16	300,585	384.2	N.A.	181.1(a)
Total	4	52	1,415,795	$1,800.3		$ 870.7(a)
Savings, Building and Loan Associations in 4-County Area						
Bucks	21	21	37,025	$ 62.9	9,675	$ 63.8
Delaware	33	33	89,535	118.2	17,462	117.6
Montgomery	44	44	112,766	176.6	25,144	181.9
Phiadelphia	323	331	551,683	900.2	177,685	927.8
Total	421	429	791,009	$1,257.9	229,966	$1,291.1
Total Mutuals and Savings and Loans	425	481	2,206,804	$3,058.2	N.A.	$2,161.8
Charter Bank and Merging Bank Combined as % of Mutuals & S & Ls	13.1%		9.3%		6.9%	3.8%

If the entire service area of the Resulting Bank were used, rather than just the 4-county area, the percentages quoted above would be somewhat smaller. The percentages would be even further reduced if the savings of other competing commercial banks and trust companies were considered.

(a) Includes other loans as well as mortgage loans.

[fol. 5801] The extent of competition provided by the Mutuals and Savings, Building and Loan Associations is further shown by their comparative growth trends since December 31, 1960:

IPC Savings Deposits—Millions

	Charter Bank (b)	Merging Bank (b)	Mutuals	Savings and Bldg. and Loan Assns.
12/31/50	$ 52.9	$ 81.2	$ 966.3	$ 432.0
51	53.2	81.7	1,022.3	476.5
52	56.5	83.6	1,098.2	546.0
53	59.3	83.1	1,162.8	629.9
54	84.2	89.0	1,238.2	736.9
55	68.4	86.7	1,347.9	842.3
56	67.3	87.3	1,453.5	943.7
57	73.6	90.4	1,557.7	1,023.9
58	103.6	111.7	1,701.0	1,144.2
59	97.7	114.0	1,800.3	1,257.9
% of increase 1959 over 1950	84.7%	39.1%	86.2%	191.2%

(b) Includes IPC Savings deposits of merged banks, prior to merger.

[fol. 5802]

Growth Trends Savings, Building and Loan Associations in 4-County Area

		Savings		Mortgages	
		No. of Accounts	Dollars (Millions)	No. of Accounts	Dollars (Millions)
1950	Bucks	N.A.	$ 15.9	N.A.	$ 17.0
	Delaware	N.A.	46.1	N.A.	50.5
	Montgomery	N.A.	50.7	N.A.	50.5
	Philadelphia	N.A.	319.3	N.A.	321.5
	Total	N.A.	$ 432.0	N.A.	$ 439.5
1955	Bucks	21,111	$ 36.4	7,810	$ 37.3
	Delaware	64,544	84.3	14,486	85.8
	Montgomery	72,785	107.3	18,795	107.0
	Philadelphia	415,703	614.3	150,540	624.8
	Total	574,143	$ 842.3	191,631	$ 854.9
1956	Bucks	26,118	$ 42.7	8,313	$ 43.8
	Delaware	70,075	92.9	15,392	94.9
	Montgomery	80,770	123.9	20,506	123.4
	Philadelphia	446,913	684.2	157,435	694.5
	Total	623,876	$ 943.7	201,646	$ 956.6
1957	Bucks	30,142	$ 48.5	8,773	$ 51.8
	Delaware	76,060	100.1	16,621	104.8
	Montgomery	92,939	137.3	22,187	146.4
	Philadelphia	490,410	738.0	164,011	750.9
	Total	689,551	$1,023.9	211,592	$1,053.9
1958	Bucks	32,774	$ 54.5	8,931	$ 54.2
	Delaware	79,515	107.2	16,263	102.6
	Montgomery	101,295	157.8	23,154	157.5
	Philadelphia	522,425	824.7	176,368	826.8
	Total	736,009	$1,144.2	224,716	$1,141.1
1959	Bucks	37,025	$ 62.9	9,675	$ 63.8
	Delaware	89,535	118.2	17,462	117.6
	Montgomery	112,766	176.6	25,144	181.9
	Philadelphia	551,683	900.2	177,685	927.8
	Total	791,009	$1,257.9	229,966	$1,291.1

Source: Statistical summary on Savings, Building and Loan Associations by Counties. Published by Penna. Savings and Loan League, Harrisburg, Pa., 1960.

[fol. 5803] Comment on the extent and intensity of competition in the service areas of the Charter Bank and Merging or Consolidating Bank provided by (a) insurance companies, (b) credit unions, (c) sales finance companies, (d) personal loan companies, (e) factors, (f) direct lending agencies of government, and (g) financial institutions located in financial centers outside such service areas.

EXHIBIT—C

Comments on the extent and intensity of competition provided by:

A. Insurance Companies

There are 416 insurance companies with offices in Philadelphia. More importantly, several very large companies such as Insurance Company of North America, The Penn Mutual Life Insurance Company and Provident Mutual Life Insurance Company have their home offices in the city. It is difficult to measure the competition that these institutions provide for commercial banks. In general they may be viewed as alternative sources of funds for corporate borrowings. This is particularly true of large loans by large corporations, which Philadelphia insurance companies, by virtue of their size, are able to provide. However, it is probable that actual competition by insurance companies is not significant. Long-term borrowings have tended to gravitate toward the insurance companies while commercial banks are more active in the field of short-term loans.

B. Credit Unions

There are 270 credit unions, both national-chartered and state-chartered, with a total membership of 200,000 in the Philadelphia area (excluding New Jersey and Delaware where figures are not available). There are no statistics on the dollar amount of savings invested in or loans granted by these institutions. In the loan and savings fields credit unions compete with commercial banks. Probably the severity of this competition is not great. It

is restricted to the needs of individuals with respect to savings and loans. Nevertheless, credit unions are a potential source of competition; the credit union yearbook has reported that while commercial banks throughout the country increased their assets 235% from 1940 through 1959, credit unions increased their assets 1533% during the same period.

[fol. 5804] C. Sales Finance Companies

In October, 1959 there were approximately 100 motor vehicle sales finance companies authorized to engage in business in the four Pennsylvania counties included within the resulting bank's service area. Equivalent statistics are not available for New Jersey or Delaware. The Pennsylvania figures do not include all sales finance companies, only those licensed under the state Motor Vehicle Sales Finance Act, although motor vehicle financing undoubtedly comprises the bulk of all sales financing business.

There are no published statistics on the dollar amount of sales financing business done by finance companies (motor vehicle or otherwise) as compared with the amount of such business done by commercial banks. If we assume that of the 52,634 new vehicle registrations in Philadelphia County alone in 1959, 65% were financed at an average amount of $2500, the total dollar amount of financing *in that year in that county alone* would exceed $85,000,000. On the same basis there would have been over $69,000,000 of new vehicle financing in 1959 in Delaware and Montgomery counties. It is believed that the major share of this business is probably handled by motor vehicle sales finance companies. Accordingly, the competition they furnish commercial banks in this field is active and substantial.

D. Personal Loan Companies

At the end of 1959 there were 313 licensed small loan companies and consumer discount companies

in the four counties of Pennsylvania included in the service area of the resulting bank. Similar information is not available for New Jersey and Delaware. All such companies in Pennsylvania had loans outstanding at the end of 1958 in the aggregate of $348,300,000, and it is estimated that the 313 licensees in the service area were responsible for about $87,100,000 of this total. Since the personal loan business of these companies is largely centered in the area in which each is located, and since the business they do is also done by commercial banks, the personal loan companies give active and important competition in the field of small loans to individuals.

[fol. 5805] E. Factors

There are at least a dozen factoring companies with main offices in the service area. While no statistics are published it is believed that their outstanding loans aggregate from $12,000,000 to $15,000,000. However, because of the nature of the risks their business does not compete significantly with the credit business of commercial banks.

F. Direct Lending Agencies of Government

The most active governmental agency is the Small Business Administration which is said to have in excess of $7,800,000 in loans outstanding to companies in the service area. The S.B.A., which has been operating for seven years, is rapidly increasing in significance as a credit enterprise with the recent spurt in the creation of Small Business Investment Companies licensed by the S.B.A. With the advent of significant tax advantages for S.B.I.C. investors, and the recent liberalization of restrictions on S.B.I.C. activity, the entire small business program of the government can be expected to grow in importance. However, the S.B.A. is not a significant competitor of commercial banks since it normally grants a loan only after the banks have declined to do so.

The activities of the Federal Home Housing Agency

are not competitive with commercial banks. The agency's principal function is to extend very long-term loans at unusually low interest rates to schools, colleges and the like.

It can be said in general about the types of institutions described in the above paragraphs that, in contrast to those covered by Exhibit B, the intensity of competition with commercial banks fluctuates widely and is generally relatively unimportant.

G. Financial Institutions Located Outside the Service Area.

The nature and extent of competition from commercial banks in New York, Pittsburgh and other cities has been discussed above under the "Basic Reasons" for the merger and is treated further in Exhibit K below. Philadelphia's size, the rate of [fol. 5806] its growth and its position as one of the largest industrial complexes in the world make it abundantly clear that its credit needs are enormous and are not being met adequately by its banks. Its industries are of the type that can and do look to other cities for a substantial part of their major financing needs. The large banks of those cities, notably New York, vigorously compete in this service area and successfully divert a significant part of the banking business of the area.

[fol. 5807] EXHIBIT—D

Comment on the extent to which the Charter Bank and Merging or Consolidating Bank have deposit accounts and loan accounts of the same individuals, partnerships, and corporations, and estimate as closely as possible the aggregate number and dollar amount of such accounts in each bank.

Mutual Accounts

Checking, Time, and Savings

Accounts in which the depositor maintains at least $10,000 balance in either one of the merging banks and also carries a balance with the other:

Number of Mutual Checking Accounts	392
Balances carried in The Philadelphia National Bank	$163,820,700
Balances carried in Girard Trust Corn Exchange Bank	101,782,700

Of the foregoing, 35 accounts, with balances of $57,631M in The Philadelphia National Bank and $36,309M in Girard Trust Corn Exchange Bank, are controlled from within the service area but are sufficiently large and diversified to require or desire banking service from outside the service area of the Resulting Bank, if their needs are not satisfactorily met within. Additionally, 84 of the accounts, with balances of $44,149M in The Philadelphia National Bank and $24,173M in Girard Trust Corn Exchange Bank, are controlled from outside the service areas of the participating and Resulting Banks, and consequently have a wide choice of major banking connections.

Number of Mutual Time Accounts	8
Balances carried in The Philadelphia National Bank	$1,149,400
Balances carried in Girard Trust Corn Exchange Bank	3,094,000
Number of Mutual Savings Accounts	36
Balances carried in The Philadelphia National Bank	736,400
Balances carried in Girard Trust Corn Exchange Bank	589,500

To obtain this same information on accounts with balances of less than $10,000 would have required examining more than 500,000 separate accounts. Aggregate deposit balances from these accounts is relatively small compared with the aggregate from the $10,000 and over category.

[fol. 5808] Loan Accounts

Number of Mutual Loan Accounts	67
Loans outstanding at The Philadelphia National Bank	$48,949,000
Loans outstanding at Girard Trust Corn Exchange Bank	43,399,000

Of the foregoing, 6 of the accounts, with loans of $9,714M at The Philadelphia National Bank and $7,531M at Girard Trust Corn Exchange Bank, are controlled from within the service area but are sufficiently large and diversified to require or desire banking service from outside the service area of the Resulting Bank, if their needs are not satisfactorily met within. Additionally, 16 of the accounts, with loans of $14,693M at The Philadelphia National Bank and $17,867M at Girard Trust Corn Exchange Bank, are controlled from outside the service areas of the participating

and Resulting Banks, and consequently have a wide choice of major banking connections.

[fol. 5809] EXHIBIT—E

Comment on the extent to which each of the applying banks has deposits and loans originating in the other's service area.

As shown by the map which accompanies this application, the service areas of The Philadelphia National Bank and Girard Trust Corn Exchange Bank overlap to a considerable extent *when the service areas are considered in terms of their outer perimeters.* It would appear to follow, therefore, that each has a sizable portion of deposits and loans originating in the other's service area.

When, however, one looks within the outer perimeter of the service areas of the respective banks, it is noted that there is a remarkable geographic distribution of branch locations. This fact is set forth clearly by the map. In Bucks County, The Philadelphia National Bank has five branches, while Girard Trust Corn Exchange Bank has none. In Montgomery County, the branches of Philadelphia National and Girard are five miles or more distant from each other except for the Ardmore Office of Philadelphia National and the Narberth and Wynnewood Offices of Girard which are one or two miles from each other. In Delaware County, where Girard has twelve offices and Philadelphia National has five (including the one approved but not yet opened in Ridley Township), it is noteworthy that in only one instance do the two banks have branches located in the same immediate vicinity, namely, Upper Darby. As mentioned previously in this application, the Upper Darby Office of Philadelphia National will be closed. Elsewhere in Delaware County, the closest proximity of one bank to the other is about two miles, and even this distance is found only between the Clifton Heights Office of Girard and the Ridley Township Office of Philadelphia National. All other Delaware County Offices of the participating banks are five miles or more from each other.

In Philadelphia, as in the three contiguous counties, the branch offices of the two banks are well distributed. In only one case do they have branches within two blocks of each other, namely, the Penn Center Office of Philadelphia National and the Suburban Station Office of Girard, and

this is in the center city district where many banking offices are located. Outside the center city district, the branches of the two banks are largely found in different neighborhoods and they complement each other nicely.

In view of the wide geographic distribution of the branches, it follows that their service areas do not overlap to any significant extent, for the service area of a neighborhood branch typically lies in the near vicinity of the office. [fol. 5810] Thus, taking branch by branch, the applying banks do not have a major portion of loans and deposits originating in the other's service area.

The service areas of the Head Offices of the participating banks do overlap and consequently each would have a considerable number of deposits and loans originating in the other's service area. In many instances, however, the substantial depositors and borrowers within the Head Office service areas of both banks are large corporations whose scope of operations is regional and, in some cases, particularly for the Charter Bank, is national. Such companies often use banking facilities in more than one city and have more than one banking connection in a single city. Therefore, both participating banks are competing with other commercial banks in Philadelphia and in other cities, including New York City, for the business of these national and regional corporations, even though they may be located within the Head Office service areas of both participating banks.

[fol. 5811] EXHIBIT—F

Schedule showing the number and total dollar amount of loans originated during the preceding calendar year by (a) Charter Bank, and (b) Merging or Consolidating Bank, which were placed or shared with each other or with any other bank or banks, indicating the total dollar amount of such loans retained by the originating bank and comment on the reasons why such placements were made.

Charter Bank

$80,980,000—total amount of loans originated between 1/1/59 and 12/31/59 in which participations were given (there were 115 such loans).

34,632,000—amount of participations issued to others between 1/1/59 and 12/31/59 (number of participations issued—184).

46,348,000—amount of participated loans retained by Charter Bank.

When the legal limit of a correspondent is too small to meet the needs of its customers, the Charter Bank frequently makes the entire loan and issues a participation to the correspondent. Additionally, the loanable funds of correspondents not needed to meet the credit needs of their local communities are often invested in Charter Bank loans. Such investments are evidenced by participation certificates issued by the Charter Bank.

Merging Bank

There were no instances during 1959 in which, as to commercial loans, participations in the true sense were sold to any other bank or banks. The qualification is made because, although the Merging Bank has acted as agent bank in certain transactions, the other participants were also depositories of the borrower and each bank's share of the credit was pre-arranged.

With regard to collateral loans (brokers' and other loans secured by marketable collateral or cash surrender value of life insurance), participations outstanding to other banks in 1959 ranged from $3.7 million to $8.5 million and averaged $6.1 million. It would be difficult to fix the exact number of instances in which the Merging Bank requested another bank to take a participation as contrasted with those cases where the correspondents *asked* for the loans. Perhaps a 50-50 division would be a reasonable assumption. As of 8/31/60 sales of participations in collateral loans made by Girard Corn totaled $8,830,000.

The above information on participations does not reflect the frequent instances where corporations make direct arrangements with several banks when their credit requirements are in excess of the lending limit of either of the participating banks.

[fol. 5812] EXHIBIT—G

Schedule showing interest rates and service charges on loans and deposits of each of the participating banks and

the proposed interest rates and service charges proposed for the Resulting Bank in relation to such rates and charges of other competing commercial banks and financial institutions.

Service Charges

	Charter Bank	Merging Bank	Proposed for Resulting Bank
Special Checking			
Checks drawn	$ .10 when posted	$ .08 Sell .10 Checks	No change
Remarks: Present separate systems will be continued.			
Maintenance	.25 per month	.50 per month	.50
Returns—NSF or uncollected funds	2.00	2.00	2.00
Stop payments	.50	2.00	2.00
Certified checks	.25	.75	.75
Official checks	.35	.75	.75
Register checks	.20	.20	.20
Dep. items returned	.10	.30	.25
Additional statements	.25	1.00	1.00
Company and Personal			
Balances 0—$299		1.00	1.00
Remarks: 5 free items—$.05 for each additional item (cash and checks deposited, deposit tickets and checks drawn). No earnings credit and no float—high and low divided by 2 for average balance.			
Balances $300–$499		1.00	1.00
Remarks: 10 free items—$.05 for each additional item then follow procedure as above.			

[fol. 5813]

Personal Over $500 Analysis			
Maintenance	$ .75	$ .75	$ .75
Checks deposited	.03 first 2M items .015 over 2M items	.05 .03 Bal. $2,500 and over	.05
Checks drawn	.06	.05	.05
Deposit tickets	.10	.05	.10
Earnings Credit			
First 100M	1.50 per M	1.50 per M	1.50 per M
Over 100M	1.75 per M	1.50 per M	1.75 per M
Remarks: High and Low balance divided by 2 for average balance.			
Float	none	2 days	none
Company Over $500 Analysis			
Maintenance	$ .75	$ .75	$ .75
Checks deposited			
First 2M	.03	.05	.03
Over 2M	.015	.05 .03 Bal. over $2,500	.015
Checks drawn—under 1M	.06	.05	.06
Checks drawn—large volume	.03	.05	.03
Deposit tickets	.10	.05	.10
Earnings credit			
First 100M	1.50 per M	1.50 per M	1.50 per M

	Charter Bank	Merging Bank	Proposed for Resulting Bank
Remarks: Average collected balance—float 1½ days.			
Earnings Credit			
Over 100M	1.75 per M	1.50 per M	1.75 per M
[fol. 5814]			
Other Analysis Charges			
Non-sufficient funds	$2.00	$2.00	$3.00
Uncollected funds	2.00	2.00	3.00
Post dated	2.00	2.00	3.00
Overdrafts	1.00	2.00	3.00
Deposited checks retd.	.10	.30	.25
Certified checks	.25	.75	.75
Official checks	.35	.75	.75
Register checks	.20	.20	.20
Stop Payments	.50	2.00	2.00
Collections—Regular	1.00	1.00	1.00
Collections—L of C	1.50		1.50
Collections—Sec. Dfts.	2.00	1.75	2.00
Bulk currency deposited			3.00 per hour or 5¢ per minute—50¢ min.
Rolled Coin	.015 per roll	.02 per roll	.02 per roll — min. 20¢
Payrolls	.15 per 100 units	3.00 per hour	3.00 per hour or 5¢ per minute—50¢ min.
Wire transfers	.25	1.25 analysis plus 75¢ direct chg.	1.25 analysis plus direct chg. for out of pocket expense
Checks cashed	No set policy	.20	.20 plus item charge
Coupons per envelope	.15	.05	.15
[fol. 5815]			
Correspondent Banks			
Maintenance	$3.00	$2.00	$3.00
Checks drawn	.06	.05 and .04	.06
Checks drawn—large volume	.03	.03	.03
Checks deposited			
First 2M	.03	.015 less than 5M	.03
Over 2M	.015	.01 5M and over	.015
Cash letters	.10	.05 to .03	.10
Coupons per envelope	.15	.10	.15
Other charges			same as regular checking

Competition—Regular Checking

	Balance	Mainten. Charge	Checks Drawn	Checks Deposited	Deposit Ticket	Earn. Cr. Per $100
Bryn Mawr Trust Company	$ 0– 300	$1.00	Flat chg. permits 10 items—Addl. items $.05 each			
	300–Up	.50	.05	.03	none	.15
Jenkintown Bank & Trust Company	$ 0– 100	$1.00	Flat chg. permits 10 items—Addl. items $.04 each			
	100–Up	.50	.04	.04	.04	.20
Montgomery County Bank & Trust	$ 0–Up	.50	.04	.04	.04	.10
First Natl. Bank of Newtown	$ 0– 200	$1.00	Flat chg. permits 10 items—Addl. items $.05 each			
	$ 200–Up	.50	.05	none	none	.10
Union Bank Souderton	$ 0– 50	$ .50	Flat chg. permits 3 items—Addl. items $.05 each			
	50– 100	.50	Flat chg. permits 6 items—Addl. items $.05 each			
	100– 200	none	permits 4 items—Addl. items $.05 each			
	200– 300	none	permits 7 items—Addl. items $.05 each			
	300– 400	none	permits 10 items—Addl. items $.05 each			
	400– 500	none	permits 15 items—Addl. items $.05 each			
	500–Up	Special analysis				
Security Trust Pottstown	$ 0–200	$ .50	Flat chg. permits 4 items—Addl. items $.05 each			
	200– 300	none	permits 2 items—Addl. items $.05 each			
	300– 400	none	permits 5 items—Addl. items $.05 each			
	400– 500	none	permits 8 items—Addl. items $.05 each			
[fol. 5817]	500–Up	none	.05	.05	none	.10
Chalfont National Bank	$ 0– 50	$ .50	Flat chg. permits 5 checks			
	50– 100	.50	Flat chg. permits 8 checks			
	100– 200	.50	Flat chg. permits 15 checks			
	200–Up	No service charge				
Old York Road	$ 300–Up	No charge permits 20 items—additional items $.05 each Less 15¢ earn. cr. on each $100.00 of balance $400.00 or more				

Doylestown Natl.	$ 0–Up	$ .50	$ .05	none	none	$	.10
Doylestown Trust	$ 0–Up	$ .50	$ .05	none	none	$	.10
Liberty Real Estate	$ 0– 200	$ 1.00 Flat chg. permits 10 items—addl. items $.05 each					
	200– 300	$ 1.00 Flat chg. permits 15 items—addl. items $.05 each					
	300–1500	1 item for each $50 of balance—addl. items $.05 each					
	1500–Up	Special analysis					
Fidelity-Phila. Trust Company	$ 0– 100	$ 1.00 Flat chg. permits 5 items—addl. items $.05 each					
	100– 200	1.00 Flat chg. permits 10 items—addl. items $.05 each					
	200– 300	1.00 Flat chg. permits 15 items—addl. items $.05 each					
	300–1500	1 item for each $50 of balance—addl. items $.05 each					
Delaware County Natl. Bank	$ 0– 100	$ 1.00 Flat chg. permits 5 items—addl. items $.10 each					
	100– 200	1.00 Flat chg. permits 10 items—addl. items $.10 each					
	200– 300	Balance permits 10 items—addl. items $.10 each					
	300– 400	Balance permits 15 items—addl. items $.10 each					
	400– 500	Balance permits 20 items—addl. items $.10 each					
	500–Up	.40	.04	.02	none		.17

[fol. 5818]

Broad Street Trust Company	$ 0– 100	$ 1.00 Flat chg. permits 5 items—addl. items $.05 each					
	100– 200	1.00 Flat chg. permits 10 items—addl. items $.05 each					
	200– 300	1.00 Flat chg. permits 15 items—addl. items $.05 each					
	300–Up	.60	.04	.03	.03		.10
Central Penn Natl. Bank	$ 0– 100	$ 1.00 Flat chg. permits 5 items—addl. items $.05 each					
	100–Up	.50	.04	.03	.04		.10
First Pennsylvania Banking & Trust Co.	$ 0– 500	$ 1.25	.05	.03	.05		.15
	500–Up	1.00	.05	.03	.05		.15
Provident Tradesmens Bank & Trust	$ 0– 300	$ 1.00 Flat chg. permits 10 items—addl. items $.05 each					
	300– 500	1.00 Flat chg. permits 15 items—addl. items $.05 each					
	500–5000	.50	.05	.05	none		.10

[fol. 5819]

Interest Rates on Time Accounts and Savings Accounts

Due		Interest Rates—Charter Bank			
30 Day Accounts	"0"	1% less Reserve	1% Gross	—	
90 Day Accounts	1½% Gross	2% Gross	2½% less Reserve	2½ Gross	
180 Day Accounts	—	—	—	3% Gross	
Time Certificates	"0"	—	—	—	
Philabank Certificates (Mature 3 years from date of issue)	—	—	—	3%	
*Savings Accounts	—	—	—	3%	

*Note: Deposits on regular savings accounts received by fifth calendar day of the month are allowed interest for the full month.
Interest calculated on multiples of $1.00, where balance amounts to $5.00 or more, on a monthly basis.
No interest on withdrawals for the month of withdrawal. (Exception—small withdrawals made during last few days of December.)

Due		Interest Rates—Merging Bank		
On 30 days' notice	"0"	½% less Reserve	1% less Reserve	1%
On 90 days' notice	1½%	2%	2½% less Reserve	2½%
On 6 months' or 180 days' notice	—	—	—	3%
Certificates of Deposit	1%	—	—	3%
*Regular Savings Accounts	—	—	—	3%

*Deposits received by first business day of the month are allowed interest for the month of deposit.
Interest calculated on multiples of $10.00 on a monthly basis.
No interest on withdrawals for the month of withdrawal.
Penalty of an extra month's interest on withdrawals made without notice.

[fol. 5820]

With respect to interest rates paid on savings deposits, both participants are allowing the 3% maximum permitted by law. This rate is generally offered by other Philadelphia competitors with one notable exception which pays 1%. In suburban areas many competitors offer 3% on savings accounts but not so uniformly as do banks in Philadelphia. The rates paid by both participants on time deposits are the statutory maximums of 1%, 2½%, and 3%. Such rates are also offered by principal Philadelphia competitors. Time deposits are generally not an important factor in suburban banks, however, the rates paid would be closely related to those allowed on savings accounts.

[fol. 5821] Interest Rates on Loans

Charter Bank

Following is a brief outline of the maximum, minimum, and average rates received in the various lending phases.

Time Credit

The highest return received on consumer paper outstanding is 11.58%; the lowest 8.31%, and the average 9.95%. In the Dealer phase of Time Credit, the higest rate at present is 16.62%; the lowest 7.85%, and the average 12.23%. Over-all, Time Credit gives an average gross return of 9.95%.

Equipment Department

At present, the highest rate received is 7%, although there are certain non-accrued items with a gross return of 11.5%. The lowest rate is 3.5%, and the average for the department is 5.42%.

Mortgage Department

Highest rate on outstandings is 6%; lowest is 4%, and the average 5.07%.

Foreign Department

On documentary transactions the highest rate on outstandings is 6.500%, the lowest is 3.000%, and the average is 4.197%.

In addition, however, in the Foreign Department certain direct loans have been made and in these cases the present outstanding higest rate is 6.000%, the lowest rate 3.500% and the average 5.174%.

Average over-all for Foreign Department is 4.849%.

Commercial Loans

Present outstandings show that the highest rate on any one particular loan is 9%, the lowest rate 2.9%. Over-all the rate of return on all loans and discounts in the bank for the month of September—5.45%.

[fol. 5822] Merging Bank

An audit was recently completed as of 9/15/60 of all collateral and commercial loans (exclusive of consumer credit department outstandings) to determine the individual amounts outstanding in all rate brackets. This audit showed that the Merging Bank was operating under 39 separate interest rate schedules in the commercial categories and with 17 on collaterals. The rates individually ranged from a high of 8% to a low of 2¼%. In addition, there are some loans on the books which for one reason or another are not being accrued as to interest. In order to clarify the picture and bring it into an understandable focus, the average rate on all commercial loans at 8/31/60 was 5.18% and on collaterals 5.26%. In view of the fact that the "prime" rate was reduced by ½% (to 4½%) on 8/23/60, it is reasonable to expect these averages will trend downward for the remainder of this year.

In the Consumer Credit Department there are very many less individual rates but for reasons which need not be detailed here the spread is much greater. For example, in the commercial categories rates range from "prime" to $6 per $100 add on with an overall average figure of 6.23% at 8/31/60. On the regular consumer loans, which include both direct loans and contracts purchased from dealers, the range is from 5%/6% simple interest to $7/$8 per $100 add on. Here again the average rate as of 8/31/60 on all regular consumer loans was 9.06% simple interest.

Loans maintained as a separate entity in the Foreign Department averaged $19.8 million for the six months ended 6/30/60 and $19.9 million for the eight months to 8/31/60. As to rates, they range from "foreign prime" (bankers' acceptance rate plus 1/8% per month commission) to a maximum of 10½% simple interest. The average rate on total outstandings of $19.5 million at 8/31/60 was 5.28%.

Service Charges on Loans

Charter Bank

The policy regarding service charges on loans is exceedingly flexible in that, while the Charter Bank adopted some specific suggested charges, the lending officer is allowed considerable leeway and applies charges only when, in his

opinion, all contributing factors involving the borrower and the loan itself have been taken into consideration. In effect, service charges on loans are largely a matter of negotiation in each particular case, with the following schedules published for guidance:

[fol. 5823] 1. Accounts Receivable Loans

Policed Accounts—$ .50 per invoice Statement Basis Accounts—$4.00 per month.
Auditing Charges—$5.00 per man hour based on the actual time to conduct audit with a minimum of two audits per year. Customer is billed on a monthly basis for cost.

2. Assigned Contract Loans

$ .50 per invoice pledged.
6.50 per contract assigned.

3. Warehouse Receipt Loans

Where a handling charge cannot be included in the rate a service charge should be levied (no specific amount is stated).

4. Discount Notes

A minimum charge of $2.00 for each note discounted.

5. Commitment Fees

Generally speaking, commitment fees should not be less than ½ of 1% of the unused commitment, except where unusual circumstances warrant a lower rate or no rate at all.

Merging Bank

For the most part, the Bank collects service charges with respect to its loaning activities in only two areas: (1) commitment fees on unused portions of revolving credits where a fixed amount of funds is made available for a specific period of time, usually ¼% to ½%, and (2) fees for the handling of some of our assigned account loans. There

is no particular uniformity in these fees since they are tailored to the work involved in each individual case. The broad range is from ⅛% of the amount of the invoice pledged to a flat monthly fee of $1.25. In the eight months ended 8/31/60 the Bank collected $54,000 of fees on loans other than in the Consumer Credit Department, and of this total over $35,000 was commitment fees. In the Consumer Credit Department service charges normally take one of two forms: (1) reimbursement by the borrower of out-of-pocket costs, and (2) late charges. For the eight months ended 8/31/60 these aggregated $123,000.

[fol. 5824] Comments on Proposed Interest Rates and Service Charges on Loans.

It is planned to maintain schedules of interest rates and service charges on loans within the combined institution that are similar to those of the separate institutions at the present time. Since these interest rates are governed more by economic forces and regulatory ceilings outside the control of the participant banks rather than by competitive factors within the service area, such rates will subsequently move upwards or downwards depending upon the impact of these outside forces.

The rates of interest charged on loans and the service charges imposed by each of the participants and their competitor commercial banks could best be described as flexible reflecting highly developed competition. While charges for specific services, or rates on a given category of loans may vary from bank to bank, on balance they have a tendency to equalize because of competitive factors.

[fol. 5825] EXHIBIT—H

Comment on trust department activities of the Charter Bank and Merging or Consolidating Bank and compare the aggregate holdings, including the number of accounts, for each major type of fiduciary or agency appointment. (Indicate bases for assigning book carrying values.)

Personal Trusts

Number of Accounts			Market Values (Thousands of Dollars)	
Charter Bank	Merging Bank		Charter Bank	Merging Bank
129	236	Executor and Administrator	$ 26,700	$ 84,644
511	2,337	Trusts under Deeds	68,560	774,812
474	2,721	Trusts under Wills	34,700	572,391
95	378	Pension and Profit Sharing Trusts	28,200	107,908
329	248	Guardian	9,500	6,986
—	264	Funded Life Insurance Trusts		27,790
277	488	Cemetery Trusts	140	738
69	462	Investment Management A/Cs	14,800	166,032
147	621	Custodian	175,400	506,905
3	—	Consultation Accounts	2,700	—
536	—	Misc. Agency and Unfunded Accounts	600	—
2,570	7,755		$361,300	$2,248,206

Notes: *Philadelphia National*—Book values of assets received under a court award are assigned values as stated in the award. In other cases, where obtainable, book values represent tax costs. Where not obtainable, assets are valued at market on the date received by us. Assets such as new close corporations are sometimes carried at temporary value of one dollar pending determination of realistic value.

Girard-Corn—Book carrying value is determined by applying arbitrary control values viz., face value for bonds, unit of one per share for stocks, unpaid balances for mortgages, etc., which bears no direct relationship to actual market value. This control or book carrying value as of June 30, 1960 was $1,083,858,750.39.

[fol. 5826]

Corporate Trust

Types of Accounts	Number	
	Charter Bank	Merging Bank
Trustee—Mortgages	7	37
Collateral Trusts		3
Equipment Trusts	1	32
Debentures	6	15
Authorities	39	46
Liquidating Trust	1	
Fiscal Agencies	4	8
	58	141
Bonds Authorized—par value		
Charter Bank	$1,372,476,249	
Merging Bank		1,231,988,522
Bonds Outstanding—par value		
Charter Bank	$1,323,687,655	
Merging Bank		821,392,991
Bond and Coupon Paying Agencies		
Charter Bank	65	
Merging Bank	158	
Stock Transfer Agencies		
Charter Bank	26	
Merging Bank	57	

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CONTINUED FROM PAGE 2523

Registrar
Charter Bank 19
Merging Bank 52

Other Services: Subscription agent for issuance of rights and purchase of stocks on rights
Agent for issuance of stock dividends.
Agent for stock splits.
Redemption agent.
Exchange agent.
Distribution agent.
Liquidating agent.
Escrow agent.
Trustee or agent for Welfare Plans.

[fol. 5827] EXHIBIT—I

If five per cent or more of the stock of any bank including the participating banks is owned by any director or officer of the participating banks, or any pension or profit sharing trust established or administered by either bank, state the name of the owner, name and location of the bank, and the percentage of shares so owned.

No pension or profit sharing trusts established or administered by either bank holds 5% or more of the stock of any bank.

An amended schedule will be submitted at a later date after directors and officers have been contacted.

[fol. 5828] EXHIBIT—J

Statement as to whether the Charter Bank or Merging or Consolidating Bank is affiliated with or has a stock interest in any other bank, the stock of which is owned by a bank holding company as defined in the Bank Holding Company Act of 1956.

Neither the Charter Bank or the Merging Bank is affiliated with or has a stock interest in any other bank, the stock of which is owned by a bank holding company as defined in the Bank Holding Company Act of 1956.

[fol. 5829] EXHIBIT—K

Comment on the overall effect of the proposed transaction on the competitive situation, both with respect to commercial and trust business, in the service area or areas of the Resulting Bank, noting both favorable and unfavorable considerations, and comment on whether the field of competition

of the Resulting Bank will be local, regional, national or international.

The field of competition of the Resulting Bank will be local, regional, national, and even international. The most significant competitive effect of the merger will be to improve Philadelphia's position in the national (and international) competition among the large banks of the country's major metropolitan areas, particularly New York, Pittsburgh and sections in the eastern part of the country.

The National and International Field of Competition.

As has been stated previously in setting forth the "Basic Reasons" for the merger, Philadelphia is the fourth largest metropolitan area in the country (see Schedule 1 of Exhibit K). Economically it ranks fourth or fifth (Schedule 2). Its port is one of the largest in the country, and in the important category of import tonnage, it is the largest. In contrast, Philadelphia fares poorly in banking strength. Schedule 3 lists the twelve largest metropolitan areas in the country and details the size of the five largest banks in each area. If these same areas were ranked in the order of the size of the largest bank in each, Philadelphia would rank ninth (Schedule 3A). Five smaller cities have banks larger than Philadelphia's largest. Philadelphia's poor ranking is highlighted when the size of its lead bank is related to this area's economic base and compared with similar relationships in the other eleven areas. Schedules 4 and 4A show that on this basis Philadelphia ranks 10th or 11th out of the twelve in eight different categories.

The proposed merger will improve Philadelphia's position, bringing it closer to where it should be. Schedules 4 and 4A also show that after the merger the City will rank 7th or 8th in these same categories.

Furthermore, when the Resulting Bank is compared with the nation's other large banks, its creation can scarcely be said to have an adverse effect upon competition. In none of the banking fields in which competition is regional or [fol. 5830] national will its position be substantial. *International banking*, as a function of major U. S. banks, is one of these fields. The foreign departments of the Resulting Bank will have a position in this field that is not large when compared to the banks in New York, and modest in compari-

son to banks in smaller cities such as Boston and San Francisco, which compete for this business. Furthermore, the international services of the two participants differ: Philadelphia National's foreign business consists mostly of loans and letter of credit transactions while Girard's foreign business puts more emphasis on industrial loans. In this respect as in many others, the bank's services are complementary.

The competition for *corporate trust* business is also national as well as regional. The banks serve in a regional market when they act as fiscal agent for a state or a state authority, and on a regional or national basis as trustee of corporation bond issues, stock transfer agent, coupon paying agent and the like. Exhibit H sets forth the pertinent facts. Because relevant statistics from other banks are not readily available, an exact statistical comparison cannot be made. While the Resulting Bank's share of corporate trust business will remain nominal relative to the national picture the bank will be in a stronger position to compete with the large banks in New York and elsewhere.

In the important field of *loans to corporations*, comparative statistics with individual banks in other areas are not available. A basic purpose of this merger, however, is to bring Philadelphia's position in this field more nearly in line with other cities. The $15,000,000 lending limit of the Resulting Bank will still be below that of eleven other major banks, six of which are in New York City and in close competition.

Thus the proposed merger's effect will be a Resulting Bank that can compete more effectively in all fields of national competition.

The Local and Regional, or "Service Area" Field of Competition

The merger will not create a disproportionately large bank in Philadelphia. Schedule 5 lists the five largest banks in each of the same twelve cities as percentages of the total resources of the leading bank in each city. The figures for Philadelphia are pro-forma after giving effect to the proposed merger. In this statistical presentation of banking [fol. 5831] depth (relationship of size of competing banks to leading bank), Philadelphia is shown to have greater depth than Los Angeles, Detroit, Boston, San Francisco

and Pittsburgh, and about equal depth with Chicago, St. Louis, Cleveland, Washington, and Baltimore. Only in New York (not shown on the Schedule) will banking depth be greater. There is obviously a greater need for banking depth in that city, the country's major financial center.

That competition in banking services properly considered to be local or local-regional in scope will not be adversely affected by the merger is evident from a study of the various services discussed below.

Statistics as to the field of *personal trusts* appear in Exhibit H above. Philadelphia National's recent entry into this field, mentioned in the financial history of that bank, is apparent from the fact that the value of its trust assets is but one-seventh the value of the trust assets of Girard, which has specialized in trusts for many years. Schedule 6 is a table of the estimated values of trust assets of all Philadelphia commercial banks. It shows that Girard now has 24% of the total and that the Resulting Bank will have only 28%. The merger cannot have a material effect on competition in this field when it is noted that one other Philadelphia bank already accounts for 35% of this business. It should also be noted that these percentages would be less if this schedule were to include trust companies outside of Philadelphia but within the Resulting Bank's service area (e.g. in Wilmington, Camden, or Trenton) and trust companies outside the service area competing for the same trust business. Personal trust business is no longer a purely local activity; Girard has important trust accounts from as far away as Florida and the Middle West. Pension and profit-sharing trusts obviously have a regional or national aspect and the Philadelphia banks compete with New York, Chicago, and Cleveland banks, for example, for this type of business. To a lesser extent the same is true of investment management accounts. These considerations, which are not reflected in Schedule 6 because accurate figures are difficult to obtain, reduce to insignificance the effect of the merger on personal trusts.

A second important [illegible] of essentially local competition is *consumer credit*. Exhibit C shows the competition which commercial banks receive in this field from other kinds of institutions, such as credit unions, sales finance companies, and personal loan companies. Schedule 7 sets forth how the

share of this market held by Philadelphia's commercial banks is divided. Philadelphia National has 10%. Girard has 15%.

[fol. 5832] The aggregate 25% share of the Resulting Bank is to be compared with 34% held by its largest local competitor. Again it is to be noted that these figures do not include commercial banks outside Philadelphia even though within the service area, nor the large number of other institutions treated in Exhibit C.

A third field of local competition is *mortgage loans.* The share of this field which the Resulting Bank will have will be relatively insignificant. Exhibit B shows the extent to which commercial banks must compete with mutual savings banks and savings and loan associations. In addition, severe competition comes from mortgage service companies which arrange mortgage placement throughout the nation.

The fourth field in the local competitive picture is that of *"IPC" deposits.* Exhibit A shows that the Resulting Bank will have 21% of such deposits of commercial banks in the service area. An analysis of the effect of the merger on competition in this field must take into consideration that this field above all others is "local" in the strictest sense. The maps accompanying this application, showing all banking offices within the service areas of the Participating Banks, clearly indicate that the branches of the Charter Bank and the Merging Bank, with only one exception outside central city, are not in direct competition with one another. Each unto itself is in competition with a main office and/or a branch office of other Philadelphia or suburban banks. In other words the service area of the Resulting Bank is, for this purpose, composed of dozens of smaller service areas within which there will be no change in the competitive situation. In the business done by the branches of the merging banks, the proposed merger will have virtually no effect on competition. The Resulting Bank will have only 16.6% of all banking offices in its service area. On a geographical basis, the merger is a combination of adjacent services.

In the portion of "IPC" deposits represented by *savings accounts,* competition from other types of institutions is strongest. Exhibit B sets forth this competition. It shows that the Resulting Bank will have less than 7% as much in

savings deposits as the mutual savings banks and the savings and loan associations in the four county area. This percentage would be obviously less in relation to the whole "service area," and would be further reduced if comparable figures were included for all service area commercial banks. Indeed the largest banking institution in Philadelphia is a mutual savings bank. In the face of the dominant position of the area's mutual savings banks and savings and loan associations, the combination of the participating banks will not have a significant effect.

[fol. 5833] In the *demand deposit* category, The Philadelphia National Bank has 3,279 accounts with balances in excess of $10,000 and the Girard Trust Corn Exchange Bank 7,680 such accounts. In these groups there are only 392 common depositors, details are shown on Exhibit D. After the merger these relatively few depositors will continue to have a large choice of other banking institutions if they do not wish to confine their banking to a single account; one choice available is an institution larger than either of the merging banks.

In one important field, as underwriter and dealer in *municipal bond* financing, The Philadelphia National does a very substantial business. Girard does not participate in these activities. This is yet another illustration of the complementary nature of the operations of the constituent banks.

The merger will not adversely affect small banks in the local-regional community. Many such banks have grown throughout the 1950's more rapidly than either of the merging banks and more rapidly than Philadelphia's largest bank (adjusted for effect of mergers). Schedule 8 shows that the deposit growth of The Philadelphia National Bank, from December 31, 1949 to December 31, 1959, was *15.2%* and for the Girard Trust Corn Exchange Bank, *8.4%*. Comparing this record with that of a group of Philadelphia and suburban banks (selected as being most competitive with the Charter Bank and the Merging Bank and shown on Schedules 8A and 8B) discloses that in the suburban bank grouping the smallest increase during the ten-year period was *30.8%* and the greatest *190.3%*. In the selected Philadelphia banks the smallest growth was *37.1%* and the largest *65.2%* Looking at the deposit growth record for

the past five years, The Philadelphia National Bank gain was *5.1%* and the Girard Trust Corn Exchange Bank *1.6%*. This compares with a low of *9.4%* for the selected suburban banks and a high of *52.6%*, and for the Philadelphia banking group a low of *14.7%* and a high of *47.6%*. It was during this five-year period that a number of the Philadelphia banks established branches (either de-novo or through merger) in the suburbs. Of particular significance, the Charter Bank through merger in 1954 acquired branches in Chester and Norristown, Pennsylvania, and has thereafter been in direct competition with the Delaware County National Bank of Chester and the Peoples National Bank of Norristown. The deposit growth of these two independent banks was *44.8%* and *52.6%* respectively during the five-year period whereas the competing branches of the Charter Bank report increases of *10.7%* and *18.7%*. All of the foregoing figures have been adjusted to eliminate deposits acquired through mergers. Another interesting development has been that the Industrial Trust Company, [fol. 5834] a neighborhood bank in Northeast Philadelphia for many years, recently opened two branches in central city in direct competition with the main office and nearby branches of the major banks.

In summary, the competitive effect of the merger will be a beneficial one. Without dislocation of the local competitive picture, the ability to serve will be increased. The Resulting Bank will be a more effective agency in the national and international areas and will at the same time benefit the business community. In the broader view, banking business which should be, but is not, Philadelphia's can be recaptured and restored to it.

[fol. 5835]

SCHEDULE 1

Population, Twelve Largest Metropolitan Areas
(From "The Economic Almanac, 1960," pp. 6–8, quoting census figures)

City	Population 1959 (City Only)	Rank (1959)	1950 Population			Rank (1950)
			City Only	Outside	Total Met. Area	
New York	7,771,300	1	7,891,957	5,020,037	12,911,994	1
Chicago	3,851,100	2	3,620,962	1,874,402	5,495,364	2
Los Angeles	2,397,500	3	1,970,358	2,397,553	4,367,911	3
Philadelphia	2,207,200	4	2,071,605	1,599,443	3,671,948	4
Detroit	1,951,800	5	1,849,568	1,166,629	3,016,197	5
Boston	748,200	11	801,444	1,568,542	2,369,986	6
San Francisco	801,500	10	775,357	1,465,410	2,240,767	7
Pittsburgh	686,500	12	676,806	1,586,430	2,213,236	8
St. Louis	872,200	8	856,796	824,485	1,681,281	9
Cleveland	952,500	7	914,808	550,703	1,465,511	10
Washington	824,800	9	802,178	661,911	1,464,089	11
Baltimore	985,200	6	949,708	387,665	1,337,373	12

[fol. 5836]

SCHEDULE 2

Retail Sales and Manufacturing Data of Metropolitan Areas
(From "The Economic Almanac, 1960," pp. 126–7 & 194–5, quoting census figures)

Metro. Area	Retail Sales 1954 $MM		Average No. of Production Workers (1957) (in thousands)	Wages 1957 $MM	Value Added by Manufacture 1957 $MM
	Central City	Total Area			
New York and N.E. New Jersey	$ 9,965	$15,915	1,355	$ 5,194	$15,104
Chicago	5,020	7,539	753	3,495	9,948
Los Angeles, Long Beach	3,718	7,101	535	2,499	7,123
Philadelphia	2,462	4,315	421	1,759	4,791
Detroit	2,551	4,216	406	2,219	5,811
Boston	1,321	3,010	215	853	2,230
San Francisco, Oakland	1,758	3,020	135	636	2,067
Pittsburgh	907	2,271	249	1,282	3,293
St. Louis	1,161	2,063	195	835	2,477
Cleveland	1,364	1,967	224	1,126	2,859
Washington	1,212	2,024	(not available in "Economic Almanac 1960")		
Baltimore	1,237	1,558	151	655	1,869

[fol. 5837]

SCHEDULE 3

Size of Leading Banks (Excluding Holding Companies) in Major Metropolitan Areas, Dec. 31, 1959 (Millions)

	Loans	Assets	Deposits	Capital & Surplus	Total Capital Accts.
New York					
The Chase Manhattan Bank	$4,226.2	$ 8,471.9	$ 7,526.3	$ 567.9	$ 656.2
The First Nat'l City Bk. of NY	4,420.0	8,297.5	7,234.9	658.4	765.1
Chemical Bank N.Y. Tr. Co.	2,222.1	4,314.5	3,711.2	330.0	397.2
Morgan Guaranty Tr. Co.	2,259.9	4,109.8	3,363.0	425.0	517.7
Manufacturers Tr. Co.	1,409.3	3,440.0	3,045.5	200.8	230.8
Chicago					
The First Nat'l Bk. of Chicago	1,586.2	3,038.7	2,707.6	260.0	276.3
Continental Ill. Bk. & Tr. Co.	1,289.8	2,722.7	2,387.1	250.0	272.2
Harris Tr. & Savings Bk.	381.1	815.9	737.6	42.0	50.7
Northern Trust	318.3	756.6	705.9	32.5	37.5
American National Bk.	172.6	453.8	420.5	17.5	20.3
Los Angeles					
Bank of America NT & SA	6,599.7	11,669.4	10,625.0	500.0	625.4
Security First Nat'l Bk.	1,553.0	3,501.4	3,216.4	170.0	239.0
California Bank	636.6	1,316.5	1,196.0	55.0	71.8
Union Bank	289.3	607.1	543.1	36.0	41.8
Citizens National Bank	271.4	590.5	538.5	34.0	41.4
Philadelphia					
The Philadelphia Nat'l Bk.	486.2	1,093.8	978.6	80.0	91.6
Girard Trust Corn Ex. Bk.	387.4	763.0	668.7	55.0	72.5
The First Penna. Bkg. & Tr. Co.	593.6	1,221.0	1,075.7	77.0	92.0
Prov. Trades. Bk. & Tr. Co.	250.2	519.9	457.6	45.0	55.8
Fidel. Phila. Tr. Co.	239.7	470.4	420.6	35.0	40.5
Central Penn Nat'l Bk.	152.8	282.4	253.1	20.9	24.2
Detroit					
Nat'l Bk. of Detroit	775.1	1,977.2	1,785.8	130.0	155.9
The Detroit Bk. & Tr. Co.	422.0	982.1	891.8	63.4	74.2
Manufacturers Nat'l Bk.	361.6	849.9	781.0	41.0	55.2
Bank of the Commonwealth	132.5	354.0	324.9	16.0	21.1
The Michigan Bank	106.0	163.0	151.7	5.0	7.3

[fol. 5838]

Boston					
The First Nat'l Bk. of Boston	$ 960.8	$ 1,854.4	$ 1,606.9	$ 158.8	$ 185.1
Nat'l Shawmut Bank	240.7	482.6	432.1	35.0	40.0
State Street Bk. & Tr. Co.	203.7	412.6	362.4	35.3	41.0
Merchants Nat'l	127.1	259.0	231.0	20.3	22.6
Rockland-Atlas Nat'l Bk.	67.7	142.2	127.9	10.0	11.6
San Francisco					
Bank of America, NT & SA	6,599.7	11,669.4	10,625.0	500.0	625.4
Wells Fargo Bank	351.6	735.0	675.0	35.0	42.6
American Trust Co.	975.8	1,868.8	1,709.1	100.0	124.3
Combined—Pro-Forma	1,327.4	2,603.8	2,384.1	135.0	166.9
Crocker-Anglo Nat'l Bk.	971.6	1,831.5	1,656.7	106.1	125.3
First Western Bk. & Tr. Co.	571.9	1,151.8	1,062.4	60.0	71.7
The Bank of Calif. Nat'l Assn.	338.2	651.0	577.6	35.0	42.8

	Loans	Assets	Deposits	Capital & Surplus	Total Capital Accts.
Pittsburgh					
Mellon Nat'l Bk. & Tr. Co.	1,049.1	2,067.8	1,753.3	252.5	289.7
Pittsburgh Nat'l Bk.	437.8	982.5	877.5	81.0	89.2
The Union Nat'l Bk.	66.1	150.9	134.8	14.0	15.4
Commonwealth Tr. Co.	50.4	123.3	111.0	6.5	7.7
William Penn Bank of Commerce	4.8	14.2	13.1	1.5	1.7
St. Louis					
Mercantile Tr. Co.	307.9	663.3	571.0	48.0	59.8
First Nat'l Bk. in St. Louis	325.9	633.2	576.3	41.5	50.8
Boatmens Nat'l Bk.	86.4	223.4	203.2	13.0	17.6
Security-Mutual Bk. & Tr. Co.	42.0	98.2	84.3	5.8	7.4
Tower Grove Bk. & Tr. Co.	44.9	87.4	78.6	6.0	8.1
Cleveland					
The Cleveland Tr. Co.	826.9	1,457.5	1,332.1	100.0	116.2
The Nat'l City Bk. of Cleve.	364.4	823.5	744.4	60.0	66.7
Central Nat'l Bk. of Cleve.	289.3	614.8	559.9	40.0	43.4
Society Nat'l Bk. of Cleve.	222.4	421.1	386.5	30.0	31.0
Union Commerce Bk.	135.5	292.7	259.0	27.5	30.2

[fol. 5839]

Washington, D.C.					
Riggs Nat'l Bk.	$ 236.9	$ 539.6	$ 486.9	$ 26.0	$ 35.7
American Security & Tr. Co.	170.3	378.3	342.6	22.7	27.3
Nat'l Bk. of Wash., D.C.	118.1	286.4	257.0	21.3	23.9
Union Tr. Co. of the Dist. of Col.	62.4	128.2	115.4	7.0	8.8
Nat'l Svgs. & Tr. Co.	39.2	77.1	100.5	5.0	6.2
Baltimore					
Fidelity-Baltimore Nat'l Bk.	106.2	305.1	281.2	18.0	20.4
Maryland Tr. Co.	48.5	115.8	106.5	6.0	7.5
Combined--Pro Forma	154.7	420.9	387.7	24.0	27.9
First Nat'l Bk. of Balt.	104.5	314.3	345.6	22.0	26.4
Union Tr. Co.	109.7	253.0	229.9	16.0	18.2
Equitable Tr. Co.	76.1	197.5	180.3	10.0	11.1
Mercantile Safe Dep. & Tr. Co.	57.7	159.0	134.5	20.0	23.5

[fol. 5840]

SCHEDULE 3A

Comparative Rank of Leading Bank (excluding Holding Companies) in Major Metropolitan Areas, December 31, 1959

	Total Deposits (Millions)	Comparative Rank of Leading Bank In Relation to Leading Bank in Metropolitan Areas	Comparative Rank of Leading Bank National Ranking (Based on Deposits)
Los Angeles	$10,625.0 (a)	1	1
San Francisco	10,625.0 (a)	1	1
New York	9,526.3	3	2
Chicago	2,707.6	4	8
Detroit	1,785.8	5	11
Pittsburgh	1,753.3	6	12
Boston	1,606.9	7	16
Cleveland	1,332.1	8	18
Philadelphia	1,075.7	9	20
St. Louis	571.0	10	44
Washington, D.C.	486.9	11	51
Baltimore	387.7 (b)	12	75

Notes:—

(a) Represents Bank of America N.T. & S.A. Even if second largest bank in Los Angeles and San Francisco were used, here Philadelphia's largest bank would still rank 9th and 20th in terms of the two measures shown on this schedule.

(b) Pro-forma for Baltimore National Bank.

See also Schedules 4 and 4A, which rank these banks in relation to the relative size of the metropolitan areas that they serve.

[fol. 5841]

SCHEDULE 4

Total Deposits of Leading Bank in Each Major Metropolitan Area, 12/31/59 Related to Population and Retail Trade Statistics of Corresponding Metropolitan Areas

	Deposits per Person				Deposits per $1,000 of Retail Sales (1954)			
	1959 City Only	(Rank)	1950 Met. Area	(Rank)	Central Cities	(Rank)	Total Area	(Rank)
New York	$ 968.5	6	$ 582.9	7	$ 755.3	6	$ 472.9	5
Chicago	703.1	8	492.7	8	539.4	8	359.1	8
Los Angeles (a)	1,341.8	5	736.4	4	865.1	5	453.0	6
Philadelphia								
1959 Actual	487.4	11	293.0	11	436.9	10	249.3	10
(1959 pro-forma)	(746.3)	(8)	(448.6)	(8)	(669.1)	(8)	(381.8)	(8)
Detroit	915.0	7	592.1	6	700.0	7	423.6	7
Boston	2,147.7	3	678.6	5	1,216.4	3	533.9	4
San Francisco								
B. of A.	13,256.4	1	4,741.6	1	6,040.4	1	3,518.2	1
Wells Fargo (b)	2,974.5	–	1,064.0	–	1,355.4	–	789.4	–
Pittsburgh	2,554.0	2	792.2	3	1,933.1	2	772.0	2
St. Louis	654.7	9	339.6	9	491.8	9	276.8	9
Cleveland	1,398.5	4	909.0	2	976.6	4	677.2	3
Washington, D.C.	590.3	10	332.6	10	401.7	11	240.5	12
Baltimore (c)	393.5	12	289.9	12	313.4	12	248.8	11

(a) Excludes Bank of America. Based rather on figures for Security First National Bank.

(b) Pro-Forma, adjusted for merger with American Trust.

(c) Pro-Forma, adjusted for merger of Fidelity-Baltimore National Bank and Maryland Trust Co. into Baltimore National Bank.

[fol. 5842]

SCHEDULE 4A

Total Loans and Lending Limit of Leading Bank in Each Major Metropolitan Area, 12/31/59, Related to Manufacturing Wages and to Value Added by Manufacturers

	Loans per $1,000 of				Lending Limit per $1,000 of:			
	Manufacturing Wages (1957)	Rank	Value Added	Rank	Manufacturing Wages	Rank	Value Added	Rank
New York	$ 851.0	3	$ 292.6	4	$12.61	4	$4.34	4
Chicago	453.8	7	159.4	7	7.44	6	2.61	6
Los Angeles (a)	621.4	6	218.0	6	6.80	7	2.39	7
Philadelphia								
1959 Actual	241.1	10	121.4	10	4.38	10	1.57	10
(1959 Pro-Forma)	(497.2)	(7)	(178.8)	(7)	(7.11)	(7)	(2.56)	(7)
Detroit	349.3	9	133.4	8	5.85	8	2.23	8
Boston	1,126.4	2	430.9	2	18.62	3	7.12	3
San Francisco								
Bank of Amer.	10,376.9	1	3,192.9	1	78.62	1	24.19	1
Wells Fargo (b)	2,087.1	—	642.2	—	21.23	—	6.53	—
Pittsburgh	818.3	4	318.6	3	19.70	2	7.67	2
St. Louis	368.7	8	124.3	9	5.74	9	1.94	9
Cleveland	734.4	5	289.2	5	8.88	5	3.50	5
Washington, D.C.	not available							
Baltimore (c)	236.2	11	82.8	11	3.66	11	1.28	11

(a) Excludes Bank of America. Based rather on figures for Security First National Bank.
(b) Pro-Forma, adjusted for merger with American Trust.
(c) Pro-Forma, adjusted for merger of Fidelity-Baltimore National Bank and Maryland Trust Company into Baltimore National Bank.

[fol. 5843]

SCHEDULE 5

Relative Size of Leading Banks in Large Metropolitan Areas
(Excluding New York)

(The largest bank in each city in terms of total resources as of December 31, 1959 is given as 100% and the other banks in each city as a % of the leading bank.)

Philadelphia's figures are pro-forma after the proposed merger.

Areas where Philadelphia banking depth is greater

	Phila.	Los Ang.	Detroit	Boston	San Fran.	Pittsburgh
Leading Bank	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Second Bank	66.2	30.0	49.7	26.0	22.3 (a)	47.5
Third Bank	28.3	11.3	43.0	22.2	15.7	7.3
Fourth Bank	25.7	5.2	17.9	14.0	9.9	6.0
Fifth Bank	15.5	5.1	8.2	7.7	5.6	0.7

Areas where Philadelphia banking depth is about equal

	Phila.	Chicago	St. Louis	Cleveland	Washington	Baltimore
Leading Bank	100.0%	100.0%	100.0%	100.0%	100.0%	100.0% (b)
Second Bank	66.2	89.6	95.5	56.5	70.1	74.7
Third Bank	28.3	26.8	33.7	42.2	53.1	60.1
Fourth Bank	25.7	24.9	14.8	28.9	23.8	46.9
Fifth Bank	15.5	14.9	13.2	20.1	14.3	37.8

(a) Wells Fargo American Trust—Pro-Forma.
(b) Baltimore National Bank—Pro-Forma.

[fol. 5844] SCHEDULE 6

Aggregate Personal Trust Business of Philadelphia Commercial Banks as of December 31, 1959

Bank	Personal Trusts (Millions)	% of Total
First Pennsylvania Banking and Trust Company	$3,260	35%
Philadelphia National Bank	361	4
Girard Trust Corn Exchange Bank	2,240	24
Provident Tradesmens Bank and Trust Company	1,340	15
Fidelity-Philadelphia Trust Company	1,850	20
Central-Penn National Bank	77	1
Other Philadelphia Commercial Banks	70	1
Total	$9,198	100%

[fol. 5845] SCHEDULE 7

Aggregate Consumer Credit Business of Philadelphia Commercial Banks as of December 31, 1959

(Estimated Figures)

Bank	Consumer Credit (Millions)	% of Total
First Pennsylvania Banking and Trust Company	$180	34%
Philadelphia National Bank	54	10
Girard Trust Corn Exchange Bank	80	15
Provident Tradesmens Bank and Trust Company	70	13
Fidelity-Philadelphia Trust Company	25	5
Central-Penn National Bank	65	12
Other Philadelphia Commercial Banks	60	11
Total	$534	100%

[fol. 5846]

SCHEDULE 8

Deposit Growth Record
(In Millions)

Deposits	PNB	Girard-Corn	Combined Pro-Forma
12/31/49	$674.5	$493.4	$1,167.9
12/31/54	851.0	580.2	1,431.3
12/31/59	949.6	659.1	1,608.8
Increase for Ten Year Period 12/31/49 to 12/31/59			
Amount			
Gross Increase	$275.1	$165.7	$440.8
Increase by Merged Banks	−172.9	−124.2	−297.1
Net Increase	$102.2	$ 41.5	$143.7
Percentage			
Gross Increase	40.8%	33.6%	37.7%
Increase by Merged Banks	−25.6	−25.2	−25.4
Net Increase	15.2%	8.4%	12.3%
Increase for Five Year Period 12/31/54 to 12/31/59			
Amount			
Gross Increase	$ 98.6	$ 78.8	$177.4
Increase by Merged Banks	−55.4	−69.6	−125.1
Net Increase	$ 43.2	$ 9.2	$ 52.3
Percentage			
Gross Increase	11.6%	13.6%	12.4%
Increase by Merged Banks	− 6.5	−12.0	− 8.7
Net Increase	5.1%	1.6%	3.7%

[fol. 5847]

SCHEDULE 8A

Deposit Growth Record—Selected Philadelphia Banks
(In Millions)

	Second Natl.	Liberty Real Est.	Indust. Trust.	Frank-ford Tr.	Broad St. Tr.
Deposits					
12/31/49	$25.1	$67.4	$22.7	$31.8	$ 53.0
12/31/54	29.7	80.0	25.4	41.9	96.6
12/31/59	34.6	105.0	39.9	49.4	126.1
Increase for Ten Year Period 12/31/49 to 12/31/59					
Amount					
Gross Increase	$ 9.5	$37.6	$17.2	$17.6	$73.1
Increase by Merged Banks	—	—	−2.4	—	−53.4
Net Increase	$ 9.5	$37.6	$14.8	$17.6	$19.7
Percentage					
Gross Increase	37.8%	55.8%	75.8%	55.3%	137.9%
Increase by Merged Banks	—	—	−10.6	—	−100.8
Net Increase	37.8%	55.8%	65.2%	55.3%	37.1%
Increase for Five Year Period 12/31/54 to 12/31/59					
Amount					
Gross Increase	$ 4.9	$25.0	$14.5	$ 7.5	$29.5
Increase by Merged Banks	—	—	−2.4	—	−15.3
Net Increase	$ 4.9	$25.0	$12.1	$ 7.5	$14.2
Percentage					
Gross Increase	16.5%	31.3%	57.1%	17.9%	30.5%
Increase by Merged Banks	—	—	−9.5	—	−15.8
Net Increase	16.5%	31.3%	47.6%	17.9%	14.7%

[fol. 5848]

SCHEDULE 8B

Deposit Growth Record Selected Suburban Banks
(In Millions)

	Del. Co. Natl. Bk. Chester	Bryn Mawr Trust Co.	Peoples Natl. Bk. Norris.	Jenkintown Bk. & Tr.	Bk. of Old York Road
Deposits					
12/31/49	$33 0	$14 8	$ 7 2	$19 5	Est. 1952
12/31/54	43 3	31 9	13 7	21 0	3 0
12/31/59	62 7	34 9	20 9	25 5	11 1
Increase for Ten Year Period 12/31/49 to 12/31/59					
Amount					
Gross Increase	$29 7	$20 1	$13 7	$ 6 0	$11 1
Increase by Merged Banks		−7 4			—
Net Increase	$29 7	$12 7	$13 7	$ 6 0	$11 1
Percentage					
Gross Increase	90 0%	135 8%	190 3%	30 8%	—
Increase by Merged Banks		50 0			—
Net Increase	90 0%	85 8%	190 3%	30 8%	
Increase for Five Year Period 12/31/54 to 12/31/59					
Amount					
Gross Increase	$19 4	$ 3 0	$ 7 2	$ 4 5	$ 8 1
Increase by Merged Banks					—
Net Increase	$19 4	$ 3 0	$ 7 2	$ 4 5	$ 8 1
Percentage					
Gross Increase	44 8%	9 4%	52 6%	21 4%	—
Increase by Merged Banks					
Net Increase	44 8%	9 4%	52 6%	21 4%	

[fol. 5849]

Basis for proposed merger of
The Philadelphia National Bank and Girard Trust Corn Exchange Bank
(Charter Bank) (Merging Bank)

	Philadelphia National (Charter Bank)	Girard-Corn (Merging Bank)	Combined	Proposed for Resulting Bank
Source of Figures	Published Report (a)	Published Report (a)		
Date	June 30, 1960	June 30, 1960		
Total Deposits	$ 924,495M	$ 650,790M		$ 1,575,285M
Total Loans	523,612M	399,362M		922,974M
Total Fixed Assets	13,966M	12,255M		26,221M
Total Resources	1,064,335M	740,920M		1,805,255M
No. of Shares	2,647,812½	1,691,875		4,826,200
Par Value Per Share	$10.00	$10.00		$10.00
Last Sale Price and Dates	$43.75 (10/21/60)	$55.75 (10/21/60)		
Capital	$26,478,125	$16,918,750	$ 43,396,875	$ 48,262,000
Surplus	53,521,875	43,081,250	96,603,125	101,738,000
Undivided Profits	13,306,684	14,059,392	27,366,076	17,370,309
Res. for Conting.	—	—	—	—
Total	$93,306,684	$74,059,392	$167,366,076	$167,370,309(b)
% of Total	55.75006%	44.24994%	100%	
Net Adjustments: (Schedule Attached)	$19,731,542	$17,014,686	$ 36,746,228	
Estimated fair value of assets, over and above liability to creditors contributed by each bank	$113,038,226	$91,074,078	$204,112,304	
% of Total	55.38041%	44.61959%	100%	

Fair value per share before and after merger	Before $42.69		After $42.29	
Total swing in value	$−1,053,194	$+1,053,194		
Dilution per share	−0.40	+0.62		
Proposed allotment of stock				
No. of Shares	2,647,812½	2,178,289½	4,826,101½	
Agg. Par Value	$26,478,125	$21,782,891	$ 48,261,016	
% of Total	54.86442%	45.13558%	100%	
Ratios:				
Capital to Deposits	10.09%			10.62%
Capital to Risk Assets	14.83%			15.49%

(a) The published figures (6/30/60) for both the Charter Bank and the Merging Bank have been adjusted to the "Call Report" basis of reporting by deducting reciprocal bank balances of $21,812M and $7,387M respectively from Total Deposits and Total Resources. In addition thereto the figures for the Merging Bank have been further reduced by subtraction of its Loan Reserve of $9,265M from Total Loans and Total Resources.

(b) Includes the proceeds of sale of 98⅞ new shares, being issued to "round-out" the number of shares, at an estimated current market price of $43 per share. ($4,232.81).

[fol. 5850]

The Philadelphia National Bank
(Charter Bank)

Girard Trust Corn Exchange Bank
(Merging Bank)

Schedule showing adjustments to book values in determining the estimated fair value of excess assets, over and above liability to creditors, of each merging bank, in support of the proposed allotment of stock of the consolidated bank or receiving association to the respective groups of shareholders.

Adjustments: (a)	Philadelphia National (Charter Bank)	Girard-Corn (Merging Bank)	Combined
Additions:			
Reserve for Bad Debts	$17,929,820	$ 9,101,246	$27,031,066
Other Free Reserves—			
For Loans	363,089	164,331	527,420
For Securities	3,372,585	-0-	3,372,585
For Accrued Discount Net of Tax	-0-	896,415	896,415
Bond Appreciation			
Banking House	913,787	7,771,353	8,685,140
Furn. & Fixtures	194,257	814,904	1,009,161
Other Real Estate	—	—	—
Good Will	—	—	—
*Other:			
Total Additions	$22,773,538	$18,748,249	$41,521,787
Deductions:			
Accrued Taxes	$ —	$ —	$ —
Accrued Interest	—	—	—
Int. Coll.—Not Earned	—	—	—
Provisions for Dividends	—	—	—
Bond Depreciation—net of tax	—	—	—
Depr. on Bank House	2,123,462	1,625,097	3,748,559
Depr. Furn. & Fixtures	—	—	—
Est. Losses—Loans	—	—	—

Est. Losses—O.R.E.	—	—	—
Est. Losses—Other	—	—	—
*Other:			
Net Additional Cost of Funding Pension Plans	$ 918,534	$ 108,466	$ 1,027,000
Total Deductions	$ 3,041,996	$ 1,733,563	$ 4,775,559
Net Adjustments (b)	$19,731,542	$17,014,686	$36,746,228
Nonconforming Assets (Detailed list attached)	$ None	$ 539,583(a)	$ 539,583

Disposition to be made of nonconforming assets: *See memorandum attached.*

(a) Adjustment figures as of 6/30/60; Nonconforming Asset figures as of 9/30/60.

(b) In addition to the above itemized adjustments, numerous other items were reviewed. However, they generally off-set each other and therefore are not included in the statement of adjustments to determine fair value.

[fol. 5851]

Non-Conforming Assets

September 30, 1960

Stocks	Book Value
50 Shares Central Warehouse Corp.—Class "A" Stock 250 Shares Central Warehouse Corp.—Class "B" Stock	$ 1.00
4,257 Shares Philadelphia National Bank Capital Stock	44,839.03
7,122 Shares Commonwealth Land Title Insurance Co. Common	141,450.67
10 Shares Philadelphia Bourse	1.00
6,000 Shares Pennsylvania Railroad Company, Common	330,195.32
Total	$516,487.02

Mortgages owned

Premises—431 N. 10th Street, Philadelphia (Vacant Ground)	$ 1.00
Premises—1712 Buck Road, Feasterville, Pa.	13,681.49
Total	$ 13,682.49

Other Real Estate Owned

Premises—1/10 interest—5607-09-11-13 Germantown Ave. and 21-23 and 27 East Woodlawn St., Phila., Pa.	-0-
Premises—1268 Haddon Avenue, Camden, New Jersey	$ 1,004.43
Premises—111 Exeter Avenue, Margate City, New Jersey	897.00
Premises—7340-42 Theodore Street, Philadelphia, Pa.	7,512.27
Total	$ 9,413.70
Total Non-Conforming Assets	$539,583.21

[fol. 5852]

Non-Conforming Assets

Intended Disposition

In the event that this application is approved, it is the intention that these items will be disposed of as noted, either prior to the merger or a reasonable time thereafter, considering the existing fairness of the market prices and the tax consequences.

50 shares of Central Warehouse Corp. Class "A" Stock.

250 shares of Central Warehouse Corp. Class "B" Stock.

4,257 shares of Philadelphia National Bank Capital Stock.

7,122 shares of Commonwealth Land Title Insurance Company Common Stock.

The above four items will be contributed to the Girard Trust Corn Exchange Bank Foundation.

• • • • • • •

10 shares of Philadelphia Bourse.

The above shares were purchased by the Corn Exchange National in 1892 and held by them, at a nominal value, until the merger with the Girard Trust in 1951. The Charter Bank also owns 90 shares. Although this is a private enterprise, operating an office building, its membership is an active civic organization with its main interest in the support and development of the Philadelphia Port, and is closely allied with the Commercial and Maritime Exchanges.

* * * * * * *

6,000 shares of Pennsylvania Railroad Company Common Stock.

This stock will be sold when a reasonable price can be obtained considering the current economic conditions.

* * * * * * *

Mortgages and Other Real Estate Owned—6 items.

These items have been acquired in order to work out loans and reduce losses. They will continue to be held and disposed of in the normal course of business. (The properties located on Haddon Avenue and on Exeter Avenue are at present under agreement of sale, which includes the taking of a purchase money mortgage.)

[fol. 5853] GOVERNMENT'S EXHIBIT 58

TABLE IIIb

Assets of Mutual Savings Banks in the United States, December 31, 1959
(amounts in millions)

Type of Asset	Amount	Per Cent of Total
Cash assets	$ 829	2.1
Mortgage loans	24,769	65.6
Other loans	358	0.9
U. S. Government securities	6,871	17.6
State & local government securities	721	1.9
Corporate and other securities	4,845	12.4
Other assets	552	1.4
Total	$38,945	100.0

Source: *Federal Reserve Bulletin.*

[fol. 5854] GOVERNMENT'S EXHIBIT 59

TABLE IIIc

Assets of Life Insurance Companies in the United States, December 31, 1959
(amounts in millions)

Type of Asset	Amount	Per Cent of Total
U. S. Government securities	$ 6,868	6.0
State & local government securities	4,135	3.7
Corporate bonds	45,334	39.9
Corporate stocks	4,561	4.0
Mortgages	39,197	34.5
Real Estate	3,651	3.2
Policy loans	4,618	4.1
Miscellaneous assets	5,286	4.6
Total	$113,650	100.0

Number of companies: 1,431.

Source: *Life Insurance Fact Book, 1960* (Institute of Life Insurance).

[fol. 5855] GOVERNMENT'S EXHIBIT 60

Effects of the Opening of New Credit Lines for Outside Firms on the Availability of Credit in Philadelphia

Let

C = the amount of new credit lines established.
d = the deposit requirement as a per cent of the credit line.
r = the reserve requirement percentage.
k = the proportion of the new credit lines in use on the average.
X = the addition to excess reserves of Philadelphia banks.
L = the amount of additional local loans made by Philadelphia banks.
p = the proportion of new deposits resulting from local loans that can be expected to remain in Philadelphia banks.

Then

dC = the amount of additional reserves and deposits received by Philadelphia banks as a result of establishing credit lines.
kC = the amount of new loans to firms opening credit lines and the amount of reserves leaving Philadelphia as a result of these loans.
(d − k)C = net gain in reserves by Philadelphia banks.
rdC = the reserves needed to support the additional deposits resulting from the establishment of credit lines.
(d − k − rd)C = (d(1 − r) − k)C = X = the gain in excess reserves by Philadelphia banks resulting from the establishment of new credit lines.
pL = the amount of deposits resulting from local loans that remains in Philadelphia banks.
rpL = the reserves needed to support the new loan-created deposits.
(1 − p)L = the reserves leaving Philadelphia as a result of local loans.

[fol. 5856]

$(rp+1-p)L = (1-p(1-r))L$ = total amount of reserves absorbed by local loans.

$(1-p(1-r))L = X$.

$$L = \frac{1}{1-p(1-r)} X.$$

$$L = \frac{d(1-r)-k}{1-p(1-r)} C$$ = the amount of additional loans that can be made as a result of the establishment of new credit lines.

Numerical Example:

Suppose $C = \$96{,}000$, $d = .25$, $r = .2$, $k = .1$, and $p = .05$.

Then

$$L = \frac{.25(1-.2)-.1}{1-.05(1-.2)} \times \$96{,}000.$$

$$L = \frac{.1}{.96} \times \$96{,}000 = \$10{,}000.$$

All Philadelphia Banks
(amounts in thousands of dollars)

Assets		Liabilities	
Reserves	+24.0	Demand deposits	+24.0
Outside loans	+ 9.6	Demand deposits	+ 0.5
Reserves	− 9.6		
Local loans	+10.0		
Reserves	− 9.5		

Approximate Actual Situation for the Philadelphia Area:

$d = .2$, $r = .165$, $k = .5$, and $p = .03$.

$$L = \frac{.2(1-.165)-.5}{1-.03(1-.165)} C = \frac{.333}{.975} C = .342C.$$

That is, it is estimated that the establishment of new credit lines in Philadelphia on this basis would reduce the supply of credit available locally in the Philadelphia area by about 35 per cent of the amount of lines established.

[fol. 5857] Basis of the Calculations

(1) The value of d (20 per cent) was taken from the deposition of Mr. George H. Brown, Jr., President of the Girard Corn Exchange Bank.

(2) For the value of r, the existing reserve requirement (16.5 per cent) for central reserve city member banks was used. It would be slightly preferable to use the average reserve requirements of all Philadelphia area banks (including nonmember banks) in the denominator of the expression derived above. For the four-county area (Philadelphia, Bucks, Delaware and Montgomery Counties), this works out to about 14 per cent. However, the introduction of this slight refinement would have very little effect on the results.

(3) The value of k was estimated on the basis of the ratio of outstanding loans to credit lines for all customers of the Philadelphia National Bank having loans and formal lines of credit of $50,000 or more as of September 21, 1960. This material was taken from the answers of the Philadelphia National Bank to Questions 2 and 3 propounded by plaintiff. The actual ratio of outstanding loans to credit lines calculated from the tabulations was 51.8 per cent.

(4) The estimate of p was based on the ratio of IPC demand deposits for the four-county area to total IPC demand deposits for the entire United States. This information was obtained from *Distribution of Bank Deposits by Counties and Standard Metropolitan Areas*, June 15, 1960 (Washington: Board of Governors of the Federal Reserve System, December 1960). The actual ratio of IPC demand deposits in the four-county area to the United States total on June 15, 1960, was 2.6 per cent.

[fol. 5858] GOVERNMENT'S EXHIBIT 62

TABLE VI

Relative Size of Business Borrowers at Member Banks by Size of Bank (Amount of Loans Outstanding, October 16, 1957 (in Millions of Dollars))

Size of Borrower[1]	Size of Bank (total deposits, in millions of dollars)				
	All Banks	Under 10	10–100	100–1,000	1,000 and over
All borrowers	40,618	1,684	6,439	14,192	18,304
Small	7,001	792	2,082	2,613	1,514
Medium	17,706	814	3,446	6,686	6,761
Large	14,704	38	715	4,517	9,434
Not ascertained	1,207	40	196	376	595

Note: Detail may not add to totals due to rounding.

Source: *Federal Reserve Bulletin*, April 1958, p. 404, Table 8.

[1] Borrowers are classified as "large," "medium," or "small" separately for each industry in relation to the size pattern of enterprises characteristic of that industry. For detailed description of classifications, see Federal Reserve Bulletin, April, 1958, p. 409.

[fol. 5859] GOVERNMENT'S EXHIBIT 63

TABLE VII

Size-of-Bank Variations in Interest Rates on Business Loans by Size of Borrower (Average Rates at Member Banks, October 16, 1957. Percent Per Annum.)

Size of borrower (total assets in thousands of dollars)	Size of Bank (total deposits, in millions of dollars)				
	All Banks	Under 10	10–100	100–1,000	1,000 and over
All borrowers[1]	4 9	5 9	5 4	5 0	4 6
Less than 50	6 5	6 5	6 4	6 6	6 9
50–250	5 7	5 8	5 6	5 7	5 9
250–1,000	5 4	5 4	5 3	5 3	5 5
1,000–5,000	5 1	4 8	5 1	5 1	5 0
5,000–25,000	4 7	4 8	4 8	4 7	4 6
25,000–100,000	4 3	4 8	4 5	4 4	4 3
100,000 or more	4 1	4 2	4 3	4 2	4 0

Source: *Federal Reserve Bulletin*, April 1958, p. 407, Table 11.

[1] Includes a small amount of loans for borrowers whose size was not ascertained

[fol. 5860]

GOVERNMENT'S EXHIBIT 64

TABLE VIII

Term Loans as a Percentage of Business Loans at Member Banks by Size of Borrower and Size of Bank, October 16, 1957
Size of Bank (total deposits, in millions of dollars)

Size of borrower (total assets in thousands of dollars)	All Banks	Under 10	10–100	100–1,000	1,000 and over
All borrowers	38 0	34 7	32 1	31 1	45 6
Less than 50	46 2	43 5	42 6	48 5	60 1
50–250	37 0	35 2	37 3	35 8	41 2
250–1,000	28 5	23 2	30 7	29 3	24 3
1,000–5,000	29 8	17 1	23 4	28 8	35 0
5,000–25,000	39 1	14 1	19 7	32 9	45 0
25,000–100,000	47 7	15 5	17 2	31 9	55 0
100,000 or more	40 3	6 8	13 7	25 4	45 3

Source: *Federal Reserve Bulletin*, April 1958, p. 402, Table 6.

[fol. 5861]

GOVERNMENT'S EXHIBIT 65

TABLE IX

Interest Rates on Member Bank Loans to Business by Size of Borrower and Maturity of Loan, 1957

(Average Rates on Loans Made Between July 1 and October 16, 1957)

Size of borrower (total assets in thousands of dollars)	All loans	Short-Term (1 year or less)	Intermediate term (1–5 years)	Long-Term (over 5 years)
All borrowers	5 0	5 0	5 7	4 7
Less than 50	6 5	6 1	8 7	5 8
50–250	5 7	5 6	7 1	5 6
250–1,000	5 4	5 4	6 0	5 4
1,000–5,000	5 1	5 1	5 7	5 1
5,000–25,000	4 8	4 8	4 9	4 8
25,000–100,000	4 5	4 6	4 6	4 3
100,000 or more	4 4	4 4	4 4	3 9

Source: *Federal Reserve Bulletin*, April 1958, p. 405, Table 10.

[fol. 5862]

GOVERNMENT'S EXHIBIT 67

Loans of Phila. Nat'l. Bank (P.N.B.) in Which P.N.B. participates under written agreement.
From Loan Records of P.N.B.

Borrower	Original Loan Am't.	Rate of Interest	Participating Banks		Amount Owing		
			Bank	Am't.	Date	Total	P.N.B. Participation
Racine, Wisc.	$162,380,000.00 (9/15/60)	5½%	First N/B of Chicago	15,000,000.00	5/10/61	$119,38[illegible].000.00	$3,261,000.00
			First Nat'l. City Bk. of New York	15,000,000.00			
			Morgan Guaranty Tr. of N.Y.	14,000,000.00			
			Bank of America Nat'l. Tr. & Savings	10,000,000.00			
			Continental Illinois N/B & Tr. Co. of Chicago	10,000,000.00			
			Marine Midland Tr. of N.Y.	5,000,000.00			
			First N/B in Dallas	4,000,000.00			
			First Wisconsin N/B of Milwaukee	4,000,000.00			
			Irving Tr. Co.	4,000,000.00			
			Phila. N/B	4,000,000.00			
			Pittsburgh N/B	3,500,000.00			
			First N/B of Boston	3,000,000.00			
			Harris Tr. & Savings Bank	3,000,000.00			
			Indiana N/B of Indianapolis	3,000,000.00			
			Nat'l. Bank of Detroit	3,000,000.00			
			Bankers Tr. Co.	2,500,000.00			
			Bank of New York	2,000,000.00			
			Chemical Bk. & Tr. Co.	2,000,000.00			
			Cleveland Tr. Co.	2,000,000.00			
			Girard Tr. Corn Exch. Bk.	2,000,000.00			
			Mercantile Tr. Co.	2,000,000.00			
			U.S. N/B of Portland	2,000,000.00			
			Balto. N/B	1,500,000.00			
			First N/B of Atlanta	1,500,000.00			
			First N/B, Balto.	1,500,000.00			
			Mfgrs. N/B of Detroit	1,500,000.00			
			Marshall & Ilsley Bank	1,500,000.00			
			Northwestern N/B of Minneapolis	1,500,000.00			
			Riggs N/B of Wash., D.C.	1,500,000.00			
			Union Tr. Co. of Md.	1,500,000.00			
			Wells Fargo Bk. American Tr. Co.	1,500,000.00			
			Brown Bros. Harriman & Co.	1,000,000.00			
			Central Tr. Co.	1,000,000.00			
			Citizens & Southern N/B	1,000,000.00			
			Davenport Bk. & Tr. Co.	1,000,000.00			
			Denver United States N/B	1,000,000.00			
			First N/B of Minneapolis	1,000,000.00			
			First N/B of Nevada	1,000,000.00			
			First N/B of St. Paul	1,000,000.00			
			Grace N/B of New York	1,000,000.00			

[fol. 5863]

Loans of Phila. Nat'l. Bank (P.N.B.) in Which P.N.B. participates under written agreement.
From Loan Records of P.N.B.

Borrower (continued)	Original Loan Am't.	Original Loan Rate of Interest	Participating Banks Bank	Participating Banks Am't.	Amount Owing Date	Amount Owing Total	Amount Owing P.N.B. Participation
			Huntington N/B of Columbus	$ 1,000,000 00			
			Marine Nat'l. Exch. Bk.	1,000,000 00			
			Seattle First N/B	1,000,000 00			
			Society N/B of Cleveland	1,000,000 00			
			Toledo Tr. Co.	1,000,000 00			
			Union Planters N/B	1,000,000 00			
			Wachovia Bk. & Tr.	1,000,000 00			
			Zions First N/B	1,000,000 00			
			Atlantic N/B of Jacksonville	750,000 00			
			Commerce Tr. Co.	750,000 00			
			First N/B of Louisville	750,000 00			
			First N/B & Tr. Co., Oklahoma City	750,000 00			
			Iowa-Des Moines N/B	750,000 00			
			Nat'l. Bk. of Commerce in Minneapolis	750,000 00			
			City N/B & Tr. Co.	600,000 00			
			Bank of Lansing	500,000 00			
			Chicago N/B	500,000 00			
			First Amer. N/B	500,000 00			
			First N/B, Kansas City	500,000 00			
			First N/B of Madison	500,000 00			
			First N/B of Omaha	500,000 00			
			Hibernia N/B in New Orleans	500,000 00			
			Industrial Bank of Commerce	500,000 00			
			Lincoln N/B & Tr.	500,000 00			
			Lincoln N/B & Tr. of Central N.Y.	500,000 00			
			Nat'l. Bk. of Commerce of Houston	500,000 00			
			N/B of Tulsa	500,000 00			
			Winters N/B & Tr.	500,000 00			
			First N/B in St. Petersburg	425,000 00			
			Amarillo N/B	350,000 00			
			The Dania Bank	350,000 00			
			Rock Island Bk. & Tr.	330,000 00			
			Commercial N/B of Peoria	300,000 00			
			Northwest Security N/B of Sioux Falls	300,000 00			
			Northern Bk. & Tr. Co.	300,000 00			
			Continental Bk. & Tr.	250,000 00			
			Deposit Guaranty Bk. & Tr.	250,000 00			
			First N/B & Tr. of Racine	250,000 00			
			Illinois N/B & Tr.	250,000 00			
			Marine Midland Tr. of Central N.Y.	250,000 00			
			American Bk. & Tr.	200,000 00			
			First Continental N/B & Tr.	200,000 00			
			Fourth N/B & Tr.	200,000 00			
			Northside Bank	200,000 00			
			Second N/B of Richmond	200,000 00			

[fol. 5864]

Loans of Phila. Nat'l. Bank (P.N.B.) in Which P.N.B. participates under written agreement.
From Loan Records of P.N.B.

Borrower (continued)	Original Loan Am't	Original Loan Rate of Interest	Participating Banks Bank	Participating Banks Am't	Amount Owing Date	Amount Owing Total	Amount Owing P.N.B. Participation
Milwaukee, Wisc.	$ 3,000,000.00 (5/12/60)	5⅜%	West Racine Bank	$ 180,000.00			
			First N/B & Tr. Fargo	150,000.00			
			Security Tr. & Savings Bank	125,000.00			
			Burlington Bk. & Tr. Co.	120,000.00			
			Citizens N/B	100,000.00			
			First Wisconsin N/B of Milwaukee	$ 2,100,000.00	5/11/61	$ 2,500,000.00	$ 250,000.00
			Phila. N/B (P.N.B.)	300,000.00			
			Harris Tr. & Savings Bank	300,000.00			
			Sears Bk. & Tr.	300,000.00			
Corp. Camden, N. J.	900,000.00 (8/31/60)	½ above prime rate. Min. 5%; Max. 6%.	First Camden N/B & Tr.	500,000.00			
			Phila. N/B (P.N.B.)	400,000.00	5/11/61	819,200.00	364,000.00
Corp. Covington, Ky.	1,025,000.03 (11/30/60)	5¼%	Berks Tr. Co.	80,078.10			
			Broad St. Tr. Co.	104,101.51	5/11/61	994,970.73	272,062.16
			Girard Tr. Corn Exch. Bk.	280,273.50			
			First Penna. Banking & Tr.	280,273.42			
			Phila. N/B (P.N.B.)	280,273.50			
Corp. Decatur, Ala.	25,000,000.00 (4/3/57)	4½%	J. P. Morgan & Co.	4,760,000.00			
			Chase Manhattan Bank	4,760,000.00	5/11/61	10,000,000.00	1,904,000.00
			Hanover Bank	4,760,000.00			
			First N/B City Bk. of N. Y.	4,760,000.00			
			Phila. N/B (P.N.B.)	4,760,000.00			
			Wachovia Bk. & Tr.	1,000,000.00			
			Florida N/B of Jacksonville	200,000.00			
Inc. St. Paul, Minn.	16,000,000.00 (4/1/60)	5%	Bankers Tr. Co.	3,000,000.00			
			Chase Manhattan Bk.	3,000,000.00	5/11/61	9,651,543.62	603,221.43
			First Nat'l. City Bk. of N. Y.	3,000,000.00			
			Continental Ill. N/B & Tr. Co. of Chi.	2,000,000.00			
			Wells Fargo Bk. American Tr. Co.	2,000,000.00			
			Manufacturers' Tr.	1,000,000.00			
			Phila. N/B (P.N.B.)	1,000,000.00			
			Girard Tr. Corn Exch. Bank	750,000.00			
			Pacific N/B of Seattle	250,000.00			

[fol. 5865]

Loans of Philadelphia Nat'l. Bank in Which P.N.B. Participates under Written Agreement
From Loan Records of P.N.B.

Borrower	Original Loan Amount	Original Loan Rate of Interest	Participating Banks		Amount of Increased Participation	Amount Owing Date	Amount Owing Total	Amount Owing P.N.B. Participation
New York City	$148,000,000 00	RC. Prime Rate date of borfowing of any two of the following N. Y. Banks: Guaranty Trust—First Nat'l. City Bk.—Chase Manhattan which have same prime rate, or if all three such banks have different prime rates—The middle rate	Guaranty Trust Co. of New York	$15,000,000 00	(1)$2,560,000 00	5/11/61	$144,800,000 00	$1,112,000 00
			First Nat'l. Bank of New York	15,000,000 00	2,135,000 00			
			The Chase Manhattan Bank	15,000,000 00	2,135,000 00			
			Bankers Trust Company	14,500,000 00	2,060,000 00			
			The Hanover Bank, N. Y.	10,000,000 00	1,420,000 00			
			The N. Y. Trust Company	8,000,000 00	(2)1,140,000 00			
			Manufactures Trust Company	3,000,000 00	425,000 00			
			J. P. Morgan & Co., Inc.	3,000,000 00				
			The Bank of New York	1,000,000 00	140,000 00			
			Brown Brothers, Harriman & Co.	750,000 00	110,000 00			
			Fidelity-Baltimore Nat'l. Bank	750,000 00	(3)110,000 00			
			The First Nat'l. Bank, Boston	2,500,000 00	355,000 00			
			Second Bank State Street Trust (Boston)	750,000 00	(4) 110,000 00			
			Continental Ill. N.B. & T. Comp. of Chicago	2,500,000 00	355,000 00			
			Harris Trust and Savings Bank (Chicago)	2,500,000 00	355,000 00			
			First Nat'l. Bank of Chicago	2,500,000 00	355,000 00			
			Cleveland Trust Company	1,250,000 00	175,000 00			
			Society Nat'l. Bank of Cleveland	750,000 00	110,000 00			
			Union Commerce Bank	750,000 00	110,000 00			
			Detroit Bank & Trust Company	1,500,000 00	210,000 00			
			Nat'l. Bank of Commerce of Houston	750,000 00	110,000 00			
			Texas Nat'l. Bank, Houston, Tex.	750,000 00	110,000 00			
			California Bank, of Los Angeles	1,000,000 00	140,000 00			
			Security First Nat'l. Bank of L. A.	1,250,000 00	175,000 00			
			The Florida Nat'l Bank & Tr. of Miami	750,000 00	110,000 00			
			The First Nat'l. Bank of Miami	750,000 00	110,000 00			
			The Hibernia Nat'l. Bank in New Orleans	500,000 00	70,000 00			
			Girard Trust Corn Exchange	1,250,000 00	175,000 00			
			Philadelphia Nat'l. Bank	1,000,000 00	140,000 00			
			Mellon Nat'l Bank & Trust Co. (Pitts.)	6,000,000 00	850,000 00			
			The First Nat'l. Bank of Oregon	750,000 00	110,000 00			
			The First Nat'l. Bank in St. Louis	750,000 00	110,000 00			
			American Trust Company	3,000,000 00	(5) 425,000 00			
			Crocker-Ango Nat'l. Bank (S.F.)	2,500,000 00	355,000 00			
			Bank of Amer. Nat'l. Trust & Sav. Ass. (S.F.)	2,500,000 00	355,000 00			
			Na'tl. Bank of Commerce of Seattle	750,000 00	110,000 00			
			The Pacific Nat'l Bank of Seattle	750,000 00	110,000 00			
			Seattle First Nat'l. Bank	2,500,000 00	355,000 00			
			The Riggs Nat'l. Bank (Wash. D.C.)	1,500,000 00	210,000 00			
			Total	$130,000,000 00	$18,500,000 00			

(10/31/58 amended 12/15/60 original loan $130,000,000 amended to $18,000,000 more)

(1) Morgan Guaranty Trust Co. of N. Y.
(2) Commercial Bank N. Y. Trust Co.
(3) Baltimore Nat'l. Bank.
(4) State Street Bank and Trust Co. (Boston).
(5) Wells Fargo Bank American Trust Co. (San Francisco)

[fol. 5866]

Loans of Phila. Nat'l Bank (P.N.B.) in Which P.N.B. participates under written agreement

From Loan Records of P.N.B.

Borrower	Original Loan Am't	Original Loan Rate of Interest	Participating Banks — Bank	Participating Banks — Am't	%	Amount Owing — Date	Amount Owing — Total	Amount Owing — P.N.B. Participation
Melbourne, Fla.	$ 5,000,000.00	1% aboye Prime Rate at all times (7/25/60)	Phila. N/B (P.N.B.)	$ 2,000,000.0		5/11/61	$ 1,900,000.00	$ 760,000.00
			Wells Fargo Bk. Amer. Tr. Co.	1,500,000.00				
			Atlantic N/B of Jacksonville	1,000,000.00				
			First N/B of Orlando	500,000.00				
New York, N. Y.	75,000,000.00	Prime Rate (Marine Midland Tr.—Date of Borrowing) (8/29/58)	Marine Midland Tr. of N.Y.	10,000,000.00		5/11/61	67,500,000.00	1,350,000.00
			Bk. of Amer. Nat'l Tr. & Savings Ass'n.	17,000,000.00				
			First N/B of Chicago	13,500,000.00				
			Hanover Bank	5,000,000.00				
			Nat'l Bank of Detroit	5,000,000.00				
			Security First N/B (Los Angeles)	5,000,000.00				
			American Tr. Co. (San Francisco)	2,250,000.00				
			Harris Tr. & Savings Bk.	2,250,000.00				
			Peoples First N/B & Tr. Co.	2,250,000.00				
			Phila. N/B (P.N.B.)	1,500,000.00				
			Fifth Third Union Tr. Co.	1,250,000.00				
			Central Tr. Co. (Cincinnati)	1,000,000.00				
			Federation Bk. & Tr. Co.	1,000,000.00				
			Liberty N/B & Tr. Co. of Louisville	500,000.00				
			Continental Ill. N/B & Tr. of Chi.	7,500,000.00				
Phila., Pa.	40,000,000.00	3¼% and 3⅛% (5/1/56)	Chase Manhattan Bank	20,000,000.00		2,125,000	21,250,000.00	2,656,250.00
			Hanover Bank	6,000,000.00				
			Bankers Tr. Co.	5,000,000.00				
			First Penna. Banking & Tr. Co.	4,000,000.00				
			Phila. N/B (P.N.B.)	5,000,000.00				

[fol. 5867]

Loans of Phila. Nat'l Bank (P.N.B.) in Which P.N.B. participates under written agreement

From Loan Records of P.N.B.

Original Loan						Amount Owing		
Borrower	Am't	Rate of Interest	Participating Banks: Bank	Am't	%	Date	Total	P.N.B. Participation
Chicago, Ill.	$130,000,000 00	¼ Above Prime—N.Y.—Date of Borrowing (12/20/57)	First Nat'l City Bk. of N.Y.	$35,750,000 00	27 5			
			Continental Ill. N/B & Tr. Co. of Chi.	18,200,000 00	14 0			
			Bank of America Nat'l Tr. & Savings	6,500,000 00	5 0			
			Chemical Corn Exchange Bank	6,500,000 00	5 0			
			Mellon N/B & Tr. Co.	6,500,000 00	5 0			
			Security-First N/B	6,500,000 00	5 0			
			Chase Manhattan Bk.	6,500,000 00	5 0			
		By amendment 11/30/60 the total of the above loan was increased to $165,000,000 00	First N/B of Chicago	6,500,000 00	5 0			
			Harris Tr. & Savings Bk.	3,250,000 00	2 5			
			First N/Bk of Boston	3,250,000 00	2 5			
			Northern Tr. Co.	3,250,000 00	2 5			
			Phila. N/B (P.N.B.)	3,250,000 00	2 5			
			Wells Fargo Bank	3,250,000 00	2 5			
			Crocker-Anglo N/B	2,600,000 00	2 0			
			American Tr. Co.	1,300,000 00	1 0			
			California Bank	1,300,000 00	1 0			
			First Wisconsin N/B of Milwaukee	1,300,000 00	1 0			
			Cleveland Tr. Co.	1,300,000 00	1 0			
			First N/B of Portland	1,300,000 00	1 0			
			Nat'l City Bk. of Cleveland	1,300,000 00	1 0			
			Bankers Tr. Co.	975,000 00	75			
			Bishop N/B of Hawaii	650,000 00	5			
			Citizens Nat'l Tr. & Savings Bk. of L.A.	650,000 00	5			
			First Security Bk. of Utah Nat'l Ass'n.	650,000 00	5			
			Hartford N/B & Tr. Co.	650,000 00	5			
			Denver N/B	650,000 00	5			
			First N/B of Denver	650,000 00	5			
			Mfgrs. N/B of Detroit	650,000 00	5			
			N/B of Commerce of Seattle	650,000 00	5			
			N/B of Washington	650,000 00	5			
			Omaha N/B	650,000 00	5			
			Pacific N/B of Seattle	650,000 00	5			
			U.S. N/B of Denver	650,000 00	5			
			U.S. N/B of Portland	650,000 00	5			
			City N/B & Tr. Co. of Chicago	325,000 00	25			
			Iowa-Des Moines N/B	325,000 00	25			
			Peoples N/B of Washington	325,000 00	25			
						5/11/61	$86,000,000 00	$2,275,000 00

By amendment 11/30/60 this loan was increased from $130,000,000 to $165,000,000 the additional amount to be participated in by the same banks and on the same percentage as shown. The total balance owing as of 5/11/61 and P.N.B.'s participation as of 5/11/61 is therefore based on the $165,000,000 loan.

[fol. 5868]

Loans of Phila. Nat'l. Bank (P.N.B.) in Which P.N.B. participates under written agreement.
From Loan Records of P.N.B.

Borrower	Original Loan Am't.	Original Loan Rate of Interest	Participating Banks: Bank	Participating Banks: Am't.	Amount Owing: Date	Amount Owing: Total	Amount Owing: P.N.B. Participation
Chi., Ill.	$20,000,000.00	¼ above Prime rate at Melion N/B (1/20/60)	Mellon N/B & Tr.	$6,300,000.00	5/11/61	$30,800,000.00	$ 924,000.00
			Continental Ill. N/B & Tr. of Chi.	6,300,000.00			
			First Nat'l City Bk. of N.Y.	5,850,000.00			
			Morgan Guaranty Tr.	5,850,000.00			
			First N/B of Chicago	2,700,000.00			
			Bk. of America Nat'l. Tr. & Savings Ass'n.	1,800,000.00			
			California Bank	1,800,000.00			
			Nat'l. City Bk. of Cleveland	1,800,000.00			
			Northern Tr. Co.	1,800,000.00			
			Security First N/B	1,800,000.00			
			Wells Fargo Bank	1,800,000.00			
			City N/B & Tr. Co. of Chicago	1,350,000.00			
			First N/B of Birmingham	1,350,000.00			
			Phila. N/B (P.N.B.)	1,350,000.00			
			Republic N/B of Dallas	1,350,000.00			
			U.S. Tr. Co. of N.Y.	1,350,000.00			
			Colorado N/B	450,000.00			
N.Y.C.	14,000,000.00	½% above prime—Mfgrs Tr. N.Y. Max. 6% Min. 4% (9/30/60)	Manufacturers Tr. Co.	9,000,000.00	5/11/61	8,600,000.00	3,100,000.00
			Phila. N/B (P.N.B.)	5,000,000.00			
Phila., Pa.	20,000,000.00	Prime rate plus ½ but not under 4 or over 5 (6/30/59)	Bankers Tr. Co.	4,000,000.00	5/11/61	6,000,000.00	840,000.00
			Chase Manhattan Bank	4,000,000.00			
			First N/B of Chicago	3,400,000.00			
			Phila. N/B (P.N.B.)	2,800,000.00			
			Girard Tr. Corn Ex. Bk.	1,600,000.00			
			Second Bank-Street Tr. Co.	1,000,000.00			
			Central Penn N/B of Phila.	800,000.00			
			Fidelity Phila. Tr. Co.	800,000.00			
			First N/B in St. Louis	400,000.00			
			Lincoln Rochester Tr. Co.	400,000.00			
			Marine Tr. Co. of Western N.Y.	400,000.00			
			Whitney N/B of New Orleans	400,000.00			
Conshocken, Pa.	5,000,000.00	Prime to 12/31/60 ½ above prime 1/1/61 to 1/4/62 Min. 5¼ Max. 5¾ (1/15/60)	Phila. N/B (P.N.B.)	2,000,000.00	5/11/61	5,000,000.00	2,000,000.00
			Girard Tr. Corn Ex.	1,500,000.00			
			Fidelity Ph. Tr.	750,000.00			
			Provident Tradesmens Bk. & Tr.	750,000.00			

[fol. 5869]

GOVERNMENT'S EXHIBIT 68

Loans of Phila. Nat'l. Bank (P.N.B.) in which PNB permits other banks to Participate—From Loan Records of PNB

Borrower	Amount of Loan	Date	Rate of Interest	Participating Banks	Amount of Participation
Buchanan, Michigan	$1,000,000.00	5/10/61	4½%	Guarantee Bank & Trust Co., Atlantic City, N. J.	$200,000.00
				Philadelphia National Bank	800,000.00
Wells Boro, Pa.	750,000.00	5/10/61	5%	First Nat'l. Bk. & Tr. Co., Schuylkill Haven, Pa.	25,000.00
				National Bank of Hamburg, Pa.	25,000.00
				Miners Nat'l. Bank, Shenandoah, Pa.	50,000.00
				Citizens Bank of Freeland, Freeland, Pa.	60,000.00
				McDowell County Nat'l. Bank, Welch, W. Va.	100,000.00
				The Peoples Bank, Denton, Maryland	25,000.00
				The First Nat'l. Bank, Coal Port, Pa.	20,000.00
				The Merchants Nat'l. Bank, Shenandoah, Pa.	25,000.00
				Merchants Nat'l. Bank, Bangor, Pa.	50,000.00
				New Tripoli Nat'l. Bank, New Tripoli, Pa.	35,000.00
				The Belmar-Wall Nat'l. Bk., Belmar, N. J.	50,000.00
				The Kishacoquillas Valley Nat'l. Bank, Belleville, Pa.	25,000.00
				The Schuylkill Trust Co., Pottsville, Pa.	100,000.00
				Peoples Safe Deposit Bank, Saint Clair, Pa.	37,500.00
				Philadelphia National Bank, Phila., Pa.	122,500.00
Baltimore 1, Maryland	500,000.00	5/10/61	5%	First Nat'l. Bank & Trust Co., Pausboro, N. J.	50,000.00
				The Peoples Bank of Denton, Denton, Md.	25,000.00
				The Merchants Nat'l. Bank, Bangor, Pa.	50,000.00
				The First Nat'l. Bank, Coal Port, Pa.	20,000.00
				New Tripoli Nat'l. Bank, New Tripoli, Pa.	35,000.00
				First National Bank & Trust Co., Schuylkill, Pa.	25,000.00
				McDowell Co. Nat'l. Bank, Welch, West Va.	100,000.00
				Citizens Bank of Freeland, Freeland, Pa.	50,000.00
				Belmar-Wall Nat'l. Bank, Belmar, N. J.	50,000.00
				Kishacoquillas Valley Nat'l. Bank, Bellville, Pa.	25,000.00
				National Bank of Hamburg, Hamburg, Pa.	25,000.00
				Philadelphia Nat'l. Bank, Phila., Pa.	45,000.00

[fol. 5870]

Loans of Phila. Nat'l. Bank (P.N.B.) in which PNB permits other banks to Participate—From Loan Records of PNB

Borrower	Amount of Loan	Date	Rate of Interest	Participating Banks	Amount of Participation
Phila. Nat'l. Bank Bldg., Phila., Pa.	$55,000.00	5/10/61	4½%	North Hampton County Trust Bank, Cape Charles, Va.	$25,000.00
				Philadelphia Nat'l. Bank, Phila., Pa.	30,000.00
Atlantic City, N. J.	694,642.88	5/10/61	4½%	Merchants Nat'l. Bank, Shenandoah, Pa.	40,000.00
				Citizens Bank, Freeland, Pa.	50,000.00
				First Nat'l. Bank, Pompano Beach, Fla.	90,000.00
				First Nat'l. Bank, Cochranton, Pa.	10,000.00
				Miners Nat'l. Bank, Shenandoah, Pa.	50,000.00
				McDowell County Nat'l. Bank, Welch, West Va.	100,000.00
				Millville Nat'l. Bank, Millville, N. J.	100,000.00
				First Nat'l. Bank, Mt. Vernon, N. Y.	150,000.00
				First Nat'l. Bank, Milford, Pa.	30,000.00
				Edge Water Nat'l. Bank, Edge Water, N. J.	50,000.00
				Swineford Nat'l. Bank, Middleburg, Pa.	20,000.00
				Philadelphia Nat'l. Bank	4,642.88
Philadelphia Nat'l. Bank Bldg., Phila., Pa.	200,000.00	5/10/61	4½%	First Nat'l. Bank of Milford, Pa.	25,000.00
				Marine Nat'l. Bank, Wild Wood, N. J.	10,000.00
				First Nat'l. Bank, Cochranton, Pa.	10,000.00
				First Nat'l. Bank, Carteret, N. J.	25,000.00
				Citizens Bank, Freeland, Pa.	50,000.00
				Farmers State Bank of Dalmatia, Pa.	20,000.00
				First Nat'l. Bank Elizabethville, Pa.	15,000.00
				Citizens Nat'l. Bank, Newport, Pa.	20,000.00
				Northampton County Trust Bank, Cape Charles, Va.	20,000.00
				Philadelphia Nat'l. Bank, Phila., Pa.	5,000.00
Pleasantville, N. J.	119,000.00	5/10/61	4½%	First National Bank, Mt. Vernon, N. Y.	100,000.00
				Philadelphia Nat'l. Bank, Phila., Pa.	19,000.00
Chairman of The Board Phila., Pa.	125,039.18	5/10/61	4½%	Edgewater Nat'l. Bank, Edgewater, N. J.	50,000.00
				Salem Nat'l. Bank and Trust Co., Salem, N. J.	50,000.00
				First Nat'l. Bank, Mt. Joy, Penna.	25,000.00
				Philadelphia Nat'l. Bank, Phila., Pa.	39.18

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Bryn Mawr, Pa.	$850,000.00	5/10/61	5%	Pitman National Bank, Pitman, N. J.	$50,000.00
				Perth Amboy National Bank, Perth Amboy, N. J.	100,000.00
				First National Bank, Mt. Vernon, N. J.	200,000.00
				Guarantee Bank & Trust, Atlantic City, N. J.	200,000.00
				Farmer State Bank, Dalmatia, Pa.	25,000.00
				Penns Grove Nat'l. Bank & Tr. Co., Penns Gr., N. J.	80,000.00
				First National Bank, Pompano Beach, Fla.	90,000.00
				Northampton County Trust Bank, Cape Charles, Va.	25,000.00
				Lewisburg Trust Co., Lewisburg, Pa.	25,000.00
				First National Bank, Riverside, N. J.	50,000.00
				Philadelphia Nat'l. Bank, Phila., Pa.	5,000.00
New Bedford, Mass.	604,000.00	5/11/61	4½%	Merchants National Bank, Bangor, Pa.	50,000.00
				State Bank, Dalmatia, Pa.	10,000.00
				Guarantee Bank & Trust Co., Atlantic City, N. J.	100,000.00
				First Nat'l. Bank, Coudersport, Pa.	20,000.00
				First Nat'l. Bank, Mt. Vernon, New York	200,000.00
				Millville Nat'l. Bank, Millville, N. J.	25,000.00
				First Nat'l. Bank, Pompano Beach, Fla.	90,000.00
				Bank of Levittown, Levittown, N. J.	50,000.00
				Philadelphia Nat'l. Bank, Phila., Pa.	59,000.00

[fol. 5872]

GOVERNMENT'S EXHIBIT 69

Commercial Loans in which Girard Trust Corn Exchange Bank (Girard) participates with other banks on basis of written agreement between Borrower and Participating Banks.
From Girard's loan records.

Borrower	Original Loan		Participating Banks		Current Status of Girards Participation	
	Am't.	Rate of Interest	Bank	Am't.	Date	Amount
New York City	$10,000,000.00	½% above prime. Min. 4% Max. 5% Currently 5%	First Nat'l. City Bank of New York	3,000,000.00		
			Chase Manhattan Bank	3,000,000.00		
			Irving Tr. Co.	2,000,000.00		
			Girard Tr. Corn Exch. Bank	2,000,000.00	5-17-61	$1,850,000.00
	(1-24-57)					
Detroit, Mich.	$60,000,000.00	Prime at N/B at Detroit 6 business days prior to borrowing	N/B of Detroit	4,500,000/00		
			Continental Ill. N/B & Tr. Co. of Chi.	3,500,000.00		
			Northern Tr. Co., Chicago	3,500,000.00		
			Bk. of America Nat'l. Tr. & Savings, San Frans.	3,000,000.00		
			Bankers Tr. Co., New York	3,000,000.00		
			Chase Manhattan Bk.	3,000,000.00		
			Detroit Bank & Tr. Co.	3,000,000.00		
		Currently 4½%	Security First N/B, Los Angeles	3,000,000.00		
	(8-15-58)		Manufacturers N/B of Detroit	2,500,000.00		
			First N/B of Boston	2,000,000.00		
			First N/B in Dallas	2,000,000.00		
			First Nat'l. City Bank of N. Y.	2,000,000.00		
			First N/B in St. Louis	2,000,000.00		
			Lincoln Rochester Tr., Rochester	2,000,000.00		
			Mfgrs. Tr. Co., New York	2,000,000.00		
			American Tr. Co., San Francisco	1,500,000.00		
			Cleveland Tr. Co.	1,500,000.00		
			First N/B of Atlanta	1,500,000.00		
			First Pa. Banking & Tr. Co., Phila.	1,500,000.00		
			Genesee Valley Union Tr., Rochester	1,500,000.00		
			Girard Tr. Corn Ex., Phila.	1,500,000.00	5-17-61	840,000.00
			Hanover Bank, New York	1,500,000.00		
			Harris Tr. & Savings Bk., Chicago	1,500,000.00		
			Mellon N/B & Tr., Pitts.	1,500,000.00		
			Phila. N/B	1,500,000.00		
			Bank of Commonwealth, Detroit	1,000,000.00		
			California Bank, Los Angeles	1,000,000.00		
			Chemical Corn Ex., New York	1,000,000.00		
			First Western Bk. & Tr., San Francisco	1,000,000.00		

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Commercial Loans in which Girard Trust Corn Exchange Bank (Girard) participates with other banks on basis of written agreement between Borrower and Participating Banks.
From Girard's loan records.

Borrower	Original Loan		Participating Banks		Current Status of Girards Participation	
	Am't.	Rate of Interest	Bank	Am't.	Date	Amount
Phila., Pa.	$2,500,000.00	4½%	Phila. N/B	$681,750 00		
			First Pa. Broking & Tr.	454,500 00		
	(4-13-55)		Girard Tr.-Corn Ex. Bank	454,500 00	5-17-61	$90,900 00
			Fidelity Phila. Tr.	227,250 00		
			Central Penn N/B of Phila.	227,250 00		
			Tradesmen's Bank & Tr. Co.	227,250 00		
			First N/B of Phila.	113,750 00		
			Provident Tr. Co. of Phila.	113,750 00		
Phila., Pa.	6,000,000 00	¼% above prime in Phila. Min. 3½% Max. 4½% Currently 4½%	Phila. N/B	1,500,000 00		
			First Pa. Banking & Tr. Co.	1,500,000 00		
			Girard Tr. Corn Exch. Bk.	1,500,000 00	5-17-61	951,164 30
			Fidelity Phila. Tr. Co.	1,000,000 00		
	(10-1-58)		Central Penn N/B	500,000 00		
Phila., Pa.	3,300,000 00	½% above prime. Min. 3% Max. 4%	Girard Tr. Corn Exch. Bk.	1,650,000 00	5-17-61	1,100,000 00
			Fidelity Phila. Tr. Co.	1,650,000 00		
	(7-11-55)					
		subsequent amendment changed rate of interest currently 4½%				
Covington, Kent.	1,100,000 00	1% above prime. Min. 5% Max. 5¾% currently 5¼%	Girard Tr. Corn Exch. Bk.	440,000 00	5-17-61	272,062 36
			Phila. N/B	440,000 00		
			Broad St. Tr. Co.	220,000 00		
	(12-21-59)					
Phila., Pa.	$750,000 00	6%	Girard Tr. Corn Exch. Bank	375,000 00	5-17-61	375,000 00
			Franklin N/B of Franklin Sq., N. Y.	375,000 00		
	(6-30-60)					

[fol. 5874]

Jenkintown, Pa.	$400,000 00	1½% above Prime. Min. 5%	Girard Tr. Corn Exch. Bank	$150,000 00	5-18-61	$58,000 00
			First Pa. Banking & Tr.	150,000 00		
	(3-1-60)		Jenkintown Bank & Tr.	100,000 00		
	This commitment cancelled 4-24-61					
Lancaster, Pa.	500,000 00	1% above prime. currently 5½%	Lancaster Co. N/B, Lancaster, Pa.	200,000 00		
			Girard Tr. Corn Exch.	300,000 00	5-18-61	149,848 49
	(5-31-60)					

[fol. 5875]

Commercial Loans in which Girard Trust Corn Exchange Bank (Girard) participates with other banks on basis of written agreement between Borrower and Participating Banks.
From Girard's loan records.

Borrower		Original Loan		Participating Banks		Current Status of Girards Participation	
		Am't.	Rate of Interest	Bank	Am't.	Date	Amount
(Maturity Ledger Card Seen)	New York, N. Y. Trenton, N. J. (Wholly owned subsidiary of	10,000,000.00 (as of Rider #4 dated June 10, 1960 amount changed to 12,000,000.00)	½ of 1% above Prime effective 25th of the month on prime rate at close of such month Max. 4½% Min. 3½% Currently 5% (Demand Loan)	First Natl. Bank of Boston (Agent)	25%		
				1st Penna. Bkg. & Tr. Co. Phila., Pa.	25%		
				Girard	25%	5/15/61	2,431,623.57
				The Phila. Nat'l. Bk., Phila., Pa.	25%		
		(Orig. agreement 4/19/56)					
(Maturity Ledger Card Seen)	Phila., Penna.	10,000,000.00 (16 installments)	½ of 1% per annum above Prime. Max. 5½% Min. 4½% Currently 5%	1st. Penna. Bkg. & Tr. Co., Phila., Pa.	3,500,000.00		
				Chase Manhattan Bk., N. Y.	2,500,000.00		
				Girard	2,500,000.00	5/17/61	2,343,750.00
				Fidelity-Phila. Tr. Co.	1,500,000.00		
		(Agreement 12/23/60)					
(Maturity Ledger Card Seen)	Baltimore, Md.	4,000,000.00	½ to 1% above Prime (N. Y.) Max. 5% Min. 4% Currently 5%	Mfrs. Tr. Co., New York, N. Y.	1,550,000.00		
				1st Nat'l. Bk. of Boston	750,000.00		
				Girard	500,000.00	5/17/61	500,000.00
				The New York Tr. Co.	500,000.00		
				Union Trust Co. of Md., Balt., Md.	500,000.00		
				Harvard Tr. Co., Cambridge, Mass.	200,000.00		
		(Agreement 10/15/58)					
					(Max.)*		
(Maturity Ledger Card Seen)	Pennsburg, Pa.	20,515,500.00	¼ of 1% above Prime Min. 4¼% Max. 6% Currently 5¼%	1st Camden (N. J.) Nat'l. Bk. & Tr.	250,000.00		
				Fidelity-Phila. Trust Co.	3,500,000.00		
				Chase Manhattan Bk., N. Y. C.	3,500,000.00		
				Manufacturers Trust Co., N. Y. C.	3,500,000.00		
				Girard	2,500,000.00	5/17/61	2,275,000.00
				Montgomery Co. Bank & Trust Co.	750,000.00		
				1st Nat'l. Bk. of Allentown, Pa.	500,000.00		
				Merchants Nat'l. Bk. of Allentown	300,000.00		
				Berks County Trust Co.	1,000,000.00		
				1st Nat'l. City Bk. of New York	500,000.00		
				American Fletcher-Indianapolis	1,000,000.00		
				Merchants Nat'l. Bk. & Tr. Co.	500,000.00		
				1st Natl. of Jersey City	500,000.00		
				Industrial Trust Co., Phila.	350,000.00		
				Detroit Bk. & Trust Co.	1,000,000.00		
				Miners Nat'l. Bk. of Wilkes Barre	300,000.00		
				Lehigh Valley Trust Co.	200,000.00		
		(Agreement 12/30/60)		Indiana Nat'l. Bk. of Indianapolis	1,000,000.00		
				Total	21,150,000.00*		

* Maximum amount of loan authorized was $21,150,000 of which $20,515,500 had actually been loaned as of 5/17/61.

[fol. 5876]

Commercial Loans in which Girard Trust Corn Exchange Bank (Girard) participates with other banks on basis of written agreement between Borrower and Participating Banks.
From Girard's loan records.

Borrower	Original Loan		Participating Banks		Current Status of Girards Participation	
	Am't.	Rate of Interest	Bank	Am't.	Date	Amount
(Maturity Ledger Card Seen) New York	1,000,000.00	5¼% P.A. until Maturity and 6% thereafter currently same.	The Bank of New York Girard	500,000.00 500,000.00	5/17/61	500,000.00
(Maturity Ledger Card Seen) (Agreement signed by Additional Loans to be made by Banks under terms of orig. agreement on or prior to 6/1/61 & entered 3/15/61.	(Agreement 3/7/61) 700,000.00 (Agreement 3/7/61) 300,000.00	Same as above Currently same. Same as above currently same.	The Bank of New York Girard The Bank of New York Girard	350,000.00 350,000.00 150,000.00 150,000.00	5/18/61	500,000.00
(Maturity Ledger Card Seen) Phila., Pa.	2,000,000.00	3¾% per annum on 365 days basis payable monthly currently same	Tradesmens Land and Title Bk. & Tr. Co., Phila., Pa. Girard Phila. Nat'l. Bank Central Penn. Nat'l. Bank	500,000.00 500,000.00 500,000.00 500,000.00	5/18/61	175,000.00

Original agreement was signed on 6/24/54 between only and Tradesmens. Further agreement attached and dated 6/25/54 between the four Banks that they will participate but amount of each not spelled out. Attached to agreements is a photostatic copy of a resolution adopted at a regular meeting of the Board of Directors of held on 3/23/54. This resolution spells out that will be prmitted to enter into the loan from the above named Banks and that the total participation of such Bank will be a maximum of $500,000.

[fol. 5877] GOVERNMENT'S EXHIBIT 70

February 7, 1957.

Memorandum

To: Mr. J. M. Johnston, Senior Vice President

From: O. H. Beadle

You have asked me to review policy areas for which I am responsible, to wit: branch development, particularly concerning the expansion of our branch system, the desirability of mergers in Philadelphia and across county lines, the type of business that might be expected to be derived from branch expansion, personnel, capital expenditures involved; and other matters pertaining thereto.

It seems hardly necessary, in view of the many predictions of continued economic growth by economists, governmental agencies and other individuals and groups who have studied the trends to go into the statistics and figures supporting these predictions. As a springboard for this report, however, it might be well to show general figures concerning population estimates which have been the basis for many of these forecasts of economic growth.

The United States Census Bureau, in its official publication, "Population Estimates", estimated that the population of the United States will increase from 151,000,000 in 1950 to 173,000,000 in 1960 and 198,000,000 in 1975, representing percentage increases of some 14 per cent from 1950 to 1960 and 30 per cent from 1950 to 1975. Not only will the impact of this growth on various parts of the country be quite different, but its impact on our area will also vary. From our standpoint, therefore, its effect upon the Philadelphia-Metropolitan area and the banking potential it generates is of principal importance.

Within the past twenty-six years, Philadelphia and the contiguous counties of Montgomery, Delaware and Bucks have grown in population and developed commercially, industrially and residentially. However, the trend of growth in the contiguous counties has been substantially greater than in Philadelphia. On the other hand, between the census dates of 1940 to 1955, Philadelphia has numerically grown more than any other county in Pennsylvania, increasing by some 140,000, closely followed by Delaware

County with an increase of 103,000. This is indicated by the following statistics which have been obtained from census reports, planning commissions, etc.

Population—Percentage of Increase

	1930–40	1940–50	1950–56	Estimated 1956
Philadelphia County	1.0	7.3	5.1	2,179,000
Delaware County	10.9	33.3	25.0	518,200
Montgomery County	8.8	22.0	34.0	475,700
Bucks County	11.4	34.3	67.0	242,600

[fol. 5878]

Population—Census

	1930	1940	1950	Estimated 1956
Philadelphia County	1,950,961	1,931,334	2,071,605	2,179,000
Delaware County	280,264	310,756	414,235	518,200
Montgomery County	265,804	289,247	353,068	475,700
Bucks County	96,727	107,715	144,620	242,600

Not only has Philadelphia lagged in the percentage rate of population growth, but its industrial and commercial growth has followed this pattern. As a matter of fact, although statistics which have been obtained from various organizations concerned with the development of Philadelphia differ on the question as to whether it is actually losing business and industry, it seems quite clear that the trend has not followed that of the contiguous counties. There are, of course, many reasons for this over-all slow pace, including obsolescence of existing facilities, lack of space for expansion, traffic conditions, and, not the least, the out-migration of middle to high income residents to suburban counties. As a matter of fact, these counties are sometimes called Philadelphia's "bedroom" counties. While this out-migration of middle to high income residents has been more than numerically overcome by new groups, which accounts for Philadelphia's increase in population, many of the in-migrants have been in lower income groups to the extent that the over-all quality of Philadelphia's population is declining both culturally and economically.

Be that as it may, Philadelphia's population is twice that of the combined three contiguous counties, and, more important, is concentrated in an area which is smaller than any one of the three counties. At the same time, there are still some possible growth areas, principally in the far northeast and far southwest with further growth possibilities arising out of the rehabilitation of some of the older

sections of the city which is now under study by responsible groups. Furthermore, as indicated by the following figures published by the Pennsylvania Department of Labor and Industry, Philadelphia has four times more industrial establishments than do all of the contiguous counties combined, two and one-half times more retail establishments, and six times more wholesale establishments.

Industrial Statistics—1955

County	No. of Plants	No. of Employees	Production Value
Bucks County	384	35,541	$ 590,278,000
Delaware County	366	52,916	1,284,040,000
Montgomery County	749	65,510	982,363,000
Philadelphia County	4,670	323,625	5,003,146,000
	6,169	477,592	$7,859,827,000

Retail Statistics—1954

County	No. of Stores	No. of Employees	Sales
Bucks County	2,135	7,338	$ 198,377,000
Delaware County	3,812	18,025	445,696,000
Montgomery County	4,152	19,268	447,870,000
Philadelphia County	25,340	114,917	2,461,538,000
	35,439	159,548	$3,553,481,000

Wholesale Trade—1954

County	No. of Establishments	No. of Employees	Sales
Bucks County	132	1,326	$ 61,985,000
Delaware County	335	2,668	174,865,000
Montgomery County	538	3,851	317,577,000
Philadelphia County	4,943	65,479	6,051,339,000
	5,947	73,324	$6,605,766,000

[fol. 5879] I. *Factors in Selecting a Branch Site*

There are, of course, many factors involved in selecting a branch area, including population, population trends, employment and wealth characteristics of the population, physical characteristics of the area which may affect its area of influence, the existence of competition, the amount of present business, and other factors. Although any one of these factors may have an important bearing on the eventual selection of a location, the three most important factors are: (a) population, (b) the existence of a focal point, and (c) competition.

A. *Population*

Population in a broad sense means not only residential population, but also commercial and industrial population or any combination of the three. Adequacy of population depends largely upon the type of business that is to be obtained. For example, retail banking business derived from individuals requires a larger population than business obtained from a combined industrial and commercial population.

Most published articles on branch population requirements use figures ranging from 5,000 to 10,000 persons, the 5,000 figure applying to captive populations such as exist in small towns in rural areas, the higher figure to suburban or urban communities. As a "rule of thumb", we use minimum requirements approximating 13,000 which is based on the experience gained from our own offices.

B. *Focal Point*

Generally, banks in themselves have little drawing power. On the contrary, the public requires convenience in banking, and it is mostly done as a part of a shopping trip or on the way to or from work, or as part of some other daily occurrence. Therefore, the location that is most convenient to the area as a whole is the one that should be selected. This usually means a shopping center, a transportation point, a department store, a confluence of traffic arteries, or simply a small concentration of service stores. Whatever form it may take, the location must have drawing power sufficient to pull the entire area together, to the extent that it is self-contained or takes on identity as a community, as distinct from simply a place to live or work.

C. *Competition*

It is profitless, in most cases, to establish a branch, except for defensive purposes, in an area whose needs are adequately served by existing banking facilities. In the past this has been recognized not only by the banks themselves, but by the banking authorities, in that almost everyone took an unofficial attitude that a bank or a branch bank was given a semi-monopoly when it was in, and adequately serving, an area. As a result of the almost frantic effort

to establish branches on the part of many banks and the pressure brought against banking authorities, this semi-monopolistic attitude has been lessened, and many banks have been established in territories already adequately served. This has resulted in not only little likelihood of profit for the new branch, but in actual harm to the existing bank.

The seriousness of new bank competition is not limited to commercial banks. It has only been within the past several years that mutual savings banks have been established in the contiguous counties. Prior to that time, the local bank had no competition for its time deposits, which, compared to Philadelphia banks, are proportionately high. If the mutual savings banks continue to locate across county lines, it is certain to react to the detriment of the local bank.

[fol. 5880] II. *Areas Offering Possibilities of Branch Locations*

With these very briefly described criteria in mind, it might be well for us to consider the general areas offering possible branch locations.

A. *Philadelphia County*

1. *Northeast Philadelphia*—This very large portion of the city's area has such different characteristics that it might be well to consider it in two segments, one being the near northeast, a well developed older section of the city, and two, the far northeast which has had substantial growth since the war, but which, as a whole, is still comparatively undeveloped.

a. *Near Northeast*—The near northeast, that is from Allegheny Avenue to Cottman Street and from Delaware River to roughly Front Street, contains in its lower portions such fully developed older neighborhoods as Bridesburg, Kensington, Richmond, and Tacony and in its upper portion equally well developed, but comparatively new neighborhoods such as Burholme, Castor Gardens, Lawndale, and Mayfair.

The Kensington-Richmond area has offices of the Philadelphia National Bank, the First Pennsylvania Company and the Industrial Trust Company on its perimeter. These

offices are located in the principal retail focal points and provide adequate banking facilities. There are, of course, other locations in which a new branch would undoubtedly provide more convenient banking facilities for the immediate neighborhood, but their areas of influence are so severely limited by well-established, well-located, competitive offices that a new branch would be, at best, a minor success.

The industrial section around Erie Avenue is served by the Tradesmens and Philadelphia National banks, and the areas to the north, viz: Bridesburg, Frankford, Tacony, Wissinoming, etc., are served by our own offices as well as branches of the First Pennsylvania Company, Frankford Trust, Second National, and other types of financial institutions.

The north-central and northwestern portions, which have been developed within the last decade, are more than adequately served by four branches of competitive commercial banks, at least four branches of mutual saving fund societies, and a number of savings and loan associations.

The northwest and west portions have limited banking facilities except for two small commercial banks that have located there. This is so primarily because the section, as a whole, is cut up by both natural and man-made barriers into small pockets. One section that we have been watching for some time is located in a pocket formed by these barriers at the intersection of Roosevelt Boulevard and Adams Avenue. The main office of Sears and Roebuck, a large Sears department store, and two super markets are located here. The population within the general area compares favorably with many of our existing offices, and, in addition, contains a number of heavy industries. Access to this site, however, is hampered by the aforementioned barriers, and it is questionable as to whether it will become sufficiently important as a focal point to overcome the difficulty of access. On the other hand, parts of the area do furnish our Burholme Office and Oxford Office with some good banking business which we might lose if a competitive bank were to locate here. Generally, the over-all near northeast offers little growth possibilities.

b. *Far Northeast*—The far northeast, on the other hand, presents an entirely different picture in that, although

there has been substantial development of all types within the last ten years, it is still comparatively undeveloped. Large tracts of ground held by strong owners indicate almost certain continued development, although the direction and importance of this development is still not defined. [fol. 5881] The City Planning Commission has carefully zoned and planned the entire territory not only for residential purposes, but for industrial and commercial use, some of which is already established. Commercial developments scattered throughout appear, at the moment, to be so limited as to provide for only local retail service to the immediate neighborhood in which they are located.

On the other hand, some of the industrial planning appears to be on a much larger scale, as evidenced by the new development at Roosevelt Boulevard and Comly Street in which a number of very substantial companies have installed large plants. At the same time, the city's plans indicate the possibility of highway development, especially in the east-west directions which presently is inadequate. One of these highways, to be known as Woodhaven Avenue, is contemplated to be a one hundred foot highway running from Huntingdon Valley eastwardly and will intersect principal north and south highways of Bustleton Avenue, Roosevelt Boulevard and Frankford Avenue. Another highway, reported to be an industrial highway, which will run north and south from approximately Adams Avenue at Roosevelt Boulevard northwardly paralleling the railroad line into Bucks County, will intersect Woodhaven Avenue midway between Bustleton Avenue and Roosevelt Boulevard. This suggests, in addition to the already rapid residential development of the area, the possibility for future branch locations. At the moment, two sites have been suggested, one at Roosevelt Boulevard and Comly Street and one at Bustleton Avenue and the proposed Woodhaven Avenue. The one site at Roosevelt Boulevard and Comly Street is proposed to be developed as a small shopping center containing a Food Fair, a Five and Ten, and possibly five or six small retail shops. It is directly across the street from the aforementioned industrial development. However, most of the territory surrounding this site is almost completely undeveloped, and the population density, even within a wide radius, is insufficient, at the moment, to profitably support a branch office. The site on Bustleton

Avenue at Woodhaven Avenue is located about one mile from the Roosevelt Boulevard and Comly Street site midway between the office of the Peoples National Bank of Langhorne in Somerton and the Frankford Trust Company in Bustleton. A one-half mile radius of this particular location contains a population of some 7,700 people which is substantially on the low side. On the other hand, there exists here a small local shopping center consisting of ten or fifteen stores, and a large A & P Super Market affords ample parking. Both areas will undoubtedly continue to develop, the Bustleton area possibly sooner than the Roosevelt Boulevard section, although the Roosevelt Boulevard section may possess more potential for the future. (Since originally writing this report, the Western Saving Fund Society has opened a branch office at Bustleton and Woodhaven Avenues.)

2. *West Philadelphia*—West Philadelphia, as a whole, presents little, if any, potential for possible branch sites. Its prime locations are provided with adequate banking facilities through offices of the Philadelphia National Bank, First Pennsylvania Company, Broad Street Trust Company, Tradesmens, and Central-Penn National Bank. A number of locations have been suggested, to wit: 47th and Pine, 37th and Chestnut, 52nd and Walnut, and 60th and Lancaster, and studies have been made which indicate that the areas of influence surrounding these sites generate only limited potential.

Southwest Philadelphia, an area running the length of Baltimore, Woodland and Elmwood Avenues, in its best sections also has adequate banking facilities provided by the First Pennsylvania Company and the Central-Penn National Bank. Most of the areas served by these offices are fully developed, and additional banking facilities do not appear necessary. Sections of this territory containing limited potential for a branch site exist at 54th and Chester Avenue and at 68th and Elmwood Avenue.

The location at 54th and Chester Avenue is limited to an area of possibly less than a one-half mile radius by existing banking facilities. However, even in these narrow limits, it contains a substantial numerical population of low-middle to low income groups which will generate a moderate supply of retail business.

[fol. 5882] The area surrounding 68th and Elmwood Avenue, which is pocketed by the Baltimore and Ohio Railroad tracks and the Schuylkill River, again, contains a fairly high population density of low-middle to low income groups which should generate a limited amount of retail business.

The extreme southwest portions have been planned and zoned by the city for rehabilitation and development, and certainly this particular area should provide opportunities for a branch location if and when development takes place.

3. *Germantown, Roxborough, Chestnut Hill, etc.*—The Germantown-Chestnut Hill area has adequate facilities provided through the First Pennsylvania Company, Tradesmens Bank and our own Bank in Germantown, the First Pennsylvania Company in the Pelham section, and the Broad Street Trust Company and the First Pennsylvania Company in the Chestnut Hill area.

The Mount Airy section lying midway between the First Pennsylvania Company's offices in Chestnut Hill and Pelham has been suggested on many occasions as a possible location for a branch site. Studies have indicated that this area is one of very limited potential.

The Chestnut Hill area, although adequately served by two commercial banks and a saving fund society, has repeatedly been suggested for a branch location, and sites have been offered to us on a number of occasions. The difficulty with this location lies in the fact that although the immediate Chestnut Hill area is comparatively small, up until recently it has been the focal point of a wide area encompassing territories north on Germantown Pike and far out along Bethlehem Pike. Rapid growth has taken place in the last decade along both these traffic arteries, and, undoubtedly, as this growth crystallizes in focal points, it will attract banking facilities. As evidence of this trend, branch offices of local banks have been established in Lafayette Hill and Flourtown. In other words, it appears that the Chestnut Hill area will be "decentralized' and become less important.

The Roxborough-Manayunk area is an old well-established community in which the First Pennsylvania Company is solidly entrenched and where the Philadelphia Saving Fund Society plans to open an office. North of this area, along Ridge Avenue toward Conshohocken, residential develop-

ment is taking place narrowly along either side of this road. The general area is pocketed by the Wissahickon Creek on one side and the Schuylkill River on the other with few cross roads. Henry Avenue is being completed as a through street from Hunting Park Avenue to Cathedral Road and will join Ridge Avenue at approximately the Andorra Shopping Center. Although this shopping center since its inception has not appeared to be greatly successful, the possibilities of growth along Henry Avenue and Ridge Pike would indicate that this might become a focal point and worth the risk of a small bank installation.

Another area that has been suggested on several occasions has been in the East Falls section, but again studies indicate that it is of limited potential.

4. *North-Central Philadelphia* (North of Spring Garden Street to City Line from Front Street to the Schuylkill River excluding Germantown, Mount Airy, etc.)—The area north of Spring Garden Street to Lehigh Avenue is almost devoid of banking facilities principally because much of the territory is classified as slum areas. North of Lehigh to city limits the commercial focal points along Broad Street, i.e. Logan, Olney, at Broad and Erie, Fifth and Wyoming, etc. have adequate banking facilities through branches of center city banks. There are, however, a number of less important sections that in varying degrees offer some possibility for low cost operations. One of these sections is at the intersection of Washington Lane and Stenton Avenue, which has grown substantially in the last [fol. 5883] decade, principally along residential lines. Literally thousands of single row and twin dwellings have been built with the only major focal points being at such distances away at Chestnut Hill, Germantown and Ogontz Avenue. Some years ago, an entire city block was purchased for use as a shopping center, and although such retail stores as American Stores, A & P Super Market, Pep Boys, and a state liquor store were established in this shopping center at its inception, the over-all growth since then has been slow. At the same time, the territory overlaps that which is served by the West Oak Lane Office and the Fidelity-Philadelphia Trust Company at Washington Lane and Ogontz Avenue, and to a lesser degree with that served by several mutual savings fund societies and the First

Pennsylvania Company. Thus, its area of influence would be limited by these competitive banks to a relatively small radius, which, nevertheless, has a sufficient population density to support a low cost or service office. (Since originally writing this portion of the report, a Federal Savings & Loan Association announced plans for opening an office in this section.)

Other locations in this general area that have been suggested from time to time are at Wadsworth and Cheltenham Avenue, Broad and 65th Avenue, and at the intersection of Broad and Cheltenham Avenue. All of these suggested locations are even more severely limited in influence and would likewise support only a low cost operation.

5. *South Philadelphia*—At the present time, this area, because of its overall characteristics and the adequacy of its existing banking facilities, affords little opportunity for a branch location except possibly at the site of the proposed Philadelphia Produce Terminal.

In brief, Philadelphia, as a whole, is well banked, and as I see it, there are no prime locations and no "sleepers" in the sense of 22nd and Indiana presently available. On the other hand, some possibility exists for low cost, low profit offices in various sections.

B. *Bucks County*—Bucks County is the fastest growing county percentage-wise in the Philadelphia-Suburban area, but, although it is the largest in area of the contiguous counties, it is the smallest in total population. This could lead to the supposition that it contains the greatest growth potential. This is not necessarily so because, unlike Delaware County and, to a lesser degree, Montgomery County, its location is such that much of Bucks County is at considerable distance from the economic influences affecting area growth. Most of the population increase, which accompanied the substantial industrial growth in the area, has occurred in Lower Bucks County as against Central Bucks which has experienced only moderate growth, and Upper Bucks County which has experienced little growth, both latter sections continuing to have more rural than suburban characteristics.

In Lower Bucks County, banking facilities have kept pace with development through the establishment of branch bank offices in many of the newly developed sections. The growth

in banking facilities is evidenced by the fact that from 1950 to 1956, bank installations in the entire county increased about 45 per cent—almost all in the Lower Bucks County section.

Development in Central Bucks has been considerably less concentrated and certainly less well planned than that which took place in Lower Bucks. It has mushroomed and been so scattered over a very wide territory that its importance, from a banking standpoint, is very limited. Most of it has taken place in sections adjacent to Montgomery and Philadelphia counties in Warminster, Southampton, Horsham, and Warrington Townships and surrounding such focal points as Doylestown, Chalfont and Hatboro, etc. These focal points are well banked, and the result of the development has been to strengthen the potential for existing banks, rather than to provide opportunities for new facilities.
[fol. 5884] The Upper Bucks County section is largely rural which, together with its distance from Philadelphia, precludes, at least for the purpose of this report, opportunities for branch banking.

C. *Montgomery County*—Montgomery County likewise has had a sustained period of substantial growth. It is the second largest of the counties, being about one-half the size of Bucks County and twice the size of Delaware County. It contains a population of slightly less than Delaware, but about twice that of Bucks. Its principal population growth has been in areas bordering Philadelphia and accounts for more than one-half of the growth of the entire county. In these sections, open land between radial roads fanning out from Philadelphia have been built up along residential lines with some industrial development along Lancaster Pike and in Fort Washington, Lansdale, North Wales and other scattered sections. The northwest section of the county beyond what might be called the "commuter" area has grown less rapidly. Even in this area, however, such focal points as Pottstown, Lansdale and other points scattered throughout the county have developed both residentially and industrially. Again, however, most of these areas are adequately provided with banking facilities and this growth is simply adding to the potential of the existing facilities rather than providing new opportunities for branch offices.

In those areas in which growth has been concentrated,

banking facilities have kept pace with development as evidenced by the fact that from 1950 to 1956, banking locations have increased some 43 per cent through new branches of local banks.

The Main Line at its principal focal points contains banking facilities at Bala Cynwyd, Wynnewood, Ardmore, Bryn Mawr, and Wayne. Center city banks have filed applications for branches in Haverford and Wayne.

Although there are definite growth indications in the sections surrounding Ambler, Conshohocken, Lansdale, and Norristown, these areas are adequately served by both branches of Philadelphia banks and local institutions. York and Easton Roads is a growth area, which is adequately served at its principal points by the Jenkintown Bank, Abington Bank, the Bank of Old York Road, and branches of Philadelphia banks including a savings bank.

In all of these areas there are sections such as Flourtown, Roslyn, Warminster, and others which seem to have continuing growth potential and which may be worth "risk" offices.

D. *Delaware County*—Delaware County's population like those of the other contiguous counties has shown substantial growth. Although the centers of population in the county remain adjacent to Philadelphia and near the city of Chester, growth has pushed steadily south and westwardly. Probably more important than percentage growth figures is the fact that the actual numerical population of Delaware County is greater than that of other contiguous counties, and this larger population is contained in an area less than one-half the size of Montgomery County and less than one-third the size of Bucks County.

Delaware County, as a whole, is the most urban of the contiguous counties. This is partially so because of its location in relation to Philadelphia. Almost all of Delaware County is within a radius of eighteen miles of center city Philadelphia as against Montgomery County, only half of which is contained within this same radius, and against Bucks County, none of which is within this radius. Here again, however, banking facilities have kept pace with area growth to an even greater degree than in other counties as evidenced by the fact that from 1950 to 1956, banking offices increased 63 per cent and if approved, but unopened, offices are counted, increased 81 per cent.

[fol. 5885] III. Limited Banking Potential Offered by Economic Growth

As I mentioned at the beginning of this report, although the trend of growth in the country as a whole and the trend in the Philadelphia-Suburban area seems to be upward, the important thing is the impact of this growth upon the areas which are our primary interest. From this standpoint, it is my opinion that the substantial growth that has taken place in the Philadelphia-Suburban area has not resulted, at least for our purposes, in providing real opportunities for profitable branch locations for the following reasons:

1. Where growth has been concentrated to the extent that it has created prime opportunities for branch locations, it has been accompanied by an equal growth in banking facilities.
2. Growth in certain areas has developed around existing facilities and has provided additional potential for these facilities rather than to have created opportunities for new branches.
3. In some areas, limited growth has been scattered over wide sections diffusing the banking potential.
4. Large portions of the over-all territory have been unaffected by economic growth.

On the other hand, while there are no prime locations available, there are certain opportunities that do exist that fall into three general categories.

1. Locations in comparatively undeveloped areas which appear to have potential for future growth, for example, in Flourtown, Ridge and Henry Avenues and others. These may be termed "risk" areas in which some development has taken place, and, although it appears that the trend of growth will continue, the direction and importance of growth potential is not clear.
2. Locations in which there appear to be little growth possibilities, but contain limited banking potential, for example: Old Lancaster Pike and Montgomery Avenue, 68th and Elmwood Avenue, 54th and Chester Avenue. These are areas which, in most cases, are fully developed containing no immediate banking facilities and limited by either natural barriers or by competition.

3. Areas in which there are already adequate banking facilities such as Ardmore and Chestnut Hill in which we have substantial existing business.

IV. Costs Involved in Establishing Branches

Locations falling within the first two categories mentioned above would not profitably support a branch office typical of our most recent installations. The profitability of a branch depends upon two over-all factors: (1) the business that can be derived from the area, and (2) the cost involved to service that business. The break-even deposit liability for one of our typical offices a decade ago approximated $1,000,000. but today approximates $3,000,000. and is increasing. This increase is caused primarily by rising costs—certainly not the reduction of business.

According to our 1955 profit and loss report applicable to branches, the lowest total operating cost in any of our offices amounted to $111,000. per year which includes all direct and indirect expense. By taking the lowest figure of each one of the expense categories applied to all of our offices, we have theoretically determined that the lowest possible total operating cost approximates $85,000. per year. Therefore, [fol. 5886] to be profitable (in the case of limited potential areas) or to hold losses to a minimum (in the case of risk areas) would necessitate facilities from the standpoint of buildings, services and personnel which have been foreign to this Bank. Under these circumstances, there would be required an emphasis on low cost operations to the extent that it may also involve less than full banking facilities and less service. Vault facilities may not be warranted, and if they are then the quality of such facilities may have to be reduced. Protective devices, equipment and furnishings, all would be provided with an eye to cost, and since personnel expenses play such a large part in a profitably operated branch office, the quality and certainly the quantity of such personnel would be affected.

In other words, if we can tailor our costs to fit the circumstances, there are a number of limited potential areas both in Philadelphia and in contiguous counties which would generate sufficient business to be profitable. Undoubtedly, the operating ratio of offices of this type would be fairly high since most of the areas contain residential

characteristics and the business to be obtained would be in the form of small deposit and savings accounts. If numerous offices of this kind were established, our personnel recruitment and training program would have to be stepped up in order to supply an adequate staff.

This brings us down to the point that could well have been the subject of a separate report and that is—our motive for establishing branches. Certainly, we want to establish branches for profit whether that profit takes the form of protecting existing business against competition or through the establishment of offices in areas containing untapped business potential. Assuming, then, that the profit motive is paramount, in my opinion, one of the present underlying reasons for establishing branches is to participate in the growth of contiguous counties. However, the evident willingness of local banks in these growth areas to protect and promote their own interest, to say nothing of the presently deterring state laws, prohibits participation in area growth to any appreciable extent. If we want to substantially participate in this growth, it seems to me our only way of doing so is by mergers with other banks.

V. Growth by Merger

In addition to the growth participation motive, consideration of merger possibilities suggests another motive and that is—the desire to further realize on the banking potential that may be created through size and through convenience of branch coverage. If this is a valid motive, it brings into the picture the possibility of mergers with Philadelphia banks and with banks in other comparatively non-growth areas in outlying counties.

Attached (Exhibit "A") are lists of the banks in the four county areas showing a comparison of deposit liability. These figures were taken from "Polk's Bank Directory", and although they have not been analysed or audited, I believe they are sufficiently accurate to give a general picture of the growth of deposits in the areas involved, and from the standpoint of percentage of growth, indicate that many banks in the contiguous counties have done better than those in Philadelphia.

A. *Philadelphia County*—Since Philadelphia, as a whole, is a comparatively non-growth area, the principal purpose

of a merger would be to attract business from both local and national concerns through size and convenience that derives from extensive branch coverage. Under these circumstances, a merger with the First Pennsylvania Company would be most favorable in that it would result in the formation of one of the largest banks in the country with some 45 branches within the city of Philadelphia and 4 suburban offices, representing in Philadelphia about 25 per cent of the existing commercial banking facilities. As in the case of almost any merger with center city banks, there would be expensive duplications not only in center city, but in at least three other areas. However, such a merger would not provide extensive contiguous county coverage.

[fol. 5887] From this standpoint, a merger with the Philadelphia National Bank, although not giving the same Philadelphia coverage, would provide the same size advantage and, in addition, would supply out-of-town branches in Bristol, Chester, Conshohocken, Hatboro, Norristown, Pottstown, and in other areas which would allow for a greater possibility of realizing on the growth potential in the contiguous counties. Its branches in Philadelphia, except for center city offices, would supplement our own.

A merger with Central-Penn Bank, while not having the same size advantage as mergers with the two previously mentioned banks, would provide good supplemental coverage for our own offices in South, Southwest and North Philadelphia.

Fidelity-Philadelphia Trust Company has several good locations both in and outside of the city. On the other hand, in my opinion, their system has many weak spots, and a merger with this bank would offer no particular advantage that could not be realized through a merger with some other bank.

Other banks such as Liberty Real Estate Bank and Trust Company, Frankford Trust Company, Industrial Trust Company, etc. although not offering wide coverage nor the same degree of size advantage, do have some good locations.

B. *Delaware County*—Delaware County, as a whole, is effectively closed to us for branch purposes by reason of the adequacy of its banking facilities. At the present time, the county has only two independent banks—the Delaware

County and Upper Darby National banks. A merger with these two banks would provide an unexcelled opportunity for full county coverage. The Delaware County National Bank, with offices in Chester, Darby and Essington, would provide excellent locations in the industrial portions of the county and in Parkside, Media and Sharon Hill would provide good locations in quality residential and commercial areas. The Upper Darby National Bank would provide good locations in residential and commercial areas. The Upper Darby National Bank would provide good locations in residential and commercial sections of the county. Together, the 18 offices of both banks would form a chain of influence on the entire perimeter of the county except for the most southerly portion and would represent about 40 per cent of the commercial banking facilities.

The Chester, Darby and Essington offices of the Delaware County National Bank serve areas which contain little, if any, growth possibilities. However, opportunities for increased business in these areas would come from existing business that might be influenced by size. On the other hand, most of the offices of the Upper Darby National Bank have been established in growth areas within the past five or six years and offer growth potential not existent in the Delaware County bank.

C. *Bucks County*—Lower Bucks County through mergers of the Delaware Valley Bank and the Farmers National Bank, except for the possibility of future development, is effectively closed to us for branch purposes.

The Morrisville Bank is located in an area whose growth potential has been severely limited by the increase of banking facilities in surrounding sections. In my opinion, its value is limited to the worth of its existing business except for the possibility of increasing that business through size.

On the other hand, the other independent bank in this general territory, the Peoples National Bank of Langhorne, through its Feasterville, Langhorne and Penndel offices, presents possibilities of growth potential in areas which are rapidly developing. The offices of this bank are adjacent to the potential industrial, residential and commercial growth area of far northeast Philadelphia. If risk offices were established at several good locations within this area,

they would form a strong chain of influence with the offices [fol. 5888] of the Langhorne bank and our offices in Mayfair and Burholme, and together would provide excellent coverage in large sections containing substantial growth potential.

D: *Montgomery County*—Bryn Mawr Trust Company is attractive from a merger standpoint primarily as a means of providing facilities for many of our valued customers in this area. This section does not have great growth potential neither does there seem to be much opportunity for increasing business through size.

The National Bank of Narberth, with offices recently established in growth sections of Wynnewood and Bala Cynwyd, offers an opportunity for capitalizing on the area's growth and, at the same time, affords an opportunity for enlarging their existing business through size.

The Montgomery-Norristown Trust Company, with several branches in Norristown in good focal points and in North Wales, offers the possibility of capitalizing on the growth potential of the areas surrounding North Wales and Norristown and to build on their existing business through size.

The Peoples National Bank of Norristown, with branches in Jeffersonville, Lafayette Hill and King of Prussia, to a lesser degree, offers the same possibilities as Montgomery-Norristown bank. This bank neither has the quality of coverage nor the quality of business of the other bank. However, the Norristown section as a growth area is effectively closed to us, and a merger with either bank in Norristown would provide good locations in this important area.

The Ambler National Bank presents opportunities for capitalizing on the growth surrounding the general Ambler area and through its office in Flourtown. At the same time, a merger with either of the Norristown banks and the Ambler banks would provide chain coverage influencing a wider territory than that influenced by the individual banks in an area which is developing residentially, commercially, and, to a lesser degree, industrially.

Mergers with the Abington, Huntingdon Valley, Jenkintown, and Old York Road banks would again establish a chain of influence covering a large rapidly growing area containing primarily residential and commercial character-

istics. Individually, the Abington and Jenkintown banks because they are located in fully developed neighborhoods contain little growth potential and, in addition, are limited by mutual competition. All four banks together with our West Oak Lane and Burholme offices would, if combined, supplement rather than compete with each other and thus become more valuable collectively than individually.

It is hardly necessary to point out that the possibility of merging with all or even a substantial number of the banks mentioned heretofore is, to say the least, unlikely. From the standpoint of location and growth potential, the following is a priority list as to the individual banks and group coverage.

Individual Banks	Groups
Montgomery-Norristown Bank & Trust Company	Upper Darby National Bank
Delaware County National Bank	Delaware County National Bank
Upper Darby National Bank	Montgomery-Norristown Bank and Trust Company
The National Bank of Narbeth	
Bryn Mawr Trust Company	Ambler National Bank
Ambler National Bank	
Peoples National Bank & Trust Company of Langhorne	The National Bank of Narbeth
	Bryn Mawr Trust Company
Huntingdon Valley Trust Company	
Bank of Old York Road	Bank of Old York Road
Jenkintown Bank and Trust Company	Huntingdon Valley Trust Company
	Abington Bank and Trust Company
	Jenkintown Bank and Trust Company

[fol. 5889] In Philadelphia, a merger with the First Pennsylvania Company offers the greatest advantage and, at the same time, provides good out-of-county locations that would lessen the desirability of a merger with the Bryn Mawr Trust Company and possibly the Upper Darby National

Bank and the National Bank of Narberth. A merger with the Philadelphia National Bank would provide good supplemental coverage in the Philadelphia area and, more important, would allow greater participation in out-of-county growth potential. A number of the out-of-county locations of the Philadelphia National Bank would, in some areas, completely remove the desirability of merging with local banks, for example, Chester and Norristown, and in some areas lessen the desirability of merging with, for example, Bryn Mawr Trust and the Bank of Old York Road. Mergers with other Philadelphia banks, by comparison, would be attractive only from the standpoint of advantages other than location and growth potential.

No discussion of the possibility of merger would be complete without becoming involved in the question of price or premium to be paid. Unless specific details are studied in connection with each bank, however, it is almost impossible to do more than generalize on the price that might have to be paid. Certainly, joining with one of the larger Philadelphia banks, because of mutual advantages, should be considered in the light of a consolidation rather than a merger, and no premium should be involved. Premiums might be paid to smaller Philadelphia banks depending upon the value of the advantages offered just as we did in the case of Germantown and North Philadelphia. Undoubtedly, premiums would have to be paid to most, if not all, of the out-of-county banks, but here again accurate determination would be dependent on a multiplicity of factors concerning the particular bank to be merged.

In order to give some idea of the effect on our Bank of a series of mergers, howevers, I have assumed a merger formula based on our 1955 earning rates on capital and deposits applied to the capital and deposits of the other banks. The effect of this formula is to pay out all of the earnings of each bank (based on what we could earn from their assets) as dividends. The attached exhibit "B" shows the cumulative effect of mergers with nine banks on this basis, together with the number of shares to be exchanged and the capital ratios.

In sum, the general metropolitan area containing Philadelphia, Montgomery, Bucks, and Delaware counties has

grown substantially within the past twenty-six years with the over-all growth trend continuing to be upward. The impact of this growth has been distributed unevenly over the area to the extent that Philadelphia's growth and other portions of the general area have been relatively little affected. Although this over-all growth has produced banking potential, it has not resulted in opportunities for us to establish prime branch locations because:

1. Banking facilities have kept pace with banking needs, particularly in outlying counties through the establishment of branches by local banks.
2. Deterring state laws have effectively minimized the opportunities for across-county-line branches by Philadelphia banks.

Locations that are available are mostly in sections containing limited banking potential or that have not matured to the point of providing more than limited potential. The profitability of offices in these locations would depend upon tailoring costs to fit the need and in the possible growth of the selected areas. Under these circumstances, substantial participation in area growth or area potential through the establishment of new offices is unlikely.

The alternative is to merge with other banks. This would, except in the case of some Philadelphia banks, undoubtedly involve a payment of substantial premiums.

[fol. 5890] The direction of the Bank's branch program, therefore, involves the determination as to whether it is better for the Bank to substantially participate in area growth with extensive coverage which could best be assured by merger, or to continue its present program of opening branches when and where an opportunity presents itself, and possibly step up this procedure by the establishment of low cost offices. The latter policy implies limited coverage and limited participation in area growth.

O. H. Beadle.

OHB:emc

[fol. 5891] EXHIBIT A

Philadelphia County Deposit Growth
000 omitted

Rank	Bank Name	Deposits 12/31/46		Deposits 6/30/56	% Increase
1.	Frankford Trust	$ 26,331		$ 43,271	64
2.	Provident Trust	125,940	(1)	196,999	50
3.	Broad Street Trust	79,498	(2)	115,088	45
4.	Fidelity Philadelphia Trust	219,797	(3)	307,370	40
4.	Industrial Trust	23,140		32,524	40
5.	Roosevelt Bank*	11,098		14,728	33
6.	Liberty Real Estate	63,468	(4)	78,079	23
7.	First Pennsylvania Company	774,696	(5)	938,217	21
8.	Second National	26,834	(6)	31,823	19
9.	Philadelphia National Bank	757,402	(7)	888,355	18
10.	Central-Penn	188,039	(8)	214,540	14
11.	Girard Trust Corn Exchange	498,295	(9)	549,333	10
11.	Sonsitaly	3,798		4,177	10
12.	Tradesmens	238,104	(10)	254,014	7
13.	Gimbels	15,867		14,001	−12
		$3,052,000		$3,672,519	20

Mutuals

1.	Saving Fund Society of Germantown	$ 66,642	$ 115,378	73
2.	Beneficial	93,071	158,697	70
3.	Western	172,226	287,093	67
4.	P. S. F. S.	583,907	821,985	41

(1) Includes deposits of Northern Trust Company and First National of Media. Ambler Trust Company used 12/31/47.

(2) Includes deposits of North Broad National, N.W. National and Inter-Boro. Prospect Park and Morton not available for 12/31/46.

(3) Includes deposits of National Bank of Olney, Clifton Heights, First of Chester, and Landsdowne. Ridley Park figures not available. Delaware Trust was a title company in 1946.

(4) Includes Liberty and Real Estate Trust.

(5) Includes deposits of Erie, Kensington, Germantown Trust, Security, N.E. National, First National, and Wayne Title.

(6) Includes deposits of Tioga National Bank.

(7) Includes deposits of Ninth, First of Conshohocken, Hatboro, Lansdale, Montgomery-Nat'l., Norristown, Citizens Pottstown, and Chester Cambridge.

(8) Includes deposits of Charter, City National, South Philadelphia, and Wyoming.

(9) Includes deposits of National of Germantown and North Philadelphia.

(10) Includes deposits of Land Title and Market Street National.

*Merged Fidelity 11/9/56.

[fol. 5892]

Bucks County Deposit Growth
000 omitted

Rank	Bank Name	Deposits 12/31/46	Deposits 6/30/56	% Increase
1.	Farmers National of Bucks County x	$ 9,055	$ 24,305	170
2.	Peoples National of Langhorne	5,281	11,090	110
3.	Delaware Valley Bank & Trust* (2) (3) xx	12,443	24,899	100
4.	Merchants National of Quakertown	5,732	11,194	95
5.	Morrisville Bank (3)	5,925	11,491	94
6.	Quakertown National Bank	4,210	6,627	57
7.	Newtown Bank & Trust Company	2,350	3,479	48
7.	First National of Riegelsville	2,278	3,377	48
8.	Doylestown Trust Company	6,810	9,619	41
9.	Soleburry National of New Hope (3)	2,964	4,136	39
10.	Doylestown National Bank & Trust	9,432	12,980	38
11.	Bucks County Bank & Trust Company** (1) (3)	11,539	15,592	35
12.	Chalfont National Bank (3)	2,191	2,668	22
13.	First National of Newtown	6,583	7,603	15

* The Delaware Valley Bank & Trust Company is a newly titled bank formed from the Bristol Trust Company, the Southampton State Bank and the Yardley National Bank.

** Bucks County Bank & Trust is a newly titled bank formed from the First of Perkasie, Quakertown Trust, Perkasie Trust, and the Dublin National Bank.

(1) Includes deposits of First of Perkasie, Perkasie Trust, Quakertown Trust, and Dublin National for 1950. Figures not available for 1946.

(2) Includes deposits of Bristol Trust, Southampton Bank and Yardley National Bank for 1950. Figures not available for 1946.

(3) Deposits as of 6/30/50. Figures not available for 12/31/46.

x Merged Fidelity 11/9/56.

xx Merged Philadelphia National Bank 11/9/56.

[fol. 5893]

Montgomery County Deposit Growth
000 omitted

Rank	Bank Name	Deposits 12/31/46	Deposits 6/30/56	% Increase	Deposit Date	Merger Date
1.	Bank of Old York Road	$ 873*	$ 4,829	453		
2.	National Bank of Narberth	3,839**	10,237	167		
3.	Peoples of Norristown	6,725	15,241	127		
4.	Huntingdon Valley Trust	2,636	5,939	125		
5.	Ambler National Bank	3,821	7,974	109		
6.	National Bank of Pottstown	9,650	19,643	103		
7.	Cheltenham National	6,701	13,411	100		
8.	Penn Valley National (Hatfield)	3,631	6,637	83		
9.	Union National Bank & Trust (Souderton)	6,336	11,505	81		
10.	Hatboro National	4,978	8,849	78	12/31/54	P.N.B. 12/9/55
11.	Citizens National Bank & Trust of Pottstown	4,675	8,131	74	12/31/54	P.N.B. 12/19/55
12.	Abington Bank & Trust	3,715	6,265	69		
12.	Bryn Mawr Trust	18,901	31,868	69		
13.	Security Trust of Pottstown	9,633	14,556	51		
14.	Collegeville National	3,011	4,412	46		
15.	Bridgeport National Bank	5,816	8,434	45		
16.	Ambler Trust Company	4,037***	5,740	42	6/30/55	Provident Trust 2/10/56
17.	National of Royersford	3,045	4,071	34		
18.	Montgomery-Norristown Bank & Trust	36,071****	47,652	32		
19.	First National of Conshohocken	10,978	14,094	28	12/31/52	P.N.B. 9/25/53
20.	Jenkintown Bank & Trust	18,880	21,847	16		
21.	First National of Lansdale	13,003	14,557	12	12/31/53	P.N.B. 2/20/54
22.	Montgomery-National of Norristown	9,639	10,628	10	12/31/53	P.N.B. 2/20/54

* Figures not available for 1946— 6/30/52 figures used.
** Figures not available for 1946—12/31/48 figures used.
*** Figures not available for 1946—12/31/47 figures used.
**** Includes deposits of Montgomery Trust Company and Norristown Penn Trust Company.

[fol. 5894]

Delaware County Deposit Growth
000 omitted

Rank	Bank Name	Deposits 12/31/46	Deposits	Deposit Date	% Increase	Merger Date
1.	Upper Darby National Bank	$18,054	$46,184	6/30/56	156	
2.	First National of Media	10,577	28,561	12/31/54	75	Provident Trust 10/31/55
3.	First National of Chester	12,383	29,921	12,31,53	69	Fidelity 2/9/54
4.	Clifton Heights National Bank	6,100	10,060	12/31/53	65	Fidelity 2/9/54
5.	Morton National Bank	1,524*	2,491	12/31/54	63	Broad Street 10/28/55
6.	Wayne Title & Trust	7,020	11,101	6/30/55	58	First Pa. Co. 3/9/56
7.	National Bank of Lansdowne	5,144	7,526	12/31/54	46	Fidelity 10/28/55
7.	Delaware County National Bank	29,339	43,070	6/30/56	46	
8.	Prospect Park State Bank	2,141*	2,907	12/31/54	36	Broad Street 5/27/55
9.	Ridley Park National Bank	2,786*	3,506	12/31/53	26	Fidelity 12/6/54
10.	Chester Cambridge Bank & Trust	22,796	28,163	12/31/53	23	P.N.B. 2/20/54
11.	Interboro Bank & Trust	7,596	9,082	6/30/55	19	Broad Street 2/10/56
12.	Marcus Hook National Bank	4,486	5,258	12/31/52	17	Fidelity 2/9/54
13.	Delaware County Trust Company	Title Business	6,913	12/31/53	...	Fidelity 12/6/54

* Figures as of 6/30/50—not available for 12/31/46.

[fol. 5895] EXHIBIT B

Merger Offers

The accompanying chart shows the progressive effect of merging nine banks by exchanging shares. Deposit and capital statistics are from "Polks" as of June 30, 1956. The calculated earnings for other banks reflects our net earnings results for 1955—.64 per cent on average gross deposits and 1.3 per cent on average capital and reserves. These earnings do not include possible net received from Trust, Security Trades, Foreign Department, etc.

The exchange basis has been determined by dividing our 1956 dividend rate ($3.20) into the calculated earnings. The number of shares to be exchanged was rounded off to present a quotable offer (i.e. 2 for 1, etc.).

Earnings for the year 1956 of $6,045,000. were used for Girard Trust Corn Exchange. However, the number of shares, deposits, capital and dividend of June, 1956, were used and hence our new par and increased dividend are not reflected.

Ratio of Exchange

1. Delaware County	9 shares of GTCX for 10 shares of theirs
2. Montgomery-Norristown	1 share of GTCX for 2 shares of theirs
3. National of Narberth	2 shares of GTCX for 1 share of theirs
4. Bryn Mawr	5 shares of GTCX for 7 shares of theirs
5. Upper Darby*	1 share of GTCX for 2 shares of theirs
6. Jenkintown	11 shares of GTCX for 10 shares of theirs
7. Peoples of Langhorne	5 shares of GTCX for 4 shares of theirs
8. Ambler National	14 shares of GTCX for 15 shares of theirs
9. Old York Road	1 share of GTCX for 3 shares of theirs

Statistical Information

	Dollars of Deposits for every $1.00 of Book and Reserves**	Number of Branches***	Percent Gain in Deposits 1946–1956
Girard Trust Corn Exchange	$ 7.88	19	10%
Delaware County	13.97	7	46%
Montgomery-Norristown	7.18	5	32%
National of Narberth	13.56	3	167%
Bryn Mawr	9.29	1	69%
Upper Darby	12.29	14	156%
Jenkintown	8.23	2	16%
Peoples of Langhorne	15.38	3	110%
Ambler National	12.38	2	109%
Old York Road	5.05	1	453%

*We could actually offer Upper Darby 108,000 shares or 8 for 15. However, as a practical matter it was rounded off and made 1 for 2.

**Based on 6/30/56 figures.

***Including Main Office.

[fol. 5896]

Consolidated Progressive Report
Effect of Exchange of Stock

	Shares Issued	Deposits 6/30/56	Book Value & Reserves: Total Book & Reserves	Book Value & Reserves: Per Share	Earnings: Total	Earnings: Per Share	Dividends @ $3.20	% of Earnings Paid Out In Dividends
Girard Trust Corn Exchange Bank	966,250	$549,332M	$69,731M	$72.17	$6,045M	$6.26	$3,092M	51%
Delaware County National	99,000	43,070M	3,084M	31.15	318M	3.21	317M	100
Consolidated 1 Bank	1,065,250	$592,402M	$72,815M	$68.35	$6,363M	$5.97	$3,409M	54%
Montgomery Norristown Bank	124,000	47,652M	6,632M	53.48	396M	3.19	397M	100
Consolidated 2 Banks	1,189,250	$640,054M	$79,447M	$66.80	$6,759M	$5.68	$3,806M	56%
National Bank of Narberth	24,000	10,237M	755M	31.46	76M	3.17	77M	101
Consolidated 3 Banks	1,213,250	$650,291M	$80,202M	$66.10	$6,835M	$5.63	$3,883M	57%
Bryn Mawr Trust	78,384	31,868M	3,430M	43.76	251M	3.20	251M	100
Consolidated 4 Banks	1,291,634	$682,159M	$83,632M	$64.75	$7,086M	$5.49	$4,134M	58%
Upper Darby National	102,500	46,183M	3,759M	36.67	347M	3.38	328M	95
Consolidated 5 Banks	1,894,134	$728,342M	$87,391M	$62.68	$7,433M	$5.33	$4,462M	60%
Jenkintown Bank and Trust	55,000	21,847M	2,654M	48.25	176M	3.20	176M	100
Consolidated 6 Banks	1,449,134	$750,189M	$90,045M	$62.14	$7,609M	$5.25	$4,638M	61%
Peoples National Bank of Langhorne	25,500	11,089M	721M	28.27	81M	3.18	82M	101
Consolidated 7 Banks	1,474,634	$761,278M	$90,766M	$61.55	$7,690M	$5.22	$4,720M	61%
Ambler National Bank	18,000	7,974M	644M	34.25	60M	3.19	60M	100
Consolidated 8 Banks	1,493,434	$769,252M	$91,410M	$61.21	$7,750M	$5.19	$4,780M	62%
Bank of Old York Road	13,600	4,829M	957M	70.37	44M	3.23	44M	100
Total—Consolidated 9 Banks	1,507,034	$774,081M	$92,367M	$61.29	$7,794M	$5.17	$4,823M	62%
					$1,749M		$1,731M	
Increase	540,784	$224,749M	$22,636M					11%
Premiums paid by our present shareholders			$10,513M	$10.88	$1,053M	$1.09		

[fol. 5897]

GOVERNMENT'S EXHIBIT 71

Girard Trust Corn Exchange Bank

Report By Offices

Gross Deposits, Gross Operating Income and Total Operating Expenses

1960

Office	Average Gross Deposits	Income: Earnings on Deposited Funds	Income: Other Operating Income	Income: Total Income	Expenses: Direct Salaries	Expenses: Direct Employee Benefits	Expenses: Interest Paid on Deposits	Expenses: Other Operating Expenses	Expenses: Total Expenses
Ambler	$ 7,505M	$ 282,645	$ 52,000	$ 334,645	$ 74,102	$ 23,144	$ 87,374	$ 86,417	$ 271,037
Arch Street	9,804	317,917	36,677	354,594	78,457	17,622	36,595	99,843	232,517
Bala-Cynwyd	3,895	142,937	26,594	169,531	34,853	8,924	24,443	71,346	139,566
Boulevard (a)								4,303	4,303
Bridesburg	6,690	251,974	36,687	288,661	36,299	8,786	85,814	85,142	216,041
Broomall	2,943	113,306	34,862	148,168	21,481	4,748	30,592	68,153	124,974
Burholme	10,047	396,831	58,945	455,776	44,931	11,127	133,316	141,505	330,879
Drexel Hill	5,795	213,124	63,012	276,136	32,085	7,118	58,160	119,320	216,683
Flourtown	2,921	107,954	29,769	137,723	30,509	7,439	26,721	65,093	129,762
Fort Washington	2,334	81,378	15,823	97,201	16,150	3,331	7,569	54,099	81,149
Frankford	16,349	614,183	82,710	696,893	86,119	22,035	184,153	207,190	499,479
Germantown	30,663	1,030,405	116,604	1,147,009	219,153	55,385	226,324	233,254	734,116
Germantown and Lehigh	10,395	390,234	52,113	442,347	58,609	13,883	69,417	179,449	321,258
Havertown	4,985	189,218	66,275	255,493	32,921	7,461	55,800	115,135	211,317
Lawrence Park	2,245	87,557	33,851	121,408	25,847	6,094	19,456	73,225	124,622
Manoa	3,220	124,797	39,026	163,823	24,629	5,971	24,848	85,772	141,220
Mayfair	5,904	260,224	56,712	316,936	35,398	8,767	80,480	127,213	251,858
Marberth	9,308	330,402	76,630	407,032	87,016	30,346	83,748	110,619	311,129
Newtown Square	2,698	113,942	39,841	153,783	20,496	4,087	22,981	78,499	126,063
North Philadelphia	16,352	593,793	89,865	683,658	94,709	24,239	183,845	209,576	512,369
Orthodox	6,175	231,349	28,520	259,869	33,246	7,912	66,901	74,111	182,170
Penn Oak	1,627	76,021	29,337	105,358	25,941	5,875	15,645	65,239	112,700
Pilgrim Gardens	3,372	126,867	45,349	172,216	21,675	5,690	30,800	85,515	143,050
Second Street	18,826	562,017	45,908	607,925	103,147	24,935	47,506	110,272	285,860
Sixty-third Street	4,596	186,588	36,913	223,501	31,937	8,342	66,589	98,980	205,828
South Philadelphia	4,282	181,072	36,439	217,511	33,511	7,329	27,369	105,624	173,833
Spring Garden	11,361	395,316	67,456	462,772	57,408	14,869	70,338	172,891	315,506
Stenton	2,893	110,123	43,648	153,771	33,419	7,876	22,461	88,096	151,852
Suburban Station	19,261	610,862	57,629	668,491	71,890	17,923	46,510	191,115	327,438
Terminal	1,474	55,215	28,486	83,701	24,962	4,680	22,602	56,099	108,343
Twenty-second Street	7,822	288,859	47,069	335,928	43,376	10,142	73,493	142,902	269,913

(a) Office not opened until March 20, 1961.

[fol. 5898]

Upper Darby and Drive-In	$21,813M	$ 932,112	$ 214,143	$ 1,146,255	$ 292,239	$ 77,557	$ 188,869	$ 287,246	$ 845,911
West Oak Lane	6,940	273,560	62,883	336,443	38,942	10,114	70,651	128,878	248,585
West Philadelphia	14,271	570,379	123,474	693,853	92,312	23,847	202,452	207,040	525,651
Wissinoming	7,558	301,673	43,859	345,532	44,540	11,237	112,534	88,095	256,406
Wynnewood	5,704	193,949	31,484	225,433	30,438	6,951	34,455	92,022	163,866
Yeadon	3,024	108,699	35,593	144,292	19,301	5,190	34,463	63,138	122,092
Main Office	247,044	7,465,655	317,214	7,782,869	187,077	41,153	601,211	1,873,046	3,702,487
Total	$542,096M	$18,313,137	$2,303,400	$20,616,537	$2,239,025	$ 561,499	$3,176,465	$6,144,862	$12,121,851

[fol. 5899]

Girard Trust Corn Exchange Bank

Report By Offices

Gross Deposits, Gross Operating Income and Total Operating Expenses

1959

Office	Average Gross Deposits	Income: Earnings on Deposited Funds	Income: Other Operating Income	Income: Total Income	Expenses: Direct Salaries	Expenses: Direct Employee Benefits	Expenses: Interest Paid on Deposits	Expenses: Other Operating Expenses	Expenses: Total Expenses
Ambler	$ 7,738M	$ 250,307	$ 55,645	$ 305,952	$ 75,329	$ 22,735	$ 71,810	$ 86,809	$ 256,683
Arch Street	10,210	285,582	38,695	324,277	68,689	16,699	29,539	100,188	215,112
Bala Cynwyd	2,918	91,876	20,179	112,055	32,244	7,742	14,751	59,873	114,610
Bridesburg	6,850	222,591	35,982	258,573	35,527	8,668	71,543	82,799	198,537
Broomall	3,198	103,745	26,450	130,195	18,058	3,768	25,508	61,206	108,540
Burholme	9,831	335,163	61,650	396,813	44,360	10,400	111,592	134,218	300,570
Drexel Hill	5,371	171,299	48,831	220,130	31,673	6,698	43,625	114,616	196,612
Flourtown	2,533	84,595	26,046	110,641	27,241	6,487	19,102	64,923	117,753
Fort Washington	1,5[illegible]	45,550	5,778	51,328	12,901	2,553	3,227	42,388	61,069
Frankford	16,629	539,050	82,848	621,898	80,899	22,464	152,709	213,753	469,825
Germantown	31,143	906,948	118,410	1,025,358	224,507	58,066	188,049	239,133	709,755
Germantown and Lehigh	10,701	353,422	52,009	405,431	55,054	13,803	55,879	173,892	298,628
Havertown	5,146	165,172	52,369	217,541	30,037	6,360	44,096	107,772	188,265
Lawrence Park	1,902	68,684	25,419	94,103	21,841	4,720	11,381	66,190	104,132
Manoa	2,946	99,037	27,074	126,111	22,777	5,109	14,896	79,790	122,572
Mayfair	5,666	217,742	60,768	278,510	36,518	8,403	68,069	129,759	242,749
Marberth	8,859	277,423	64,437	341,860	87,547	31,068	64,558	104,021	287,194
Newtown Square	2,715	93,668	31,628	125,296	17,561	3,209	15,113	71,045	106,928
North Philadelphia	17,104	549,149	95,936	645,085	99,637	25,339	155,287	195,696	475,959
Orthodox	6,171	217,744	28,915	246,659	33,878	7,830	54,949	78,072	174,729
Penn-Oak	1,257	52,250	20,392	72,642	21,931	4,907	8,176	60,674	95,688
Pilgrim Gardens	3,349	107,320	35,669	142,989	20,743	4,651	22,712	80,343	128,449
Second Street	18,640	492,515	47,893	540,408	109,095	26,401	40,348	97,575	273,419
Sixty-third Street	3,743	127,923	31,034	158,957	33,113	7,833	41,726	87,434	170,106
South Philadelphia	3,760	136,594	32,226	168,820	31,289	6,965	19,712	100,009	157,975
Spring Garden	11,321	343,275	66,124	409,399	57,043	14,174	56,297	173,945	301,459
Stenton	2,360	75,939	32,732	108,671	32,708	7,551	14,292	75,955	130,506
Suburban Station	20,307	554,456	51,475	605,931	71,751	18,872	31,280	177,729	299,632
Terminal	1,447	46,685	23,026	69,711	21,656	4,546	17,999	57,448	101,649
Twenty-second Street	6,412	202,287	37,322	239,609	43,122	9,894	46,183	122,728	221,927
[fol. 5900]									
Upper Darby & Drive-In	$ 24,144	$ 997,751	$ 220,950	$ 1,218,701	$ 322,763	$ 94,897	$ 175,057	$ 356,644	$ 949,361
West Oak Lane	6,789	233,797	64,813	298,610	42,706	10,280	54,818	128,101	235,905
West Philadelphia	14,989	522,328	123,576	645,904	88,727	23,277	176,627	219,465	508,096
Wissinoming	7,397	254,956	43,991	298,947	40,085	10,507	90,751	94,999	236,342
Wynnewood	4,849	148,907	26,711	175,618	30,083	6,481	33,636	76,406	146,606
Yeadon	3,042	94,649	27,720	122,369	17,574	4,036	27,121	62,652	111,383
Main Office	250,056	6,645,484	314,979	6,960,463	192,009	41,199	453,691	1,895,330	2,582,229
Total	$543,009M	$16,115,899	$2,159,685	$18,275,584	$2,232,676	$ 568,592	$2,526,109	$6,073,580	$11,400,975

[fol. 5901]

Girard Trust Corn Exchange Bank

Report By Offices

Gross Deposits, Gross Operating Income and Total Operating Expenses

1958

Office	Average Gross Deposits	Income: Earnings on Deposited Funds	Income: Other Operating Income	Income: Total Income	Expenses: Direct Salaries	Expenses: Direct Employee Benefits	Expenses: Interest Paid on Deposits	Expenses: Other Operating Expenses	Expenses: Total Expenses
Ambler Division (a)	$ 9,188M	$ 296,071	$ 83,694	$ 379,765	$ 129,725	$ 31,847	$ 76,069	$ 149,214	$ 386,855
Arch Street	10,294	266,576	39,437	306,013	64,942	14,239	26,423	112,945	218,549
Bridesburg	5,704	173,266	33,152	206,418	35,316	7,834	62,056	78,465	183,671
Burholme	9,642	294,219	62,616	356,835	44,380	9,239	98,864	140,756	293,239
Delaware Co. Division (b)	47,988	1,318,164	380,990	1,699,154	619,590	68,721	232,824	527,565	1,448,700
Frankford	15,676	465,922	84,913	550,835	83,432	21,495	134,462	228,443	467,832
Germantown	31,317	832,455	121,780	954,235	219,963	52,359	162,793	252,578	687,693
Germantown & Lehigh	9,856	289,529	54,234	343,763	54,524	12,335	46,869	170,476	284,204
Mayfair	5,004	168,487	54,449	222,936	35,879	8,014	51,389	120,555	215,837
Narberth Division (c)	13,350	387,921	104,208	492,129	182,401	47,189	97,770	182,359	509,719
North Philadelphia	16,064	471,053	95,635	566,688	107,262	24,682	138,845	207,115	477,904
Orthodox	6,144	186,319	27,700	214,019	32,879	6,829	49,022	79,522	168,252
Second Street	19,950	483,998	58,820	542,818	122,466	30,606	35,391	103,864	292,327
Sixty-third Street	2,440	75,778	16,833	92,611	32,501	7,481	21,217	78,970	140,169
South Philadelphia	3,387	107,712	29,687	137,399	30,613	6,029	13,948	96,320	146,910
Spring Garden	11,278	308,742	66,467	375,209	54,965	12,800	46,614	176,669	291,048
Stenton	1,393	41,067	16,565	57,632	31,472	6,279	7,258	58,965	103,974
Suburban Station	16,127	403,613	45,647	449,260	70,593	17,471	26,709	158,449	273,222
Twenty-second Street	4,690	133,143	24,371	157,514	41,867	7,825	23,274	99,882	172,858
West Oak Lane	6,934	211,140	69,260	280,400	41,348	9,248	48,158	131,013	229,767
West Philadelphia	16,035	501,343	133,945	635,288	100,424	24,120	169,782	238,682	533,008
Wissinoming	6,664	214,072	43,119	257,191	42,348	9,769	78,621	93,440	224,178
Main Office	267,205	6,560,581	318,493	6,879,074	219,277	57,981	636,633	1,844,472	2,758,363
Total	$536,330M	$14,191,171	$1,966,015	$16,157,186	$2,398,167	$ 494,392	$2,284,991	$5,330,719	$10,508,269

(a) Includes three offices (Ambler, Flourtown & Fort Washington).
(b) Includes figures from date of merger April 25, 1958 to December 31, 1958 on twelve offices (Upper Darby, Upper Darby Drive-In, Broomall, Drexel Hill, Havertown, Lawrence Park, Manoa, Newtown Square, Penn-Oak, Pilgrim Gardens, Terminal & Yeadon).
(c) Includes three offices (Narberth, Bala-Cynwyd & Wynnewood).

[fol. 5902]

Girard Trust Corn Exchange Bank

Report By Offices

Gross Deposits, Gross Operating Income and Total Operating Expenses

1957

Office	Average Gross Deposits	Income: Earnings on Deposited Funds	Income: Other Operating Income	Income: Total Income	Expenses: Direct Salaries	Expenses: Direct Employee Benefits	Expenses: Interest Paid on Deposits	Expenses: Other Operating Expenses	Expenses: Total Expenses
Ambler Division (a)	$ 8,364M	$ 82,115	$ 17,452	$ 99,567	$ 35,350	$ 10,895	$ 12,889	$ 42,291	$ 101,425
Arch Street	10,195	280,139	37,273	317,413	47,164	10,575	21,055	154,102	232,896
Bridesburg	5,504	172,453	29,612	202,066	29,691	7,491	50,453	90,060	177,695
Burholme	9,508	303,622	58,760	362,383	36,976	9,083	81,203	162,346	289,608
Frankford	15,566	485,512	81,598	567,110	80,841	19,674	113,448	258,145	472,108
Germantown	32,635	903,841	114,118	1,017,959	100,612	24,245	130,327	419,667	674,851
Germantown & Lehigh	10,432	314,126	49,622	363,748	44,905	11,576	37,072	199,457	293,010
Mayfair	4,154	147,582	51,295	198,878	32,023	7,862	34,372	131,393	205,650
Narberth Division (b)	11,613	91,296	22,498	113,794	38,666	8,126	13,175	56,576	116,543
North Philadelphia	16,457	491,681	91,604	583,285	82,071	20,239	115,104	283,206	500,620
Orthodox	6,451	196,206	24,835	221,041	27,582	7,157	42,273	92,263	169,275
Second & Chestnut Sts	29,048	739,864	58,143	798,007	53,932	12,345	27,782	254,141	348,200
Sixty-third Street	11	402	560	963	3,323	536	184	38,174	42,217
South Philadelphia	2,634	87,532	19,416	106,949	27,120	6,486	6,088	86,046	125,740
Spring Garden	11,258	322,350	64,235	386,586	48,941	12,194	36,233	189,778	287,146
Stenton	69	1,971	1,365	3,337	6,081	2,412	245	29,379	38,117
Suburban Station	13,229	349,046	32,399	381,445	51,572	13,253	17,038	202,303	284,166
Twenty-second Street	28	949	996	1,945	4,558	889	327	32,260	38,034
West Oak Lane	6,709	212,385	63,297	275,682	36,041	8,913	37,584	146,496	229,034
West Philadelphia	18,782	599,187	128,499	727,687	91,728	22,506	156,854	299,903	570,991
Wissinoming	7,279	234,441	39,157	273,599	37,058	9,154	64,979	109,834	221,025
Main Office	254,248	6,586,464	302,745	6,889,209	232,909	61,298	315,462	1,886,938	2,496,607
Total	$474,174M	$12,603,175	$1,289,488	$13,892,663	$1,149,144	$ 286,909	$1,314,147	$5,164,758	$ 7,914,958

(a) From date of merger, October 11, 1957 to December 31, 1957—Includes three offices—Ambler, Flourtown & Fort Washington.
(b) From date of merger, October 11, 1957 to December 31, 1957—Includes three offices—Narberth, Bala-Cynwyd & Wynnewood).

[fol. 5903]

Girard Trust Corn Exchange Bank

Report By Offices

Gross Deposits, Gross Operating Income and Total Operating Expenses

1956

Office	Average Gross Deposits	Income: Earnings on Deposited Funds	Income: Other Operating Income	Income: Total Income	Expenses: Direct Salaries	Expenses: Direct Employee Benefits	Expenses: Interest Paid on Deposits	Expenses: Other Operating Expenses	Expenses: Total Expenses
Arch Street	$ 10,503M	$ 281,850	$ 35,625	$ 317,475	$ 42,469	$ 8,352	$ 14,405	$ 143,462	$ 208,688
Bridesburg	5,413	168,890	26,114	195,004	23,905	5,372	35,315	83,982	148,576
Burholme	9,263	292,458	54,542	347,000	31,809	6,954	57,207	141,395	237,367
Frankford	15,999	492,270	81,375	573,645	74,051	15,619	83,622	240,915	414,208
Germantown & Lehigh	10,275	302,877	42,764	345,641	35,883	8,005	24,899	177,723	246,511
Germantown	33,735	905,912	101,655	1,007,567	92,380	19,068	98,158	385,510	595,118
Mayfair	3,879	144,128	45,511	189,639	30,298	6,676	20,987	115,958	173,914
North Philadelphia	16,422	482,498	87,118	569,616	83,969	17,393	84,541	239,359	425,263
Orthodox	5,849	177,251	23,594	200,845	24,519	5,667	29,762	81,405	141,353
Second & Chestnut Streets	29,059	710,162	55,786	765,948	47,415	9,417	18,805	230,070	305,709
Sixty-third Street								7,051	7,051
South Philadelphia	631	22,516	2,979	25,496	12,004	2,370	562	71,817	86,754
Spring Garden	11,049	316,270	56,124	372,395	38,426	8,678	24,945	169,939	241,989
Suburban Station	7,710	196,684	10,368	207,052	47,951	0,242	1,488	129,147	188,830
Twenty-second Street								8,297	8,297
West Oak Lane	6,657	210,224	60,373	270,598	30,534	6,830	25,251	131,044	193,660
West Philadelphia	18,210	586,574	119,482	706,057	81,570	17,470	115,301	275,018	490,259
Wissinoming	6,803	219,027	37,397	256,425	32,052	6,863	44,213	99,572	182,702
Main Office	261,025	6,488,864	296,234	6,785,098	218,947	49,478	218,487	1,719,272	2,206,186
Total	$452,482M	$11,998,462	$1,137,048	$13,135,511	$ 948,189	$ 204,456	$ 897,956	$4,451,843	$ 6,502,445

[fol. 5904] GOVERNMENT'S EXHIBIT 72

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended

September 9, 1957, Date

Girard Trust Corn Exchange Bank Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania hereby makes application to the Department of Banking of the Commonwealth of Pennsylvania for a Letter of Authority for the establishment of a branch in Ambler (Borough), Montgomery (County), Pennsylvania (State), and the exact location of the branch to be operated is Butler Avenue and Spring Garden Street, Ambler, Pennsylvania.

Reasons for Filing This Application:

This application covers the Main Office of the Ambler National Bank which has proposed to merge with the Girard Trust Corn Exchange Bank, subject to the approval of the Federal and State authorities and the stockholders of both banks at a meeting to be held on September 12, 1957.

Certificate of Official of Applicant Bank

I, A. E. Shaw, do hereby certify that this application has been prepared pursuant to a resolution adopted by the Board of Directors of applicant institution, a certified copy of which is attached hereto.

A. E. Shaw, Signature of President or Secretary.

Robert C. Allen, Witness.

[fol. 5905] GOVERNMENT'S EXHIBIT 72-A

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

Sept. 9, 1957.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Ambler National Bank (Name of institution, party to merger or consolidation), Butler Avenue and Spring Garden Street, Ambler, Pennsylvania.

Exact location of the branch to be operated is Butler Avenue and Spring Garden Street, Ambler, Pennsylvania.

. . . . . .

[fol. 5906] 4. Economic Development of the Area

a. *Residential*

The older established residential section of Ambler runs for approximately a half-mile south of Butler Avenue and three-quarters of a mile north of Butler Avenue between Bethlehem Pike and Morris Road. The community has been in existence since colonial days, and, therefore, residential development consists of single homes of varied architectural styles, some situated on small lots and some consisting of large estates.

Substantial residential construction is taking place in all sections of this area, for example, northeast of Ambler between Bethlehem Pike and Welsh Road in Lower Gwyn-

edd Township, northeast of the borough at Mount Pleasant Avenue, and due west of Ambler in Whitpain Township. This development is primarily in good quality single dwellings. The substantial growth is indicated by the fact that within the past 6 years, the net additions to occupied dwelling units in the surrounding townships and the Borough of Ambler is 47%.

b. *Commercial*

The commercial development of Ambler is concentrated for the most part along either side of the Butler Pike from the Reading Railroad station on the west to the Bethlehem Pike on the east. It contains the necessary variety of retail shops to provide service not only to the Borough of Ambler, but to a wide surrounding area. With the substantial population and residential growth in the area, the business community is laying plans to extend the present shopping area in an easterly and westerly direction.

Present zoning regulations in the area and its environs tends to discourage other commercial development. This in turn tends to increase the importance of the borough's commercial facilities.

c. *Industrial*

The Borough of Ambler contains several important industrial concerns, such as the American Chemical Paint, C. H. Wheeler, and Keasboy & Mattison Companies.

The almost complete development of the borough, however, precludes any possibility of substantial industrial development. Some of the areas surrounding Ambler are being developed for industrial purposes, however, as indicated by the growth in the Fort Washington Industrial Park which has witnessed substantial industrial development.

In essence, the area influenced by this office has grown substantially in population, residential construction, and in industrial development.

[fol. 5907] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

MICROCARD
TRADE MARK ®
22
16692
MATTHEW BENDER & COMPANY
MB
3-63
microcard

Name of Institution or Branch Office	Distance from Proposed Branch	4/26/57 (000 Omitted) Total Resources	Time Deposits	Demand Deposits	Total Loans
Provident-Tradesmens Bank and Trust Company—Ambler Office	one city block	$489,207 Branch figures are not available. Figures shown are for the Provident-Tradesmens Bank as a whole.	$428,502		$236,745

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

Ambler Savings & Loan Association, East Butler Avenue, Ambler, Pennsylvania.

Ellis Finance Company, East Butler Avenue, Ambler, Pennsylvania.

8. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales
American Chemical Paint Co.	350	not available	$3,000,000
Cruse Kemper Div. of C. H. Wheeler Company	70	not available	$1,200,000
Keasbey & Mattison Company	1,900	not available	$12,000,000

[fol. 5908] GOVERNMENT'S EXHIBIT 72-C

COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF BANKING, HARRISBURG

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

September 9, 1957.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving

or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Ambler National Bank (Name of institution, party to merger or consolidation), Butler Avenue and Spring Garden Street, Ambler, Pennsylvania.

Exact location of the branch to be operated is Bethlehem Pike and Wissahickon Avenue, Flourtown, Pennsylvania.

• • • • • • •

[fol. 5909] Information—Re: Location

1. Population. (Use United States Census figures in first two columns).

	1940	1950	1956 Estimate
City			
Borough			
Village			
Township Springfield	not available	11,383	18,020

2. Furnish a map of the area to be served by the proposed branch, its location and the location of all banks or branch offices now serving the area.

3. Population of area from which banking business is now attracted. (Use U. S. Census figures if available, otherwise indicate source).

	1940	1950 U. S. Census	1956 Estimate
1½ mile radius of Wissahickon Avenue and Bethlehem Pike.	(Source)	(Source)	Montgomery County Planning Commission
	not available	8,300	13,800*

4. Describe on a separate page the economic development of the area since 1940 as to:

(a) Residential
(b) Commercial
(c) Industrial

5. Indicate the distance and direction of the proposed branch from the main office and other established branches of the applicant institution.**

Address	Distance	Direction
From Main Office Broad & Chestnut Streets	12 0 miles	N NW
From Branch at 72nd & Ogontz Avenue	5 0 miles	N NW
From Branch at School Land & Germantown Avenue	5 5 miles	N NW

* No figures are available by census tracts for 1956. The Montgomery County Planning Commission, however, estimates that the percentage population increase for Springfield Township from 1950 to 1956 is 67%. Applying this percentage increase to the 1950 Census Tract figure of 8,300, we estimate a population of 13,800 for 1956.

** The Girard Trust Corn Exchange Bank has many other branches. We have indicated the distances from the Main Office and the nearest two offices.

[fol. 5910] 4. *Economic Development of the Area*

a. *Residential*

Extensive residential growth has taken place in Springfield Township on the east side of the Bethlehem Pike in communities such as Arlingham, Enfield, Erdenheim, Flourtown, Oreland, and Wyndmoor. It is estimated that population increased 66⅔% from 1950 to 1956 in the subject area. Improvements consist of single dwellings occupied by middle income families. The 1950 census indicates that over one-third of the population is of a managerial, professional or technical vocation with family income of $6,000 and upwards per year.

Large scale residential developments have taken place on Church Road, East Mill Road, Haws Lane, and Paper Mill Road. The former Sunnybrook Golf Club is now being developed with single homes. Development west of the Bethlehem Pike has been less rapid due to the number of large estates, clubs and institutional properties.

Many acres of additional vacant ground and the convenience of this location to Chestnut Hill in Philadelphia County gives indications of continued strong residential growth.

b. *Commercial*

Scattered commercial development exists along the Bethlehem Pike beginning with the major shopping center at Chestnut Hill, a small focal point in Erdenheim at Gordon Lane, and a small shopping center in Flourtown at Wissahickon Avenue in which this branch is located.

At Mill Road, north of the railroad, a new shopping center is developing which extends approximately one-half mile north to Valley Green Road. This center contains a super market and seven other retail stores with provisions for 36 stores eventually. Ample parking is provided for 1,200 cars. It appears that this shopping center will be a focal point for residents of Erdenheim, Flourtown and Oreland where adequate shopping facilities do not exist. Many acres of additional ground are available for commercial expansion.

c. *Industrial*

There are limited small industrial developments scattered throughout this area. It should be noted, however, that this office, together with the Main Office, of the Ambler National Bank, contains within its area of influence the Fort Washington Industrial Park situated approximately 2 miles north on the Bethlehem Pike. This gives evidence of the possibility of a strong industrial development and now contains about 6 plants of nationally known industrial firms. Other major industries have announced plans to locate here.

In summary, this community has grown substantially residentially as indicated by the foregoing population figures. This residential growth has been accompanied by strong commercial and industrial growth.

[fol. 5911] GOVERNMENT'S EXHIBIT 72-E

COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF BANKING, HARRISBURG

Information

To be furnished in connection with a request for the Banking Department's approval as required by Section 204.1 of the Banking Code.

September 16, 1957.

To the Department of Banking:

In support of its request for the Department's approval to establish a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of Institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Exact location of the branch to be established is Fort Washington Industrial Park situated on Pennsylvania Avenue east of Bethlehem Pike and west of the Fort Washington Interchange of the Pennsylvania Turnpike in Montgomery County.

. . . . . .

[fol. 5912] 4. *Economic Description of the Area*

a. *Residential*

Historically this section has been made up primarily of large farms and farm estates with small single home residential sections scattered throughout. Within the last decade, many of these farm properties have been developed residentially with good quality single homes. This type of development has occurred in such existing communities surrounding the site of the proposed location as Oreland, Fort Washington, Ambler Highlands, Dreshertown, and Whitemarsh.

There is, however, considerable vacant land still available and with the strong growth trend reaching outward from the Philadelphia city limits, it would seem inevitable for this residential growth to continue.

b. *Commercial*

Scattered throughout the perimeter of the areas of influence of this location, commercial development has taken place in such specific sections as the Flourtown Shopping Center and in Oreland, and to a lesser degree along the Bethlehem Pike. On the other hand, there has been little commercial development in the immediate area.

With the considerable residential growth which has taken place, and that which will undoubtedly continue to take place, there seems little doubt that commercial development will occur to provide service to the ever increasing population. The developers of the Fort Washington Industrial Park have plans on the drawing board for a commercial area to supply these needs.

c. *Industrial*

A major industrial center is in the process of being formed at the Fort Washington Industrial Park on Pennsylvania Avenue adjacent to the Fort Washington Interchange of the Pennsylvania Turnpike. About 1,200 acres have been assembled for development, 600 of which are available for industry.

Seven nationally known concerns have already located here and three others have started construction (American

Cyanamid Company, Wm. Mann Division of Burroughs, Inc., and Leeds & Northrup). The developers of the Park intend to establish an ideal working community with its own eating and recreational facilities for those who are to work here.

In addition to the Industrial Park itself, there have been other large industrial establishments, such as the Selas Corporation in Dreshertown and G. W. H. Corson, Inc. in Whitemarsh.

d. *Highway Development*

This particular site is located at the entrance to the Pennsylvania Turnpike on Pennsylvania Avenue just east of the Bethlehem Pike, both of which are important traffic arteries. In addition, the "309 By-pass", which is presently under construction from Spring House to the Philadelphia County Line at Ogontz Avenue, will bisect all of these highways in the immediate area of the Industrial Park. This will provide this location with excellent railway transportation, all of which, when completed, should provide impetus to the residential, commercial and industrial development of the area.

In summary, there has been continued strong residential and industrial development accompanied by perimeter commercial development, which together with the excellent highway and transportation facilities, and coupled with the trend of growth in the Philadelphia-Metropolitan area, indicates substantial future growth potential.

[fol. 5913] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	(000 Omitted) Total Resources	Time Deposits	Demand Deposits	Total Loans

None located in the neighborhood of the area of influence of this office.

We believe the population statistics we have selected on the area of influence of this office to be not only conservative, but realistic. It does not include the area of influence of either the Ambler or the Flourtown Offices of the Ambler National Bank which are relatively heavily populated, but covers roughly one-third of Upper Dublin Township and one-eighth of Whitemarsh Township.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

Name	Distance from Proposed Branch

None located in the neighborhood of the area of influence of this office. See statement above.

[fol. 5914] Data Supporting Need for Additional Banking Services or Facilities to Be Offered by Proposed Branch.

1. What banking services will be offered by the proposed branch?

Complete banking service, including Commercial and Consumer loans, Depository Services, and other services now offered by existing branches of the Bank will be offered. Parking facilities will be provided. Safe Deposit services will not be offered. Banking hours may be tailored to fit the needs of the neighborhood.

2. Estimate of amount of business now being done in area by applicant, including time and demand deposits and loans.

$1,000,000	Demand Deposits
$ 200,000	Time Deposits
$ 200,000	Loans

3. Estimate of new business which proposed branch will attract, including time and demand deposits and loans.

$,500,000	Demand Deposits
$1,500,000	Time Deposits
$1,250,000	Loans

4. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales
Chemical Concentrates Corp.	50	not available	not available
Columbia Steel Equipment	225	not available	not available
Hewitt Robins, Inc.	30	not available	not available
Marland Photoengraving Co.	25	not available	not available
Minneapolis Honeywell Valve Regulator Division	250	not available	not available
Montgomery Publishing Co.	70	not available	not available
National Aeronautical Corp.	150	not available	not available
	800		

[fol. 5915] GOVERNMENT'S EXHIBIT 73-A

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Information

To be furnished in connection with a request for the Banking Department's approval as required by Section 204.1 of the Banking Code.

July 22, 1959.

To the Department of Banking:

In support of its request for the Department's approval to establish a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of Institution), Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Exact location of the branch to be established is N.E. Cor. Comly Road and Roosevelt Boulevard, Philadelphia 14, Pennsylvania.

. . . . . .

[fol. 5916] Information—Re: Location

1. Population. (Use United States Census figures in first two columns).

	1940	1950	1958 Estimate
City, Philadelphia	1,931,334	2,071,605	2,208,535
Borough			
Village			
Township			

2. Furnish a map of the area to be served by the proposed branch, its location and the location of all banks or branch offices now serving the area.

3. Population of area from which banking business will be attracted. (Use U. S. Census figures if available, otherwise indicate source).

	1940 U. S. Census (Source)	1950 U. S. Census (Source)	April 1st 1958 Estimate Phila. City Planning Commission
1½ mile radius of site	994	6,326	9,328*

* The above population figures *do not* include 6,600 employees of industrial corporations within the 1½ mile radius. Projecting the housing developments now underway, but not yet completed, to 1960, results in an estimated population of 18,900 persons within this area, again not including the existing present industrial population of 6,600 persons. (See housing developments outlined on map.)

4. Describe on a separate page the economic development of the area since 1940 as to:

(a) Residential
(b) Commercial
(c) Industrial

5. Indicate the distance and direction of the proposed branch from the main office and other established branches of the applicant bank.**

** The Girard Trust Corn Exchange Bank has 38 offices. We have indicated the distances from the Main Office and the nearest two offices.

Address	Distance	Direction
From Main Office, Broad and Chestnut Streets	14.0 miles	N NE
From Branch at Cottman Ave. east of Frankford	5.5 miles	N NE
From Branch at Rising Sun and Cottman Avenues	6.0 miles	N NE

[fol. 5917] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	Branch figures are not available. The figures used are for the entire Bank. (000 Omitted) 12/31/58 Total Resources	Time Deposits	Demand Deposits	Total Loans
Western Saving Fund Society "Lumar Park"	2 miles by auto	$396,936,617	$364,378,121	None	$168,402,568

Note: We have received notice from the Banking Department that the Second National Bank of Philadelphia intends to establish a branch at Bustleton and Woodhaven Roads, adjacent to the Lumar Park Shopping Center (1¾ miles distance by auto).

Although the two branch offices listed above are included in the 1½ mile radius of the site used for population purposes in question 3 on page 2, they are actually 1¾ to 2 miles away from the proposed office by auto and are thus outside of the subject area by a direct transportation route.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

Name	Distance from Proposed Branch

None.

[fol. 5918] Data Supporting Need for Additional Banking Services or Facilities to be Offered By Proposed Branch.

1. What banking services will be offered by the proposed branch?

Complete banking service, including commercial and consumer credit loans, depository services and all other services now offered by existing branches of the Bank with the exception of safe deposit facilities, will be offered. Parking and drive-in facilities will be provided.

2. Estimate of amount of business now being done in area by applicant, including time and demand deposits and loans.

$1,800,000	Demand Deposits
$ 110,000	Time Deposits
$ 25,000	Consumer Loans
$2,300,000	Commercial Loans

3. Estimate of new business which proposed branch will attract, including time and demand deposits and loans.

$3,000,000	Demand Deposits
$1,500,000	Time Deposits
$ 200,000	Consumer Loans
$ 500,000	Commercial Loans

4. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

	Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales
Roosevelt Industrial District	D. P. Brown & Co., Inc.	not available	not available	not available
	Byberry State Hospital*	1,400	not available	not available
	International Paper Co.	not available	not available	not available
	Interstate Iron & Supply Co.	not available	not available	not available
	Kelly Springfield Tire Co.	not available	not available	not available
	Klightning Mfg. Co.	not available	not available	not available
	P. W. Industries, Inc.	not available	not available	not available
	National Biscuit Co.	1,200	not available	$ 4,000,000
	National Electrical Products (a division of H. K. Porter)	not available	not available	not available
	Yale & Towne Mfg. Co.	3,000 to 3,500	not available	$129,000,000
	Progress Mfg. Co., Inc.	1,000	not available	$ 21,000,000

* Institution.

[fol. 5919] Additional Information Supporting Application

Applicant should supply in this space, and on additional sheets if required, any further information deemed necessary or desirable.

The Girard Trust Corn Exchange Bank has many existing branch offices in the northeast section of the city of Philadelphia. As indicated on page four of this application, we now have $1,910,000 of deposit business and $2,325,000 in loans within a 1½ mile radius of the site. Not included in these figures, located outside the subject area but still in the far northeast (i.e., above Pennypack Park), are additional commercial customers of the Bank with deposits totaling $11,400,000. Undoubtedly, some of these customers will also make use of this new office.

This area has witnessed substantial residential and industrial growth in the past five years. New residential construction now underway will make this shopping center the focal point for approximately 18,900 persons by 1960. The availability of large tracts of industrial ground will, undoubtedly, result in substantial future industrial growth. A branch office at this location, therefore, will enable us to serve our existing customers and to participate in the growth now underway.

Certificate of Official of Applicant Bank

I, A. E. Shaw, do hereby certify that the information contained herein is true and correct to the best of my knowledge and belief and is submitted to the Department of Banking in support of an application for a Letter of Authority to establish a branch.

/s/ A. E. Shaw, Signature of Secretary

Robert C. Allen, Witness.

July 22, 1959.

[fol. 5920] GOVERNMENT'S EXHIBIT 74

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended.

February 29, 1956.

The Girard Trust Corn Exchange Bank hereby makes application to the Department of Banking of the Commonwealth of Pennsylvania for a Letter of Authority for the establishment of a branch in Philadelphia (City), Philadelphia (County), Pennsylvania (State).

And the exact location of the branch to be operated is 2944-50 North 22nd Street.

Note: (All such offices other than branches resulting from mergers or consolidation, to be located outside city, borough, or village of main office location require Banking Board approval).

* * * * * * *

[fol. 5921] Information—Re: Location

1. Population. (Use United States Census figures in first two columns).

	1940	1950	1955 Estimate
City	1,931,334	2,071,605	2,161,000
Borough	.....	.....	.....
Village	.....	.....	.....
Township	.....	.....	.....

2. Furnish a map of the area to be served by the proposed branch, its location and the location of all banks or branch offices now serving the area.

3. Population of area from which banking business will be attracted. (Use U. S. Census figures if available; otherwise indicate source).

1940 Census (Source)	1950 Census (Source)	1955 Estimate*
25,500	25,000	25,000

* Philadelphia Chamber of Commerce Estimate.

4. Describe on a separate page the economic development of the area since 1940 as to:

(a) Residential
(b) Commercial
(c) Industrial

5. Indicate the distance and direction of the proposed branch from the main office and other established branches of the applicant bank.

Address	Distance	Direction
From Main Office Broad and Chestnut Streets	4¼ mi.	N. Nw
From Branch at 2809 Germantown Avenue	1¾ mi.	NW
From Branch at Broad and Germantown Avenue	1½ mi.	SW

[fol. 5922] Describe the economic development of the area since 1940 as to: (a) Residential (b) Commercial (c) Industrial

The subject area is principally residential although it contains very substantial industrial concentrations along Hunting Park Avenue, Lehigh Avenue and Allegheny Avenue and, as a matter of fact, scattered throughout the entire area. Residential improvements consist almost entirely of two-story row dwellings. Since the entire area has been fully developed for a long period of time, there has been little, if any, residential growth.

It is adequately served by public transportation and is, therefore, convenient to the important retail centers in the center and other parts of the city. As a result, there are no outstanding retail focal points although there are retail service centers on 29th Street, 22nd Street, Lehigh Avenue, etc., and since these service centers adequately serve the needs of the community, there has been little growth along commercial lines.

There has been some industrial growth caused primarily by the expansion of existing industries and through absorption of older, smaller companies by large nationally known concerns.

In other words, since the area is fully developed there has been little growth along residential or commercial lines, although industrially the area has increased in importance.

[fol. 5923] Date Supporting Need for Additional Banking Services or Facilities To Be Offered by Proposed Branch.

1. What banking services will be offered by the proposed branch?

Complete banking service including commercial and consumer credit loans, depository services, safe deposit and other services offered by the existing branches of the bank. Parking and drive-in facilities will be provided.

2. Estimate of amount of business now being done in area by applicant, including time and demand deposits and loans.

8,000,000 ..... Demand Deposits
50,000 ..... Time Deposits
1,500,000 ..... Loans

3. Estimate of new business which proposed branch will attract, including time and demand deposits and loans.

4,000,000 ..... Demand Deposits
2,000,000 ..... Time Deposits
500,000 ..... Loans

4. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales

Within the area of influence of this location there are at least 100 industrial or manufacturing concerns of varying importance. This is not taking into consideration the large number of comparatively small commercial and industrial concerns also located within the area. Three companies having more than 1,000 employees are: Budd Company, Tasty Baking Company and Link Belt Company. All others have less than this number of employees.

[fol. 5924] Additional Information Supporting Application

Applicant should supply in this space, and on additional sheets if required, any further facts or reasons to support this application.

For some time we have felt that the area west of Broad Street to the Schuylkill River and from Lehigh Avenue north to Hunting Park Avenue is not adequately supplied with banking facilities. As a matter of fact, the closest facilities are located at Broad and Erie Avenue, and 10th and Lehigh Avenue. The population density of 25,000 persons within a one-half mile radius of the subject location

more than favorably compares to population densities of similar areas of at least six of our existing offices, all of which are profitable. We believe that the small business and residential population of the area alone will provide potential for retail business, including consumer credit and business loans in more than sufficient quantities to allow a profitable operation, to say nothing of the potential to be derived from large concerns through offering complete, convenient banking service, including parking and drive-in facilities. As a matter of fact, we believe that although the one-half mile radius area selected is an area of influence and will provide opportunities for profitable branch operation, it is, in our opinion, that, at least from an industrial and commercial standpoint, an area of influence that will encompass a much wider territory, especially in view of the fact there are no banking facilities west of Broad Street to the Schuylkill River.

Certificate of Official of Applicant Bank

I — do hereby certify that I have read this application and that the information contained therein is true and correct to the best of my knowledge and belief and is submitted to the Department of Banking for the purpose of obtaining a Letter of Authority to establish a branch.

—— ——, Signature of President or Secretary.

[fol. 5925] GOVERNMENT'S EXHIBIT 75

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended.

March 5, 1956.

The Girard Trust Corn Exchange Bank hereby makes application to the Department of Banking of the Commonwealth of Pennsylvania for a Letter of Authority for the establishment of a branch in Philadelphia (City), in Philadelphia (County), Pennsylvania (State).

And the exact location of the branch to be operated is 427-31 North 63rd Street.

Note: (All such offices other than branches resulting from mergers or consolidations, to be located outside city, borough, or village of main office location require Banking Board approval).

• • • • • • •

[fol. 5926] Information—Re: Location

1. Population. (Use United States Census figures in first two columns).

	1940	1950	1955 Estimate
City	1,931,334	2,071,605	2,161,000
Borough	.....	.....	.....
Village	.....	.....	.....
Township	.....	.....	.....

2. Furnish a map of the area to be served by the proposed branch, its location and the location of all banks or branch offices now serving the area.

3. Population of area from which banking business will be attracted. (Use U. S. Census figures if available, otherwise indicate source).

	1940 U. S. Census (Source)	1950 U. S. Census (Source)	1955 Estimate
One miles radius area	90,000	87,500	87,000*

* Philadelphia City Planning Commission.

4. Describe on a separate page the economic development of the area since 1940 as to:

(a) Residential
(b) Commercial
(c) Industrial

5. Indicate the distance and direction of the proposed branch from the main office and other established branches of the applicant bank.

Address	Distance	Direction
From Main Office Broad and Chestnut Streets	5¼ mi.	W. NW
From Branch at 60th and Ludlow Streets	⅝ mi.	NW

[fol. 5927] Describe the economic development of the area since 1940 as to: (a) Residential (b) Commercial and (c) Industrial

The subject area contained within the one-mile radius of this location is mainly residential, interspersed through-

out with small retail service sections and a limited number of industrial establishments. Most of the residential improvements are two-story, row dwellings, typical of the Philadelphia general area. In the northwest sections, however, there are fine residential communities of substantial single and twin family dwellings. Although there has been some residential building growth in the last ten years in the section north of Vine Street west of 63rd Street, generally, there has been little residential growth since the area has been for many years almost fully developed. Scattered throughout are local retail service sections, for example, at 60th and Market, 62nd and Lansdowne, 63rd and Lancaster, etc. These service sections have been established for many years and are in sufficient number and quality to adequately supply the needs of the community and, as a result, there has been little, if any, growth along these lines. There are no large industrial or mercantile establishments in the area, but there are a number of small industrial or manufacturing concerns. Although there is again no growth in this type of occupancy, there has been a tendency for slightly larger concerns of this type to replace what in the past has been one-man or family establishments. In a nutshell, this is a stable fully-developed residential area containing small commercial enterprises and adequate retail services.

[fol. 5928] Data Supporting Need for Additional Banking Services or Facilities to Be Offered by Proposed Branch.

1. What banking services will be offered by the proposed branch?

Complete Banking Service including commercial and consumer credit loans, deposit services, safe deposit, etc.—including all services offered by existing branches of the Bank. Parking and drive-in facilities will also be provided.

2. Estimate of amount of business now being done in area by applicant, including time and demand deposits and loans.

2,400,000	Demand Deposits
3,200,000	Time Deposits
500,000	Loans

3. Estimate of new business which proposed branch will attract, including time and demand deposits and loans.

3,000,000	Demand Deposits
1,000,000	Time Deposits
300,000	Loans

4. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales

There are no large businesses in the area, excepting branch offices of chain concerns for which the figures are not available. Most businesses within the area are of the local individual or family businesses type.

[fol. 5929] Additional Information Supporting Application

Applicant should supply in this space, and on additional sheets if required, any further facts or reasons to support this application.

For some time we have known that the physical facilities of our office at 60th and Ludlow are not adequate to properly service our business. Presently, we have approximately 17,000 accounts representing a deposit liability of $18,000,000.00 serviced in a useable area 29′ x 70′ with consumer credit, saving fund and other facilities in "walk up" mezzanine space. The result is that even at the most "off-peak periods" both customers and employees are harassed by overcrowding. Furthermore, in this heavily trafficked area, the problem is accentuated by the lack of parking and/or drive-in facilities. We have been deterred from acquiring contiguous sites or new neighborhood sites because of the very high capital cost involved. Studies of our present office reveal that approximately 30% of its accounts originate to the N NW of it from Market Street to Haverford Avenue decreasing in intensity to Lancaster Avenue. The subject location is in the heart of this section and we believe it would be of benefit both to us and to the community, not only by enabling us to provide adequate banking facilities for a very substantial number of our customers, but also to provide parking and drive-in facilities for all customers in the entire area. In addition,

it would give us the opportunity to expand our business which under present conditions, is almost impossible to do and, further, it would preclude the necessity of a very much larger capital outlay at our present office by siphoning off a substantial percentage of the volume.

Certificate of Official of Applicant Bank

I Geoffrey S. Smith do hereby certify that I have read this application and that the information contained therein is true and correct to the best of my knowledge and belief, and is submitted to the Department of Banking for the purpose of obtaining a Letter of Authority to establish a branch.

Geo. S. Smith, Signature of President.

Orville A. Benslee, Witness.
February 6, 1956.

[fol. 5930] GOVERNMENT'S EXHIBIT 76

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended.

March 3, 1958.

Girard Trust Corn Exchange Bank, Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania hereby makes application to the Department of Banking of the Commonwealth of Pennsylvania for a Letter of Authority for the establishment of a branch in Upper Darby (Township), Delaware (County), Pennsylvania (State).

And the exact location of the branch to be operated is 6908-10 Market Street, Upper Darby Township, Delaware County, Pennsylvania.

Reasons for Filing This Application:

This application covers the Main Office of the Upper Darby National Bank which has proposed to merge with

the Girard Trust Corn Exchange Bank, subject to the approval of the Federal and State authorities and the stockholders of both Banks.

Certificate of Official of Applicant Bank

I, A. R. Shaw, do hereby certify that this application has been prepared pursuant to a resolution adopted by the Board of Directors of applicant institution, a certified copy of which is attached hereto.

A. E. Shaw, Signature of President or Secretary.

Robert C. Allen, Witness.
Philadelphia, Pa., Feb. 25, 1958.

[fol. 5931] GOVERNMENT'S EXHIBIT 76-A

Commonwealth of Pennsylvania, Department of Banking
Harrisburg

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Upper Darby National Bank (Name of institution, party to merger or consolidation), 6908-10 Market Street, Upper Darby, Pennsylvania.

Exact location of the branch to be operated is 6900-10 Market Street, Upper Darby Township, Delaware County, Pennsylvania.

[fol. 5932] Additional Information

Applicant should supply in this space, and on additional sheets if required, any further information deemed necessary or desirable.

Delaware County as a whole, and the area influenced by this office, has witnessed a sustained period of growth during the past decade, and this growth is continuing at a rapid pace. This is evidenced by the fact that in April of 1957, the population of the county was estimated at 531,590 persons, compared to 414,234 in 1950, for a gain of 28.3%. This rapid population growth has been accompanied by strong commercial development.

The merged bank will provide many additional banking services to this rapidly growing community. At the same time, it will provide banking service for present customers of the Girard Trust Corn Exchange Bank moving to this area and to customers who now reside there.

Certificate of Official of Applicant Institution

I, A. E. Shaw, do hereby certify that the information contained herein is true and correct to the best of my knowledge and belief and is submitted to the Department of Banking for the purpose of obtaining its approval as required under the provisions of the Banking Code, as amended.

A. E. Shaw, Signature of Secretary.

Robert C. Allen, Witness.
March 3, 1958.

[fol. 5933] Government's Exhibit 76-C

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as

below described, the applicant institution submits the following information.

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Street, Philadelphia 2, Pennsylvania.

Upper Darby National Bank (Name of institution, party to merger or consolidation), 6905-10 Market Street, Upper Darby, Delaware County, Pennsylvania.

Exact location of the branch to be operated is 4221 Ferne Boulevard, Drexel Hill, Upper Darby Township, Delaware County, Pennsylvania.

[fol. 5934] GOVERNMENT'S EXHIBIT 76-E

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Upper Darby National Bank (Name of institution, party to merger or consolidation), 6908-10 Market Street, Upper Darby, Delaware County, Pennsylvania.

Exact location of the branch to be operated is 1625 East Darby Road, Havertown, Haverford Township, Delaware County, Pennsylvania.

[fol. 5935] Information—Re: Location

1. Population. (Use United States Census figures in first two columns).

	1940	1950	1957 Estimate
City			
Borough			
Village			
Township Haverford	27,594	39,641	51,550

2. Furnish a map of the area to be served by the proposed branch, its location and the location of all banks or branch offices now serving the area.

3. Population of area from which banking business is now attracted. (Use U.S. Census figures if available, otherwise indicate source).

1940	1950	
(Source) not available by census tract	U.S. Census (Source) 13,457	1957 Estimate 17,494

4. Describe on a separate page the economic development of the area since 1940 as to:

(a) Residential
(b) Commercial
(c) Industrial

5. Indicate the distance and direction of the proposed branch from the main office and other established branches of the applicant institution.

Address	Distance	Direction**
From Main Office Broad & Chestnut Sts. Phila.	8 8/10 miles	North-Northwest
From Branch at 60th & Ludlow Sts. Phila.	4 miles	West-Northwest
From Branch at 18 E. Wynnewood Road, Lower Merion	2 5/10 miles	Southeast

* The 1950 population is based upon these census tracts adjacent to the Havertown Office. The 1957 estimate has been obtained by adding 30% onto the 1950 U. S. census figures. This percentage increase is the estimated growth which occurred between 1950 and 1957, according to the Delaware County Planning Commission.

** The Girard Trust Corn Exchange Bank has many other branches. We have indicated the distances from the Main Office and the nearest two offices.

[fol. 5936] 4. Economic Development of the Area

a. Residential

Residential development in the trading area consists of good quality single homes with market values ranging from $15,000 to $40,000. The major portion of the land is zoned

for residential use, and the land has been developed intensely due to the good transportation facilities and schools serving the area. The older residential sections, such as Brookline, Merwood and Oakmont, are almost completely developed, whereas new housing construction in locations such as Chatham Village, Penfield and Chatham Park has provided extensive residential growth in the past decade. Haverford Township's population grew 80% from 1940 to 1957.

b. Commercial

Scattered commercial growth exists along the entire length of Darby Road from where it crosses the West Chester Pike westward to Eagle Road. Commercial focal points exist at Manoa Road, Brookline Boulevard, and at Eagle Road.

This branch office is located on the outskirts of a community shopping center at Brookline Boulevard and Darby Road which has been serving Haverford Township for over 20 years. The center consists of two large super markets and approximately seventy retail service stores. Excellent transportation facilities and good roads have materially assisted in the development and strengthening of this commercial center.

c. Industrial

This is essentially a residential and commercial area with zoning regulations which preclude any extensive industrial growth.

In summary, this is a good quality suburban residential area which has witnessed strong residential growth during the past ten years. This growth has been accompanied by necessary commercial expansion to service the needs of the growing population.

[fol. 5937] GOVERNMENT'S EXHIBIT 76-G

Terminal Office

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Upper Darby National Bank (Name of institution, party to merger or consolidation), 6908-10 Market Street, Upper Darby, Pennsylvania.

Exact location of the branch to be operated is PTC Terminal Bldg., Market Street at 69th Street, Upper Darby Township, Delaware County, Pennsylvania.

• • • • • • •

[fol. 5938] Information-Re: Location

1. Population. (Use United States Census figures in first two columns).

	1940	1950	1957 Estimate
City			
Borough			
Village			
Township Upper Darby	56,883	84,951	92,060

2. Furnish a map of the area to be served by the proposed branch, its location and the location of all banks or branch offices now serving the area.

3. Population of area from which banking business is now attracted. (Use U. S. Census figures if available, otherwise indicate source).

1940 (Source)	1950 (Source)	1957 Estimate
50,000	75,000	96,000

4. Describe on a separate page the economic development of the area since 1940 as to:

(a) Residential
(b) Commercial
(c) Industrial

5. Indicate the distance and direction of the proposed branch from the main office and other established branches of the applicant institution.

Address	Distance	Direction**
From Main Office Broad & Chestnut Sts. Phila.	5 8/10 miles	due west
From Branch at 60th & Ludlow Sts. Philadelphia	1 mile	due west
From Branch at 427-35 North 63rd St. Philadelphia	1 2/10 miles	southwest
From Branch at 18 E. Wynnewood Rd. Lower Merion	3 3/10 miles	southeast

In addition to the three offices of the applicant bank located in the vicinity of the 69th Street area, there are two additional offices of the bank to be merged other than the one covered in this application. One is located at 6910 Market and the other is at Ludlow and Glendale Street.

* This office is a service station for commuters using the PTC elevated and bus lines which converge at 69th and Market together with patrons of the Philadelphia Suburban Transportation Company's high speed trolley lines which serve most of Delaware County and some parts of Western Montgomery County. Prior to signing the lease for this office, Upper Darby National Bank received the commuter figures above, indicating the number of persons using these transportation facilities daily.

** The Girard Trust Corn Exchange Bank has many other branches. We have indicated the distances from the Main Office and the nearest three offices.

[fol. 5939] Additional Information

Applicant should supply in this space, and on additional sheets if required, any further information deemed necessary or desirable.

Due to the highly congested traffic and parking conditions in the 69th Street area, and to the tremendous number of commuters using this transportation hub, this service office was opened in April of 1950 to provide convenient facilities for customers of the Upper Darby National Bank and to relieve the banking traffic at the Main Office at 6910 Market Street. This office has not only served many existing customers of the bank but has been a continual source of new business.

Delaware County as a whole, and the area influenced by this office, has witnessed a sustained period of growth during the past decade, and this growth is continuing at a rapid pace. This is evidenced by the fact that in April of 1957, the population of the country was estimated at 531,590 persons, compared to 414,234 in 1950, for a gain of 28.3%. This rapid population growth has been accompanied by strong commercial development.

The merged bank will provide many additional banking services to this rapidly growing community. At the same time, it will provide banking services for present customers of the Girard Trust Corn Exchange Bank moving to this area and to customers who now reside there.

Certificate of Official of Applicant Institution

I A. E. Shaw do hereby certify that the information contained herein is true and correct to the best of my knowledge and belief and is submitted to the Department of Banking for the purpose of obtaining its approval as required under the provisions of the Banking Code, as amended.

A. E. Shaw, Signature of President or Secretary.

Robert C. Allen, Witness.
March 3, 1958.

[fol. 5940] GOVERNMENT'S EXHIBIT 76-I

COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF BANKING, HARRISBURG

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below

described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pa.

Upper Darby National Bank (Name of institution, party to merger or consolidation), 6908-10 Market Street, Upper Darby, Delaware County, Pennsylvania.

Exact location of the branch to be operated is Glendale Road and Ludlow Street, Upper Darby Township, Delaware County, Pennsylvania.

* * * * * * *

[fol. 5941] Additional Information

Applicant should supply in this space, and on additional sheets if required, any further information deemed necessary or desirable.

Due to the strong regional influence of this highly concentrated shopping center parking has become a major problem. This drive in office, with its three drive in and one walk up windows has enabled the customers of the bank to be serviced with a minimum of inconvenience. This drive in office handles over 4,000 cars a week.

Delaware County as a whole, and the area influenced by this office, has witnessed a sustained period of growth during the past decade, and this growth is continuing at a rapid pace. This is evidenced by the fact that in April of 1957, the population of the county was estimated at 531,590 persons, compared to 414,234 in 1950, for a gain of 28.3%. This rapid population growth has been accompanied by strong commercial development.

The merged bank will provide many additional banking services to this rapidly growing community. At the same time, it will provide banking services for present customers of the Girard Trust Corn Exchange Bank moving to this area and to customers who now reside there.

Certificate of Official of Applicant Institution

I A. E. Shaw do hereby certify that the information contained herein is true and correct to the best of my knowledge and belief and is submitted to the Department of Bank-

ing for the purpose of obtaining its approval as required under the provisions of the Banking Code, as amended.

A. E. Shaw, Signature of President or Secretary.

Robert C. Allen, Witness.
March 3, 1958.

[fol. 5942] GOVERNMENT'S EXHIBIT 76-K

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Upper Darby National Bank (Name of institution, party to merger or consolidation), 6908-10 Market Street, Upper Darby, Delaware County, Pennsylvania.

Exact location of the branch to be operated is Manoa Shopping Center, West Chester Pike and Eagle Road, Havertown, Haverford Township, Delaware County, Pennsylvania.

* * * * * * *

[fol. 5943] Information—Re: Location

1. Population. (Use United States Census figures in first two columns).

	1940	1950	1957 Estimate
City			
Borough			
Village			
Township Haverford	27,594	39,641	51,550

2. Furnish a map of the area to be served by the proposed branch, its location and the location of all banks or branch offices now serving the area.

3. Population of area from which banking business is now attracted. (Use U. S. Census figures if available, otherwise indicate source).

1940 (Source)	1950 U.S. Census (Source)	1957 Estimate*
Not available by Census Tract	13,005	16,906

* The 1950 population is based upon those census tracts adjacent to the Main Office. The 1957 estimate has been obtained by adding 30% onto the 1950 U.S. Census figures. This percentage increase is the estimated growth which occurred between 1950-7 according to the Delaware County Planning Commission.

** The Girard Trust Corn Exchange Bank has many other branches. We have indicated the distances from the Main Office and the nearest two offices.

4. Describe on a separate page the economic development of the area since 1940 as to:

(a) Residential
(b) Commercial
(c) Industrial

5. Indicate the distance and direction of the proposed branch from the main office and other established branches of the applicant institution.

Address	Distance	Direction
From Main Office Broad and Chestnut Sts. Phila.	9 1/10 miles	N. Northwest
From Branch at 60th & Ludlow Sts., Phila.	4 3/10 miles	W. Northwest
From Branch at 18 E. Wynnewood Rd. Lower Merion	3 3/10 miles	W. Southwest

[fol. 5944] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	6/29/57 Total Resources	Time Deposits	Demand Deposits	Total Loans
Phila. Saving Fund Society	Same Shopping Center	994,839,326	877,980,205	0 428,143,564	

Branch figures are not available. Figures shown are for the Philadelphia Savings Fund Society as a whole.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

Colonial Federal Savings and Loan Association

8. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales

This area is primarily of a residential and commercial nature and there are no large businesses in the community.

[fol. 5945] GOVERNMENT'S EXHIBIT 76-M

COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF BANKING, HARRISBURG

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Upper Darby National Bank (Name of institution, party to merger or consolidation), 6908-10 Market Streets, Upper Darby, Delaware County, Pennsylvania.

Exact location of the branch to be operated is 1021 Pontiac Road, Drexel Hill, Upper Darby Township, Delaware County, Pennsylvania.

• • • • • • •

[fol. 5946] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	(000 Omitted) Total Resources	Time Deposits	Demand Deposits	Total Loans

None located in the trading area.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

Metropolitan Federal Savings & Loan Association.

8. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales

This area is primarily of a residential and commercial nature and there are no large businesses in the community.

[fol. 5947] GOVERNMENT'S EXHIBIT 76-O

COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF BANKING, HARRISBURG

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Cor. Broad and Chestnut Streets, Philadelphia 2, Pa.

Upper Darby National Bank (Name of institution, party to merger or consolidation), 6908-10 Market Street, Upper Darby, Delaware County, Pennsylvania.

Exact location of the branch to be operated is 3533 West Chester Pike, Newtown Square, Newtown Township, Delaware County, Pennsylvania.

• • • • • • •

[fol. 5948] GOVERNMENT'S EXHIBIT 76-Q

COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF BANKING, HARRISBURG

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Upper Darby National Bank (Name of institution, party to merger or consolidation), 6908-10 Market Street, Upper Darby, Delaware County, Pa.

Exact location of the branch to be operated is 712½ Church Lane, Yeadon Borough, Delaware County, Pa.

• • • • • • •

[fol. 5949] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	(000 Omitted)			
		Total Resources	Time Deposits	Demand Deposits	Total Loans

None located in the trading area.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

Belfried Savings and Loan Association

8. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales

This area is primarily of a residential and commercial nature and there are no large businesses in the community.

[fol. 595] GOVERNMENT'S EXHIBIT 76-S

COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF BANKING, HARRISBURG

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Upper Darby National Bank (Nameof institution, party to merger or consolidation), 6908-10 Market Street, Upper Darby, Delaware County, Pennsylvania.

Exact location of the branch to be operated is Lawrence Park Shopping Center, Lawrence & Sproul Roads, Broomall, Marple Township, Delaware County Pennsylvania.

. . . . . .

[fol. 5951] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	(000 Omitted) Total Resources	Time Deposits	Demand Deposits	Total Loans
None located in the trading area.					

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

None now located in the area.

8. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales
This area is primarily of a residential and commercial nature and there are no large businesses in the community.			

[fol. 5952] GOVERNMENT'S EXHIBIT 76-U

COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF BANKING, HARRISBURG

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Upper Darby National Bank (Name of institution, party to merger or consolidation), 6908-10 Market Street, Upper Darby, Delaware County, Pennsylvania.

Exact location of the branch to be operated is West Chester Pike and Summit Avenue, Broomall, Marple Township, Delaware County, Pennsylvania.

[fol. 5953] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	(000 Omitted) Total Resources	Time Deposits	Demand Deposits	Total Loans

None located in the trading area.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

I. C. C. Loan Company.

8. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales

This area is primarily of a residential and commercial nature and there are no large businesses in the community.

[fol. 5954] GOVERNMENT'S EXHIBIT 76-W

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

March 3, 1958.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described. The applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

Upper Darby National Bank (Name of institution, party to merger or consolidation), 6908-10 Market Street, Upper Darby, Delaware County, Pennsylvania.

Exact location of the branch to be operated is Penn Fruit Building, Baltimore Pike and Oak Lane, Upper Darby Township, Delaware County, Pa. (Clifton Heights Post Office).

• • • • • • •

[fol. 5955] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	12/31/57 (000 Omitted)			
		Total Resources	Time Deposits	Demand Deposits	Total* Loans
Fidelity-Philadelphia Trust Co.	1/10 mile	$408,156	$368,089		$199,521

* Figures are for the Bank as a whole—branch figures are not available.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

Ritter Finance Company, Inc.

8. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales
Statistics for concerns listed below are not available.			
Clifton Builders Supply Co.			
Clifton Precision Products Co.			
Clifton Yarn Mills, Inc.			
Crucible Steel Co. of America			
Equipment Corporation of America			
Franklin Printing Company			
Hollingsworth Corp., John R.			
Kent Mfg. Company			
Ketterlinus Lithographic Mfg. Co.			
McCandless Corporation, The			
Penn State Coat & Apron Mfg. Co.			
Prewitt Aircraft Company			
Slinky Industries			
Williams-Marcus (affiliate—Franklin Printing)			
Zenith Metal Products			

[fol. 5956] GOVERNMENT'S EXHIBIT 77-A

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

September 9, 1957.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

The National Bank of Narberth (Name of institution, party to merger or consolidation), Narberth, Pennsylvania.

Exact location of the branch to be operated is Haverford and Essex Avenues, Narberth, Pennsylvania.

. . . . . .

[fol. 5957] 6. Furnish below the information requested with respect to all other banking institutions (both State

and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	(000 Omitted) Total Resources	Time Deposits	Demand Deposits	Total Loans

None in the immediate neighborhood.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

None in the immediate neighborhood.

8. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales

There are no large businesses in the Borough of Narberth. It is primarily a residential and commercial community.

[fol. 5958] Additional Information

Applicant should supply in this space, and on additional sheets if required, any further information deemed necessary or desirable.

Montgomery County, as a whole, and the area influenced by this office, has witnessed a sustained period of growth during the past decades and this growth is continuing at a rapid pace. This is evidenced by the fact that in April of 1956, the population of the county was estimated at 475,000 persons compared to 353,000 in 1950. This rapid population growth has been accompanied by commercial and industrial development, although there is little possibility of commercial and industrial growth in the neighborhood of of this particular office.

The merged bank will provide many additional banking services to this rapidly growing community. At the same time it will provide banking services for present customers of the bank moving to this area and to customers who now reside there.

Certificate of Official of Applicant Institution

I A. E. Shaw do hereby certify that the information contained herein is true and correct to the best of my knowledge and belief and is submitted to the Department of Banking for the purpose of obtaining its approval as required under the provisions of the Banking Code, as amended.

——, ——, Signature of Secretary.

Robert C. Allen, Witness.
September 9, 1957.

[fol. 5959] GOVERNMENT'S EXHIBIT 77-C

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

September 9, 1957.

To the Department of Banking:

In support of its request for the Department's approval to retain and/or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia, Pennsylvania.

The National Bank of Narberth, (Name of institution, party to merger or consolidation), Essex and Haverford Avenues, Narberth, Pennsylvania.

Exact location of t e branch to be operated is No. One Bala Avenue, Bala-Cynwyd, Pennsylvania.

. . . . . .

[fol. 5960] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	12/31/56 (000 Omitted) Total Resources	Time Deposits	Demand Deposits	Total Loans
First Pennsylvania Company. 54th Street below City Line	½ mile	$1,158,489,054.		$1,026,006,787.	$543,360,125.

No other bank is now located in the immediate neighborhood. Newspaper releases indicate, however, that the First Pennsylvania Company has had an office approved in the Presidential Apartments at Presidential Boulevard and City Line Avenue, and that Fidelity Philadelphia Trust Company has had an office approved for the Bala Cynwyd Center at Belmont and City Line Avenues.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

West Philadelphia Federal Savings and Loan, 54th and City Line Avenue.

We understand that the Cayuga Federal Savings & Loan Association has received approval for a branch office location on the Philadelphia side of City Line Avenue in the vicinity of the Bala Office.

8. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales

This area is primarily of a residential and commercial nature. There are no large businesses in the area, however, there are many offices and retail stores of national concerns.

[fol. 5961] GOVERNMENT'S EXHIBIT 77-E

Commonwealth of Pennsylvania, Department of Banking
Harrisburg

Information

To be furnished in connection with a request for the Banking Department's approval as required by the Banking Code.

September 9, 1957.

To the Department of Banking:

In support of its request for the Department's approval to retain and or operate a branch place of business as below described, the applicant institution submits the following information:

Girard Trust Corn Exchange Bank (Name of surviving or newly incorporated institution), Northwest Corner Broad and Chestnut Streets, Philadelphia 2, Pennsylvania.

The National Bank of Narberth (Name of institution, party to merger or consolidation), Essex and Haverford Avenues, Narberth, Pennsylvania.

Exact location of the branch to be operated is 18 East Wynnewood Road, Wynnewood, Pennsylvania.

. . . . . .

[fol. 5962] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	(000 Omitted) Total Resources	Time Deposits	Demand Deposits	Total Loans

None in the immediate neighborhood.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies and credit unions).

None in the immediate neighborhood, however, we understand that the Public Federal Savings & Loan Association of Philadelphia has made application for a branch office in the vicinity of Wynnewood and Lancaster Roads.

8. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales

There are no large businesses in this neighborhood, however, there are numerous offices and retail stores of large national concerns.

[fol. 5963] GOVERNMENT'S EXHIBIT 78

Commonwealth of Pennsylvania, Department of Banking, Harrisburg

Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended.

April 12, 1957.

The Girard Trust Corn Exchange Bank hereby makes application to the Department of Banking of the Commonwealth of Pennsylvania for a Letter of Authority for the establishment of a branch in Philadelphia (City), Philadelphia (County), Pennsylvania.

And the exact location of the branch to be operated is Northeast radius corner of Washington Lane and Stenton Avenue purported to be 7167 Stenton Avenue.

Note: (All such offices other than branches resulting from mergers or consolidation, to be located outside city, borough, or village of main office location require Banking Board approval).

. . . . . .

[fol. 5964] Information—Re: Location.

1. Population. (Use United States Census figures in first two columns).

	1940	1950	1955 Estimate
City	1,931,344	2,071,603	2,161,000
Borough	.....	.....	.....
Village	.....	.....	.....
Township	.....	.....	.....

2. Furnish a map of the area to be served by the proposed branch, its location and the location of all banks or branch offices now serving the area.

3. Population of area from which banking business will be attracted. (Use U. S. Census figures if available, otherwise indicate source).

	1940 U. S. Census (Source)	1950 U. S. Census (Source)	1955 Estimate*
½ mile radius Washington Lane & Stenton Avenue	8,808	15,133	16,777

* 1955 Estimate by Philadelphia City Planning Commission.

4. Describe on a separate page the economic development of the area since 1940 as to:

(a) Residential
(b) Commercial
(c) Industrial

5. Indicate the distance and direction of the proposed branch from the main office and other established branches of the applicant bank.

Address	Distance	Direction
From Main Office Broad and Chestnut	8.0 miles	N. nw
From Branch at 72nd and Ogontz	.8 mile	S. sw
From Branch at Germantown Ave. and School Lane	2.25 miles	N. Ne

[fol. 5965] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	(000 Omitted) Total Resources	Time Deposits	Demand Deposits	Total Loans

None located in the immediate area.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies, and credit unions).

Name	Distance from Proposed Branch

We understand that th[illegible]ty Federal Savings and Loan Association has made application for a [illegible] in this area, and have requested of the municipal authorities a varia[illegible] zoning regulations which is being protested by local residents.

[fol. 5966] Data Supporting Need for Additional Banking Services or Facilities to Be Offered by Proposed Branch.

1. What banking services will be offered by the proposed branch?

Complete banking service including Commercial and Consumer Credit Loans, Depository Services, Safe Deposit, and other services now offered by existing branches of the Bank. Parking facilities will be provided.

2. Estimate of amount of business now being done in area by applicant, including time and demand deposits and loans.

$2,500,000 ..... Demand Deposits
$1,000,000 ..... Time Deposits
$350,000 ..... Loans

3. Estimate of new business which proposed branch will attract, including time and demand deposits and loans.

$2,750,000 ..... Demand Deposits
$1,750,000 ..... Time Deposits
$500,000 ..... Loans

4. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales

There are no large businesses in the area except retail branch locations of national concerns.

[fol. 5967] Additional Information Supporting Application

Applicant should supply in this space, and on additional sheets if required, any further facts or reasons to support this application.

This is a heavily populated residential neighborhood which has witnessed large growth in the years 1940 to 1955. During the past five years, a commercial shopping center has developed at the intersection of Washington Lane and Stenton Avenue, and this center has continued to expand by adding additional stores. Commercial development has also steadily developed along Stenton Avenue east and west of the subject area.

We now have considerable business in the subject area out of our Germantown and West Oak Lane Offices (approximately $3,500,000, in deposits). Our Germantown and West Oak Land Offices have provided this area with banking facilities prior to its recent rapid development, and, therefore, an office at this location would provide on-the-spot banking facilities in this growing community.

We believe a branch office at this site will enable us to not only retain this existing business, but attract new business.

Certificate of Official of Applicant Bank

I Geoffrey S. Smith do hereby certify that I have read this application and that the information contained therein is true and correct to the best of my knowledge and belief and is submitted to the Department of Banking for the purpose of obtaining a Letter of Authority to establish a branch.

Geof. S. Smith, Signature of President.

O. H. Beadle, Witness.
April 12, 1957.

[fol. 5968] GOVERNMENT'S EXHIBIT 78-A

Memorandum

2/19/57

Approved—add vault—by Planning Committee.

February 1, 1957.

To: Mr. O. H. Beadle, Vice President.

From: Robert C. Allen.

Re: Branch Office—Washington Lane and Stenton Avenue

For some time we have been surveying this general area for the possibility of locating a branch office. We have recently been offered a site at a rental cost of approximately $3.00 per square foot. For an office of 30' x 70', the annual rental would be approximately $6,300. and improvements, not including a vault, would cost approximately $50,000.

The intersection of Washington Lane and Stenton Avenue is approximately three-quarters of a mile southwest of our West Oak Lane Office. It is a heavily populated residential area of single, semi-detached and row dwellings which has witnessed a 90% growth in population from 1940 to 1955. We estimate that 16,700 persons live within a half-mile radius of this site. This exceeds the population surrounding six of our present neighborhood offices.

During the past five years, an entire city block has been developed commercially and a parking area of approximately 1,500 cars established. Retail commercial developments include two super markets, a state store, a Howard Johnson Restaurant, and roughly 35 other retail stores of the usual neighborhood variety. Thus, this intersection has become the retail shopping focal point for the immediate neighborhood. Additional land is available for further commercial development. Scattered commercial development also exists westwardly along Stenton Avenue to Easton Road and eastwardly to Wyncote Avenue. This is primarily a residential community, however, similar to our West Oak Lane Office.

Competition arises chiefly from our own West Oak Lane branch which is three-quarters of a mile to the northeast and from Fidelity and P.S.F.S. which are located a little further north. The Germantown Saving Fund Office at Chelten and Wyncote is only five-eighths of a mile to the southeast, but it is out of the marketing area of the population we would expect to draw from.

We estimate that we are now doing business in this area out of our Germantown and West Oak Lane Offices to the following extent:

Regular Checking	$2,298,500
Special Checking	185,600
Saving Fund	950,000
Total Deposits	$3,434,100
Consumer Loans	$ 134,000
Commercial-Collateral	211,500
Total Loans	$ 345,500

[fol. 5969] In addition to the existing deposits described above, it is estimated that we could expect to attract $3,000,000. additional in deposits from this area.

Although the Washington Lane and Stenton Avenue site does not have the potentialities of a Germantown or even a Mayfair, there are, nevertheless, compelling reasons for us to consider establishing an office here. One of the chief reasons would be to protect the business we already have in this area which has been described above. If a competitor should move into this site, we could expect to feel the impact sharply at our West Oak Lane and Germantown Offices. A second reason would be to participate in the growth which has already taken place and which, undoubtedly, will continue. This site establishes a central link in a chain of influence extending northward from our Germantown Office to West Oak Lane. It would represent the beginning of our influence in an area where we would hope to radiate westward to include Mt. Airy, Chestnut Hill, Wyndmoor, and the Erdenheim and Flourtown areas. The Germantown Office could act as a "mothering" office of these satellite locations just as the Frankford Office has done in the Northeast.

In my opinion, an office at this site can be operated at a profit if costs are continually kept under control. This site could represent a test case of whether a limited type office which offers less than full banking services is desirable from the Bank's point of view. From an expense standpoint, the cost of improvements to the site should be minimized. For example, the office should not have a vault or safe deposit facilities, which would lessen the cost of improvements by approximately $30,000. Provisions could be made to install a vault at a later date should this become necessary. Mechanical equipment expenditures may be minimized by utilizing used equipment, for example, adding and saving fund machines account for 50% of the total cost of mechanically equipping a new office.

In a nutshell, we can operate a profitable office at this site if costs (improvements, equipment and staff) are kept to a minimum. This location would protect our existing business and situate us in a growing community, which, accompanied by later expansion westward, would strengthen our entire branch office chain.

I recommend, therefore, that we consider leasing a site in this neighborhood to establish a branch office.

emc

Robert C. Allen.

[fol. 5970] GOVERNMENT'S EXHIBIT 78-B

Memorandum

March 29, 1957.

To: Mr. Basil L. Harlow, Senior Vice President.

From: O. H. Beadle.

Re: Branch Office—Washington Lane and Stenton Avenue.

Under date of February 1st, I submitted a memorandum to you concerning the advantages of establishing a branch site at Washington Lane and Stenton Avenue and suggested that we consider obtaining a site in this neighborhood for that purpose.

Under date of February 19th, the Planning Committee approved the suggestions contained in the memorandum and recommended that the site be of sufficient size to enable us to provide full banking facilities including a vault.

Since that time, we have been negotiating with the owner of the shoppig center who has agreed to lease a site at the intersection of Washington Lane and Stenton Avenue containing approximately 35 feet on Stenton Avenue through a depth of 100 feet, upon which he will construct a one story and basement building according to plans and specifications to be approved by us. The lease would also provide for our use of the parking facilities now available.

The term of the lease would be for a period of ten years at a rental of $10,500. per year ($3.00 per square foot based on the ground floor area) with the option to renew for an additional ten years upon the same terms.

The owner would provide the finished building shell including heating system and allowances for floor covering, electric fixtures, etc. and would also provide for a vault foundation meeting our specifications. We would have to provide for the installation of all banking facilities which Mr. Brazer estimates will cost approximately $70,000. Cost of furniture, fixtures and equipment will probably approximate $20,000.

At the moment, there are a number of details that still have to be worked out, but in the meantime, I would like to have the recommendation of the Planning Committee

either as to approval or disaproval for entering into a lease on substantially the basis mentioned above.

O. H. Beadle.

emc

[fol. 5971] GOVERNMENT'S EXHIBIT 78-C

Memorandum

April 3, 1957.

To: Mr. Geoffrey S. Smith, President.

From O. H. Beadle.

Re: Branch Office—Washington Lane and Stenton Avenue.

The half-mile radius of the area surrounding the above location is a heavily populated residential section of single, semi-detached, row dwellings in which there has been substantial growth within the past ten years. Census figures indicate a population of some 16,000 persons within this limited area which exceeds the population surrounding six of our present offices.

During the past five years, an entire city block has been developed commercially and contains a parking area for approximately 1,500 cars. Scattered commercial development also exists westwardly and eastwardly from this specific site and additional ground is available for further development.

We have been offered a site at the intersection of Washington Lane and Stenton Avenue containing approximately 35 feet on Stenton Avenue through a depth of 100 feet upon which would be constructed for our use a one story and basement building.

The lease term would be for a period of ten years with a rental of $10,500. per year ($3.00 per square foot based on the ground floor area) with option to renew for an additional ten years upon the same terms and would provide for our use of the parking facilities.

The estimated cost of providing facilities and all equipment would approximate $90,000. to $100,000. including a vault.

At the moment, we have on our books about $2,500,000 of deposit liability originating within this area, and we estimate that it will generate about $3,000,000. in new deposits over a period of possibly five years.

O. H. Beadle.

emc

[fol. 5972] GOVERNMENT'S EXHIBIT 79

COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF BANKING, HARRISBURG

Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended.

February 28, 1956.

The Girard Trust Corn Exchange Bank hereby makes application to the Department of Banking of the Commonwealth of Pennsylvania for a Letter of Authority for the establishment of a branch in Philadelphia (City), Philadelphia (County), Pennsylvania.

And the exact location of the branch to be operated is Suburban Station Building, Seventeenth Street and Pennsylvania Boulevard, Philadelphia.

Note: (All such offices other than branches resulting from mergers or consolidations, to be located outside city, borough, or village of main office location require Banking Board approval).

. . . . . .

[fol. 5973] Information—Re: Location

1. Population. (Use United States Census figures in first two columns).

	1940	1950	1955 Estimate
City	1,931,334	2,071,605	2,161,000
Borough			
Village			
Township			

2. Furnish a map of the area to be served by the proposed branch, its location and the location of all banks or branch offices now serving the area.

3. Population of area from which banking business will be attracted. (Use U. S. Census figures if available, otherwise indicate source).

1940 (Source)	1950 (Source)	1955 Estimate
10,053	10,600	12,500*

* City Planning Commission.

4. Describe on a separate page the economic development of the area since 1940 as to:

(a) Residential
(b) Commercial
(c) Industrial

5. Indicate the distance and direction of the proposed branch from the main office and other established branches of the applicant bank.

Address	Distance	Direction
From Main Office Broad & Chestnut Streets	¼ Mile	N. W.
From Branch at 12th & Spring Garden Streets	1¼ Miles	S. W.

[fol. 5974] Data Supporting Need for Additional Banking Services or Facilities to Be Offered by Proposed Branch.

1. What banking services will be offered by the proposed branch?

Complete banking service, including Commercial and Consumer Credit Loans, Depository Services, Safe Deposit and other services offered by the existing branches of the Bank. Drive-in facilities will be provided.

2. Estimate of amount of business now being done in area by applicant, including time and demand deposits and loans.

(Business in Suburban Station Building alone)

Demand Deposits	$12,500,000
Time Deposits	500,000
Loans	3,500,000

3. Estimate of new business which proposed branch will attract, including time and demand deposits and loans.

Demand Deposits	$ 6,000,000
Time Deposits	1,000,000
Loans	2,000,000

4. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales
Not required for this particular location.			

[fol. 5975] Additional Information Supporting Application.

Applicant should supply in this space, and on additional sheets if required, any further facts or reasons to support this application.

From the foregoing information it can be seen that we now have a substantial amount of business originating from this immediate neighborhood. In addition to this the Penn Center area, as this section is generally known, has and will continue to develope substantially and, therefore, it will present us with an opportunity to secure business from the new firms and individuals moving in. We believe that the potential business is not limited to the development on the ground area made available by the demolition of the Pennsylvania Railroad's tracks, but there is also included the perimeter section on Market, Arch and Vine Streets, as well as the "triangle area to the westward" which will also be developed, and in future years will provide us with an even greater potential business development.

Certificate of Official of Applicant Bank

I G. S. Smith do hereby certify that I have read this application and that the information contained therein is true and correct to the best of my knowledge and belief and is submitted to the Department of Banking for the purpose of obtaining a Letter of Authority to establish a branch.

——, ——, Signature of President or Secretary.

J. Milton Hoffa Witness Comptroller.

February 28, 1956.

[fol. 5976] GOVERNMENT'S EXHIBIT 80

COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF BANKING, HARRISBURG

Application to Establish a Branch Under the Provisions of the Banking Code of the Commonwealth of Pennsylvania, as Amended.

April 11, 1956.

The Girard Trust Corn Exchange Bank hereby makes application to the Department of Banking of the Commonwealth of Pennsylvania for a Letter of Authority for the establishment of a branch in Philadelphia, (City), Philadelphia, (County), Pennsylvania.

And the exact location of the branch to be operated is 23rd Passyunk and Ritner Streets.

Note: (All such offices other than branches resulting from mergers or consolidation, to be located outside city, borough, or village of main office location, require Banking approval).

. . . . . .

[fol. 5977] The immediate area of influence of the subject site is bounded roughly by Moore Street and Packer or Pattison Avenue on the north and south and by Broad Street and the Schuylkill River on the east and west. It is primarily a residential area interspersed throughout with retail and commercial establishments and to a lesser degree with industrial enterprises. The north-northeast sections are fully developed with typical old city two-story row dwellings; to the east, also fully developed, the section generally know as the Girard Estate is probably the best residential section in South Philadelphia containing attractive two-story twin dwellings occupied by one of the highest income groups in South Philadelphia. The well-developed character of these particular sections precludes growth. On the other hand within the last decade the north-northwest section has developed substantially as evidenced by estimates of the Philadelphia City Planning Commission of population increases of some 76% and an approximate 90% increase in dwelling units. From a residential standpoint, therefore, although much of the area has remained static

there has been substantial residential growth west of 25th Street to Vare Avenue and present indications are that this growth will continue moderately.

Industrially there has been little if any development within the subject area and the prospects of such in this direction seems remote principally because of the well developed character of the area and the municipal limitations placed on the use of ground that is available.

From a commercial standpoint, however, there has been substantial growth. The section from 19th Street to 25th on Oregon Avenue formerly owned by the Girard Estate within the last several years has been developed as a shopping center and is one of the largest developments of its kind to take place within the city limits. Large installations of Snellenburgs Department Store, Sears and Roebuck, Murphy's Department Store, Robert Hall Clothes, Penn Fruit together with usual types of smaller retail shops are already in operation and the entire center gives evidence of becoming a commercial focal point for South Philadelphia as a whole. The proposed branch site is a part of this commercial development.

In summation although from an industrial standpoint there has been no growth, there has been substantial residential and commercial growth.

[fol. 5978] 6. Furnish below the information requested with respect to all other banking institutions (both State and National) which have their main or any branch office located in the area.

Name of Institution or Branch Office	Distance from Proposed Branch	(000 Omitted)			
		Total Resources	Time Deposits	Demand Deposits	Total Loans
Roosevelt Bank	¼ mile	15,800	7,900	6,500	5,600
*Central Penn Bank	1 mile	251,500	34,500	190,100	136,200
*Phila. Sav. Fund Soc.	1 mile	865,000	804,000	—	345,000
*Beneficial Sav. Fund Society	1 mile	165,000	153,000	—	73,000

*These three banks are on the outer fringe of the subject area.

7. List below all other financial institutions located in the area (include savings and loan associations, loan companies, consumer discount companies, and credit unions).

Name	Distance from Proposed Branch
Simon Burton Savings and Loan 2009 Passyunk Avenue	¼ mile
South Philadelphia Savings and Loan 2101 South 19th Street	½ mile
**Marconi Savings and Loan Association Broad and Passyunk Avenue	1 mile
**St. Edmonds Building and Loan (Church) 2315 Mifflin Street	¾ mile
**Aetna Finance 2047 Oregon Avenue	⅜ mile
**ABC Credit Inc. Broad and Snyder	1 mile
**Beneficial Finance 2027 South Broad	1 mile
**Thompson Finance Service, Inc. 2104 S. Broad	
**Broad Finance Co. Broad—2146 So. (Jackson)	1 mile
C & C. Finance Corp. 2547 S. Broad	⅝ mile

**These concerns are on outer fringe of the subject area.

[fol. 5979] **Date Supporting Need for Additional Banking Services or Facilities to Be Offered By Proposed Branch.**

1. **What banking services will be offered by the proposed branch?**

Complete banking service including Commercial and Consumer Credit loans, Depository Services, Safe Deposit and other services now offered by existing branches of the Bank. Parking facilities will be provided.

2. **Estimate of amount of business now being done in area by applicant, including time and demand deposits and loans.**

300,000 Demand
100,000 Time
150,000 Loans

3. **Estimate of new business which proposed branch will attract, including time and demand deposits and loans.**

3,500,000 Demand
1,500,000 Time
500,000 Loans

4. List important businesses in the area to be served by proposed branch together with an estimate of the number of employees of each company, approximate annual payroll and approximate annual sales.

Name	Approximate Number of Employees	Approximate Annual Payroll	Approximate Annual Sales

Attached hereto is a partial list of the commercial retail and industrial installations within the area of influence. Many of these comapnies do not publish or have available information required to furnish the above figures. In other cases for example, nationally known concerns such as Gulf Oil and Atlantic Refining the figures which are available pertain to their overall operation rather than to the operation of the facilities located in this area and are, therefore, not truly indicative of the situation as it exists in this area.

[fol. 5980]

Pepsi Cola Bottling Company	25th & Point Breeze Avenue
PMF Motors	19th & Shunk Streets
Robert Hall Clothes	19th & Oregon Avenue
S. W. Young Company (Hauling and Rigging)	20th & Oregon Avenue
General Baking Company	25th and McKean Streets
Edw. O'Malley Coal Company	25th & Moore Streets
Kirkpatrick-Black Coal Company	25th & Moore Streets
PTC (Car Barn)	16th & Wolf and 20th & Johnson Streets
Crown Products Company	23rd & Ritner Streets
Sears Roebuck Company	22nd & Oregon Avenue
N. Snellenburg Company (Dept. Store)	23rd & Oregon Avenue
Bell Telephone Company	Broad and Passyunk
Philadelphia Electric Co.	2009 South Broad Street
Highway Express Line, Inc.	3200 South 20th Street
Coastal Truckways	3142 South 20th Street
Dallart Motor Lines	3142 South 20th Street
Houff Transfer Inc.	3142 South 20th Street
U. S. Army, QM Depot	20th & Johnson Street
Penn Fruit Company	19th & Oregon Avenue
Murphy's (Department Store)	20th & Oregon Avenue
Atlantic Refining Company	Vare Avenue & Jackson Street
Gulf Oil Company	30th & Penrose Avenue
Quaker City Coal Company	25th & McKean Streets
Pruitt Oil Company	26th & Hartrenft Streets
DiSapio Bros. (Auto)	27th & Snyder Avenue

[fol. 5981]

Cipresso Auto Service	29th & Snyder Avenue
Gratz Bros. Motors, Inc.	1815 Oregon Avenue
Sun Ray Fuel Company	1725 Moore Street
Pacific Lincoln-Mercury Company	22nd & Passyunk Avenue
Abbotts Dairies (Machine Shop)	1715 McKean Street

[fol. 5982] Although the high population density, coupled with the residential and commercial growth within the immediate area, after comparison with areas surrounding some of our own profitable existing branches, indicates that the subject area within itself is sufficient to support a profitable branch operation, there are other factors which have

an important bearing on the potential of this particular site.

Proposed plans published by the City of Philadelphia indicate that Vare Avenue will be linked at one end with the new Schuylkill Expressway and at the other end with the proposed Packer Avenue Highway leading to the New Packer Avenue Bridge and will intersect and cross Oregon and Passyunk Avenue. Vare, Oregon and Passyunk, Avenues are main traffic arteries; Passyunk Avenue affording quick access from heavily populated areas of South Philadelphia; Oregon Avenue affording access to the industrial sections lying east of Broad Street to the Delaware River and Vare Avenue within easy driving distance of the industrial sections along the Schuylkill River, the Greys Perry section and heavily populated areas of West Philadelphia. With feeder highways linked to these important arteries and quick, easy accessibility afforded to the site there opens up the possibility of a very much greater potential area of influence.

In addition it goes almost without saying that the traffic and parking problems in the City of Philadelphia is becoming increasingly important not only to banks but to commercial enterprises. South Philadelphia as a whole is a highly developed section. Parking facilities are almost non-existant with little possibility of supplying this need in the already heavily congested older commercial sections. This particular site will combine the advantages offered by retail and commercial establishments with parking facilities for a least 3,000 cars. Our lease provides for an unlimited access to these facilities.

In summary we believe that not only does the subject area within itself offer opportunities for a profitable branch operation but we believe that its accessibility to be brought about by extensive highway improvements, together with the advantages offered by its retail diversification and parking facilities will provide a potential far greater than that to be derived from the immediate area.

[fol. 5983] GOVERNMENT EXHIBIT 85

Information for Examiner in Connection with Proposed Branch of The Philadelphia National Bank in Ardmore, Penna.

(1) The exact address of proposed branch.

The proposed branch is to be located in Suburban Square, Ardmore, Montgomery County, Pennsylvania. There are three possible locations and these have been marked on the map on page 2, with the numbers there corresponding to those which follow:

1. South-east corner of Montgomery Avenue and St. James Place.
2. South-west corner of Montgomery Avenue and St. Georges Road. (in the event location 1 cannot be made available) or
3. Coulter Avenue, east of St. James Place.

(2) Population of head office city.

Population figures for Philadelphia, in which our main office is located, are as follows:

1950 Census	2,071,605
1955 Estimate by Greater Philadelphia Chamber of Commerce	2,161,000

(3) Population of city or town in which the proposed branch is to be located.

The population figures for the town of Ardmore are as follows:

1950 Census	11,183
1954 Estimate of Lower Marion Township Planning Commission	12,030

(4) Estimated population of immediate area which the branch will serve.

The immediate area which the proposed branch would serve more conveniently than bank offices in other towns

is outlined on the map on page 6, with the boundaries described verbally in question 8 below. The estimated 1950 population of this area based upon 1950 Census Tract data was 22,605. The estimated 1954 population of the area based upon data supplied by the Lower Marion Planning Commission was 25,890. Please see pages 7 and 8 for details.

[fol. 5984] (5) Distance and geographical direction from proposed branch to the head office.

Our head office at 1416 Chestnut Street in Philadelphia is located approximately 7.8 miles away from the proposed branch in a south-easterly direction.

(6) A list of the names and addresses of applicant's existing branches located in the city or town where proposed branch is to be situated or within three miles thereof.

We have no existing branch offices in Ardmore or within a three mile radius of Suburban Square in Ardmore.

(7) Competitor Banks and Branches Within Three Miles Radius.

12-31-54

Key (c)	Banks	Town	Deposits (a)	Loans (a)	Miles & Direction from Proposed Branch
1.	Pa. Co. for Bkg. & Tr.	Ardmore	$756,137M	$335,330M	0.3 S
8.	Pa. Co. for Bkg. & Tr.	Overbrook	756,137	335,330	3.0 E
6.	Nat. Bk. of Narberth	Narberth	8,015	2,322	1.5 E
7.	Nat. Bk. of Narberth	Wynnewood	8,015	2,322	1.0 E
2.	Bryn Mawr Tr. Co.	Bryn Mawr	31,938	9,348	2.0 NW
4.	Upper Darby Nat. Bk.	Manoa (b)	44,626	18,014	3.0 SW
3.	Upper Darby Nat. Bk.	Havertown	44,626	18,014	2.1 S
5.	Fid.-Phila. Tr. Co.	City Line Center	340,698	160,338	2.3 SE
		Within Three to Five Miles Radius			
13.	Pa. Co. for Bkg. & Tr.	69th St.	$756,137M	$335,330M	3.5 SE
19.	Pa. Co. for Bkg. & Tr.	Roxborough	756,137	335,330	4.1 NE
11.	Upper Darby Nat. Bk.	69th St.	44,626	18,014	3.5 SE
12.	Upper Darby Nat. Bk.	69th St. Term.	44,626	18,014	3.5 SE
9.	Upper Darby Nat. Bk.	Broomall	44,626	18,014	4.3 SW
10.	Upper Darby Nat. Bk.	Drexel Hill	44,626	18,014	4.2 S
14.	Nat. Bk. of Lansdowne (Merging with Fid.-Phila. Tr. Co.)	Lansdowne (b)	7,526	1,863	5.0 S
15.	Nat. Bk. of Lansdowne	Lansdowne	7,526	1,863	4.2 S
16.	Central-Penn Nat. Bk.	Phila.	218,924	117,915	3.4 SE
17.	Girard Tr. Corn Ex. Bk.	Phila.	587,982	250,658	4.1 SE
18.	Tradesmens Bk. & Tr. Co.	Phila.	208,410	107,805	4.8 SE
20.	Phila. Nat. Bk.	Conshohocken	874,950	316,148	4.5 N

(a) All loan and deposit figures shown are total figures for the banks indicated, since data for individual branches of other banks is not available. The source of the loan and deposit data is the "American Bank Directory—Spring 1955."

(b) Office not in operation, but has been authorized and is in process of construction.

(c) Represents bank office identification numbers used on map on page 4.

[fol. 5985] The reasons for Ardmore's leading trade position would appear to be the following:

1. Its central location in an attractive, well-populated residential area with high income levels.
2. Good highway access, with the important arteries of Lancaster and Montgomery Avenues being significantly close in the Ardmore sector.
3. The presence of Suburban Square, a first-class shopping development with adequate parking and a fine variety of quality stores.

As a result of these factors, we expect Ardmore to continue as one of the area's leading trade centers. Moreover, Ardmore's position can be expected to improve with the development by Snellenburgs of the former Autocar property. In announcing their intention to develop this site, Alfred Blasband, Executive Head of Snellenburgs, described Ardmore as follows:

"Ardmore is a tremendously important focal point for traffic and transportation. It is one of the oldest established shopping centers in the entire Philadelphia suburban area, serving not only a score of contiguous communities, but also many outlying sections of Montgomery and Delaware counties. Immediately bordering this Ardmore Shopping Center is a population of 450,000 persons. This is a market equivalent in size to Providence, R. I., and Albany, N. Y., combined." (Source: Philadelphia Inquirer, 12-3-54).

Specific figures for retail trade in Ardmore are not available. Data is published, however, for Lower Merion Township as a whole, which we believe is indicative of performance in Ardmore. The table below shows population, income, and retail sales trends in Lower Merion Township compared to those in Montgomery, Delaware, and Philadelphia Counties. From this we note that increases have been sharper in all categories in the suburban counties and that retail sales in Lower Merion have kept pace with the overall growth in Montgomery County, while population growth was somewhat better and increase in buying income somewhat less.

Population, Income, and Retail Sales
Lower Marion Township

Year	Estimated Population Year-end	Estimated Effective Buying Income	Estimated Retail Sales
1954	54,000	$143,481,000	$63,910,000
1953	52,900	135,794,000	62,798,000
1952	51,400	122,024,000	58,157,000
1951	50,200	118,597,000	55,536,000
1950	49,000	104,272,000	52,403,000

[fol. 5985a] (9) Major types of demands for loans the branch expects to serve should be listed.

We expect loan demands to be chiefly in the following categories:

(a) Time Credit Loans
(b) Mortgage Loans
[fol. 5986] (c) Loans secured by Marketable Securities and Cash Surrender Value of Life Insurance
(d) Commercial Loans to retailers and professional men in the area.

(10) Information to support the opinion that there is public need for the proposed branch in the area.

We believe there is a real demand on the part of the public for bank facilities in shopping and trade centers. This has been the traditional location for bank offices, and as the public becomes more insistent upon easily reached shopping centers with adequate parking, it naturally expects and wants to be able to transact its banking business in these same convenient facilities. The Bank of America makes a survey yearly to determine, among other things, why people do business with one bank or another. They find that 52% of all people do business with a particular bank because of convenience.(a) We think it fair to say, therefore, that the public feels that it needs convenient banking facilities.

In this regard, the banking public in the Ardmore area would benefit greatly by a bank office in Suburban Square.

(a) "Causes of Changing Deposit Trends", by Walter J. Braunschweiger, Executive Vice President of Bank of America N.T. & S.A., *The Analysts Journal*, Volume II, Number 3, June 1955 (page 156).

First and foremost, they would find it much easier to find parking space there than in the vicinity of the existing bank office in Ardmore where parking facilities are quite inadequate. Secondly, they would find it convenient to transact banking business in the same general location as they like to use for their shopping needs.

Banking facilities have, of course, been authorized to serve many of the newer shopping center developments, and the willingness of Suburban Square to number a bank among its tenants is an indication that they feel that a bank would complement their operation. A few examples of new bank facilities serving recently developed centers are:

Bank	Shopping Center
Fidelity-Philadelphia Trust Company	City Line Center, Phila.
	Boulevard Center, Phila.
Second National Bank	Castor-Cottman Center, Phila.
National Bank of Narberth	Wynnewood Center
Bank of Old York Road	Willow Grove Center
Montgomery-Norristown Bank and Trust Company	Logan Square Center, Norristown

[fol. 5987] Looking to the future, we have indicated that much growth is expected for that portion of the service area lying north of Montgomery Avenue. This means that the new branch, which would be slightly nearer to and on the same side of the railroad as this growing sector, might be able to obtain a goodly number of the new accounts coming into the area.

This is a healthy condition and not at all the situation which would prevail if a new bank office were established in a fully developed area whose banking assets would then have to be drastically re-aligned if the new bank were to be successful.

We wish to stress also that we will be competing in Ardmore with the Pennsylvania Company for Banking and Trusts, the largest State bank in the City of Philadelphia, and historically one of our chief competitors. In regard to the other banks in Lower Merion Township they are further removed from the immediate area and therefore should feel our presence to a much lesser extent. They are of sufficient size and stature as to be able to compete quite ably for the business in their service areas.

(12) Tabulate under headings "Deposits" and "Loans" the amounts now held in the head office or other branches originating in the area to be serviced by the branch, the estimated amounts the proposed branch is expected to have (1) at the end of one year's operation, and (2) at the end of three years' operation.

Please see answer to question 13.

(13) To what extent will the proposed branch enable the bank to serve more efficiently and thereby protect existing business?

It would be extremely difficult to extract from our files and records the deposits and loans now held which originate in the service area of the proposed branch. We do know that we have a number of customers with headquarters in Philadelphia or other cities who have established branches in Ardmore and vicinity. Some of the more important of these are:

Customer	Average Deposit Balance	Loans 8/18/55
Commonwealth Title Co.	*Individual amounts omitted	
Horn & Hardart	*Individual amounts omitted	
Ford Motor Co.	*Individual amounts omitted	
Pep Boys	*Individual amounts omitted	
Public Finance Service	*Individual amounts omitted	
Phila. Electric Co.	*Individual amounts omitted	
Chas. S. Rockey & Co.	*Individual amounts omitted	
Strawbridge & Clothier	*Individual amounts omitted	
Wahnamakers	*Individual amounts omitted	
Total	$24,150,200	$3,714,000

*The parties stipulate that on pp. 21 and 22 of Government Exhibit 85, the deposit and loan dollar figures for the individual companies shall be omitted. The companies' names and the aggregate total for deposits and loans shall be printed.

[fol. 5988] Customers in this category would no doubt make use of the proposed branch as a convenience facility, with the main account continuing to be maintained at the head office.

We also know that we have other customers who maintain their headquarters in Ardmore's vicinity and some of the more important of these are:

Customer	Average Deposit Balance	Loans 8/18/55
Allan C. Hale, Jr.	*Individual amounts omitted	
Theo. Presser	*Individual amounts omitted	
Phila. Suburban Water Co.	*Individual amounts omitted	
Scott Smith Cadillac Co.	*Individual amounts omitted	
Howard Tilghman Lumber Co.	*Individual amounts omitted	
Total	$1,808,500	$100,000

A third classification, which might be described as indirect customers, are those executives of our numerous commercial accounts who live in Lower Merion and Haverford Townships. This Bank now offers a full line of banking services in response to the various underlying changes which are taking place in the markets for bank services. An office in Ardmore would better enable us to take care of all the personal banking and trust needs of these many individuals who have done business with us for so many years as their companies' commercial bank of account.

Including in our calculations present business whose accounts might be transferred to the new office, we estimate that the proposed branch will have deposits and loans approximately as follows:

	Deposits	Loans
After 1 Year of Operations	$2,000,000	$1,000,000
After 3 Years of Operations	$4,000,000 to $6,000,000	$3,500,000 to $4,500,000

(14) A physical description of the quarters to be occupied by the proposed branch and any contemplated drive-in and parking arrangements should be available.

Tentative plans call for the creation of a modern bank building on the ground marked "1" in the answer to question 1. Dimensions would be approximately 80' x 25' with a basement of like size. One of Suburban Square's large parking lots would lie directly behind the branch location at St. James Place and Montgomery Avenue which is being given primary consideration. The possibility of a drive-in window will be explored at a later date. For additional details, please see the preliminary drawings on pages 23 and 24.

[fol. 5989] GOVERNMENT'S EXHIBIT 88

Information for Examiner in Connection With Proposed Branch of the Philadelphia National Bank at 69th Street, Delaware County, Pennsylvania.

(1) The exact address of proposed branch—number and street, city or town, and county. If a definite location has not been settled, the approximate location within a reasonable area should be given.

The proposed branch will be located in the "69th Street Shopping Center", which covers an area lying just beyond the border of West Philadelphia in the general vicinity of 69th and Market Streets, Upper Darby Township, Delaware County, Pennsylvania. This center is the largest of the various suburban Philadelphia regional shopping centers. Several sites are being considered, and the Comptroller's Office will be notified when a definite selection has been made.

(2) Population of head office city at last census and present estimate.

Population figures for the City of Philadelphia, in which the Main Office is located, are as follows:

1950 Census	2,071,605
1957 Estimate by Chamber of Commerce of Greater Philadelphia	2,200,000

(3) Population of city or town in which the proposed branch is to be located. At last census and present estimate.

The population figures for Upper Darby Township are as follows:

1950 Census	84,951
Estimate as of April 1, 1957 by Delaware County Planning Commission	92,060

(4) Estimated population of immediate area which the branch will serve, with indicated radius in miles.

The immediate area which the proposed branch would serve is outlined on the map on page , with the bound-

aries described verbally in question number 8 below. The estimated 1950 population of this area based upon 1950 Census Tract data was 148,592 and the estimated 1957 population based upon data prepared by the Delaware County Planning Commission was 175,742. For details of this breakdown see page 10. The radius of the area varies from 1 mile to 5.7 miles due to geographical factors, transportation facilities and highway accesses.

[fol. 5990] (5) Distance and geographical direction from proposed branch to the head office.

The Main Office at Broad and Chestnut Streets, Philadelphia, is located approximately 5.3 miles from the proposed branch locality in an easterly direction.

(6) A list of the names and addresses of applicant's existing branches located in the city or town where proposed branch is to be situated or within three miles thereof, showing deposit and loan totals for each and the distance and direction of each from the proposed branch location.

We have no existing branch offices in Upper Darby Township or within a three mile radius of 69th and Market Streets.

(7) A list of the names and addresses of competitor banks and their branches within a five mile radius (two or three mile radius in large cities), showing deposit and loan totals for each (if available) and the distance and direction of each from the location of the proposed branch. Any geographical barriers should be noted.

Offices of competitor banks in the service area of the proposed branch are as listed below. The boundaries of this area extend from 1 mile to 5.7 miles from the proposed branch location.

6-30-57

Key (c)	Banks	Town	Deposits (a)	Loans (a)	Miles & Direction from Proposed Branch
1.	First Pa. Co.	Upper Darby	$946,188M	$573,155M	—
2.	Upper Darby Nat. Bk.	Upper Darby(b)	46,294	25,614	—
3.	(Merging with Girard Tr. Corn	Drexel Hill			2 9 SW
4.	Ex. Bk.)	Manoa			3 8 NW
5.		Marple			5 5 W
6.		Pilgrim Gardens			3 7 SW
7.		Yeadon			2 3 SE
8.		Penn Oak			4 1 SW
9.					3 6 SW
10.	Fid.-Phila. Tr. Co.	Clifton Heights (2 Branches)	351,017	203,193	4 1 SW
11.		Lansdowne			2 4 S
12.		(2 Branches)			1 6 S
13.	Prov., Tradesmens Bk. & Tr. Co.	Springfield	415,219	248,260	5 0 SW

(a) All loan and deposit figures shown are total figures for the banks indicated, since data for individual branches of other banks is not available. The source of the loan and deposit data is the Polk's Bank Directory—September 1957.

[fol. 5991] Trade Center

The nature and importance of the 69th Street and Upper Darby trade area cannot be overemphasized. This area is the most important retail center in the three-county area of Bucks, Delaware and Montgomery Counties. It ranks second in the Greater Philadelphia Area only to the center city shopping area.

• • • • • • •

[fol. 5992] (9) Major types of demands for loans the branch expects to serve should be listed.

Loan demand is expected to be in the following categories:

(a) Time Credit Loans
(b) Commercial Loans to the many businesses and professional men in the area.
(c) Loans secured by Marketable Securities and Cash Surrender value of Life Insurance.
(d) Mortage Loans

[fol. 5993] Retail Sales Per Bank Office

Area	Retail Sales 1956 (a)	Number of Bank Offices	Retail Sales per Bank Office
Upper Darby Township			
At Present	$127,137,000	5 (b)	$25,427,000
After PNB Office		6	21,190,000
Chester (Del. County)	115,713,000	5	23,143,000
Norristown (Mont. County)	75,122,000	5	15,024,000
Pottstown (Mont. County)	47,909,000	4	11,977,600
Levittown-Fairless Hills (Bucks County)	61,354,000	5	12,271,000
Delaware County			
At Present	500,456,000	39 (b)	12,832,000
After PNB Office		40	12,511,000
Montgomery County	526,568,000	53	9,935,000
Bucks County	253,271,000	30	8,442,000

(a) Source: *Sales Management.*

(b) Upper Darby National Bank has a drive-in facility approximately 100 yards away from the main office and a small installation in the transportation terminal across the street which is open at certain limited hours during the day. All these units were considered as one office due to their proximity and specialized nature.

We consider the data above for the cities of Chester, Norristown, Pottstown, and Levittown-Fairless Hills particularly noteworthy for they constitute, with Upper Darby Township, five of the six top retail trade centers in suburban Philadelphia (the sixth is Ardmore, for which separate data is not available). It would seem particularly significant that Chester, Norristown, Pottstown, and Levittown-Fairless Hills, having a lower volume of retail sales than Upper Darby Township, are nevertheless *all* served by three banks, whereas at the present time the 69th Street Shopping Center is served only by a branch of The First Pennsylvania Banking and Trust Company and by the Upper Darby National Bank, soon to become part of the Girard Trust Corn Exchange Bank through merger.

Absence of Benefits from National Banking Institution

Following completion of the Upper Darby National—Girard Trust Corn Exchange merger, the 69th Street Shopping Center will be served only by State banks. The proposed branch will thus result in a restoration of the benefits of national bank services and resources insofar as the needs of the banking public in the 69th Street-Upper Darby Township area are concerned.

[fol. 5994] Present Customers in Area

The above data in support of the public need for proposed branch has been presented without reference to the significant number of present customers of this Bank who would benefit directly from the branch. As noted in question 12 above, 2,300 accounts, with deposits of $4,400,000 originate in the general area to be serviced by the proposed branch. For these customers, the public need for the branch is clearly evident.

In view of the business which the Bank now enjoys in the area of the proposed branch, it is the position of this Bank that it is necessary for it to establish the proposed branch in order to compete fairly. This is particularly true in view of the proposed merger between Upper Darby National Bank and Girard Trust Corn Exchange Bank. Following this merger, the 69th Street Shopping Center will be serviced solely by our two principal Philadelphia competitor (i.e., The First Pennsylvania Banking and Trust Company in addition to the Girard Trust Corn Exchange Bank).

There is still another segment of the banking public that would benefit directly from the proposed branch, and these are the executives and other personnel of the many business firms which this bank has so ably served over the years. A goodly number of these executives live in the desirable residential areas of Delaware County that lie within the service area of the proposed branch, and it can be quite reasonably predicted that many of them would prefer to do their personal, as well as company banking, with The Philadelphia National Bank.

They require of us, however, in so doing, a conveniently located branch office.

[fol. 5995] (11) What competitive effect is the proposed branch expected to create?

The proposed branch would offer strong competition to the two banks in the immediate service area. This competition would be against branches of large Philadelphia commercial State banks (First Pennsylvania Company and Girard Trust Corn Exchange (a) with total assets of $1,099,209,672 and $645,890,936 respectively.) This competi-

(a) Assuming completion of the proposed merger.

tive situation would be to the benefit of the public served. We believe that the area has sufficient population and retail sales to warrant the establishment of additional banking facilities.

[fol. 5996] (12) Tabulate under headings "Deposits" and "Loans" the amounts now held in the head office or other branches originating in the area to be serviced by the branch, the estimated amounts the proposed branch is expected to have (1) at the end of one year's operation, and (2) at the end of three years' operation.

Present Business in Area

A detailed analysis has been made of loan and deposit accounts of the bank which originate in the general area to be serviced by the proposed branch. The results of this survey follow, and they indicate that the new branch would from the outset be in a position to serve a significant volume of business:

Business Originating in General Service Area of Proposed Branch

	Number	Amount
Deposits	2,300	$4,400,000
Loans	74	2,700,000

It should be stressed that the above figures do not give effect to the fact that the 69th Street Shopping Center is the location of major branch installations of two important center-city department stores, both of which maintain substantial accounts with the bank, as follows:

	Average Balance
*Names omitted	$1,402,800
	795,000

*The parties stipulate that on p. 14 of Government Exhibit 88, the two names of department stores shall be omitted. The dollar figures shown opposite the names shall be printed.

The proposed branch will materially aid us in serving these important depositors more efficiently.

[fol. 5997] (13) To what exent will the proposed branch enable the bank to serve more efficiently and thereby protect existing business?

There can be no question that the proposed branch will enable us to serve more efficiently the quite large volume of accounts and loans of the Bank which originate in the

general service area of the proposed branch (see question 12, above), for it is a widely recognized and accepted trend that bank customers are demanding conveniently located facilities. In Philadelphia, as in other old-established population centers, the increasing congestion in center-city, coupled with rapidly growing population and commercial activity in the suburbs, makes it particularly important for Banks to extend their branch net-works into areas removed from Center-City if they are to properly serve existing customers.

Without convenient locations, moreover, it becomes increasingly difficult to protect and retain existing business, and this is a particularly important factor at the present time in the 69th Street area insofar as the Bank is concerned for two reasons. First, the shopping center there appears to be in the initial stages of a period of even increased importance in its area, thus reducing the tendency and willingness of the population to journey into center-city. The increased future importance of the 69th Street Shopping Center is the result of the location in the center in the past several years of four outstanding retail units, namely Lit Brothers; J. C. Penney & Company; Stern & Company; and, during the past year, Gimbel Brothers, Inc.

The second factor which the Bank must consider in viewing its relative position in the 69th Street area, is the recently announced proposed merger of the Upper Darby National Bank into the Girard Trust Corn Exchange Bank. This merger will undoubtedly reduce our competitive ability in the area in that it will add a second bank in the area capable of offering its depositors the convenience of both downtown offices and local offices.

[fol. 5998] GOVERNMENT'S EXHIBIT 89

Information for Examiner in Connection With Proposed Branch of the Philadelphia National Bank Roosevelt Boulevard Office.

(1) The exact address of proposed branch—number and street, city or town, and county. If a definite location

has not been selected, the approximate location within a reasonable area should be given.

8200 East Roosevelt Boulevard
Philadelphia, Pennsylvania

(2) Population of Head Office city at last census. Present estimate.

Population figures for the City of Philadelphia, in which the Main Office is located, are as follows:

1950 Census	2,071,605
1957 Estimate by Chamber of Commerce of Greater Philadelphia	2,200,000

(3) Population of the city or town in which the proposed branch is to be located. At last census. Present estimate.

The answer to question 3 is the same as question 2.

(4) Estimated population of immediate area which the branch will serve, with indicated radius of miles.

The population of the immediate area which the branch will serve.*

1950	1955	1957
48,098	69,928	91,859

* See Map on page 10 for boundaries of service area. Population figures based on census tracts in service area. See Exhibit A.

(5) Distance and geographical direction from proposed branch to the Head Office.

Our Head Office at the corner of Broad and Chestnut Streets, Philadelphia, is located approximately 9¾ miles away from the proposed branch in a north-easterly direction.

(6) A list of the names and addresses of applicant's existing branches located in the city or town where proposed branch is to be situated or within three miles thereof, showing deposit and loan totals for each and the distance and direction of each from the proposed branch location.

[fol. 5999] There are at present ten (10) branches including the Main Office located in the City of Philadelphia. None of our branches are located within three miles of the proposed branch. The location of the Philadelphia Offices are:

Address	Deposits	Loans	Distance	Direction
Broad & Chestnut Sts.	738,661)	366,223)	9¼	SW
421 Chestnut Street	"	"	9½	SW
3 Penn Center Plaza	97,569	25,996	9¼	SW
9th & Chestnut Sts.	"	"	9½	SW
3131 Market Street	"	"	10⅛	SW
Front & Norris Sts.	"	"	7¼	SW
Allegheny & Kensington	"	"	5½	SW
Erie & Castor Sts.	"	"	4½	SW
Front St. & Allegheny	"	"	6	SW
7th & Dauphin Sts.	"	"	7¼	SW
Total	836,230	392,219		

Note: Separate deposit and loan figures are not available for each individual branch.

(7) A list of the names and addresses of competitor banks and their branches within a five mile radius (two or three mile radius in large cities) showing deposit and loan totals for each and the distance and direction of each from the location of the proposed branch. Any geographical barriers should be noted.

Key (c)	Bank	Location	Deposits(a)	Loans(a)	Mile & Direction
1	Broad Street Tr.	Willits & Exeter	122,987	87,055	1.2 N
2	Second Nation	2200 Cottman Ave.	32,070	15,242	1.3 SW
3	Fidelity-Phila.(b)	Roosevelt & Welsh	383,514	204,359	1.4 NE
4	1st Penco	8001 Frankford	1,067,968	524,686	1.5 SE
5	1st Penco	7157 Frankford	1,067,968	524,686	1.6 SE
6	Frankford Trust	9375 Bustleton	44,099	19,077	1.6 N
7	Girard Corn	4010 Cottman Ave.	686,146	364,383	1.6 SE
8	Broad Street Tr.	6824 Bustleton	122,987	87,055	2.1 SW
9	Girard Corn	Rising Sun & Cottman	686,146	364,383	2.1 W
10	Frankford Trust	Castor & Hellerman	44,099	19,077	2.1 SE
11	1st Penco	6836 Torresdale	1,067,968	524,686	2.8 SE
12	Girard Corn	Torres. & Howell	686,146	364,383	2.9 SW
13	Liberty Real Est.	5119 Frankford	84,564	48,954	3.0 SW
14	Beneficial Svgs. Fd.	6244 Bustleton	188,541	98,649	2.2 SW
15	Germantown Svgs. Fd.	2604 Cottman Ave.	129,174	63,637	1.2 SW
16	Western Svgs. Fund	7315 Castor Ave.	343,570	158,976	1.5 SW
17	Phila. Svgs. Fund	Frankford & Torres.	950,890	464,675	1.6 SE
18	Western Svgs. Fd.	3142 Willits Rd.	343,570	158,976	1.2 E.
19	Western Svgs. Fd.	6625 Caster Ave.	343,570	158,976	2.0 SE
20	Phila. Svgs. Fund	Cottman & Rutland	950,890	464,675	1.5 SW
21	Western Sav. Fund	11730 Bustleton	343,570	158,976	3.1 NE

(a) All loan and deposit figures shown are total figures for the banks indicated, since data for individual branches of other banks is not available. The source of the loan & deposit data is "Folk's Bank Directory" — June 1958.
(b) Office not in operation but has been authorized.
(c) Represents bank office identification numbers used on map on page 10.

[fol. 6000] (9) Major types of demands for loans the branch expects to serve should be listed.

Loan demand is expected to be in the following categories:

(a) Time Credit loans.
(b) Commercial loans to the many businesses in the area.
(c) Loans secured by Marketable Securities and Cash Surrender Value of Life Insurance.
(d) Mortgage loans.

* * * * * * *

[fol. 6001] (11) What competitive effect is the proposed branch expected to create?

The proposed branch would offer strong competition to the four (4) banks in the immediate service area.

We believe that the area to be serviced is sufficiently large enough to support a bank office in addition to the banking facilities now located there. Much growth has taken place within the boundaries of the service area, and it is anticipated that rapid growth is expected in this Northeast area within the next few years. In order to seek and locate new business, it is necessary for the bank to move into growing areas. Approval of a branch in this location, would allow us to compete more effectively with other large Philadelphia Banks which have branches in the area.

(12) Tabulate under headings Deposits and Loans the amounts now held in the head office or other branches originating in the area to be serviced by the branch, the estimated amounts the proposed branch is expected to have (1) at the end of the one year's operation, and (2) at the end of three years' operation.

Business Originating in General Service Area of Proposed Branch

	No.	Amount
Deposits	1,157	5,486,000
Loans	45	918,000

Projected Branch Loans and Deposits

	Deposits	Loans
After 1 year of operation	6,500,000	1,500,000
After 3 years of operation	8,000,000	3,000,000

(13) To what extent will the proposed branch enable the bank to serve more efficiently and thereby protect existing business?

There is no question that the proposed branch will enable us to service more efficiently the large volume of deposit accounts and loans of the bank which have their inception in the general service area of the proposed branch. In order to maintain this business, it is necessary to provide the bank's customers with conveniently located facilities.

It is a well established belief that without convenient [fol. 6002] locations, it becomes increasingly difficult to protect and retain existing business. This is a particularly important factor at the present time in the northeast area for two reasons. First, many of our retail customers are relocating from the older and established neighborhoods of central city, to the unconfined areas of the Far Northeast. Likewise, much of the commercial activity is shifting to the outer regions of the city and much of the new development within city limits is taking place in the service area of the proposed branch.

The second factor that the bank must consider in viewing its relative position in the Far Northeast, is the establishment of branches in the general area by other major Philadelphia banks. These branches reduce our competitive ability in the area due to the fact they are able to offer their depositors the convenience of both downtown offices and local offices.

* * * * * * * *

[fol. 6003] GOVERNMENT'S EXHIBIT 91

Information for Examiner in Connection With Proposed Branch of the Philadelphia National Bank in Park Ridge Shopping Center at Junction of Route 422 and Route 363, Lower Providence Township, Montgomery Co., Pa.

1) The exact address of proposed branch—number and street, city or town, and county. If a definite location has not been settled, the approximate location within a reasonable area should be given.

The proposed branch will be located in the Park Ridge Shopping Center, Routes #422 and #363, Lower Providence Township, Montgomery County, Pennsylvania. See Exhibit A for exact location.

2) Population of head office city at last census. Present estimate.

Population figures for the City of Philadelphia, in which the Main Office is located, are as follows:

1950 Census	2,071,605
Estimate	2,200,000 by City of Philadelphia Planning Commission

3) Population of the city or town in which the proposed branch is to be located. At last census. Present estimate.

The population figures for the Township are as follows:

1950 Census.	5,837
1958 estimate by. Montgomery County Planning Commission	9,125

4) Estimated population of immediate area which the branch will serve.

An estimated population of at least 13,014 woud be served within a radius varying from one mile to five miles because of highway patterns. This area is outlined on the map pertaining to question number 18.

[fol. 6004] 5) Distance and geographical direction from proposed branch to the head office.

Our Head Office at the corner of Broad and Chestnut Streets in Philadelphia, is located approximately 18 miles distant from the proposed branch in a south-easterly direction.

6) A list of the names and addresses of applicant's existing branches located in the city or town where proposed branch is to be situated or within three miles thereof, showing deposit and loan totals for each and the distance and direction of each from the proposed branch location.

We have no existing branch offices in Lower Providence Township or within a three mile radius of the proposed site.

7) Competitor Banks and Branches within Five Mile Radius

Key	Banks	Town	Deposits (a)	Loans (a)	Miles & Direction from Prop.
1.	Proposed office	Trooper			
2.	Peoples Natl. Bank	Jeffersonville	$ 19,571M	$ 11,649M	1.55 E
3.	Collegeville Nat. Bk.	Collegeville	4,862	3,064	4.5 NW
4.	Montgomery Co. Bk. & Tr.	Norristown	84,952	40,355	3.35 E
5.	Montgomery Co. Bk. & Tr.	Norristown	84,952	40,355	4.0 SE
6.	Peoples Natl. Bank	Norristown	19,571	11,649	4.0 SE
7.	Montgomery Co. Bk. & Tr.	Norristown	84,952	40,355	4.5 SE
8.	Montgomery Co. Bk. & Tr.	Norristown	84,952	40,355	6.0 E
9.	Phila. Svg. Fund Soc. (proposed)	Norristown	1,017,000	493,335	6.0 E
10.	Peoples Natl. Bank	Rt. 202—& Gtn. Pike	10,571	11,649	5.3 E
11.	Bridgeport Natl. Bank	Bridgeport	8,195	3,889	4.5 SE
12.	Western Svg. Fund (proposed)	Valley Forge Shopping Cent.	371,288	175,075	7.3 S
13.	Montgomery Co. Bk. & Tr. (proposed)	Valley Forge Shopping Cent.	84,952	40,355	7.3 S
14.	Peoples Natl. Bank	King of Prussia	19,571	11,649	6.3 S
15.	Prov. Trades Bk & Tr. (proposed)	King of Prussia	442,900	245,740	6.0 S
16.	Phila. Natl. Bank (proposed)	King of Prussia	—	—	6.0 S
17.	Phila. Natl. Bank	Norristown	931,270	456,568	4.0 SE

(a) Deposit and loan figures are for the banks as a whole since no branch breakdown is available. Source American Bank Directory, Fall Edition 1959.

There are several important geographical barriers to be noted within this Five Mile Radius; to the West are the Skippack and Perkiomen Creeks which are crossed at only a few locations; to the South the Schuylkill River can only [fol. 6005] be crossed at two places and the crossing at Betswood is a definite hindrance to traffic; to the East the extensive acreage of the State Hospital for the Insane and the City of Norristown with the traffic congestion becomes barriers to the banking public.

Therefore, we believe that most of the banks or branches in this Five Mile Radius are not in the service area.

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[fol. 6006] (8) • • •

The Park Ridge Shopping Center located at the junction of Routes 363 and 422 is ideally situated to service the trade area of the proposed branch. The tenants occupying the Center are of good quality and the drawing power of the Center is indicated by the following tenants:

A & P Supermarket	Bakery
W. T. Grant Company	Chain Dry Cleaner
Pennsylvania Liquor Store	Laundry
Endicott-Johnson Shoe Store	Luncheonette
	Gift Shop
Sinclair Oil Company	Beauty Salon
Men's Apparel	Barber Shop
Ladies' Apparel	Drug Store
Children's Apparel	Proposed Branch

9) Major types of demands for loans the branch expects to serve should be listed.

1) Time Credit Loans

2) Commercial loans to businesses and industry in the area.

3) Loans secured by Marketable Securities and Cash Surrender Value of Life Insurance.

4) Mortgage Loans

10) Information to support the opinion that there is public need for the proposed branch in the area.

The market for bank services in the area delineated can be fairly measured by the population. Almost all of Lower Providence Township, parts of Worcester, West Norriton, East Norriton, and Skippack Townships because of highway accesses and the drawing power of the shopping center can be included in the service area.

Population Breakdown

	Actual	Service Area
Lower Providence Township	9,125	8,125
Worcester Township	2,660	1,774
West Norriton Township	7,845	2,615
East Norriton Township	7,342	250
Skippack Township	4,340	250
	31,312	13,014

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[fol. 6007] The Park Ridge Shopping Center is well planned and has considerable drawing power which will be a great asset to the proposed branch. This location will offer a one stop shopping and banking service which

is not available elsewhere in the area. The township and trade area will find this feature a definite asset in its growth.

The industrial locations will now have local banking services for company and employees at a very short driving distance. The companies that bank with us in Norristown will now have a branch locally to transact more complete banking services.

No other location in the area offers such complete and easy access to shopping and banking facilities.

The growth factor of population in the area is a significant indicator of additional banking facilities. The rate of growth at 55% over 1950 and the estimate of 25,000 potential of Montgomery County Planning Commission are evidence of the potential density of the area.

The Valley Forge Industrial Park is now in operation with three companies already located and negotiations are being carried on with other companies. The proposed office will be the nearest and most accessible banking facility to the industrial park.

11) What competitive effect is the proposed branch expected to create?

The new branch will, of course, tend to increase competition. We look upon this as an entirely proper result, so long as the area is not over banked and can support the proposed office. This proposed office will bring to a growing township banking facilities of its own which would increase the community aspect of the shopping center and enable the center to become the focal point of retail business. The recent survey of where people traded indicated the need for local shopping and banking facilities.

We believe it to be vital to move to the suburban areas of Norristown to improve our competitive position in Montgomery County. It is necessary for the bank to move into growing areas in order to seek and locate new business and also, to retain our present customers in view of other banks expanding in the area.

This competitive situation would be to the benefit of the public served. We believe that the area has sufficient population, industry and retail units to warrant the establishment of banking facilities.

[fol. 6008] 12) Tabulate under headings "Deposits" and "Loans" the amounts now held in the head office of other branches originating in the area to be serviced by the branch, the estimated amounts the proposed branch is expected to have (1) at the end of one year's operation, and (2) at the end of three years' operation.

Present Business in Area

A detailed analysis has been made of loan and deposits accounts of the Bank which originate in the general area to be serviced by the proposed branch. The results of this survey follow, and they indicate that the new branch would from the outset be in a position to serve existing customers:

Business Originating in General Service Area of Proposed Branch

	Number	Amount
Deposits	799	$1,703,255
Loans	59	$ 549,625

A sample survey of our Time Credit Department customers in our Norristown Office indicates that approximately 17% of our customers reside in areas that would be more accessible to the proposed office than to our downtown Norristown location.

Projected Branch Loans and Deposits:

	Deposits	Loans
After One Year	$2,000,000 to $2,200,000	$ 600,000 to 800,000
After Three Years	$2,700,000 to $3,000,000	$1,000,000 to 1,300,000

[fol. 6009] (13) To what extent will the proposed branch enable the bank to serve more efficiently and thereby protect existing business?

The proposed branch will enable us to serve more efficiently the accounts and loans of the bank which originate in the service area, for it is a widely recognized and accepted trend that bank customers are demanding conveniently located facilities. Our present customers must travel considerable distances over congested roads to bank in our Norristown office. These customers will tolerate inconvenience, traffic congestion only so long before they will seek another bank not so difficult to reach. The increasing con-

gestion in Norristown coupled with rapidly growing population and commercial activity in its suburbs, makes it particularly important for us to extend our coverage into areas removed from this congestion if we are to properly serve existing customers. Without convenient locations it becomes increasingly difficult to protect and retain existing business.

* * * * * * *

[fol. 6010] GOVERNMENT'S EXHIBIT 93

Information for Examiner in Connection with Proposed Branch of The Philadelphia National Bank in Ridley Township, Delaware County, Penna.

(1) The exact address of proposed branch—number and street, city or town, and county. If a definite location has not been settled, the approximate location within a reasonable area should be given.

The proposed branch will be located in the vicinity of MacDade Boulevard and Kedron Avenue, Ridley Township, Delaware County, Pennsylvania. Several sites are being considered, and the Comptroller's Office will be notified when a definite selection has been made.

(2) Population of head office city at last census—present estimate—.

Population figures for the City of Philadelphia, in which the Main Office is located, are as follows:

1950 Census	2,071,605
1958 Estimate of City of Philadelphia Planning Commission	2,200,000

(3) Population of the City or town in which the proposed branch is to be located.

The population figures for Ridley Township are as follows:

1950 Census	17,212
Estimate April 1, 1957 by Delaware County Planning Commission	31,490

(4) Estimated population of immediate area which the branch will serve, with indicated radius in miles.

The area which the proposed branch would serve is outlined in Exhibit A, with the boundaries described verbally in question number 8 below. The estimated 1950 population of this area based upon 1950 Census Data was 56,996, and the estimated 1957 population based upon data prepared by the Delaware County Planning Commission was 81,690. For details of this breakdown see question number 8 below.

This office would be considered a regional office serving many of the communities between 69th Street and Chester. [fol. 6011] The radius of the area varies from 1.5 miles to 2.5 miles due to geographical factors, transportation facilities and highway accesses.

(5) Distance and geographical direction from proposed branch to the head office.

The Main Office at Broad and Chestnut Streets, Philadelphia, is located approximately 9 miles from the proposed branch locality in an easterly direction.

(6) A list of the names and addresses of applicant's existing branches located in the city or town where proposed branch is to be situated or within three miles thereof, showing deposit and loan totals for each and the distance and direction of each from the proposed branch location.

We have no existing branch offices in Ridley Township or within a three mile radius of the proposed location.

(7) A list of the names and addresses of competitor banks and their branches within a five mile radius (two or three mile radius in large cities), showing deposit and loan totals for each (if available) and the distance and direction of each from the location of the proposed branch. Any geographical barriers should be noted.

Offices of competitor banks in the service area of the proposed branch are as listed below:

Key	Bank	Town	Deposits (6-30-58)	(a)Loans(a)	Miles & Distance
1	Broad Street Trust Co.	Morton	$122,987m	$87,055m	1 3N
2	Broad Street Trust Co.	Prospect Pk.	122,987m	87,055m	1 5E
3	Broad Street Trust Co.	Prospect Pk.	122,987m	87,055m	1 3 SE
4	Provident Tradesmens	Swarthmore	464,970m	224,217m	2 0 W
5	Fidelity-Phila. Trust	Ridley Park	383,514m	204,359m	2 3 S
6	Delaware County Natl.	Essington	56,641m	22,719m	2 3 SE
7	Delaware County Natl.	Sharon Hill	56,641m	22,719m	2 5 E

(a)—All loans and deposit figures shown are total figures for the banks indicated, since data for individual branches of other banks is not available. The source of the loan and deposit data is the Polk's Bank Directory—September 1958.

[fol. 6012] Major types of demands for loans the branch expects to serve should be listed:

We expect loan demands to be chiefly in the following categories:

(a) Time Credit Loans
(b) Mortgage Loans
(c) Loans secured by Marketable Securities and Cash Surrender Value of Life Insurance
(d) Commercial Loans to the many business and professional men in the area.

[fol. 6013] (10) Information to support the opinion that there is public need for the proposed branch in the area.

A survey made by this Bank in December 1957, indicated that Delaware County as a whole had a population per bank office of 13,331, Bucks County 8,677, and Montgomery County 8,732. The data thus indicates that the service area of the proposed branch is relatively under-banked when compared to other suburban Philadelphia areas.

Along the heavily travelled highway of MacDade Boulevard there are no banking facilities available to the retail stores or residents from Darby to Chester a distance of approximately six miles. The present population density potential growth and retail trade attracted to such population increases indicated a need for additional banking facilities.

[fol. 6014] (11) What competitive effect is the proposed branch expected to create?

The proposed branch would offer strong competition to the banks in the service area. This competition for the most part would be against branches of Philadelphia commercial state banks (Broad Street Trust Company, Fidelity-

Philadelphia Trust, Provident Tradesmens Bank & Trust Company. There is only one branch of a National Bank (Delaware County National) in the area and it is located at the extreme southern boundary.

This competitive situation would be to the benefit of the public served. We believe that the area has sufficient population and retail sales to warrant the establishment of additional banking facilities.

(12) Tabulate under headings "Deposits and Loans" the amounts now held in the head office of other branches originating in the area to be serviced by the branch, the estimated amounts the proposed branch is expected to have (1) at the end of one year's operation, and (2) at the end of three years' operation.

Present Business in Area

A detailed analysis has been made of loan and deposit accounts of the bank which originate in the general area to be serviced by the proposed branch. The results of this survey follow, and they indicate that the new branch would from the outset be in a position to serve existing customers:

Business Originating in General Service Area of Proposed Branch

	No.	Amount
Deposits	945	$1,794,000
Loans	139	$ 627,000

Projected Branch Loans and Deposits

	Deposits	Loans
After one Year:	$2,500,000 to $3,000,000	$1,500,000 to $2,000,000
After Three Years:	$4,000,000 to $4,500,000	$2,500,000 to $3,000,000

[fol. 6015] (13) To what extent will the proposed branch enable the bank to serve more efficiently and thereby protect existing business?

The proposed branch will enable us to serve more efficiently the accounts and loans of the Bank which originate in the general service area, for it is a widely recognized and accepted trend that bank customers are demanding conveniently located facilities. The increasing congestion

in center city coupled with rapidly growing population and commercial activity in the suburbs, makes it particularly important for Banks to extend their branch net-works into areas removed from center city if they are to properly serve existing customers. Without convenient locations, moreover, it becomes increasingly difficult to protect and retain existing business.

[fol. 6016] GOVERNMENT'S EXHIBIT 95

Retail Division

Proposed Ridley Regional Office

Site:

In the vicinity of:

MacDade Boulevard and Kedron Avenue
(State Route 420 and U. S. Bypass 13)
Ridley Township
Delaware County
Pennsylvania

There are several locations being offered to us.

Building:

One story, 25' x 80' inside dimension plus room for a utilities room. Public and banking area similar to that of the Ardmore Office with drive-up facilities and limited parking. All desks, counters and teller work areas to be metal construction for economy purposes. This metal equipment can be purchased in units to be added to or rearranged as activity requires. Vault similar to Ardmore with a limited number of safe deposit boxes at the outset.

Service Area:

Generally: This office would be considered a regional one to service the area from the boundary of 69th Street Area to the east end of Chester.

Specifically: The northern boundary would commence at the junction of Baltimore Pike and Crum Creek running to the east along Baltimore Pike to Providence Road. It

would continue along Providence Road to Oak Avenue turning south along Oak Avenue to Primos Avenue to Cobbs Creek to the junction of Cobbs Creek and the Industrial Highway (State Route 291). The boundary then turns west along the Industrial Highway (encompassing the narrow area between the highway and the Delaware River) to the Ridley River at the western edge of Eddystone. The boundary then turns north along the Ridley River to Crum Creek then continues along Crum Creek to Baltimore Pike to complete the area boundary. See Exhibit A.

Population and Characteristics of Service Area:

The immediate area of Ridley Township has shown the following population growth:

1940	1950	1957*
8,641	17,212	31,490
–	99.1%	83.0%
	Increase	Increase

[fol. 6017] Boroughs and Township Contained in Service Area

	Population			D&B Listings
	1940	1950	1957*	
Eddystone	2,493	3,014	3,280	42
Folcroft	1,592	1,909	5,120	30
Glenolden	4,825	6,450	7,500	106
Morton	1,316	1,352	1,900	65
Norwood	3,921	5,246	5,920	49
Prospect Park	5,100	5,834	6,730	70
Ridley	8,641	17,212	31,490	Not Shown
Ridley Park	3,887	4,921	6,820	57
Rutledge	796	919	960	9
Swarthmore	4,061	4,825	6,050	75
Tinicum	3,792	5,314	5,920	Not Shown
Totals	40,424	56,996	81,690	503
% change Prev. Date	—	+41.0	+43.3	

* Estimates of Delaware County Planning Commission

There are also portions of Darby, Springfield and Upper Darby in the broad service area which have not been included in the above population figures.

The Delaware County Planning Commission now base their population projections on what they call "planning districts". Planning Districts 3 and 4 contain the general service area of the proposed branch; with some adjustments needed for Yeadon and a portion of Upper Darby, the Com-

mission projects a population figure of 187,500 for 1970 in this area.

1950 Census Tract Characteristics

Name—Tract		% Non-White	% Owner Occupied	Medium Value Housing
Eddystone	D43	2	59.0	$8,752
Folcroft	D34	9	70.0	9,089
Glenolden	D35	1	68.0	9,768
Morton	D77	56.0	70.0	6,227
Norwood	D36	7	59.0	9,609
Prospect Park	D38	1.8	73.0	9,563
Ridley	D41	4.0	56.0	9,529
Ridley Park	D39	2	65.0	12,752
Rutledge	D42	0	79.0	12,165
Swarthmore	D76	4.1	66.0	19,250
Tinicum	D37	1	59.0	7,198

[fol. 6018] Competition:

Location	Bank
Swarthmore	Provident-Tradesmens
Morton Prospect Park (2)	Broad Street Trust Company
Ridley Park	Fidelity-Philadelphia Trust Co.
Essington	Delaware County National Bank

There are no banks in the immediate area on either side of MacDade Boulevard from Oak Avenue in Glenolden to Chester. The nearest and only National Bank in the area is almost 3 miles south at Essington and would not service the area proposed for this location.

Population Per Bank Office:

	1957* Before Proposed Branch	1957* After Proposed Branch
Ridley Township	No Office	31,490
Entire Service Area	13,615	11,243

* Delaware County Planning Commission estimates.

An article by Robert H. Armstrong of Armstrong Associates, bank consultants, contains the following information:

"The per capita population per bank is fairly stable the country over though there are some variations. In New York there is one bank for each 8,400 people. In other states the population per bank is as follows; New Jersey 8,500; Michigan, 8,300; Massachusetts 7,100; Ohio 8,100."

A recent survey by Cummins "Bank News" disclosed

that six branch banking states (Arizona, California, Idaho, Nevada, Oregon and Washington) had one branch for each 9,013 persons while six unit bank states (Colorado, Kansas, Missouri, Oklahoma, Texas and Wyoming) had one bank office for each 7,058 persons.

Central National Bank of Cleveland in reporting on methods used in selecting branch locations commented that "The area to be served should have a population of 5,000 to 10,000 to insure profitable operations."

The data for population per bank office demonstrates that the area can be considered relatively under-banked at the present time and that there can be presumed to be a public need for an additional branch and will certainly not become overbanked with the addition of the proposed branch.

The nearest bank is 1 mile distant.

[fol. 6019] Administration of Office:

The proposed office would be administered as another Chester Area Office. Complete banking services would be offered by a small flexible work force with casual help for peak periods from the immediate area.

Recommendation:

It is recommended that a branch be located in this vicinity.

The center of population in Delaware County is pushing steadily west with those communities located between Darby and Crum Creek experiencing the fastest growth. The largest concentration of population remains adjacent to Philadelphia and in and near the city of Chester. This location would bridge the distance between the two large concentrations of population and be an integral part of the future growth in the area.

The area is serviced by several good highways, such as: MacDade Boulevard, Chester Pike and Industrial Highway running east to west. North to south routes are State Routes 391, 420 and other secondary roads. All these highways afford easy access to the location recommended. Public transportation is also more than ample for Red Arrow Lines, Southern Penna. Bus Co., PTC, and Pa.RR all service the area and add to its attractiveness.

Along the excellent main artery of MacDade Boulevard there are in the near vicinity Acme, Penn Fruit, Food Fair Markets and numerous other retail businesses.

The density of population is extremely high.

This location is almost equi-distant between 69th Street and Chester, and would be an ideal "regional office" to service all the many in-between areas because of its accessibility.

In addition, we would be able to offer accessible banking services to customers of this bank who are located along the Industrial Highway such as Lester Piano Manufacturing Co., Westinghouse, General Steel Castings Corp., and Sun Shipbuilding & Dry Dock Co., to mention several.

The Scott Paper Co. plan a new location in Tinicum and it would be approximately 4 miles from the proposed branch.

This branch recommendation would give us better coverage in Delaware County and with 69th Street we would have good representation throughout the lower eastern section of the County. This much needed coverage would enable us to compete more effectively with Delaware County National Bank, Fidelity-Philadelphia Trust Company, and Girard Trust Corn Exchange Bank.

C.D.R.
11/21/58

[fol. 6020] GOVERNMENT'S EXHIBIT 96

TREASURY DEPARTMENT

Comptroller of the Currency

Washington 25

April 30, 1959

Mr. Frederic A. Potts, President,
The Philadelphia National Bank,
Philadelphia 1, Pennsylvania.

DEAR MR. POTTS,

We have completed a careful study of the information developed in the investigation made in connection with your

application for permission to establish a branch in the vicinity of MacDade Boulevard and Kedron Avenue, Ridley Township, Pennsylvania.

It has been concluded that the banking needs of the area are being adequately served and do not warrant the establishment of an additional branch unit. Your application has therefore been disapproved.

Very truly yours, Hollis S. Haggard, Chief National Bank Examiner.

[fol. 6021] GOVERNMENT'S EXHIBIT 98

May 18, 1959.

To: Mr. E. Lawrence Worstall, Senior Vice President.
cc: Mr. Ellis B. Ridgway Jr., Vice President.

From: Mr. George H. Renninger.

Subj.: Proposed Office MacDade Boulevard and Kedron Avenue

DEAR LARRY:

Yesterday, after church, I had occasion to talk to Mr. Hockberg of the National Bank Examiners' staff. Mr. Hockberg said that the department felt that there are already sufficient offices in the vicinity of the location requested, and that there had been some definite opposition by other banks. It was his opinion that the most opposition had been raised by Delaware County National Bank. He did not mention Broad Street Trust Company. He did elaborate on Delaware County National's success in operation of their branch offices, and emphasized the fact that one of the main reasons for growth was the hours of opening from twelve noon t[illegible]x.

It had been our plan to have the MacDade Boulevard Office opened those hours, and it is obvious that it has a great appeal for residential sections. I believe we are too concentrated in the Chester Area to keep our offices closed until twelve noon. It all seems to lead to the fact that in order to expand our retail business, we should have branches in centers of population.

Incidentally, he said that the department had approved the Boulevard Office, and that we might well receive approval for another office in Delaware County if we would submit a better location.

[fol. 6022] GOVERNMENT'S EXHIBIT 99

June 3, 1959.

Mr. Hollis S. Haggard,
Chief National Bank Examiner,
Office of the Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Re: Proposed Branch—MacDade Boulevard and Kendron Avenue, Ridley Township

DEAR MR. HAGGARD:

May I express my appreciation to you and Parker West for the courtesy shown Ellis Ridgway, George Renninger, and me this morning. We are grateful for the time you shared with us.

We would like to emphasize four points not completely covered in the information previously sent you, but which we discussed with you today.

1. There are barriers which would serve to separate the area for our proposed branch office from the Prospect Park Office of the Broad Street Trust Company, and the Ridley Office of the Fidelity-Philadelphia Trust Company. These barriers are the embankment of the Pennsylvania Railroad, and the tracks of the Baltimore and Ohio Railroad which seal off all but the few through streets of Kedron Avenue (also known as Lincoln), Amosland Road, and Swarthmore Avenue. Therefore, many residents of Ridley Township do not have convenient access to banking facilities over good through roads and would be better served by the proposed location.

2. The Philadelphia National Bank would give to the people of the area a 2½ per cent interest rate on Savings balances, as compared to the 1 per cent rate currently paid by Broad Street Trust Company.

3. There is a shifting population in the Chester area out of the city itself into the adjacent townships, filling in the areas between Chester and Upper Darby. The concentration in Chester of our two offices does not give us outlets to properly serve our customers who have moved from the [fol. 6023] city. We should point out, however, that the situation would be even more serious were it not for the fact that we have the 11th and Madison Streets Office in Chester, permission for which you granted in 1955.

4. The First Pennsylvania Banking and Trust Company, as you know, has recently applied for a branch office at Ashland Road and MacDade Boulevard, a location rejected by our bank because of its proximity to the Sharon Hill Office of Delaware County National Bank. The First Pennsylvania Company believes the area can support two additional branches. While we do not dispute this, we would hope that an approval of our application would provide the additional banking facilities needed.

We are glad that you are reconsidering our application, and hope to hear from you at an early date.

Sincerely, (s) E. Lawrence Worstall, Senior Vice President

cc: Mr. Marshall Abrahamson, Mr. Arthur J. Hockberg.

[fol. 6024] GOVERNMENT'S EXHIBIT 102

January 18, 1961.

To: G. Edward Cooper, Senior Vice President

From: Ellis B. Ridgway, Jr., Vice President

Subj.: Service Charges as proposed in the Application For Approval to Merge—PHB and Girard.

The merger memorandum has been reviewed by the Managers of the following areas and branches:

W. Bruce Pye—Bucks County
George H. Renninger—Chester Area
Frank R. Dyer, Jr.—Northeast
Frederick G. Erb—Citizens
Alan Resendorph—Hatboro
Harold K. Koch—Lansdale
C. R. Gillam, Jr.—Montgomery

This group includes all areas where the Regular and Special Checking schedules differ from the central city one. Each has prepared a memorandum listing his reactions, comments and suggestions to the several changes listed in the proposal. These memorandums are attached for your study.

The reactions vary among the group depending largely on present and prospective competitive conditions. There is little concern with respect to center city based competitors, because they may be expected to have similar operating costs and a similar inclination to set charges approximating ours. The independent banks, which generally have lower charges (because of lower operating costs, lack of knowledge of costs, or a desire to grow at the expense of current earnings), are a source of concern to those Managers who presently compete with them. Note that three Managers strongly recommend that the proposed charges not be installed in their areas (Pottstown—both Regular and Special; Chester—Regular; Norristown—Special).

The Regular Checking service charges listed in the proposal, if reasonably competitive, will result in only a small percentage loss in deposits but a higher percentage loss in checking account customers. The latter will be more severe in specific areas such as Pottstown and perhaps Chester. The installation of a metered service charge arrangement covering personal accounts (most affected) will be helpful in developing a clearer and more easily understood sales presentation for this service. The miscellaneous penalty charges seem, if anything, to be low. I wonder whether or not the 75¢ Maintenance Charge is enough in view of the cost analysis made of our present operation. If we are [fol. 6025] going to disturb our customers, it seems best to do this with an amount large enough to preclude the necessity of another change in the near future.

In the Special Checking category, I understand the necessity of continuing two types of accounts for present customers of each bank. I believe, however, that it will be a serious mistake to sell two types after the merger. Both should be analyzed (along with other systems) to arrive at a clear statement as to which will be saleable and adequately serve the customer with the most economical operation—providing us with a reasonable profit at the lowest

possible price to the customer. Increasing the Maintenance Charge to 50¢ will result in some loss in deposits and in the number of Checking Account customers from the present PNB list.

General Comments: Our service charges on Regular and Special Checking accounts should be increased and should be uniform among offices. It is unfortunate that increases occur at the time of the merger as this could create an unfavorable reaction to the merger itself. Increasing our charges will result in a loss of customers and deposits and have a depressing effect on future customer and deposit development efforts—how much—will depend somewhat on the amount by which our prices exceed those of our competitors.

——, ——, (E.B.R.)

Enc.

[fol. 6026] GOVERNMENT'S EXHIBIT 103

THE PHILADELPHIA NATIONAL BANK

Memorandum

December 5, 1960.

To: Ellis B. Ridgway, Jr., Vice President

From: W. Bruce Fye—B

Subject: Proposed Service Charges on Special and Regular Checking Accounts.

Special Checking Accounts

In reviewing the proposed service charges, I was intrigued to see that it would be expected that the two separate systems would be continued. It may be inappropriate for me to make a comment on this but I feel that this could well introduce some serious problems internally, as well as a certain amount of confusion in the minds of our customers.

I would feel that the increase in maintenance charge would be acceptable if we felt that Fidelity and First Pennsylvania Co. would be increasing their maintenance charge to a similar amount. You will recall that at the time we went to a maintenance charge in early 1960 (and coinciden-

tally reduced the charge per check from 12½ to 10¢), we lost a number of accounts. The customer who was disturbed by the maintenance charge was for the most part the individual who had drawn only one or two checks a month, and realized that the maintenance charge would considerably increase the cost of the service to him. The rest of the charges do not seem to be out of line or burdensome and I would think that, with the exception of the above stated comments, we could expect a minimum of reaction.

Regular Checking Accounts

Balances 0 to $299:

Presently a charge of $1.00 a month is made in this area for accounts falling within this category, but we do permit ten items of activity. As you are well aware, Fidelity makes a $1.00 charge but permits one item for each $20 of the balance, so here again we could be at a competitive disadvantage unless Fidelity contemplated making some adjustment in their charge.

[fol. 6027] Balance $300 to $499:

Presently these accounts are analyzed with an earnings credit of 10¢ per month, and items paid and deposited paid at the rate of 5¢ each. It is our understanding that Fidelity uses the same earnings credit and the same item charge but does not have a maintenance charge. Here again it is possible that we might experience a loss in the number of accounts.

An analysis of our Regular Checking Accounts accomplished in September of 1959 indicated that although there was a substantial percentage (approximately 35% of our total Regular Checking Accounts) in the 0—$499 category, these accounted for only about two or three percent of the total balances.

Personal—Over $500 Analysis

The increase in earnings credit from $1 a thousand to $1.50 a thousand would exactly offset the increase in the maintenance charge from 50¢ to 75¢, and since we are presently making the charge of 5¢ an item, the customer would actually be getting a better break. There has never

been an item charge for deposit tickets in the area and the imposition of this charge would, I am sure, cause considerable controversy with our customers, with First Pennsylvania Co. and Fidelity charging only 5¢ for the deposit ticket. This could well be troublesome.

Company—over $500 Analysis

By and large the same comments apply to this type of account with the exception that our customers would get a better break on the item charge for deposited items, as well as in those cases where the volume of checks drawn was over 1,000. The proposed charge for deposit tickets would be of some consequence with this type of account but, in my opinion, not nearly as difficult to explain as in the case of the Personal accounts referred to above.

In conclusion, I would think that the increase in maintenance charge for specials would compel us to render monthly statements, which is covered to a degree in my memo covering the impact of increased capital by virtue of the new office of The First Pennsylvania Co. at Levittown. I would seriously question the wisdom of disturbing the [fol. 6028] service charge situation until we were convinced that Fidelity and First Pennsylvania Co. were going to make some upward revision in their charges. If it is felt that this is the case, I would feel that on balance the proposed charges are realistic and should be adopted. It would be my further conviction that we would lose a certain number of accounts but that the dollar balances involved would be insignificant. The value of serving this type of customer is questionable but, nevertheless, they do represent customers, and in some sense of the word The Philadelphia National Bank is their bank.

——, ——, WBF

[fol. 6029] GOVERNMENT'S EXHIBIT 104

THE PHILADELPHIA NATIONAL BANK

Memorandum

To: Ellis B. Ridgway, Jr., Vice President Main Office

From: George H. Renninger, Vice President, Chester Area Offices

Subject: Service Charges—Chester Area

Special Checking Accounts	
Checks drawn	.10 when posted
Maintenance	.25 a month
Returns-NSF or uncollected Funds	2.00
Stop payments	.50
Certified Checks	.25
Official Checks	.20
Registered Checks	.20
Deposit items ret'd	.25
Additional Statements	.25

Regular Checking Accounts	
Maintenance	.50
Checks drawn	.04 ea.
Checks deposited	.02 ea.
Earnings credit	.12 per
100 of collected balances	

Other Analysis Charges	
NSF Uncollected Funds post dated	2.00
Overdrafts, Deposited checks ret'd, Certified checks and stop payments	No Charge
Official checks	.20
Registered checks	.20
Collections—Regular	.75

The above charges have been continued in the Chester Area since the merger except for the recent change-over to 10¢ a check for Special Checking accounts from $2.00 for a book of 20. This has been done to meet competition from the local bank which has service charges in some instances even lower than ours. In a discussion of this problem with G. M. Stull of our Advisory Committee, he emphasized that any change upward in our charges would result in a flow of accounts to Delaware County National Bank. He firmly believes that J. N. Pew would welcome the opportunity to secure the additional accounts and that the DCNB people are not presently concerned with earnings from Service charges except as they might apply to such charges as NSF —Uncollected Funds, Post dated checks and the like.

The Fidelity lost a great many accounts in number and volume when it applied Philadelphia area charges to its local Chester area accounts—it would appear that our experience would be the same. I would not recommend a change now in light of our need for regular checking accounts.

George M. Renninger.

[fol. 6030] GOVERNMENT'S EXHIBIT 105

THE PHILADELPHIA NATIONAL BANK

Memorandum

December 23, 1960.

To: Ellis Ridgway

From: Frank Dyer

Subject: —

DEAR ELLIS:

As suggested, I have looked over the merger application with particular reference to the proposed service charge schedule on both regular and special checking accounts.

There is certainly nothing drastic proposed on the *special checking* account charges. In fact, I am a bit surprised that we didn't go further and make the check charge, at the outset, the same for both banks. Apparently both systems are going to be retained. The increase in maintenance charge follows the proposal made by the Service Charge Committee in which we both participated. As you know we do an appreciable volume in the Northeast on registered checks and there is to be no change in this levy. This is gratifying in view of the recent increase which PNB put through.

It does seem that we are going pretty far in raising the stop payment charge from $.50 to $2.00, recognizing that this is the kind of thing that cannot always be controlled by the customer. This would represent a 400% increase over our present level and I see that the Service Charge Committee had recommended a price tag of $1.

The proposed service charges on *regular checking* accounts are, in m opinion, completely digestible. I note that in some of the important categories the proposed charges will be less than those recommended by our Service Charge Committee. I must confess also that I like the technique which is planned for handling regular checking balances under $500, a system which will be used by all of the city banks except First Penneo. It is probably good politics to keep the maintenance charge where it is, at least for the time being.

The only item which is not clear to me is the institution of a charge for cashing checks. The Northeast Division does quite a bit of this particularly for the benefit of the employees of important depositors. This would constitute a double charge, first in the analysis of our customer and secondly by the person absorbing the direct charge. It would also be a time consuming process for the teller and could create delays during our busy periods. This is not to say, however, that the charge is not justifiable and if Girard Corn does it now they must have a workable plan.

Frank Dyer.

Answered by phone 12/29.
(Copy not legible).

[fol. 6031] GOVERNMENT'S EXHIBIT 106

THE PHILADELPHIA NATIONAL BANK

Inter Office Memorandum

January 5, 1961.

To: Ellis Ridgway, Vice President, UT

From: Willard M. Bickel, AVP, CP

Subject: —

I am returning the application for approval to merge. Mr. Erb, and I have reviewed the application, especially the part pertaining to the proposed service charges on Regular and Special Checking Accounts. We both feel that it would be rather difficult to adopt all of these charges in this area in as much as we have recently increased our charges and are now on a competitive basis with the Pottstown Banks. However, we have competition with the surrounding banks in the area where little or no service charges are used. We have lost several accounts to them. We feel that we cannot make these adjustments at this time. We are always willing to cooperate wherever we possibly can but feel that some of these changes would be rather difficult to explain to our customers at this time.

Thank you for giving us the opportunity to review the enclosed application.

WMB/AR

[fol. 6032] GOVERNMENT'S EXHIBIT 107

THE PHILADELPHIA NATIONAL BANK

January 12, 1961.

Memorandum

To: Mr. Ellis Ridgway, Jr., Vice President—U.T.

From: Mr. Alan Resendorph, Asst. Vice President—Hatboro Office.

Subject: Proposed Service Charge

A comparison of the proposed service charge with our current set-up and our competitors, leads me to the following conclusions.

The nearby Huntingdon Valley Office has been using the First Pennsylvania main office charge. The manager informs me that they had reaction and loss of accounts when first put into effect. That has since disappeared and the charge is working out satisfactorily in the community. Their charge is very much like our proposal.

Sample account comparisons with Bank of Old York Road and Doylestown National indicate that our charges will be relatively high. Neither bank is at this time considering any changes in their program. Consequently, we will have some attrition when the change occurs because their charges will be lower than ours.

While we can make comparisons and consider the number and dollar amounts in our Demand Deposit balances, we find it very difficult to create a basis for estimating loss of balances. Our previous experience has proved that it is most difficult to predict a dollar amount.

Our relationship with our customers is good. In March 1958 when we increased our charges slightly we did have questions but little loss. Accordingly, I would doubt if our loss of accounts would be more than $200,000.

However, I must point out our charges will automatically work to our disadvantage in getting new business. The present lower charges of our two competitors has already been a problem in that regard. With our charges going up and theirs remaining the same this will continue to be a problem in our business development program.

(AR).

[fol. 6033] GOVERNMENT'S EXHIBIT 110

THE PHILADELPHIA NATIONAL BANK

Memorandum

January 13, 1961.

To: Mr. Ellis B. Ridgway, Jr., Vice President

From: Harold K. Koch "L"

Subject: Proposed Service Charge Schedule

DEAR ELLIS:

The following points occurred to us concerning the subject matter.

It is our feeling that the proposed changes could tend to confuse the customer when the various accounts would be explained. Currently, we have one plan for our special checking accounts and one for our regular checking accounts. Under the proposed changes, we would find it necessary to explain the charges in the special account set-up and would have to explain four procedures concerning our regular checking accounts; namely, those accounts with balances from zero to $299, those from $300 to $499, personal accounts over $500 and company accounts over $500. We are of the opinion that under the proposed plan the average customer might be more confused than he is at present.

In an office of this size, it is rather difficult to correctly time ourselves in handling bulk currency deposits and payrolls. We do not have separate departments for handling such services. This is done during any available time between serving customers, which makes it difficult to use the per minute and per hour base for charges. Possibly, a schedule of average times required could be established.

The timing of effecting increased service charges could be very important. If an increased set of charges should become operative immediately after the merger, it might be that the average person would blame it on the merger rather than understand it as a natural increase due to increased costs.

Concerning our recent telephone conversation—it would seem proper to be mindful of our area competition when

considering an increased service schedule. A satisfactory solution regarding the matter discussed would assist us very greatly. Even so, the influence exerted by our competition in the peripheral area (such as Chalfont, Harleysville and Souderton) could affect a number of our customers.

Sincerely, Harold.

HKK:a

[fol. 6034] GOVERNMENT'S EXHIBIT 111

THE PHILADELPHIA NATIONAL BANK

Memorandum

January 27, 1961.

To: Mr. Ellis B. Ridgway, Jr., Vice President

From: Carl Holtby

Subject: Merger Application and Service Charges

DEAR ELLIS:

Many thanks for allowing me to look over the application for merger, particularly the section devoted to proposed service charges for the combined bank. This application certainly represents a tremendous amount of work for a great many people and although I did not have an opportunity to go over it word-by-word, my general impressions were that an excellent job has been done.

Generally, I believe the proposed service charge program represents an improvement over our present plan. There for quite a while, we seemed to be getting a lot of "shoppers" and, frankly, there were times when we lost potential accounts because of the size and complexity of our service charge program. Although these situations have been very infrequent of late, nevertheless, I think the new plan will be more easily explained to the layman and although it is not as inexpensive as our local competitor's, it seems close enough to be competitive.

I am a little bit concerned with the substantial increase in charges for certain of the miscellaneous services such as certifications, stop payments, etc. I wonder if we are actually obliged to mention these costs when the services

are requested? The only other item in the regular checking program that gives me some concern, and it always has, is the cost of our deposit tickets (10 cts). In looking over all the other banks listed, I could not find one whose item charge was as high. Frankly, I think this is often the most difficult cost to substantiate to a prospective customer. Also, I am curious to know if company accounts under $500 would be analyzed on our present plan or in the same fashion as the proposed individual account analysis. I know it is difficult for the center city banker to realize it but we do have such company accounts although, fortunately, they are not numerous.

I am pleased that we will retain our program for special checking accounts, but suspect that due to our proximity to several offices of the Girard Bank, some questions may arise as to the monthly maintenance fee discrepancy (25 cts.—50 cts.). Might I assume that we would just go ahead and transfer such accounts to this office just as if they [fol. 6035] were coming from another bank if the question is raised? We have on a number of occasions heard comments concerning Girard's special checking "cardboard check" and I am glad that we will not have to use it for our accounts. I don't believe it has been well accepted in this area. I assume also that we will be given the necessary supplies for the Girard special checking accounts so that their customers in this area can be accommodated. It would be my hope, too, that eventually this difference would be resolved so that a uniform package would be offered in the area. I know from experience that even out here we did have some problems after the Gimbel Bank merger in supplying folks with the proper deposit tickets and checkbook styles.

Carl.

[fol. 6036] GOVERNMENT'S EXHIBIT 112

THE PHILADELPHIA NATIONAL BANK

Memorandum

February 1, 1961.

To: Mr. Ellis B. Ridgway, V. P., Main

From: J. M. Minster, A. C., 3131

Subject: Comment on proposed service charge program

DEAR ELLIS:

I considered the opportunity to review the material in the "application for approval to merge" as a special privilege. The reporting on all phases must have been a staggering job. I have reviewed the detail on the proposed "service charges" as they may eventually appear on the schedule of the "resulting bank" and have very carefully considered the reaction in my area as to their being installed on or before merger. I believe them to be fair and relative because:

1. They meet current competitive trends and form a foundation for meeting the future increases in operating costs.
2. Increases in the fees relative to overdrawing, certification, stop payments, N.S.F., uncollected, and post dating will have a "sobering" effect and contribute to a "quality" trend in accounts. Increased "fees" for violation are bound to reduce the number of "instances" in these areas.
3. The "free item" factor in the graduated balance area will in my opinion "sell the more reasonable balance" idea to those who *want* to benefit and to those who *maintain* relative balances, there will be increased benefits. The latter, as far as I can determine, receive no other benefits now than the "balance Credit" we now have and they would like the "free item" bonus.
4. All of the increases will help "discipline" customers who habitually keep poor account records and who in my opinion deserve to be labeled "delinquents." An account always in balance is certainly a step in

the "quality" direction and I am in favor of adopting any service charge procedure that will "discipline" or eliminate undesirable business. Bad apples make lousy pies.

5. I believe the increases will help produce the income to offset the staggering increase in costs. To me banks generally have failed to adopt a realistic approach to demanding a fair price for very important services. I also feel that with the increase in personal incomes over the last 10 years that now is the time to "sell" increases for services. Who complains about tax increases on entertainment, gas, jewelry? Why can't service charges be presented and considered in the light of "if you want it, pay for it" and make everybody want it as an accepted and necessary quality item?

If the increases proposed become effective in my area as of now after merger, I cannot see anything but an improvement. I personally have never felt that our approach to "eliminating" constant offenders was equal to that of our competitors who simply will not tolerate any deviation from sound banking procedures.

[fol. 6037] GOVERNMENT'S EXHIBIT 113

January 16, 1961.

To: Ellis Ridgway, Vice President, U.T.

From: Cliff Gillam Montgomery

Subject: Service Charges.

DEAR ELLIS:

We have reviewed the proposed service charge schedule for the merged bank and have also sounded out the other banks in a very preliminary way on the likelihood of adjusting service charge schedules upwards.

I believe the Montgomery County Bank and Trust Co. would look with favor upon a revision of Regular Checking Account charges and the officer in charge of their operations at the present time is thinking of a $1.00 maintenance charge, a charge of 5¢ per item drawn and deposited and

an earnings credit of 15¢ per hundred of collected balance per month. This is his thinking and has not progressed much further than that, I don't think. He feels that the Special Checking charge of 10¢ per check when posted and a 25¢ maintenance charge are about right, however, and it is doubtful whether they would want to make any changes in this schedule. Their charges on Regular Checking Accounts are now somewhat higher than ours in as much as they apply a 10¢ per month earnings credit less reserve and float and also they use the lower balance rather than the average balance for small personal checking accounts.*

Their item charge is 4¢ for items drawn and deposited at present (same as ours).

The attitude of the Peoples Bank is somewhat hard to determine but I gather that they will not be thinking in terms of revision in charges until at least the latter part of this year, however, they are now charging 5¢ an item deposited or drawn compared to 4¢ for ourselves and Montgomery County Bank and Trust Co. so that their charges are already somewhat above ours. On their Special Checking Accounts, they sell checks for 10¢ each with a 25¢ maintenance charge.**

In summary with respect to the two major banks in town, it appears unlikely that any revision of Special Checking Account charges will take place in the near future. With respect to Regular Checking Accounts, both banks are already somewhat higher than we are and one of the banks is considering increasing its charges.

Recommendations

1. Special Checking—We would like to keep our present Special Checking Account service charge schedule of 25¢ per month maintenance charge plus 10¢ charge per check. We feel we would be under a real competitive disadvantage if we raised our maintenance charge to 50¢. We would be

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* Our earnings credit is 10¢ per hundred per month on the gross average balance.

** Peoples earnings credit on regular accounts is 10¢ on gross minimum balance up to $2,000 and 15¢ on average balance less float over $2,000.

satisfied to sell checks for 8¢ and 10¢ as Girard does so long as we could keep a 25¢ maintenance charge. If it is [fol. 6038] necessary to go to a 50¢ maintenance charge, we would then prefer to sell checks at 8¢ and 10¢ each rather than to post a 10¢ charge against the account. The reason for this is that the "thrifty fifty" package would give us an offset to our higher maintenance charge until such time as the local competitors come into line. We do not believe that it would be wise for the merged bank to have two separate schedules for Special Checking Accounts.

2. Regular Checking Accounts—We would be quite satisfied to adjust to the proposed service charge schedule on Regular Checking Accounts both personal and business, provided we had the competitive Special Checking Account. The resulting charges for personal checking accounts over $500. and business accounts would not be too much greater than our competitors are now charging because of the lower rate on deposited items and higher earnings credit. If you have any questions do not hesitate to call.

CRG/nap

[fol. 6039] GOVERNMENT'S EXHIBIT 115

EXHIBIT "I"

Survey of Branch Area Competition

[fol. 6040]

(Refer to Examples I at previous meeting)

Competitive Account Analysis

		P. N. B.	Chalfont National	Liberty Real Estate	Fidelity Phila.	Delaware Co. Natl.	Broad Street Trust
	Old	92					
B. D. P. C. Sunshine	New	1 45	50	1 00	1 00	1 00	1 00
	Old	1 17					
D. W. Campman	New	1 73	50	1 00	1 20	1 40	1 20
	Old	2 30					
Edgar Burham	New	3 67	None	1 75	1 30	3 10	1 30
	Old	13					
Joseph Pastman	New	77	None	None	None	None	
	Old	19 93					
Allied Hobbies	New	25 90	None	Unknown	Unknown	9 98	16 75
	Old	None					
Mid-City Hotel	New	None	None	Unknown	Unknown	None	None
	Old	1 70					
E. W. Fischer's Sons	New	2 46	None	1 05	1 05	None	1 32
	Old	49					
District #1	New	1 01	50	1 00	1 00	None	1 00
	Old	25					
David Todd Ltd.	New	85	None	None	None	None	11

	Central Penn	First Penco	Provident Tradesmens	Girard Corn	Bryn Mawr Trust	Jenkintown Bank & Tr.
B.D.P.C. Sunshine	1 00	1 31	1 00	1 00	1 00	1 00
D. W. Campman	1 20	1 49	1 00	1 20	1 00	1 00
Edgar Durham	1 80	2 77	2 20	2 85	2 55	1 54
Joseph Pastman	09	16	10	45	None	None
Allied Hobbies	16 65	17 74	25 65	25 90	15 90	13 93
Mid-City Hotel	None	None	None	None	None	None
E. W. Fischer's Sons	1 31	1 87	1 30	2 05	31	74
District #1	61	93	1 00	1 00	1 00	02
David Todd Ltd.	03	15	None	25	None	None

[fol. 6041]

Competitive Account Analysis

(Refer to Examples issued at previous meeting)

	Montgomery Country Bank	First Nat'l Newtown	Union Bank Souderton	Security Trust Co.	Old York Rd.
B.D.P.C. Sunshine	.60	1.00	.60	.55	.50
D. W. Campman	.76	1.00	.80	.75	.90
Edgar Durham	1.84	1.85	1.70	1.60	.60
Joseph Pastman	.10	.10	None	None	None
Allied Hobbies	21.18	4.25	Unknown	25.15	23.30
Mid-City Hotel	None	None	Unknown	None	None
E. W. Fischer's Sons	1.24	.70	Unknown	1.15	None
District #1	.32	.25	None	.00	None
David Todd Ltd.	.18	None	None	None	None

	Doylestown National	Doylestown Trust	Second National	Frankford Trust
B.D.P.C. Sunshine	.45	.45	.55	1.00
D. W. Campman	.55	.55	.67	1.00
Edgar Durham	1.85	1.85	1.45	None
Joseph Pastman	.10	.10	None	None
Allied Hobbies	4.25	4.25	15.46	None
Mid-City Hotel	None	None	None	None
E. W. Fischer's Sons	.70	.70	.93	None
District #1	.25	.25	.29	None
David Todd Limited	None	None	.01	None

[fol. 6042]

Analysis Survey of Philadelphia Banks Regular Checking as of September 20, 1960

Bank	Analysis Basis	No. of Days Float	Meter Basis: Balance Under	Meter Basis: Items Allowed $1	Meter Basis: Extra Items	Meter Basis: Analysis Begins (Underlined)	Earnings per $100	Monthly Maintenance	Items: Checks Paid	Items: Deposit Tickets	Items: Cash Deposited	Items: Checks Deposited	Minimum Amount Charged
Girard Trust Corn Exchange	Average		$300	5	$.05	$500			$.05	$.05	$.05	$.05	$.50
	Collected	2					$.15	$.75					No chg.
	Balance		$500	10	$.05	$2,500			$.05	$.05	$.03	$.03	$.25 or less
Philadelphia National Bank	Average												
	Collected	1	No Meter Basis			$100	$.15	$.75	$.06	$.10	$.03	$.03	$.26
	Balance												
First Pennsylvania Company	Average												
	Collected	2	No Meter Basis			$100	$.15	$1.00	$.05	$.05	No Chg.	$.03	$.26
	Balance												
Fidelity Philadelphia Trust Company	Average		Low	1 for					$.05	$.05	No Chg.	$.05	
	Ledger	None	Bal.	Each		$300			First 300 items—$.04				
	Balance		Under	$20	$.05		$.12	$.50	Over 300 items—$.03				$.25
			$300	of low		$2,500			Cash deposited is not an item				
				Balance									
Central Penn National Bank	Average					$500			$.05	$.05	$.05	$.05	
	Collected	2	$500	10	$.05		$.10						$.25
	Balance					$1,500			$.04	$.02	$.02	$.02	
Provident Tradesmens Bank and Trust Company	Average		$300	10	$.05	$500			$.05	No Chg.	$.05	$.05	
	Ledger	None							First 500 items—$.04				
	Balance		$500	15	$.05	$5,000	$.10	$.50	Over 500 items—$.03				$.26
									Deposit ticket is not an item				

[fol. 6043]

Bank	Analysis Basis	No. of Days Float	Meter Basis: Balance Under	Meter Basis: Items Allowed $1	Meter Basis: Extra Items	Meter Basis: Analysis Begins (Underlined)	Earnings per $100	Monthly Maintenance	Items: Checks Paid	Items: Deposit Tickets	Items: Cash Deposited	Items: Checks Deposited	Minimum Amount Charged
Broad Street Trust Company	Average		$100	5	$.05								
	Collected	2	$200	10	$.05	$300	$.10	$.60	$.04	$.03	$.03	$.03	$.25
	Balance		$300	15	$.05								
Liberty Real Estate Bank and Trust Company	Average		$200	10	$.05	$300 to	1 item for each $50.00. Extra items $.05						
	Collected	2				$1,500	Deposit Tickets not considered items						
	Balance		$300	15	$.05	$1,600	$.10	$.50	$.04	No Chg.	$.03	$.03	$.26
Frankford Trust	Average		$200	15	$.03	$200	$.10	$.35	$.03	No Chg.	No Chg.	$.03	$.25
	Ledger	None											
	Balance		$100	10	$.03								
Industrial Trust	Average			$1.85									
	Ledger	None	$200	Chg.	$.04	$200	$.10	$.50	$.04	No Chg.	No Chg.	$.04	$.25
	Balance			6 items									
				allowed									
Second National	Average				All								
	Ledger	None	$300	None	Items	$300	$.10	$.50	$.03	$.03	$.03	$.03	$.25
	Balance				$.03								

[fol. 6044]

Misc. Expenses	Girard Trust Corn Exchange	Phila. Nat'l Bank	First Penna. Co.	Fidelity Phila. Trust Co.	Central Penn Nat'l Bank	Provident Tradesmens Bank & Trust Co.	Broad Street Trust Co.	Liberty R. E. Bank & Trust	Frankford Trust Co.	Industrial Trust Co.	Second Nat'l
Certified Checks	.75	.25	No Chg.	.50	.25	.25	.75	.25	No Chg.	NA	.25
Checks Returned NSF & Uncoll. Funds	2.00*	2.60	3.00*	2.00*	4.00*	3.00*	3.00*	3.00*	2.00*	3.00*	2.00*
Checks Returned Post Dated	2.00*	2.00	3.00*	2.00*	4.00*	3.00*	3.00*	3.00*	2.00*	3.00*	No Chg.
Collections	1.00	1.00	.50	1.00	2.00	1.00	1.00	From .25 to 1.00	NA	NA	NA
Currency Deposited	3.00 per hr.	NA	4.00 per hr.	3.00 per hr.	4.00 per hr.	3.00 per hr	4.00 per hr.	No Chg.	No Chg.	NA	No Chg.
Deposit Return	.30	.30	No Chg.	.25	.25	.25	.30	.25	No Chg.	No Chg.	
Overdrafts	2.00	1.00	3.00*	2.00*	No Chg.	No Chg.	2.00	No Chg.	No Chg.	3.00*	No Chg.
Payrolls	3.00 per hr.	.15 Per 100 Units	4.00 per hr.	3.00 per hr.	.50 per order	.50 per order	.35 per order	.35 per order	No Chg.	NA	.10 Per 100 Units
Rolled Coin	.02	.01½	.01½	.02	.02	.02	.02	.01½	.01	NA	NA
Stop Payments	2.00	.50	2.00	1.50	.50	1.00	1.50	.50	.50	No Chg.	.50
Treasurers Checks	.75	.25	.25*	.75	.25*	.25	.75	No Chg.	No Chg.	No Chg.	.25*
Registered Checks	.20*	.25*	.25*	NA	.15*	NA	NA	.15*	.15*	NA	NA
Wire Transfers	.75*-$1.25	.25	1.00	1.00	NA	.75	1.25	1.00	NA	NA	NA
Checks Cashed	.20	.05	No Chg.	.10	.05	.10	.20	No Chg.	No Chg.	No Chg.	No Chg.

Remarks:

NA—Information Not Available.
*Indicates Direct Charge.

[fol. 6045] GOVERNMENT'S EXHIBIT 116

DUN & BRADSTREET, INC. REPORTS

(substituting for original bank copy)

As 1952 was the last time that any adjustment was made in our charge to customers for obtaining agency reports, and as our contract price with D & B has increased since then, the writer made a comparison between our costs in 1952 and the present time.

	1952	1958
Reports under base contracts	$ 2.25	$ 3.00
Additional reports	$ 1.85	$ 2.25
Total contract costs	$7,715	$11,796
Number of reports	3,400	3,500
Overall cost per report	$ 2.27	$ 3.38

In view of these figures it was felt this might be an opportune time to discuss this situation with the other banks and, consequently, on May 28 a meeting was held in this office with the following in attendance: George Hansmann of First Penneo, Bob Dodson of Central Penn, Lee Hughes of Provident-Tradesmens, Don Horsey of Fidelity-Philadelphia and Bill Van Norden of Girard Corn.

A general discussion was held in connection with the recent conversations which Mike Farley has had with each of our banks pertaining to this problem and, in accordance with the statements made, it would seem that our own bank is less strict than any of the others in allowing D & B reports to get into customers' hands. According to each of those present, their policy was, with hardly any exceptions, to have the customer come in and read the report, although in some cases facilities were provided (typewriter) in order that a copy of the report might be made by the customer.

A discussion was then held as to present day costs with the view to increasing the charge to customers from $3.00 to $4.00. It was learned that PNB costs were the highest of any of the banks attending, with the figures ranging from $2.95 for Penneo down to $2.35 for Provident Tradesmens. George Hansmann indicated that his bank was entirely willing to go along with the $4.00 charge and Lee Hughes indicated that he was in favor of raising the price to a preventive point ($10.00); however, he wanted to consult

with his associates and will let me know if the $4.00 price would be agreeable. Bob Dodson of Central Penn also wished to consult further with his associates and will let me know, although he seemed to feel that $4.00 would be returning a small profit to their bank. Fidelity also felt that $4.00 would give them a profit and they were reluctant to have this situation. Don Horsey mentioned that they were charging only $2.50 at the present moment and he certainly wanted to get in line with the rest of the banks. (I did not mention that Wayne Wilson, who represented Fidelity at the last meeting in 1952, had agreed to go along with the $3.00 price). Don will report further to the writer. Bill Van Norden of Girard Corn (this bank was not represented for some reason at the 1952 meeting) indicated that they had raised their price from $2.50 to $3.00 about 2 months ago. He stated that $4.00 would definitely return a profit to them (undesirable) and that they did not feel they wanted to increase their charge again in such a short time. He was quite definite in the fact that his bank would not take any action now. He further stated, however, that, due to certain circumstances, they had clamped down rather heavily on ordering reports for customers and that their policy was one of cutting out this practice entirely. He said that there had been only 2 exceptions in the last 60 days. [fol. 6046] As a matter of interest, Pennsylvania Company stated that they obtain approximately 150 reports a year for customers, whereby Leo Hughes said their figure was around 200. According to our own records, in Main Office only, we obtained 90 reports for customers from the beginning of June through December 1957, and 23 reports to the end of May, 1958.

Edward G. Beatty.

6-2-58.

6-3-58 Reviewed with Mr. E. L. Worstall and it was agreed that a charge of $3.50 per report to customers would be proper.

(Initials illegible)

[fol. 6047] GOVERNMENT'S EXHIBIT 117

Excerpt from Minutes of a Regular Meeting of the Board of Directors of The Philadelphia National Bank held on November 15, 1960.

The President reported to the Board that preliminary negotiations, which he described, had been held between representatives of The Philadelphia National Bank and Girard Trust Corn Exchange Bank to consider the possibility of a merger of the two banks. He stated that the senior officers of the two banks are in agreement as to the desirability of uniting for the reasons which he presented in detail. He proposed a program, the fundamentals of which are that the new institution will be a national bank named Philadelphia Girard National Bank and Trust Company; that the bank will retain the number of shares presently held and shareholders of Girard will receive 1.2875 shares in the merged bank for each share of Girard stock presently held; and that the principal officers of the new bank will be:

Frederic A. Potts, Chairman and chief executive officer
George H. Brown, Jr., President and chief administrative officer
Geoffrey S. Smith, Vice Chairman and Chairman of the Executive Committee of the Board
John McDowell, Executive Vice President
George R. Clark, Vice Chairman

On motion duly made, seconded and unanimously carried, it was

Resolved, That this Board approves the proposed program and directs the President, and such other officers as he may designate, to prepare with representatives of Girard Trust Corn Exchange Bank, a final agreement of merger for consideration and approval by the Boards of the two Banks, prior to its submission to shareholders, and to make all necessary applications to regulatory authorities.

I hereby certify that the foregoing is a correct excerpt from the Minutes of the above-captioned meeting and that it is still in full force and effect.

——, Secretary of the Board.

November 15, 1960

[fol. 6048] GOVERNMENT'S EXHIBIT 118

Excerpt of Minutes and Resolutions adopted by the Board of Directors of the Philadelphia National Bank December 20, 1960.

The President reported to the Board that pursuant to the resolution adopted November 15, 1960, directing the preparation of an agreement to combine this bank and Girard Trust Corn Exchange Bank and the making of all necessary applications to regulatory authorities, an application requesting approval of the Comptroller of the Currency had been filed. He presented to each director present a form of agreement and announced that it had already been executed by Girard Trust Corn Exchange Bank and by a majority of the members of its Board of Directors. At his request the salient points of the form of agreement were reviewed for the Board by general counsel for this Bank. After discussion, upon motion duly made, seconded, and unanimously carried, it was

Resolved, that the President and the Cashier of this Bank be and they are hereby authorized and directed to execute in the name of and on behalf of this Bank an Agreement of Consolidation in the form presented to this meeting, a copy of which is directed to be attached to the minutes of this meeting, with such changes therein, other than changes of substance, as the President shall with advice of counsel approve; and further

Resolved, that the proper officers of this Bank be and they are hereby authorized and directed to take any and all such action as they shall deem necessary or desirable to carry out the provisions of said Agreement of Consolidation.

[fol. 6049] GOVERNMENT'S EXHIBIT 119

Conformed copy

Agreement of Consolidation between Girard Trust Corn Exchange Bank and The Philadelphia National Bank, under the charter of The Philadelphia National Bank, under the

title of "Philadelphia Girard National Bank and Trust Company."

This Agreement, dated December 20, 1960, is made between Girard Trust Corn Exchange Bank ("Girard"), a bank and trust company organized under the laws of Pennsylvania having its principal office in Philadelphia, Philadelphia County, Pennsylvania, with a capital of $16,918,750 divided into 1,691,875 shares of capital stock, each of $10 par value, and The Philadelphia National Bank ("Philadelphia National"), a banking association organized under the laws of the United States having its principal office in Philadelphia, Philadelphia County, Pennsylvania, with a capital of $26,478,125 divided into 2,647,812.5 shares of capital stock, each of $10 par value, each acting pursuant to a resolution of its Board of Directors adopted by the vote of a majority of its directors, pursuant to the authority given by and in accordance with the provisions of the Act of November 7, 1918, as amended (12 U.S.C. Section 215),

Witnesseth:

[fol. 6050]

Section 1

Girard and Philadelphia National (the "Consolidating Banks") shall be consolidated, pursuant to the provisions of the aforesaid statute, under the charter of The Philadelphia National Bank, which shall continue after the effective date of the consolidation as defined below.

Section 2

The name of the consolidated association (the "Association") shall be "Philadelphia Girard National Bank and Trust Company".

Section 3

The business of the Association shall be that of a national banking association. This business shall be conducted by the Association at its main office which shall be located at Broad and Chestnut Streets, Philadelphia, Pennsylvania, and at its legally established branches.

Section 4

The amount of capital stock of the Association shall be $48,262,000, divided into 4,826,200 shares of capital stock, each of $10 par value, and at the time the consolidation shall become effective as specified in the "Certificate of Approval" to be issued by the Comptroller of the Currency ("Effective Date") the Association shall have a surplus of $101,738,000 and undivided profits of $17,370,000 adjusted, however, for the result of transactions in the ordinary course of business between June 30, 1960 and the Effective Date and for the payment of dividends as permitted by this Agreement.

[fol. 6051]

Section 5

The corporate existence of Girard shall be merged into and continued in Philadelphia National, which shall continue in existence as the Association, and the Association shall be deemed to be the same corporation as each of the Consolidating Banks. All rights, franchises, and interests of each bank in and to every type of property and choses in action, including those held by it as fiduciary, as they exist at the Effective Date shall be vested in the Association without any conveyance or transfer; and the Association shall be responsible for all of the liabilities of every kind and description, including liabilities arising out of the operation of the Trust Department, of each bank existing as of the Effective Date.

Girard shall contribute to the Association acceptable assets having a book value, over and above its liability to the creditors, of at least $74,059,392, and having an estimated fair value, over and above its liability to its creditors, of at least $91,074,078, or 44.62% of the aggregate estimated fair value of excess acceptable assets over and above liabilities to creditors of the Association, adjusted, however, for the results of transactions in the ordinary course of business between June 30, 1960 and the Effective Date and for dividend payments permitted under this Agreement.

The difference between the book value and the estimated fair value of excess acceptable assets to be contributed by Girard is made up as follows:

[fol. 6052]

Unallocated Loan Reserves		$ 9,265,577
Other reserves		896,415
Miscellaneous		8,586,257
		18,748,249
Less:		
Market depreciation in security investments	$1,625,097	
Additional cost of funding Pension Plan	108,466	1,733,563
		$17,014,686

At the Effective Date Philadelphia National shall have on hand acceptable assets having a book value, over and above its liability to its creditors, of at least $93,306,684 and having an estimated fair value, over and above its liability to its creditors, of at least $113,038,226, or 55.38% of the aggregate estimated fair value of excess acceptable assets over and above liabilities to creditors of the Association, adjusted, however, for the results of transactions in the ordinary course of business between June 30, 1960 and the Effective Date and for dividend payments permitted under this Agreement.

The difference between the book value and the estimated fair value of excess acceptable assets of Philadelphia National, as set forth above, is made up as follows:

Unallocated Loan Reserves		$18,292,909
Other reserves		3,372,585
Miscellaneous		1,108,044
		22,773,538
Less:		
Market depreciation in security investments	$2,123,462	
Additional cost of funding Pension Plan	918,534	3,041,996
		$19,731,542

Section 6

Upon the statutory consolidation becoming effective:

[fol. 6053] (a) Each of the 2,647,812 full shares of Philadelphia National shall remain outstanding as one share of the capital stock of the Association, and the holders thereof shall retain their present rights therein; and the remaining one-half share of Philadelphia National shall be surrendered (but not canceled) and held pending action under subparagraph (i) immediately below;

(b) Each of the 1,691,875 shares of Girard presently outstanding shall be converted into 1.2875 shares of the capital stock of the Association; and

(c) The Association will sell 98-7/16 new shares of its capital stock in order to round out the number of shares to be outstanding at 4,826,200 as stated above in Section 4.

No certificates (whether share or scrip certificates) representing fractional shares in the Association shall be issued, but: (i) each holder of an outstanding certificate representing shares of Philadelphia National stock shall retain his certificate, which shall automatically remain a certificate representing shares of stock in the Association, except that the holder of any certificate representing a fractional share shall surrender the same to the Association promptly after the Effective Date and have the election, in order to round out the number of shares held to a whole share, to enter an order on order form to be provided for such holder, either for the purchase of an additional fractional share interest or for the sale of the existing fractional share interest, and (ii) each holder of an outstanding certificate representing shares of Girard stock shall surrender the [fol. 6054] same to the Association promptly after the Effective Date and receive in exchange therefor certificates representing the full number of whole shares of stock in the Association to which such shares of stock in Girard shall have been converted, and such holder of Girard stock shall, as to any fractional interest in shares of the Association to which he is entitled, have the election, in order to round out the number of shares held to a whole share, to enter an order on order form to be provided for such holder, either for the purchase of an additional fractional share interest or for the sale of the existing fractional share interest.

Each such shareholder of Girard shall also receive, together with the certificates representing the full number of whole shares in the Association to which his shares of stock in Girard shall have been converted, any cash dividends, without interest thereon, which may be payable to shareholders of the Association of record after the Effective Date and prior to the date of his receipt of such certificates.

The holder of a fractional interest shall not as such be entitled to any voting rights, to receive dividends (except to the extent hereinafter provided), or to any other rights of a shareholder of the Association, except the right until the close of business on a date six months after the Effective Date (or, if that date is not a business day, on the first such day thereafter), or such later date as the Association's Directors may determine, to participate proportionately in any assets of the Association in the event of its liquidation. However, a holder of a fractional interest who enters an order to purchase as provided above shall receive a [fol. 6055] certificate representing his additional whole share and all cash dividends, without interest thereon, which would have been payable on such whole share if a certificate therefor had been issued at the Effective Date.

Orders for purchase or sale received by the Association will be executed as promptly as practical after receipt, and the Association may as far as possible offset buy and sell orders received. The amount to be received from the holder for the cost of purchases and the amount to be remitted to him in the case of sales shall be determined by applying the applicable fraction to the sum of (i) the average actual price per share of shares purchased or sold for the account of shareholders on the date of execution (buy and sell orders offset against each other being treated as having been executed at such average actual price) or in the absence of a purchase or sale the average of the bid and asked prices for whole shares in the Over the Counter market at the close of business on the date of execution, as determined by the Association, and (ii) the amount per share of any cash dividends, without interest thereon, which would have been payable between the Effective Date and the date of execution if a certificate had been issued at the Effective Date.

Shares representing the aggregate of the fractional interests for which buy or sell orders have not been received by the close of business on a date six months after the Effective Date (or, if that date is not a business day, on the first such day thereafter), or such later date as the [fol. 6056] Association's Directors may determine, shall be sold by the Association promptly thereafter. Each holder of such fractional interest upon surrender of his

certificates representing Girard stock (or Philadelphia National stock, as the case may be), shall be paid his proportionate share, without interest, of (i) the proceeds of the sale of the shares representing the aggregate of the above fractional interests, and (ii) all cash dividends which would have been payable on such shares between the Effective Date and the date of said sale if certificates for such shares had been issued at the Effective Date.

Purchases and sales may be executed publicly or privately. No brokerage commission or stock transfer taxes will be payable by the holders of fractional interests on purchases or sales pursuant to this section, but such costs will be paid by the Association.

Section 7

Neither bank shall, between the date of this Agreement and the Effective Date, declare or pay any dividend or make any other distribution to its shareholders, except dividends heretofore declared and except regular quarterly dividends in the amount of 50¢ per share in the case of Philadelphia National and 60¢ per share in the case of Girard, nor issue any capital stock, recapitalize or reorganize its capital structure in any manner, or dispose of any of its assets, or enter into any transaction, other than in the normal course of business. During such period representatives of each bank may examine and audit books and records of the other.

[fol. 6057] Section 8

The persons who shall serve as the Board of Directors of the Association until the next annual meeting or until such time as their successors have been elected and have qualified shall be designated by a joint committee composed of three directors from each bank, said three directors of each bank to be appointed by the Board of Directors of that bank, which committee shall act with the advice of the Presidents of the two banks; and this Agreement shall be amended, prior to the commencement of publication of notice of the meeting of the shareholders of either bank to ratify and confirm this Agreement, so as to incorporate the names of said persons who shall so serve as the Board of Directors of the Association. If for any reason a va-

cancy shall exist on the Effective Date among such persons, such vacancy may be filled as provided in the By-laws of the Association.

Section 9

Effective as of the Effective Date, the Articles of Association of the Association shall read in their entirety as is set forth in Exhibit "A" hereto attached and made a part hereof.

Section 10

Effective as of the Effective Date, the By-laws of the Association shall read in their entirety as is set forth in Exhibit "B" hereto attached and made a part hereof.

Section 11

Each bank shall call a meeting of its shareholders to consider and vote upon a proposal to ratify and confirm this [fol. 6058] Agreement. This Agreement shall be ratified and confirmed by the affirmative vote of the shareholders of each bank owning at least two-thirds of its capital stock outstanding. The statutory consolidation shall become effective on the Effective Date.

Section 12

The Board of Directors of either bank, at any time prior to the Effective Date, without action or approval by the shareholders it represents and regardless of whether or not the shareholders of either bank have approved this Agreement, may abandon the statutory consolidation by written notice delivered to the other bank if:

(a) The same shall not have become effective on or before June 30, 1961;

(b) In the opinion of either Board of Directors the number of shares of capital stock of either bank held by dissenting shareholders makes the consummation of the statutory consolidation unwise, "dissenting shareholders" being those who, following the respective meetings of shareholders called to consider the merger, are entitled to exercise their statutory right of appraisal or

valuation and payment for their capital stock; or

(c) In the opinion of either Board of Directors a material adverse change in the financial condition of the other bank shall have occurred since June 30, 1960;

[fol. 6059] and in such event this Agreement shall be void. If this Agreement shall become void pursuant to the foregoing provisions, there shall be no liability on the part of either of the consolidating banks, their directors or shareholders by reason thereof.

Witness the signatures and seals of said banks the day and year first above written, each hereunto set by its President or a Vice President and attested by its Cashier or its Secretary, pursuant to a resolution of its Board of Directors, acting by a majority thereof, and Witness the signatures hereto of a majority of each of said Boards of Directors.

The Philadelphia National Bank By: s/ Frederic A. Potts President. s/ Richard C. Bond, s/ Floyd T. Starr, s/ Roy G. Rincliffe, s/ McClure Kelley, s/ W. D. Gillen, s/ J. H. Ward Hinkson, s/ Paul J. Cupp, s/ H. T. Hallowell, Jr., s/ Frederic A. [fol. 6060] Potts, s/ F. O. Haas, s/ T .A. Bradshaw, s/ J. P. Newell, s/ G. Willing Pepper, s/ Frank H. Reichel, s/ P. Blair Lee, s/ Jay Cooke, s/ John McDowell, s/ Arthur Littleton, s/ Walter J. Beadle, Directors of The Philadelphia National Bank.

[seal.]

Attest: s/ H. W. Wallgren, Cashier.

Girard Trust Corn Exchange Bank By: s/ George H. Brown, Jr., President. s/ Geoffrey S. Smith, s/ Walter S. Franklin, s/ Wm. H. Brown, s/ Earle [fol. 6061] E. Baruch, s/ Hilding R. Krook, s/ George H. Brown, Jr., s/ George R. Clark, s/ Morris Duane, s/ Henry R. Pemberton, s/ John R. Park, s/ E. H. Smoker, s/ A. J. Greenough, s/ R. Stewart Rauch, Jr., s/ Robert L. Johnson,

s/ Charles B. Grace, s/ Theodore E. Seelye, s/ Graeme Lorimer, s/ Jos. M. Patterson, s/ C. Jared Ingersoll, s/ David E. Williams, s/ James E. Gowen, Directors of Girard Trust Corn Exchange Bank.

[seal.]

Attest: s/ Florence Chilcott, Asst. Secretary.

[fol. 6062] STATE OF PENNSYLVANIA,
County of Philadelphia, ss:

On this 20th day of December, 1960, before me, a Notary Public for the State and County aforesaid, personally came Frederic A. Potts, as President, and Harold W. Wallgren, as Cashier, of The Philadelphia National Bank, and each in his said capacity acknowledged the foregoing instrument to be the act and deed of said association, and the seal affixed thereto to be its seal; and came also Messrs. Richard C. Bond, Floyd T. Starr, Roy G. Rincliffe, McClure Kelley, W. D. Gillen, J. H. Ward Hinkson, Paul J. Cupp, H. T. Hallowell, Jr., Frederic A. Potts, F. O. Haas, T. A. Bradshaw, J. P. Newell, G. Willing Pepper, Frank H. Reichel, P. Blair Lee, Jay Cooke, John McDowell, Arthur Littleton, and Walter J. Beadle, being a majority of the Board of Directors of said association, and each of them acknowledged said instrument to be the act and deed of said association, and of himself as a Director thereof.

Witness my official seal and signature this day and year aforesaid.

s/ Harold A. Fox, Notary Public. (Seal.) Philadelphia, Philadelphia Co., My Commission expires Jan. 15, 1963.

I hereby certify that I am not an Officer or Director of the corporation for which I hereby act as Notary Public.

[fol. 6063] STATE OF PENNSYLVANIA,
County of Philadelphia, ss:

On this 20th day of December, 1960, before me, a Notary Public for the State and County aforesaid, personally came

George H. Brown, Jr., as President, and Florence Chilcott, as Assistant Secretary, of Girard Trust Corn Exchange Bank, and each in his said capacity acknowledged the foregoing instrument to be the act and deed of Girard Trust Corn Exchange Bank, and the seal affixed thereto to be its seal; and came also Messrs. Geoffrey S. Smith, Walter S. Franklin, Wm. H. Brown, Earle E. Baruch, Hilding R. Krook, George H. Brown, Jr., George R. Clark, Morris. Duane, Henry R. Pemberton, John R. Park, E. H. Smoker, A. J. Greenough, R. Stewart Rauch, Jr., Robert L. Johnson, Charles B. Grace, Theodore E. Seelye, Graeme Lorimer, Joseph M. Patterson, C. Jared Ingersoll, David E. Williams, and James E. Gowen, being a majority of the Board of Directors of said Girard Trust Corn Exchange Bank, and each of them acknowledged said instrument to be the act and deed of said Girard Trust Corn Exchange Bank, and of himself as a Director thereof.

Witness my official seal and signature this day and year aforesaid.

s/Margaret Tredick, Notary Public. (Seal.) Philadelphia, Philadelphia Co., My Commission expires Mar. 9, 1963.

I hereby certify that I am not a Director or Officer in the corporation for which I hereby act as Notary Public.

[fol. 6064] GOVERNMENT'S EXHIBIT 123

December 22, 1960.

Re: RAB:GDR 60-111-146

Mr. Robert A. Bicks,
Assistant Attorney General
Antitrust Division
U. S. Department of Justice
Washington, D. C.

DEAR MR. BICKS:

On December 16 we replied to paragraphs 1, 2, 4, 9 and 10 of your similar letters of December 9 with respect to the proposed merger of The Philadelphia National Bank and

Girard Trust Corn Exchange Bank. We now reply to the remaining paragraphs.

#3. The areas within which are made 75% of (1) the number and (2) the dollar volume of commercial and industrial loans of each of the merging banks is as follows:

The Philadelphia National Bank

1. Number:

That portion of Pennsylvania comprising Philadelphia, Montgomery, Delaware and Bucks Counties.

2. Dollar Volume:

55% is within the foregoing four counties of Pennsylvania. By adding the following five counties the aggregate figure increases to 60%: Northampton, Lehigh, Berks, Lancaster and Chester. If the States of New Jersey and Delaware are added the aggregate figure rises to 70%. If, in addition, New York City is included, the figure rises to 76%. The percentage of dollar volume of such loans in the State of Pennsylvania outside the nine counties already mentioned is 5% and in the State of Maryland and the District of Columbia, 2%.

[fol. 6065] Girard Trust Corn Exchange Bank

1. Number:

That portion of Pennsylvania comprising Philadelphia, Montgomery and Delaware Counties and that part of New Jersey included in the bank's service area as outlined on the map attached to the application.

2. Dollar Volume:

73% is within the Third Federal Reserve District, which includes the eastern three-quarters of Pennsylvania, the southern half of New Jersey and the State of Delaware. To increase this figure to 75% requires the addition of either northern New Jersey or New York City or the State of Maryland or Western Pennsylvania.

#5. The borrowers from each of the merging banks currently having loans outstanding of $5,000,000, or more, and the amount of the loans outstanding to each such borrower are as follows:

The Philadelphia National Bank.

Names	$6,960,279
Deleted	5,000,000
	5,500,000
	5,451,950
	8,000,000
	6,600,000
	5,000,000
	8,000,000
	5,115,370

[fol. 6066] Girard Trust Corn Exchange Bank

None

We suggest that the significant data are not loans currently outstanding, but rather the lines of credit granted by each of the merging banks, because a bank can be called upon at any moment to make a loan or loans to the full amount of the line of credit granted by it to a customer. The lines of credit, in an amount of $5,000,000 or more, which are currently in effect, excluding lines not used in the past year, are as follows:

The Philadelphia National Bank

Names	$5,500,000
Deleted	8,000,000
	6,000,000
	7,500,000
	7,350,000
	5,000,000
	7,500,000
	6,500,000
	5,000,000
	6,250,000
	5,000,000
	8,000,000
	6,500,000

[fol. 6067]

Names Deleted
$8,000,000
7,500,000
6,000,000
8,000,000
8,000,000
5,000,000
7,500,000
6,000,000
8,000,000
8,000,000
8,000,000
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8,000,000
8,000,000
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5,000,000
5,000,000
8,000,000

[fol. 6068]

8,000,000
5,250,000
8,000,000
5,500,000

Girard Trust, Corn Exchange Bank

Names Deleted
$5,000,000
5,000,000
5,200,000
6,000,000
5,000,000
5,000,000
6,000,000
5,500,000
5,500,000
5,000,000
6,000,000

[fol. 6069]

5,500,000
5,500,000
5,000,000
6,000,000
5,000,000

We believe the foregoing, together with our letter of December 16, fully answer the questions raised in your letter of December 9.

Very truly yours, The Philadelphia National Bank, By: Frederic A. Potts, President. Girard Trust Corn Exchange Bank, By: Geoffrey S. Smith, Chairman of the Board.

[fol. 6070] GOVERNMENT'S EXHIBIT 125

Answer of The Philadelphia National Bank to Questions 9 and 10

9. The twenty-six manufacturing enterprises with "headquarters nearer to Philadelphia than to any other major banking center", referred to on page 9 of the Merger Application, and the amount (to the nearest thousand) and type of deposit each had on deposit with The Philadelphia National Bank on December 31, 1959 and December 31, 1960 are as follows:

	12/31/59		12/31/60	
	Demand	Time	Demand	Time
Names Deleted	$ 1,188,000.00	—	$ 1,173,000.00	—
	1,924,000.00	—	2,586,000.00	—
	424,000.00	—	405,000.00	—
	1,000.00	—	146,000.00	—
	2,377,000.00	—	2,812,000.00	$1,500,000.00
	5,818,000.00	—	3,057,000.00	—
	1,530,000.00	—	933,000.00	—
	2,427,000.00	—	2,881,000.00	—
	—	—	—	—
	—	—	—	—
	1,625,000.00	—	1,538,000.00	—
	1,424,000.00	—	2,523,000.00	—
	—	—	—	—
	—	—	—	—
	1,736,000.00	—	1,311,000.00	—
	428,000.00	—	296,000.00	—
	102,000.00	—	92,000.00	—
	—	—	—	—
	51,000.00	—	55,000.00	—
	5,414,000.00	—	6,138,000.00	—
	7,737,000.00	—	8,431,000.00	4,000,000.00
	2,722,000.00	—	3,718,000.00	—
	1,505,000.00	—	2,421,000.00	—
	198,000.00	—	243,000.00	—
	13,940,000.00	—	13,113,000.00	—
	—	—	—	—
Totals	$52,571,000.00	—	$53,872,000.00	$5,500,000.00

10. The Philadelphia National Bank does not know the amount of deposits, if any, maintained by any of the enterprises identified in the answer to question 9, as of December 31, 1959 or December 31, 1960, in any other commercial bank.

[fol. 6071] GOVERNMENT'S EXHIBIT 126

MORGAN, LEWIS & BOCKIUS

Counselors at Law

2107 Fidelity-Philadelphia Trust Building
Philadelphia 9, Pa.

July 16, 1953.

Re: The Philadelphia National Bank

L. A. Jennings, Esq.,
First Deputy Comptroller of the Currency,
Treasury Building,
Washington 25, D. C.

DEAR MR. JENNINGS:

In accordance with our conversation with you a week ago, I have prepared and enclose herewith draft of proposed Agreement of Consolidation between *The Philadelphia National Bank* and *The First National Bank of Conshohocken*. There is nothing very intricate about it, and as a matter of fact I followed very closely the Agreement which we had with the Ninth Bank in 1951.

Mr. Potts indicated to me that he would like to submit it to his Board on Tuesday next, the 21st; wherefore, if it would be possible for you to give me an informal clearance of it before then, I should be most grateful.

Thank you for your always helpful cooperation and with warm regards, I am

Very truly yours,

Signature illegible

vbr
Enclosure

Received July 17 1953 Comptroller of The Currency

[fol. 6072] GOVERNMENT'S EXHIBIT 126-A

Lombard 3-962 Telephone

July 9, 1953.

Memorandum for The Files: —

Subject:—Philadelphia National Bank, Philadelphia, Pennsylvania

Mr. Potts, President of the subject institution, Mr. Littleton, Counsel for the bank, and Mr. Cooper, Vice President and Comptroller, called at my office this morning. Mr. Potts explained that he and his directors have finally decided to embark on an expansion program. He said that the industrial development north, west and south of Philadelphia was such that the Philadelphia National Bank had been forced to change its previous opinions regarding expansion and to embark on a program which would provide banking offices in strategically located spots so as to assure obtaining a fair share of the banking business. Mr. Potts pointed out that both The Philadelphia Company and the Girard Corn Exchange Bank were "breathing down the neck" of the Philadelphia National and this had been brought about in no small way through aggressive expansion programs.

Mr. Potts stated that an application would be filed with the Comptroller at an early date to effect a statutory consolidation between the Philadelphia National and the First National Bank of Conshohocken, Pennsylvania. All of the details have been informally agreed upon by the two banks and it is understood there will be no premium or swing in value from the shareholders of the Philadelphia National Bank to the shareholders of the First National Bank of Conshohocken. Mr. Potts said that Mr. Hersey, President of the First National Bank, had advised him of a branch application filed with the Comptroller. I told Mr. Potts that such an application had been filed but that a year or so ago we had denied a branch at approximately the same location to the Peoples National Bank of Norristown, Pennsylvania, so it was necessary to allow the Norristown bank to reactivate its application so that both applications could be considered for approval or denial at the same time. It was made clear that the Comptroller's office did not know

which bank would be favored, provided it proved possible to approve a branch at the location applied for, but that in all probability the major basis for approval would rest on which of the two banks could prove the stronger case from the standpoint of trade area. I told Mr. Potts it would be desirable to have the branch question settled before the proposed consolidation became known. Mr. Potts said that the directors of both banks expected to approve the [fol. 6073] consolidation agreement at meetings to be held on July 21, but if it was not possible for the Comptroller to act on the two branch applications prior to that date, he would be glad to delay the action. I told Mr. Potts we would keep him advised.

Mr. Potts stated that preliminary conversations were in progress relative to the acquisition of the First National Bank of Lansdale, Pennsylvania through a statutory consolidation. Mr. E. G. Lukens is President of the First National Bank of Lansdale and is said to own stock control. Apparently Mr. Lukens favors the consolidation so, in all probability, the present conversations will culminate in a request for the Comptroller's approval to the consolidation.

Mr. Potts stated that the Philadelphia National was highly desirous of obtaining a bank or banks in Bucks County, particularly one located at Bristol, Pennsylvania. However, Mr. Grundy is interested in both Bristol banks and he is completely against consolidating or selling to Philadelphia banks. It would appear that nothing will materialize in Bucks County at an early date.

It is expected that the North Philadelphia Trust Company, an institution having about $20,000,000 of deposits, will agree to consolidate with the Philadelphia National during the coming year. This bank is located in an area which Mr. Potts considers to be underbanked, and should prove to be a highly desirable branch.

It is expected that the Philadelphia National Bank will forward to us a copy of a proposed consolidation agreement prior to July 21, so that tentative approval may be given before action is taken by the directors. When this agreement is received, it should be determined whether or not we have acted on the two branch applications mentioned earlier in this memorandum and if such action is to be delayed, we should communicate with Mr. Potts so that he

may delay action on the consolidation agreement to a date subsequent to July 21.

/s/ L. A. Jennings, Deputy Comptroller of the Currency.
LAJ:eve

[fol. 6074] GOVERNMENT'S EXHIBIT 127

Summary of Findings and Conclusions

Survey of Branch Banking in the Philadelphia Area 1946-57

A study for a committee of participating banks in Bucks, Delaware, Montgomery and Philadelphia counties, Pennsylvania.

Prepared under the direction of Dr. E. Gordon Keith, of the University of Pennsylvania, by the following staff of consultants: Dr. Edward S. Herman of Pennsylvania State Universtiy, Dr. Nathaniel Jackendoff of Temple University, Dr. John P. Lutz of the University of Pennsylvania, and Dr. Karl Scholz of the University of Pennsylvania.

[fol. 6075] Survey of Branch Banking in the Philadelphia Area 1946-1957

Summary of Findings and Conclusions

I

The Recent Branch Banking and Merger Movement

Since the end of the Second World War, significant changes have taken place in the banking structure serving the city of Philadelphia and its adjoining counties. As of June 30, 1957, there were in this area only about half as many banks as there had been at the end of 1947, although there were nearly twice as many banking offices. This reduction in the number of independent banks was the result of a wave of commercial bank mergers, which reached its peak in 1955. During this period, some 51 banks either merged with or were absorbed by other institutions, while only one new bank was opened, in the four counties.

But at the same time the commercial and mutual savings banks in the area were opening up some 96 new branches, of which 89 have been opened since 1950.

Prior to 1955, branch banking in the Philadelphia area was almost exclusively a home-county operation. Only two of the commercial banks and only one of the mutual savings banks with head offices in Philadelphia had acquired branches outside the city up to that time. Between January 1, 1955 and June 30, 1957, however, five of the large Philadelphia commercial banks had raised the number of their cross-county branches from three to forty, and three of the city's mutual savings banks had increased the number of their suburban county offices from one to seven. All but one of the new commercial banking offices were acquired as the result of mergers, while all of the new savings bank offices were new establishments.

These post-war banking developments have not been confined to the Philadelphia area. Similar changes in the banking structure have been taking place in other parts of the country, and apparently for much the same reasons. One general factor behind recent branch banking activity has been the need for additional banking facilities. Following the banking crisis of the early thirties, the commercial banks of this country went through a protracted period of consolidation and readjustment. After falling sharply from 22,172 to 14,450 between 1930 and 1933, the number of commercial banks continued to fall slowly to a figure [fol. 6076] of 14,121 at the end of 1950. Meanwhile, the number of commercial banking offices, which had dropped from 25,694 to 17,236 during the first three years of the great depression, was back to only 18,842 by the end of 1950. Between 1940 and 1950, the rate at which additions were being made to the country's banking offices was considerably less than the rate at which either the population or the income of the nation was growing, but between 1950 and 1955, the additions of some 1,800 new offices helped to meet the need for more banking facilities.

The need for additional banking offices was met to some extent by the establishment of new banks; but branch banks appear to have had a natural competitive advantage in establishing new facilities in areas of growth, consequently, de novo branches have made their appearance more often

in new suburban housing developments, shopping centers and industrial parks than have de novo banks.

The need for more conveniently located banking offices has been accentuated since the war by the growing importance of consumer loans to the commercial banks, and by their increasing interest in small deposit accounts. Competition among the banks for demand deposits, as well as competition between commercial banks and other savings institutions for savings accounts has been an important factor behind the drive to put banking offices in new residential and commercial developments outside of Philadelphia. Moreover, the fact that the fastest growing markets or banking services are found in the suburbs explains why so many city banks have been interested in acquiring suburban branches.

The desire on the part of the large Philadelphia banks to gain a foothold in the fast growing communities in the contiguous Pennsylvania counties has also been a factor behind many of the recent bank mergers. Aside from the legal obstacles that they have encountered in attempting to establish de novo branches outside the city, these banks have generally preferred to acquire their new cross-county branches by absorbing local banks with established trade connections and loyal customers. In addition, the fact that these country banks usually have lower loan ratios than do the city banks has meant that these acquisitions have also tended to reduce the recent pressure on the reserves of the city institutions.

On the other hand, many of the banks absorbed in recent mergers appear to have sought this action as a method of solving one or more of their own internal problems. As a result of rising prices and the rapid growth of many small business enterprises since the last war, some small banks have been under pressure to increase their capital and surplus in order to increase their loan limits. Others have been faced with demands for a wider range of banking services, while still others have been plagued by rising costs which they were unable to meet by the use of labor saving machinery. Finally, some banks found in mergers with larger and more progressive institutions an answer to their problems of management succession.

It would appear, therefore, that the motivations behind

the recent branch banking and merger movement in the [fol. 6077] Philadelphia area have been predominantly economic, although the desire for bigness for its own sake is believed by some to have been of some importance.

Branch banking in the Philadelphia area, whether practiced by national banks or by state-chartered institutions has naturally had to conform to the pattern set by the state banking code. The relaxation, in 1935 and 1937, of the previous severe limitations on cross-county branch banking has, therefore, been a contributing factor to the recent movement of the Philadelphia banks into the contiguous counties. Although the present statute has made it difficult for them to establish de novo branches outside the city, it has placed no serious barrier in the way of their acquiring cross-county branches through mergers or absorptions.

Despite the wave of mergers which has swept over the Philadelphia area since 1950, it does not appear likely that the merger movement will sweep into the ranks of the absorbed banks any very high percentage of the remaining independent banks in the counties adjoining the city of Philadelphia. As the number of banks eligible for absorption becomes smaller, those that remain are likely to be difficult to acquire on terms attractive to the stockholders of the would-be absorbing bank. Many of the remaining independent banks appear to be quite able to compete effectively in their own markets with the larger Philadelphia banks, and they would seem to have little to gain by merger with a city institution. While the merger movement seems to be slowing down of its own accord in the counties outside of Philadelphia, it can hardly proceed much further within the city without encountering the opposition of those federal authorities which are responsible for the preservation of effective competition in commercial banking.

Both federal and state banking authorities apepar to be aware of the dangers of over-banking, but the possibility of an over-expansion of branch facilities cannot be wholly discounted. Even though a slow down in the establishment of de novo branches would seem to be called for, this might be hard to achieve unless some general accord could be reached by the banks on this policy.

II

Changes in the Commercial Banking Structure

At the end of 1947, there were 30 insured commercial banks with head offices in the city of Philadelphia, 19 of which were operating branches. Of the 63 branches being operated at that time by these banks, however, only three were located outside of Philadelphia. By mid-1956, there were only 16 insured commercial banks with head offices in the city. These banks were operating a total of 125 branches of which 28 were located in the three adjoining counties. The 20 banks which were eliminated by absorption during this period were, with a few exceptions, small or medium-size institutions. As a result, there was a substantial increase in the concentration of bank assets within [fol. 6078] the city of Philadelphia. Whereas, at the close of 1947, the four largest banks in the city had accounted for 57 percent of that city's banking assets, by mid-1956, this ratio had risen to 73 percent.

During the period between December 31, 1947 and June 30, 1956, the number of banking offices in the city of Philadelphia increased at a considerably faster rate than did the city's population. As a result the average population per banking office fell from 20,930 to 18,466, or by 8 percent, during this period. Deposits attributed to all of the city offices of insured commercial banks with head offices in the city rose from $3.0 billion to $3.5 billion, or by 16 percent, during these years. Over the same period, the deposits of the contiguous county branches of these banks increased from $29 million to $224 million, or by 676 percent.

At the close of 1947, there were 69 commercial banks with head offices in Bucks, Delaware and Montgomery counties, only four of which had branch offices, and only one of which had more than a single branch. By mid-1956, the number of independent banks in these three counties had fallen to 39, but 18 of these remaining banks operated some 47 branch offices. Of the 31 independent banks which were eliminated by absorption during this period, 14 were merged into other home-county banks, and 17 into Philadelphia banks. The rate of attrition among the in-

dependent banks was greatest in Deleware County where their numbers were reduced from 15 to 2.

Although the total number of commercial banking offices located in these three counties rose from 77 to 114, or by about 50 percent, during this period a 42 percent increase in the population kept the average population per commercial banking office from falling by more than 6 percent. Despite this rapid growth in population, and the establishment of many new communities and shopping centers in these counties, only one new bank was chartered during these years. As was the case in the city of Philadelphia, the wave of bank mergers eliminated a large number of small banks between the end of 1947 and mid-1956. During this period, the number of banks with deposits of less than $10 million in the three contiguous counties was reduced from 56 to 22. On the other hand, there was no change in the number of banks with deposits between $10 million and $19.9 million during these years, while the number of banks with deposits of $20 million or more rose from three to seven. Of the 114 commercial banking offices being operated in these three counties in mid-1956, 28 were branches of Philadelphia banks, and 86 were home-county branches.

III

Changes in the Structure and Operations of Other Financial Institutions

A. Mutual Savings Banks

At the close of 1947, there were four mutual savings banks in Philadelphia, and none in the contiguous Pennsylvania counties. These four Philadelphia banks had, however, combined assets of over a billion dollars, and they [fol. 6079] had behind them over 100 years of successful operation as savings institutions. Dedicated to the promotion of thrift among the low and middle income classes, these four banks had, in addition to their head offices, some 16 branches scattered mainly in the residential sections of the city, where they were in competition with local commercial banks and with savings and loan associations. In 1947, 60 per cent of the assets of these banks were in the form of

government securities, while another 29 percent comprised other bonds and notes. At this time, only 6 percent of their assets took the form of loans.

During the early postwar years, the Philadelphia savings banks grew rather slowly. With most of their funds invested in federal securities, the three largest banks were paying only 1½ per cent on their deposits in 1950, and the fourth bank was paying only 2 percent. Between the end of 1947 and the middle of 1950, the deposits of the four banks increased in the aggregate by only 3 percent, and the number of deposit accounts rose by only 4 percent. After 1950, however, these banks made more rapid strides. Between the end of 1950 and the middle of 1956, their government security holdings dropped from 43 percent to 17 percent of their total assets, while their loans (mostly on real estate) rose from 13.5 percent to 42 percent. This sharp change in the composition of their assets had a favorable effect on their earnings, with the result that all four banks were paying 2¾ percent on their deposits by mid-1956.

Between December 31, 1950 and June 30, 1956, the Philadelphia savings banks opened 15 new branch offices, several of which were located outside the city. Over the same period of time, both deposits and the number of accounts in these banks rose sharply over their 1950 levels. By mid-1956, deposits had risen by $400 million, or by 43 percent, while the number of accounts had increased by 200 thousand, or by 17 percent.

B. Savings and Loan Associations

As of December 31, 1946, there were 476 savings and loan associations with combined assets of $323 million operating in the Philadelphia area. Some 365 of these associations, with total assets of $237 million were located within the city of Philadelphia itself, and another 111 associations, with combined assets of $87 million, were doing business in the three adjacent Pennsylvania counties. Since 1926, when there had been 3,428 savings and loan associations, with assets of $734 million, operating within the city of Philadelphia alone, the city's savings and loan industry had passed through a period of crisis and consolidation, from which it had not fully recovered by the

end of the last war. While there were only half as many of these associations doing business in Delaware, Bucks, and Montgomery counties, in 1946, as there had been twenty years earlier, the 111 associations with offices in these three counties at the end of the war claimed 10 percent more assets than had the 225 associations which had been operating there in 1926.

[fol. 6080] At the close of 1946, nearly 90 percent of the associations in all four counties in the Philadelphia area were operating under state charters, although the 50 federal associations accounted for over 50 percent of all savings and loan assets in the area. These federal associations, together with 48 insured state chartered associations, accounted for nearly 75 percent of these assets.

Between the close of 1946 and the end of 1955, mergers, consolidations and liquidations reduced the number of savings and loan associations in the Philadelphia area from 476 to 432, but the combined assets of all the associations rose from $323 million to $1,001 million, or by 310 percent. The increase in total assets was most pronounced in Bucks and Montgomery counties, where gains of 363 and 340 percent respectively were registered, and they were smallest in Delaware County, where the percentage increase was 261 percent. In all four counties, the largest gains were reported by federal associations, with the uninsured state chartered associations lagging considerably behind the insured state chartered ones. The more rapid rate of growth of the federal associations was, of course, due in part to a considerable number of conversions of state associations into federal ones. But even after allowance is made for these shifts, it is clear that the federals were out-pacing the non-federals despite the fact that they typically paid a lower rate of return to their shareholders.

Both federal and state-chartered savings and loan associations doing business in Pennsylvania may establish branches in the same county, or in a contiguous county to the one in which their principal place of business is located. In actual practice, however, few such branches have been established in the Philadelphia area. At the end of November 1956, only four of the 61 federal savings and loan associations operating in this area had opened branches, and only three of the 371 state-chartered associations had

done so. All but one of these were, moreover, Philadelphia institutions. At that time, these associations had a total of 10 branch offices, of which three were located outside the city.

The rapid growth of savings and loan associations in the Philadelphia area since the end of the last war has been attributed to a number of factors. Although these associations have usually been able to offer their customers a higher rate of return on their savings than have the commercial banks and mutual savings banks, they attribute their growth more to their convenient office locations and to improved management than to higher interest rates. It is also significant that the associations which have grown most rapidly have been the ones able to offer their shareholders the security afforded by share insurance.

C. Consumer Small Loan Companies

Consumer small loan companies, operating under the Pennsylvania Small Loan Act of 1915, make cash loans to individual borrowers in amounts not exceeding $600. Between July 1946 and September 1956, the number of small loan licensees in the Philadelphia area rose from 149 to [fol. 6081] 271, or by 82 percent. The number of licensees in Philadelphia proper rose from 120 to 180, or by 50 percent, during this period, while the number in the three adjoining counties increased from 29 to 91, or by over 200 percent.

Although data relating to the assets and accounts of these companies are available only on a state-wide basis for this period, it has been estimated that the total assets of the companies operating in the Philadelphia area rose from $24 million to $83 million between the end of 1946 and the close of 1955, and that the number of small loan accounts of these companies increased from 212 thousand to 356 thousand. These estimates indicate a possible doubling of the average dollar assets for individual licensees during this period, despite a slight apparent decline in the average number of loan accounts per licensee.

An important development among the licensed lenders doing business in the Philadelphia area, since the end of the last war, has been the expansion of multiple office companies. Of the total number of licensees in the area, in

1956, 11 were multiple-unit licensee companies, each with six or more branch offices. These 11 small loan companies had 131 offices scattered throughout the Philadelphia area at that time, which was 75 more than they had had ten years earlier.

D. Credit Unions

Still anoter type of financial institution which has been competing with the commercial banks, the mutual savings banks and the savings and loan associations for savings accounts is the credit union. Although these organizations have been growing rapidly in numbers and in size, since 1945, the volume of business which they conduct in the Philadelphia area is still very small in comparison with that being done by their major competitors.

As of December 31, 1945, there were 134 credit unions operating in the area, of which 109 were located within the city of Philadelphia. By December 31, 1956, the number of credit unions in this area had risen to 215, of which 173 were Philadelphia institutions and 42 were located in the adjacent counties. Of these 215 credit unions, 192 were operating under federal charters, and only 23 were doing business under state charters. As of the end of the year 1955, the 203 credit unions then operating in this area reported total assets of $43 million, of which $37 million was accounted for by the 163 institutions located in Philadelphia proper. Excluding the two largest Philadelphia credit unions, which had combined assets of over $10 million, in 1955, the credit unions located within the city had on the average less than $200 thousand of assets, while the credit unions located in the other three counties had on the average of only $133 thousand. The combined assets of all of the Philadelphia credit unions in 1955 represented less than 6 percent of the assets of the city's savings and loan associations. In the outlying counties, this ratio was even smaller.

IV

[fol. 6082] The Effects of Recent Branch Banking and Merger Activity

Recent branch banking and merger activity in the Philadelphia area has, of course, had a marked effect on the banking structure of Philadelphia and its three neighbor-

ing Pennsylvania counties. The fact that today there are many fewer banks in the area than there were at the close of World War II suggests the possibility of lessened banking competition within the area, and a narrower range of choice for many persons residing or doing business in it. On the other hand, the fact that many weak and slow moving banking institutions have been merged into stronger and more progressive units suggests the opposite possibility of increased competition among banks capable of providing a wide range and a high quality of banking services at relatively low costs. Furthermore, recent branch banking activity, whether it has taken the form of mergers or of de novo branch establishments, has been an important factor in breaking down traditional boundaries between local isolated markets. In this connection, particular significance must be attached to the conversion of some of the independent community banks in the counties adjoining Philadelphia into branches of some of that city's banking institutions. This has resulted in a kind of mixed banking system which may well be superior to one comprised exclusively of country banks or of city branches.

After taking into account the extent to which competition within this area was previously limited, and the extent to which cross-county and intercommunity mergers have made it possible for both city and country banks to establish offices in markets to which they formerly had only limited access, the conclusion seems inescapable that competition among the banks in this area is considerably keener today than it was ten years ago. On the other hand, if the merger movement were to continue to reduce the number of competing units in the city of Philadelphia, and in some of the larger communities in the outside counties, competition could be significantly lessened in these places.

Beyond these general observations regarding the effects of the recent branch banking and merger movement on the competitive behavior of the commercial banks in the Philadelphia area, it is important to note the specific forms of competition that have been employed and avoided during this period. For example, price cutting, as a form of competition appears to have been pretty generally avoided, at least as regards rates charged on business loans. On the other hand, there appears to be have been some price compe-

tition in interest rates paid on time deposits, and in service charges. The Philadelphia banks, as they have moved into the contiguous counties, have usually put into effect in their newly acquired branches the higher interest rates on savings accounts and the higher schedules of service charges that were already in effect in their city offices. In these cases, however, the objective appears to have been uniformity in branch practices rather than an increase in savings accounts or higher profits on ordinary deposit accounts. Both city and country banks have tried to attract new [fol. 6083] customers by improving their quarters, offering better parking facilities, and offering new and better services.

The recent branch banking and merger movement has not only sharpened competition between city and country banks, it has also upset the competitive relationships among the large city banks. Once a Philadelphia bank has established or acquired an office in one or more of the growing communities in the contiguous counties, competition has forced others to follow, especially if they have had important business accounts in those areas. Since the number of independent local banks in these outside communities is usually small, and since their bargaining position tends to become stronger the fewer such banks there are left, this type of a competitive situation has resulted in some very high premiums being paid to the stockholders of the acquired banks, a development which could have weakened the capital structure of the acquiring bank.

On the other hand, the competitive response of country banks to the actual or threatened entry of Philadelphia banks into their local markets has sometimes been to preempt for their own use attractive banking sites within these markets as a way of discouraging further entry by outsiders. Branch banking activity of this type can, of course, also be overdone and result in overbanking and the over-extension of individual banks. There is no evidence that the point of market saturation has yet been reached in these outside counties, although some branches recently established in those counties appear to have been somewhat slower in reaching their breakeven points than they were expected to be. In the absence of more details con-

cerning branch income and costs, it is impossible to reach any very clear-cut conclusion on this point.

The branch banking and merger movement, by extending the market areas of the larger and more progressive banks, both within the city and outside, has tended to broaden the range and improve the quality of banking services offered in many parts of the four-county area. Trust and investment advisory services, consumer discount loans, term loans and special checking accounts are among the innovations most frequently mentioned as following both home-county and cross-county mergers. On the other hand, the effects which the merger movement has had on the availability of bank credit for business borrowers is not entirely clear. There is evidence that the volume of business loans has usually risen following a merger, although peculiarities in internal accounting procedures have made it difficult to assess the significance of these changes. Bank mergers have, of course, raised the loan limits of both the acquired and the acquiring bank, with the former usually being benefited the most. This has meant that businesses which could not have been accommodated at local banks before their absorption by a city institution can be taken care of after the merger. But the number of such businesses does not appear to have been very large, which suggests that the desire for higher loan limits has not been as important a factor in promoting cross-county mergers as it has been in promoting mid-city ones.

Bank mergers in which neighborhood or community banks have been absorbed do not as a rule appear to have resulted [fol. 6084] in a significant reduction in local lending authority. Although the range of lending authority given to branch managers varies considerably from bank to bank, and with different types of loans, it appears to have been sufficient to accommodate most borrowers. While the authority to make loans remains for the most part with the local managers, business borrowers from local branches of the Philadelphia banks sometimes have found that they have to meet more rigorous financial requirements in order to secure loans, than they did before the merger. There have also been instances where it took branch offices much longer to process loans than it took independent local banks. In general, there appears to be a strong

awareness on the part of these banks of the need for continuing identification of the acquired branch with the community in which it is located.

The branch banking and merger movement does not appear to have made any very substantial contribution to the reduction of banking costs in the Philadelphia area. The desire to reduce expenses has been infrequently mentioned as a motivating factor behind recent mergers, and the economies that have been cited following these mergers have been quite modest. But in view of the limited time that has elapsed since most of these mergers were effected, it is probably too soon to reach a final conclusion on this point.

V

Regulatory Policy

(Commercial Banks)

Entry into the commercial banking business has undergone a significant transformation since 1948. To a very considerable extent, in recent years, branch banks have taken over the function of providing new banking facilities; and the number of new banks that have been established have fallen far short of making good the reduction in the number of independent banking units resulting from mergers and consolidations. From the record of recent changes in the banking structure of Philadelphia and its adjoining counties, it is clear that this national pattern has been closely followed here.

The branch bank appears to possess certain inherent advantages in the provision of new banking facilities. It brings the resources, the trained personnel and the established name of its parent into the community in which it is located. Moreover, existing banks that are branch-conscious are usually better equipped to find and assess the growth potential of promising branch locations long before they would be likely to come to the attention of independent promoters.

The recent decline in the number of independent unit banks as a result of mergers and consolidations also suggests that modern banking is a business in which size counts. In this age of specialization, the one-man bank

is at a disadvantage in communities of any size. Many community banks have, therefore, had to expand their own businesses to the point where they can afford to hire skilled [fol. 6085] personnel and cost-saving machinery, or have had to merge with, or be absorbed by, another bank. The record would appear to indicate that the latter has been the easier course for most banks, although there have, of course, been important exceptions.

Entry into banking has long been regulated in the public interest. There are, of course, certain legal requirements that have to be met before a group of persons can hope to start a new bank; but the final decision always rests with the state or federal banking authorities and is made only after consideration has been given to the proposed bank's prospective earning power, the character of its management, and the convenience and needs of the community to be served by it. Some attention appears also to have been given to the effect which the new bank might have on the business of existing institutions in the community, and to their rights to remain undisturbed by a new competition.

The establishment of a de novo branch and the acquisition by merger of a converted branch are, of course, also forms of entry over which the banking authorities exercise varying degrees of control. The application for a de novo branch is treated in much the same way as the application for a de novo bank, with the Comptroller of the Currency or the Secretary of Banking having the right to appraise the need for the proposed branch. Although it is said that the application for a de novo bank is ordinarily given preference over the application for a de novo branch, there are grounds for believing that, consciously or unconsciously, the examiners tend to favor the latter.

In Pennsylvania, applications of state banks for branches in contiguous counties, if approved by the Secretary, also have to be passed on by the Banking Board. Moreover, before the Secretary's approval can be given, other state banks in the county where it is proposed to locate the branch must be notified and the application may be disapproved if any of these banks advise the Banking Department of their intention to establish a branch in the same city. In this way home county branch banking is given a

clear preference over cross-county branching, but this preference does not bind the federal authorities or give any special rights to home-county national banks.

In dealing with applications for mergers, the federal authorities have recently begun to pay some attention to the effects of intra-community mergers on competition, but they do not appear to have been concerned about the effects of inter-community and inter-county mergers. The state authorities, on the other hand, have taken the position that they should disapprove inter-community mergers that would "unbalance the competitive situation" in the community of the absorbed bank, although no attempt has yet been made to apply this principle to proposed cross-county mergers in the Philadelphia area.

The major policy issues that have arisen as a result of the recent branch banking and merger movement have been concerned with the criteria for regulating the entry of de novo branches and the merger of pre-existing institutions, especially when cross-county branch banking has been involved. There are, unfortunately, no clear cut and objective criteria for determining when it would be [fol. 6086] desirable and when undesirable to permit a bank to establish a de novo branch, or absorb an independent bank, in another community or county. Unless there is a desire to return to blanket prohibitions, reliance must, therefore, be placed on qualitative judgments and more or less arbitrary rules of thumb regarding the need for a new or better banking facilities and regarding the dangers of too little or too much competition.

The prohibition of any further cross-county branches would offer some advantages. Further reductions in the number of independent home-county banks in the contiguous counties would be less likely to occur. The remaining country banks woud be protected against a "chipping away" of their markets by de novo branches of city banks. Finally a freeze on cross-county branch banking would provide a simple rule which would be applicable alike to state and federal institutions. The adoption of such an inflexible rule would on the other hand, close the door on some opportunities for rationalization through cross-county mergers, deprive some communities in the outside counties of adequate banking facilities and it might sub-

stantially lessen competition within certain communities or districts.

An alternative to complete prohibition of cross-county branch banking would be the prohibition of any further cross-county de novo branches. This would afford the country banks considerable protection against over-banking while leaving the way open for the city banks to buy their way into the outside counties whenever such a step was in the interest of both parties. On the other hand, in communities where local banks were unwilling or unable to provide adequate banking facilities, and were also unwilling to be absorbed by more progressive institutions, a prohibition against cross-county de novo branches could result in underbanking. Furthermore, such a prohibition, by placing an additional premium on the immediate acquisition of country banks, might well accelerate the movement of the Philadelphia banks into the contiguous counties and destroy the opportunity to develop a more balanced mixed system of country and city banks.

Since neither the complete nor the partial prohibitions of further cross-county branch banking offer an entirely satisfactory answer to the problem of regulating the entry of the Philadelphia banks into the contiguous Pennsylvania counties, it is perhaps in order to consider the kind of ground rules which might be adopted to improve the present more flexible approach to this problem, and provide a banking system that would be safe, efficient, progressive, competitive, and reasonably responsive to local interests.

With these general objectives in mind, it is suggested, first, that de novo banks might be given a somewhat greater priority in the establishment of new banking facilities as a means of maintaining a mixed system of branch groups and independents and of securing an adequate diffusion of economic power.

Second, in the interests of efficiency and progressiveness, local banks should be permitted reasonable growth through the establishment of branches within local and familiar markets, and, in seeking to accomplish this end, they should [fol. 6087] be given certain priorities over outside banks seeking to enter these markets. On the other hand, it should be understood that such priorities should not be

used to keep competing banks out of local markets capable of supporting more than a single bank.

Third, outside institutions should not be discriminated against where they seek entry to local markets with inadequate banking facilities, and where their entry will not jeopardize existing local institutions. The rights of outside institutions to protect their interests in local markets against the competition of other outside institutions should be recognized, but not to the point of permitting an excessive number of de novo branches to be established.

Fourth, outside banks should be discouraged from paying excessive premiums as a means of effecting mergers with local institutions.

Fifth, intra-community mergers should generally be discouraged in those cases where a further reduction in the number of competing units would seriously lessen competition without significantly increasing efficiency. The power to authorize outside banks to establish de novo branches in such communities might be used effectively by the banking authorities in such cases.

VI

Regulatory Policy

(Mutual Savings Banks and Other Financial Institutions)

The Philadelphia mutual savings banks have also been involved in the issue of cross-county branch banking. The entry of these institutions into the three counties adjoining that city has been a rather recent development. It was not until 1953 that the Western Saving Fund was finally permitted to open a branch office in Upper Darby, and it was not until 1955 that the savings banks clearly established their rights to establish branches in suburban communities already being served by commercial banks. Since then, a total of six additional branch offices have been opened by the savings banks outside the city.

Prior to 1955, the applications of the mutual savings banks for cross-county branches had, with one exception, been disapproved by the Banking Board on the grounds that there was no need for the services which these banks proposed to supply. The fact that local commercial banks ac-

eepted time deposits and made real estate loans was taken as evidence of the adequacy of existing savings and mortgage loan facilities in the communities where the savings banks proposed to establish new offices. In that year, however, the State Supreme Court reversed on appeal the action taken by the Banking Board in turning down an application of the Philadelphia Saving Fund for a branch in Ardmore. In its decision, the court took the position that there might well be qualitative differences in the comparable services offered by commercial banks, on the one hand, and mutual savings banks on the other, and that the absence of need for savings bank facilities could not be presumed [fol. 6088] from the mere presence in a community of commercial banks which offered comparable services.

In supporting their case for cross-county branches, the mutual savings banks have contended that it is sound management policy for them to follow recent population trends and to adapt their operations to new patterns of consumer behavior, pointing out that many of their potential customers have joined in the "trek" to the suburbs, and that their center-city offices are no longer convenient depositories for most suburban residents. The savings banks argue further that their branch offices in the contiguous counties give the residents of those areas access to services which do differ significantly from those offered by local commercial banks and savings and loan associations. Finally, they cite the traditional role which savings banks have played in the promotion of thrift, and point to the importance of encouraging saving in a high-investment full employment economy.

The case against cross-county branches for mutual savings banks rests primarily on the fear that such branches would drain savings out of local commercial banks, and thereby jeopardize their continued existence. Attention is called to the fact that country banks are usually more dependent upon time deposits as a source of loanable funds than are city banks, and that the loss of any significant part of these accounts would force a curtailment in their mortgage loans to the detriment of their earnings. It is also contended that the location of branch offices of savings banks in the outside counties would drain needed funds out of these areas, the point being made that a high per-

centage of the loans made by the Philadelphia savings banks are placed outside the Philadelphia market.

There would appear to be some merit in the arguments advanced on both sides of this controversy. Again, what would seem to be needed is a set of ground rules under which a flexible statute might be satisfactorily administered by state banking authorities in full possession of the facts relating to each individual application. The case of the savings banks for cross-county branches would appear to be strongest in communities within the suburban fringe which are growing fast enough to be able to support additional banking facilities, and in more stable communities within this area where the needs of small savers and home owners are clearly not being adequately served by local commercial banking institutions. On the other hand, their case would appear to be weakest in seeking entry into the more self-contained and stable communities in those sections of the contiguous counties that have been less affected by recent population movements, and where the establishment of a branch office of a Philadelphia savings bank might weaken or destroy existing commercial banks.

The statutes governing the entry of savings and loan associations in the Philadelphia area, whether in the form of de novo associations or of de novo branches, require a demonstration of need before additional facilities are approved. Although it appears to be easier to start a new savings and loan association than it is to start a new commercial bank or mutual savings bank, it is to be observed that few such associations have been started in this area since the last war. Furthermore, it appears that most [fol. 6089] savings and loan associations have a close attachment to a particular community or neighborhood, and that few of them have shown any interest in operating branches outside of their own familiar markets. If more of the large city associations should desire to extend their operations by opening branches outside the city, there would appear to be no reason why this should be prohibited; but it would be desirable to work out rules which would protect the rights of local associations and local banks and prevent overbanking in the communities where it was proposed to establish new branch offices. Furthermore, policies with respect to the treatment of such applications should

be coordinated with those being applied in connection with similar applications by commercial and mutual savings banks.

In the case of both small loan companies and credit unions, the problem of regulating entry does not appear to be a particularly serious one at this time.

Philadelphia, 1957

[fol. 6090] GOVERNMENT'S EXHIBIT 128

Chartered 1836

GIRARD TRUST CORN EXCHANGE BANK
Philadelphia 2, Pa.

Excerpt from the Minutes of a Regular Meeting of the Board of Directors of Girard Trust Corn Exchange Bank Held on November 15, 1960:

"The President reported to the Board that preliminary negotiations, which he described, had been held between representatives of The Philadelphia National Bank and Girard Trust Corn Exchange Bank to consider the possibility of a merger of the two banks. He stated that the senior officers of the two banks are in agreement as to the desirability of uniting for the reasons which he presented in detail. He proposed a program, the fundamentals of which are that the new institution will be a national bank named Philadelphia Girard National Bank and Trust Company; that the shareholders of The Philadelphia National will retain the number of shares presently held and shareholders of Girard will receive 1.2875 shares in the merged bank for each share of Girard stock presently held; and that the principal officers of the new bank will be:

Frederic A. Potts, Chairman and chief executive officer
George H. Brown, Jr., President and chief administrative officer
Geoffrey S. Smith, Vice Chairman and Chairman of the Executive Committee of the Board
John McDowell, Executive Vice President
George R. Clark, Vice Chairman

"On motion duly made, seconded and unanimously carried, it was Resolved, That this Board approves the proposed program and directs the President, and such other officers as he may designate, to prepare with representatives of The Philadelphia National Bank, a final agreement of merger for consideration and approval by the Boards of the two Banks, prior to its submission to shareholders, and to make all necessary applications to regulatory authorities."

I Hereby Certify that the foregoing is a correct excerpt from the minutes of the above captioned meeting, and that it is still in full force and effect.

Girard Trust Corn Exchange Bank, H. R. Watson, Assistant Treasurer.

Philadelphia, December 13, 1960.

[fol. 6091] GOVERNMENT'S EXHIBIT 129

Excerpt of Minutes and Resolutions Adopted by the Board of Directors of Girard Trust Corn Exchange Bank, December 20, 1960.

The President reported to the Board that pursuant to the resolution adopted November 15, 1960, directing the preparation of an agreement to combine this bank and The Philadelphia National Bank and the making of all necessary applications to regulatory authorities, an application requesting approval of the Comptroller of the Currency had been filed. He presented to each director present a form of agreement and reviewed its salient points. After discussion, upon motion duly made, seconded and unanimously carried it was

Resolved, That the Agreement of Consolidation between this bank and The Philadelphia National Bank and the accompanying Articles of Association and Bylaws here hereby approved in the form presented

to this meeting and the appropriate officers are authorized and directed to execute and deliver the same in that form or with such changes therein not inconsistent with the tenor thereof as the President may approve; and further

Resolved, That the proper officers of this bank are hereby authorized and directed to take any and all such action as they shall deem necessary or desirable to carry out the provisions of the foregoing Agreement of Consolidation.

[fol. 6092] To: Messrs. E. C. Archer, G. M. Dorrance, Jr., R. H. Potts, A. Rafetto, E. B. Ridgway, Jr., S. Stidham.
Make speed copies.
No signature of E.L.W. necessary.

November 22, 1960.

From: E. L. Worstall

Attached is a list of mutual accounts maintained with Girard-Corn and PNB. The N indicates Our Balances; the S indicates Theirs.

Will you kindly review this quickly and take from it the names that fall into your Division. It would seem the part of good judgment now for us to contact the customers who have mutual relations in an effort to retain all balances in the merged institution. There is no doubt that our competitors will make every effort to obtain deposits from our mutual customers.

In cases where our customers feel they should like to make a new connection, please be sure to use the argument that, they should defer taking any action until the merger is definitely approved.

Worstall.

[fol. 6093]

GOVERNMENT'S EXHIBIT 133

Lines and Outstandings to Finance Companies

June 30, 1960

1. Consumer Finance:

Independent Sales Finance Companies	Outstandings	Rate* Relation to Prime	Line	Date Last Action
Names Deleted	$ 1,000,000	prime	$ 1,000,000	1/22/60
	1,000,000	prime	6,000,000	3/11/60
	1,000,000	prime	1,000,000	3/11/60
	3,000,000	prime	7,500,000	3/11/60
	925,000	+1	925,000	3/25/60(a)
	-0-	prime	8,000,000	2/26/60
	300,000	+½	300,000	2/ 9/60
	-0-	+½	750,000	3/ 4/60
	250,000	+1	250,000	1/ 5/60
	1,250,000	+½	1,250,000	3/25/60
	500,000	prime	2,000,000	3/18/60
	300,000	+½	300,000	2/16/60
	-0-	prime	1,000,000	11/27/59
	1,200,000	prime	1,200,000	4/ 1/60
Total Independent Sales Finance Companies	$10,725,000		$31,475,000	
Captive Sales Finance Companies				
Names Deleted	$ 2,000,000	prime	$ 2,000,000	3/18/60
	1,250,000	prime	1,500,000	4/22/60
	2,500,000	+½	2,500,000	2/19/60
	1,000,000	prime	1,000,000	3/11/60
	2,500,000	prime	4,000,000	12/18/59
	-0-	prime	3,000,000	2/11/60
	257,368	(b)	2,000,000	6/19/59(b)
	-0-	+½	2,000,000	4/14/60(c)
	2,000,000	prime	2,000,000	5/13/60
	1,500,000	prime	1,500,000	3/11/60
	2,000,000	prime	2,000,000	12/18/59
	500,000	prime	500,000	12/18/59(d)
	2,000,000	prime	8,000,000	4/22/60(e)
[fol. 6094]	1,720,000	(f)	3,000,000	9/ 5/58(f)
	600,000	+½	750,000	6/ 5/59
	300,000	prime	500,000	12/18/59
Total Captive Sales Finance Companies	$20,127,368		$36,250,000	
Total Sales Finance Companies	$30,852,368		$67,725,000	
Small Loan Companies				
Names Deleted	$ -0-	prime	$ 250,000	1/12/60
	1,450,000	prime	1,650,000	3/ 4/60
	70,000	+1	75,000	3/17/60
	-0-	prime	1,250,000	4/ 8/60
	-0-	prime	750,000	12/ 4/59
	250,000	+½	250,000	10/13/59
	200,000	+¾	200,000	11/17/59
	200,000	+¾	200,000	6/30/59
	-0-	prime	1,500,000	11/13/59

	Outstandings	Rate* Relation to Prime	Line	Date Last Action
	-0-	+¾	250,000	3/22/60
	-0-	+½	1,000,000	4/14/60
	-0-	prime	2,500,000	4/14/60
	600,000	prime	600,000	3/18/60
	1,200,000	+¼	1,400,000	3/ 4/60
	750,000	+½	750,000	4/ 1/60
	-0-	prime	2,000,000	2/ 5/60
	750,000	prime	750,000	5/ 6/60
	500,000	+¼	500,000	7/ 3/59
	300,000	+1	300,000	3/15/60
Total Small Loan Companies	$ 6,270,000		$16,175,000	
Combined Sales Finance and Small Loan Companies				
Names Deleted	$ 500,000	+½	$ 500,000	12/10/59
	-0-	+½	600,000	3/25/60
	750,000	prime	750,000	6/10/60
	2,000,000	prime	2,000,000	3/25/60
	-0-	prime	750,000	7/10/59
	250,000	+½	250,000	8/18/59
	-0-	prime	3,000,000	3/ 4/60
	425,000	+1(g)	425,000	9/11/58
[fol. 6095]	350,000	+¾	350,000	1/19/60(h)
	700,000	prime	700,000	2/19/60
	175,000	+½	300,000	7/21/59
Total Combined Sales Finance and Small Loan Companies	$ 5,150,000		$ 9,625,000	
2. Commercial Finance Companies:				
Independent Commercial Finance Companies				
Names Deleted	$ 1,000,000	prime	$ 1,000,000	4/ 1/60(i)
	-0-	prime	2,500,000	1/29/60
	500,000	prime	1,000,000	3/ 4/60
	500,000	+¾	obsolete	12/18/59(j)
	1,000,000	prime	1,000,000	3/18/60
	2,500,000	prime	2,500,000	3/ 4/60
Total Independent Commercial Finance Companies	$ 5,500,000		$ 8,000,000	
Captive Commercial Finance Companies				
Names Deleted	$ 2,500,000	prime	$ 3,000,000	4/ 1/60(k)
	630,000	+1	obsolete	4/ 8/60(l)
	30,000	+½	40,000	12/ 1/58
Total Captive Commercial Finance Companies	$ 3,160,000		$ 3,040,000	
Total Commercial Finance Companies	$ 8,660,000		$11,040,000	

[fol. 6096]

3. Summary:

	Outstandings		
	6/30/60	12/31/59	6/30/59
Sales Finance Companies	$30,852,368	$28,035,690	$27,062,589
Small Loan Companies	6,270,000	12,690,000	9,051,500
Combined Sales Finances and Small Loan Companies	5,150,000	2,500,000	2,250,000
Total Consumer Finance Companies	$42,272,368	$43,285,690	$38,364,089
Commercial Finance Companies	8,660,000	7,715,000	7,105,000
Total Finance Companies	$50,932,368	$51,000,690	$45,469,089

	Lines		
	6/30/60	12/31/59	6/30/59
Sales Finance Companies	$ 67,725,000	$67,915,000	$68,665,000
Small Loan Companies	16,175,000	15,175,000	15,150,000
Combined Sales Finance and Small Loan Companies	9,625,000	3,450,000	3,200,000
Total Consumer Finance Companies	$ 93,525,000	$86,540,000	$87,015,000
Commercial Finance Companies	11,040,000	10,640,000	10,290,000
Total Finance Companies	$104,565,000	$97,180,000	$97,305,000

4. Breakdown of Totals by Operating Areas:

	Outstandings 6/30/60		Lines 6/30/60	
National Companies	$ 6,950,000	13 7%	$ 36,150,000	34 6%
"Captive Companies	23,287,368	45 7%	39,290,000	37 6%
Regional Companies	8,600,000	16 9%	13,350,000	12 8%
Area Companies	9,075,000	17 8%	11,750,000	11 2%
One-City Companies	3,020,000	5 9%	4,025,000	3 8%
Total	$50,932,368	100 0%	$104,565,000	100 0%

[fol. 6097]

5. P.N.B. Loans and Discounts:

	6/30/60	12/31/59	6/30/59	6/30/58
Amount of PNB Loans and Discounts represented by:	$541,905,000	$502,817,000	$474,013,000	$451,996,000
Finance Company Borrowings	9 4%	10 2%	9 6%	8 0%

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* The current prime rate is 5%.

(a) Participation in total line of $1,100,000.

(b) For purchase of customers' paper, endorsed by L. B. Smith, Inc. with full recourse to Keystone Acceptance Corporation. We hold paper at rates from 5% to 6%.

(c) Includes $1,502,344 participation in a term loan of $60,235,000 to Mack Trucks, Inc., maturing 5/1/61. As payments are applied to the term loan the credit available to Mack Financial Corporation will increase by an equal amount until the entire line of $2,000,000 is available to that corporation on an unsecured basis.

(d) Guaranteed by Radisso, Inc.

(e) This line is available to Sears, Roebuck and Co. and/or Sears Roebuck Acceptance Corporation, in addition to a commitment to the parent whereby this bank may purchase time sales accounts of certain of their retail stores up to a limit of $25,600,000 outstanding at any one time.

(f) Participation in a Revolving Credit of $75,000,000 expiring 8/1/62, at which time, at option of the company, it may be replaced by a term loan to mature 8/1/67. The rate is ¼%

[fol. 6098]

Analysis of Changes in Credit Lines During the First Six Months of 1960

New Lines of Credit	
Names deleted	$2,000,000
	2,000,000
Total new lines of credit	$4,000,000
Increase in Existing Lines of Credit	
Names deleted	$1,500,000
	1,000,000
	500,000
	2,000,000
Total increase in existing lines of credit	$5,000,000
Decrease in Lines of Credit	$ 15,000
Lines of Credit Cancelled	$1,600,000

Summary

New Lines of Credit	4,000,000	
Increase in Existing Lines of Credit	5,000,000	
Total Increase for First Six Months		$9,000,000
Decrease in Lines of Credit	15,000	
Lines of Credit Cancelled	1,600,000	
Total Decrease for First Six Months		1,615,000
Net Increase for First Six Months		$7,385,000

[fol. 6099]

Outstandings and Lines to Finance Companies
The Philadelphia National Bank

Date	Total Lines	Lines in Use	% Lines in Use
12/31/48	$34,981,516	$20,551,519	58 7
12/31/49	45,000,000	23,291,573	51 8
12/29/50	51,375,000	33,924,018	66 0
11/ 8/51	66,175,000	39,459,925	59 6
12/31/52	73,545,000	48,305,000	65 5
12/31/53	77,846,000	37,699,056	48 4
12/31/54	80,750,000	28,670,532	35 5
12/31/55	92,945,000	58,199,729	62 8
12/31/56	95,735,000	50,325,884	52 6
12/31/57	99,185,000	48,147,625	48 5
6/30/58	100,435,000	36,082,982	35 9
12/31/58	97,380,000	51,915,896	53 3
6/30/59	97,305,000	45,469,089	46 7
12/31/59	97,180,000	51,000,690	52 6
6/30/60	104,565,000	50,932,368	48 7

over prime with a maximum of 4½% and a minimum of 3%. See Term Loan Report for additional information.

(g) 5% minimum or 1% over prime.

(h) Guaranteed by the officers and their wives.

(i) In addition, a line of $500,000 is available for letters of credit and/or acceptances. All obligations are guaranteed by Jacob Seiler, David Seiler, Nathan Seiler, and City Industrial Company (but subordinate to the partnership's direct borrowings).

(j) Guaranteed by R. S. F. Company.

(k) This line is available to Dan River Mills, Inc. and/or Iselin-Jefferson Financial Company, Inc., in addition to the $750,000 balance of our $750,000 participation in a $6,000,000 term loan maturing 8/31/65 to Dan River Mills, Inc.

(l) Secured by dealers' notes and trust receipts. All underlying obligations are endorsed by Lester Piano Manufacturing Company, Inc.

[fol. 6100] GOVERNMENT'S EXHIBIT 134

Dealers

(Names Deleted)

Philadelphia 23, Pennsylvania
(Machinery and Equipment)
1959—0
1960—0

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—0
1960—0

Washington, D.C.
(Machinery and Equipment)

Philadelphia 2, Pennsylvania
(Commercial Modernization)
1959—0
1960—0

Philadelphia 32, Pennsylvania
(Commercial Modernization)
1959—1—$3,287.
1960—0

Palmyra, Pennsylvania
(Farm Equipment)
1959—2—$5,115.
1960—0

Philadelphia 4, Pennsylvania
(Commercial Modernization)
(Commercial Refrig)
1959—17—$177,813.
1960—12—$127,163.

Dublin, Pennsylvania
(Farm Equipment)

Phoenixville, Pennsylvania
(Commercial Modernization)
1959—0
1960—0

Andalusia, Pennsylvania
(Machinery and Equipment)
1959—5—$19,714.
1960—1— 6,439.

Lansdale, Pennsylvania
(Commercial Modernization)
1959—0
1960—0

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—1—$796.
1960—0

Philadelphia, Pennsylvania
(Heavy Commercial Vehicles)
1959—6—$18,984.12
1960—7—$30,967.24

Trenton 8, New Jersey
(Machinery and Equipment)
1960—12—$89,518.

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—4—$6,604.
1960—2—$3,783.

Sharon Hill, Pennsylvania
(Machinery and Equipment)
1960—4—$62,757.

[fol. 6101]

Chester, Pennsylvania
(Commercial Modernization)
1959—5—$10,319.
1960—5—$ 7,522.

Holmes, Pennsylvania
(Commercial Modernization)

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—0
1960—1—$2,589.

Philadelphia, Pennsylvania
(Commercial Modernization)
Nothing since 1953

Camden 3, New Jersey
(Commercial Modernization)
1959—0
1960—2—$6,106.

Pennsauken, New Jersey
(Machinery and Equipment)
1959—9—$15,574.
1960—2—$ 1,859.

Philadelphia, Pennsylvania
(Commercial Modernization)

Philadelphia, Pennsylvania
(Commercial Refrigeration)
1959—10—$17,731.
1960— 5—$ 5,770.

Dealers

(Names Deleted)

Thorofare, New Jersey
(Machinery and Equipment)
1959—29—$100,417.
1960—24—$ 86,211.

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—76—$937,880.
1960—71—$1,139,577.

Sharon Hill, Pennsylvania
Main Office, Washington, 2, D.C.
(Machinery and Equipment)

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—6—$53,137.
1960—2—$19,751.

Conshohocken, Pennsylvania
(Heavy Commercial Vehicles)
1960—1—$14,734.

Philadelphia, Pennsylvania
(Machinery and Equipment)

Phoenixville, Pennsylvania
(Farm Equipment)
1959—0
1960—0

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—6—$23,185.
1960—0

[fol. 6102]

Philadelphia, Pennsylvania
(Heavy Commercial Vehicles)
1959—15—$42,937.
1960— 3—$13,441.

Palmyra, New Jersey
(Machinery and Equipment)
1959—30—$284,694.
1960—18—$219,634.

Philadelphia, Pennsylvania
(Machinery and Equipment)

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—2—$10,623.
1960—0

Philadelphia, Pennsylvania
(Commercial Refrigeration)
1959—13—$31,178.
1960— 9—$ 6,853.

Clifton Heights, Pennsylvania
(Commercial Refrigeration)
1959—3—$10,945.
1960—2—$ 3,266.

Broomall, Pennsylvania
(Commercial Modernization)

West Grove, Pennsylvania
(Farm Equipment)
1959—10—$22,616.
1960— 3—$ 9,130.

Philadelphia, Pennsylvania
(Commercial Modernization)

Washington, D. C.
(Machinery and Equipment)
1959—4—$41,526.
1960—6—$93,559.

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—30—$336,676.
1960— 7—$ 63,011.

Ardmore, Pennsylvania
(Commercial Refrigeration)
1959—29—$83,360.
1960— 4—$11,377.

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—6—$23,526.
1960—5—$15,869.

Philadelphia, Pennsylvania
(Commercial Modernization)

Cardiff, New Jersey
(Machinery and Equipment)

Neffs, Pennsylvania
(Farm Equipment)
1959—5—$50,190.
1960—0

Philadelphia, Pennsylvania
(Commercial Modernization)

Philadelphia, Pennsylvania
(Commercial Refrigeration)
1959—11—$41,123.
1960— 8—$17,630.

[fol. 6103]

Collingswood, New Jersey
(Machinery and Equipment)
1959— 2—$11,177.
1960—19—$253,423.

Dealers

(Names Deleted)

Pennsauken, New Jersey
(Machinery and Equipment)
1960—6—$53,675.

Merchantville, New Jersey
(Machinery and Equipment)

Philadelphia, Pennsylvania
(Commercial Modernization)
1959—0
1960—0

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—16—$104,920.
1960—21—$ 48,416.

Biglersville, Pennsylvania
(Farm Equipment)
1959—1—$1,701.
1960—0

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—6—$17,422.
1960—3—$ 6,061.

West Chester, Pennsylvania
(Heavy Equipment)
1959—1—$69,679.
1960—1—$203,929.

Hartsville, Pennsylvania
(Commercial Refrigeration)
1959—0
1960—0

Philadelphia, Pennsylvania
(Commercial Modernization and Refrigeration)
1959—1—$2,950.
1960—3—$3,831.

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—2—$ 51,751.
1960—8—$330,485.

Landisville, Pennsylvania
(Farm Equipment)

Phila., Pennsylvania
(Commercial Modernization)
1960—1—$1,360

Philadelphia 20, Pennsylvania
(Machinery and Equipment)
1959—39—$432,282.
1960—29—$282,609.

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—3—$211,996.
1960—5—$218,053.

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—0
1960—1—$14,000.

[fol. 6104]

Philadelphia, Pennsylvania
(Commercial Refrigeration)
1959—6—$6,142.
1960—5—$6,268.

Philadelphia, Pennsylvania
(Machinery and Equipment)
1959—6—$1,501.
1960—6—$3,861.

Doylestown, Pennsylvania
(Heavy Commercial Vehicles)
1959—8—$65,903.
1960—3—$21,572.

Union, New Jersey
(Machinery and Equipment)
1959—3—$3,420.
1960—0

Kuhnsville, Pennsylvania
(Farm Equipment)

York, Pennsylvania
(Commercial Modernization)
1959—3—$15,174.
1960—0

Pennsauken, New Jersey
(Commercial Modernization)

[fol. 6105] GOVERNMENT'S EXHIBIT 137

EXHIBIT "E"

Classification of Regular Checking Accounts According to Size

1. Personal.
2. Business.

[fol. 6106]

Distribution of Regular Checking Accounts

Centralized Office—The Philadelphia National Bank—August 1959

Personal

Size of Account	No. of Accts.	% of Accts. in Ea. Category	Cumulative Per Cent	Total Deposits	% of Deposits in Ea. Cateogry	Cumulative Per Cent
$ 01- 299.00	2,994	19.23	19.23	333,200.00	.72	.72
300.00- 399.99	1,091	7.01	26.24	326,400.00	.70	1.42
400.00- 499.99	1,043	6.70	32.94	417,600.00	.90	3.32
500.00- 599.99	975	6.27	39.21	487,500.00	1.05	3.37
600.00- 699.99	870	5.59	44.80	521,900.00	1.13	4.50
700.00- 799.99	705	4.53	49.33	493,500.00	1.06	5.56
800.00- 899.99	587	3.77	53.10	477,600.00	1.03	6.59
900.00- 999.99	583	3.75	56.85	501,300.00	1.08	7.67
1,000.00- 1,999.99	2,654	17.06	73.91	3,806,100.00	8.20	15.87
2,000.00- 2,999.99	1,240	7.97	81.88	2,932,400.00	6.32	22.19
3,000.00- 3,999.99	666	4.28	86.16	2,278,000.00	4.91	27.10
4,000.00- 4,999.99	400	2.57	88.73	1,752,500.00	3.78	30.88
5,000.00- 9,999.00	921	5.92	94.65	6,397,800.00	13.79	44.67
10,000.00-24,999.99	553	3.55	98.20	8,272,200.00	17.83	62.50
25,000.00-50,000.00	177	1.14	99.34	6,171,600.00	13.30	75.80
Over 50,000.00	102	.66	100.00	11,225,500.00	24.20	100.00
Totals	15,561	100.00%	100.00%	46,395,100.00	100.00%	100.00%

[fol. 6107]

Distribution of Regular Checking Accounts

Centralized Office--The Philadelphia National Bank—August 1959

Business

Size of Account	No. of Accts.	% of Total Accts.	Accumulative Per Cent	Total Deposits	% of Total Deposits	Accumulative Per Cent
$ .01– 299.99	1,621	17.56	17.56	144,500.00	.03	.03
300.00– 399.99	338	3.66	21.22	101,100.00	.02	.05
400.00– 499.99	275	2.98	24.20	110,000.00	.03	.08
500.00– 599.99	258	2.80	27.00	129,000.00	.03	.11
600.00– 699.99	228	2.47	29.47	136,800.00	.03	.14
700.00– 799.99	203	2.20	31.67	142,100.00	.03	.17
800.00– 899.99	181	1.96	33.63	144,800.00	.03	.20
900.00– 999.99	177	1.92	35.55	159,300.00	.04	.24
1,000.00– 1,999.99	1,112	12.05	47.60	1,508,100.00	.36	.60
2,000.00– 2,999.99	625	6.77	54.37	1,501,200.00	.36	.96
3,000.00– 3,999.99	412	4.46	58.83	1,407,200.00	.34	1.30
4,000.00– 4,999.99	311	3.37	62.20	1,374,200.00	.33	1.63
5,000.00– 9,999.99	863	9.35	71.55	6,731,500.00	1.60	3.23
10,000.00–25,000.00	968	10.49	82.04	15,455,200.00	3.68	6.91
25,000.00–50,000.00	584	6.33	88.37	20,655,800.00	4.93	11.84
Over 50,000.00	1,074	11.63	100.00	370,129,800.00	88.16	100.00
Totals	9,230	100.00%	100.00%	419,830,600.00	100.00%	100.00%

[fol. 6108]

Distribution of Regular Checking Accounts

Bucks County Offices—The Philadelphia National Bank—September 1959

Personal Accounts

Size of Account —	No. of Accts. in Each Category	% of Accts. in Each Category	Cumulative	Total Dep. in Each Account Category	% of Dep. in Each Category	Cumulative
$ .01– 299.99	506	17.92%	17.92%	$ 87,383.00	1.55%	1.55%
300.00– 399.99	202	7.16	25.08	71,462.00	1.27	2.82
400.00– 499.99	157	5.56	30.64	71,563.00	1.27	4.09
500.00– 599.99	156	5.53	36.17	83,575.00	1.49	5.58
600.00– 699.99	156	5.53	41.70	100,063.00	1.78	7.36
700.00– 799.99	101	3.58	45.28	74,160.00	1.32	8.68
800.00– 899.99	112	3.97	49.25	97,731.00	1.74	10.42
900.00– 999.99	94	3.33	52.58	89,771.00	1.60	12.02
1,000.00– 1,999.99	619	21.93	74.51	850,494.00	15.13	27.15
2,000.00– 2,999.99	241	8.54	83.05	569,194.00	10.12	37.27
3,000.00– 3,999.99	128	4.53	87.58	432,059.00	7.69	44.96
4,000.00– 4,999.99	92	3.26	90.84	423,934.00	7.54	52.50
5,000.00– 9,999.99	170	6.02	96.86	1,136,851.00	20.22	72.72
10,000.00–25,000.00	78	2.76	99.62	1,088,517.00	19.36	92.08
25,000.00–50,000.00	8	.28	99.90	248,377.00	4.42	96.50
50,000.00 & Over	3	.10	100.00	196,655.00	3.50	100.00
Totals	2,823	100.00		$ 5,621,789.00	100.00	

[fol. 6109]

Distribution of Regular Checking Accounts

Bucks County Offices—The Philadelphia National Bank—September 1959

Business Accounts

Size of Account	No. of Accts. in Each Category	% of Accts. in Each Category	Cumulative	Total Dep. in Each Acct. Category	% of Dep. in Ea. Category	Cumulative
$ .01– 299.99	302	19.14%	19.14%	$ 40,092.00	.40%	.40%
300.00– 399.99	96	6.08	26.22	32,579.00	.32	.72
400.00– 499.99	77	4.88	31.10	33,777.00	.34	1.06
500.00– 599.99	69	4.37	35.47	36,706.00	.36	1.42
600.00– 699.99	55	3.49	38.96	35,724.00	.36	1.76
700.00– 799.99	44	2.79	41.75	32,127.00	.32	2.10
800.00– 899.99	43	2.72	44.47	35,846.00	.36	2.46
900.00– 999.99	42	2.66	47.13	39,089.00	.39	2.86
1,000.00– 1,999.99	259	16.41	63.54	378,795.00	3.75	6.60
2,000.00– 2,999.99	138	8.75	72.29	353,703.00	3.50	10.10
3,000.00– 3,999.99	85	5.39	77.68	299,287.00	2.96	13.06
4,000.00– 4,999.99	60	3.80	81.48	261,226.00	2.59	15.65
5,000.00– 9,999.99	146	9.25	89.73	1,023,481.00	10.13	25.08
10,000.00–25,000.00	106	6.72	96.45	1,717,907.00	17.01	42.00
25,000.00–50,000.00	25	1.59	98.04	904,120.00	8.95	51.74
50,000 & Over	31	1.96	100.00	4,874,768.00	48.26	100.00
Totals	1,578	100.00		$10,099,267.00	100.00	

[fol. 6110]

Distribution of Regular Checking Accounts

Chester Area Offices—The Philadelphia National Bank—February 1957

Size of Account	No. of Accts. in Each Cateogry	% of Accts. in Each Category	Cumulative	Total Dep. in Each Acct. Category	% of Dep. in Each Category	Cumulative
$ .01– 299.99	$1,375	29.75%	29.75%	$ 209,616.00	1.76	1.76%
300.00– 399.99	432	9.35	39.10	145,724.00	1.22	2.98
400.00– 499.99	329	7.12	46.22	191,586.00	1.61	4.59
500.00– 599.99	276	5.98	52.20	145,462.00	1.22	5.81
600.00– 699.99	197	4.27	56.47	123,728.00	1.04	6.85
700.00– 799.99	165	3.57	60.04	121,262.00	1.02	7.87
800.00– 899.99	139	3.01	63.05	116,318.00	.98	8.85
900.00– 999.99	118	2.56	65.61	110,852.00	.93	9.78
1,000.00– 1,999.99	648	14.01	79.62	876,236.00	7.37	17.15
2,000.00– 2,999.99	280	6.05	85.67	655,670.00	5.51	22.66
3,000.00– 3,999.99	154	3.33	89.00	510,148.00	4.29	26.95
4,000.00– 4,999.99	106	2.29	91.29	477,412.00	4.02	30.97
5,000.00– 5,999.99	70	1.51	92.80	383,046.00	3.23	34.20
6,000.00– 9,999.99	134	2.89	95.69	1,018,228.00	8.58	42.78
10,000.00–25,000.00	121	2.61	98.30	1,831,764.00	15.42	58.20
25,000.00–50,000.00	46	.99	99.29	1,560,848.00	13.14	71.34
Over 50,000.00	33	.71	100.00	3,405,842.00	28.66	100.00
Totals	4,623	100.00		$11,883,742.00	100.00	

[fol. 6111]

Regular Checking Accounts (Personal)

Hatboro Office—The Philadelphia National Bank

Size of Account	No of Accts. in Each Category	% of Accts. in Each Category	Cumulative	Total Dep. in Each Acct. Category	% of Dep. in Each Category	Cumulative
$ .01– 299.99	2,849	57.50	57.50	$ 336,305.00	12.30	12.30
300.00– 399.99	446	8.97	66.47	132,041.00	4.73	17.03
400.00– 499.99	318	6.42	72.89	134,734.00	4.92	21.95
500.00– 599.99	237	4.74	77.63	116,550.00	4.24	26.19
600.00– 699.99	171	3.45	81.08	104,220.00	3.79	29.98
700.00– 799.99	124	2.50	83.58	82,560.00	3.11	33.09
800.00– 899.99	114	2.27	85.85	87,290.00	3.18	36.27
900.00– 999.99	87	1.73	87.58	70,395.00	2.56	38.83
1,000.00– 1,999.99	378	7.62	95.20	497,530.00	18.05	56.88
2,000.00– 2,999.99	91	1.82	97.02	215,055.00	7.76	64.64
3,000.00– 3,999.99	46	.93	97.95	153,200.00	5.59	70.23
4,000.00– 4,999.99	35	.71	98.66	158,414.00	5.76	75.99
5,000.00– 9,999.99	52	1.04	99.70	336,760.00	12.48	88.47
10,000.00–25,000.00	11	.22	99.92	161,010.00	5.87	94.34
25,000.00–50,000.00	4	.08	100.00	155,290.00	15.66	100.00
Totals	4,963	100.00		2,741,354.00	100.00	

[fol. 6112]

Regular Checking Accounts (Business)

Hatboro Office—The Philadelphia National Bank

Size of Account	No. of Accts in Each Category	% of Accts. in Each Category	Cumulative	Total Dep. In Each Acct Category	% of Dep. in Each Category	Cumulative
$ .01– 299.99	114	15.96	15.96	16,409.00	.37	.37
300.00– 399.99	25	3.49	19.45	8,080.00	.15	.52
400.00– 499.99	26	3.63	23.08	11,989.00	.27	.79
500.00– 599.99	21	2.93	26.01	11,699.00	.26	1.05
600.00– 699.99	26	3.63	29.64	16,790.00	.38	1.43
700.00– 799.99	19	2.66	32.30	13,980.00	.32	1.75
800.00– 899.99	20	2.79	35.09	16,940.00	.39	2.14
900.00– 999.99	16	2.23	37.32	15,060.00	.34	2.48
1,000.00– 1,999.99	139	19.48	56.80	194,500.00	4.22	6.70
2,000.00– 2,999.99	71	9.82	66.62	169,020.00	3.64	10.34
3,000.00– 3,999.99	42	5.88	72.50	139,250.00	3.17	13.51
4,000.00– 4,999.99	27	3.78	76.28	120,806.00	3.47	16.98
5,000.00– 9,999.99	93	12.95	89.23	662,096.00	15.19	32.17
10,000.00–25,000.00	46	6.43	95.66	690,490.00	15.65	47.82
25,000.00–50,000.00	16	2.24	97.90	526,318.00	11.85	59.67
50,000.00	15	2.10	100.00	1,787,990.00	40.33	400.00
Totals	716	100.00		4,401,417.00	100.00	

[fol. 6113]

Distribution of Regular Checking Accounts

Lansdale Office—The Philadelphia National Bank—August 1959

Personal

Size of Account	No. of Accts. in Each Category	% of Accts. in Ea. Category	Cumulative	Total Dep. in Ea. Account Category	% of Dep. in Ea. Category	Cumulative
$ .01– 299.99	736	36.58		103,235.00	3.32	
300.00– 399.99	161	7.99	44.57	55,756.00	1.79	5.11
400.00– 499.99	104	5.16	49.73	45,996.00	1.48	6.59
500.00– 599.99	105	5.21	54.94	160,007.00	5.16	11.75
600.00– 699.99	72	3.57	58.51	45,915.00	1.48	13.23
700.00– 799.99	71	3.52	62.03	52,045.00	1.68	14.91
800.00– 899.99	68	3.37	65.40	57,683.00	1.86	16.77
900.00– 999.99	57	2.83	68.23	54,065.00	1.74	18.51
1,000.00– 1,999.99	305	15.14	83.37	423,742.00	13.67	32.18
2,000.00– 2,999.99	118	5.86	89.23	294,520.00	9.35	41.53
3,000.00– 3,999.99	55	2.73	91.96	193,790.00	6.24	47.77
4,000.00– 4,999.99	40	1.99	93.95	181,340.00	5.84	53.61
5,000.00– 9,999.99	72	3.57	97.52	501,513.00	16.16	69.77
10,000.00–25,000.00	41	2.04	99.56	606,144.00	19.56	89.33
25,000.00–50,000.00	7	.35	99.91	208,733.00	6.72	96.05
Over 50,000.00	2	.09	100.00	122,690.00	3.95	100.00
Totals	2,014	100.00		3,107,174.00		

[fol. 6114]

Distribution of Regular Checking Accounts

Lansdale Office—The Philadelphia National Bank—August 1959

Business

Size of Account	No. of Accts. in Each Category	% of Accts. in Each Category	Cumulative	Total Dep. in Ea. Account Category	% of Dep. in Ea. Category	Cumulative
$ .01– 299.99	228	23 48		24,428 00	25	
300.00– 399.99	46	4 71	28 19	16,070 00	17	42
400.00– 499.99	34	3 48	31 67	15,130 00	16	58
500.00– 599.99	27	2 75	34 42	14,425 00	15	73
600.00– 699.99	26	2 66	37 08	16,750 00	17	90
700.00– 799.99	20	2 04	39 12	15,035 00	15	1 05
800.00– 899.99	27	2 75	41 87	22,635 00	23	1 23
900.00– 999.99	22	2 25	44 12	21,085 00	22	1 45
1,000.00– 1,999.99	123	12 60	56 72	174,035 00	1 79	3 24
2,000.00– 2,999.99	82	8 38	65 10	203,970 00	2 10	5 34
3,000.00– 3,999.99	45	4 61	69 71	154,720 00	1 59	6 93
4,000.00– 4,999.99	50	5 12	74 83	221,490 00	2 28	9 21
5,000.00– 9,999.99	82	8 38	83 21	583,190 00	5 99	15 20
10,000.00–25,000.00	91	9 32	92 53	1,368,820 00	14 06	29 26
25,000.00–50,000.00	41	4 20	96 73	1,491,905 00	15 39	44 65
Over 50,000.00	32	3 27	100 00	5,385,840 00	55 35	100 00
Totals	976	100 00		9,729,528 00		

[fol. 6115]

Distribution of Regular Checking Accounts

(Personal Accounts)

Montgomery Office—The Philadelphia National Bank—August 1959

Size of Account	No. of Accounts in Each Category	% of Accts. in Each Category	Cumulative	Total Dep. in Each Acct. Category	% of Dep. in Each Category	Cumulative
$ 01- 299 99	194	22.89	22.89	26,816 00	1.43	1.43
300 00- 399 99	55	6.49	29.38	17,830 00	.94	2.37
400 00- 499 99	48	5.66	35.04	20,776 00	1.11	3.48
500 00- 599 99	53	6.25	41.29	26,700 00	1.42	4.90
600 00- 699 99	24	2.83	44.12	15,410 00	.82	5.72
700 00- 799 99	33	3.89	48.01	24,040 00	1.28	7.00
800 00- 899 99	19	2.24	50.25	16,095 00	.86	7.86
900 00- 999 99	27	3.18	53.43	25,565 00	1.36	9.22
1,000 00- 1,999 99	154	18.16	71.59	204,280 00	10.87	20.09
2,000 00- 2,999 99	57	6.72	78.31	132,140 00	7.03	27.12
3,000 00- 3,999 99	47	5.54	83.85	156,340 00	8.31	35.43
4,000 00- 4,999 99	30	3.54	87.39	133,769 00	7.12	42.55
5,000 00- 9,999 99	77	9.08	96.47	512,041 00	27.24	69.79
10,000 00-25,000 00	25	2.95	99.42	385,655 00	20.51	90.30
25,000 00-50,000 00	4	.47	99.89	124,795 00	6.64	96.94
Over 50,000 00	1	.11	100.00	57,740 00	3.06	100.00
Totals	848	100.00		1,879,992 00	100.00	

[fol. 6116]

Distribution of Regular Checking Accounts

(Business Accounts)

Montgomery Office—The Philadelphia National Bank—August 1959

Size of Account	No. of Accounts in Each Category	% of Accts. in Each Category	Cumulative	Total Dep. in Each Acct. Category	% of Dep. in Each Category	Cumulative
$ [illegible]- 299.99	64	16.40	16.40	9,486.00	.18	.18
[illegible]- 399.99	11	2.82	19.22	2,840.00	.07	.25
400.00- 499.99	11	2.82	22.04	4,809.00	.09	.34
500.00- 599.99	13	3.33	25.37	7,046.00	.14	.48
600.00- 699.99	13	3.33	28.70	8,510.00	.17	.65
700.00- 799.99	4	1.03	29.73	3,035.00	.07	.72
800.00- 899.99	13	3.33	33.06	11,020.00	.22	.94
900.00- 999.99	11	2.82	35.88	10,460.00	.20	1.14
1,000.00- 1,999.99	15	16.68	52.56	89,766.00	1.74	2.88
2,000.00- 2,999.99	29	7.44	60.00	72,532.00	1.41	4.29
3,000.00- 3,999.99	12	3.08	63.08	42,010.00	.82	5.11
4,000.00- 4,999.99	19	4.87	67.95	86,145.00	1.67	6.78
5,000.00- 9,999.99	46	12.05	80.00	309,405.00	6.00	12.78
10,000.00-25,000.00	33	8.46	88.46	513,665.00	9.97	22.75
25,000.00-50,000.00	22	5.64	94.10	776,565.00	15.08	37.83
Over 50,000.00	23	5.90	100.00	3,201,840.00	62.17	100.00
Totals	390	100.00		5,150,134.00	100.00	

2777

[fol. 6117] GOVERNMENT'S EXHIBIT 137-A

July 28, 1960.

To: Mr. Frederic A. Potts, President
Report of the Service Charges Committee

A. Purpose of the Committee

This task-force Committee was directed to:

1. Make a critical analysis of our present policies, procedures and rates in regard to the analysis of regular checking accounts and the service charges applied to such accounts as well as to Special checking accounts.

2. Recommend to the Administrative Committee any changes they feel will improve the merchandising of our services as well as our being adequately compensated for services rendered.

B. Objectives

The Committee recommends the following objectives:

1. To establish charges which would encourage retail customers with low balances to establish Special checking accounts rather than regular accounts. It is the opinion of the Committee that the large number of checking accounts with very small balances adversely affects the quality of service available to the checking account customers who desire and are entitled to complete and accurate service.

2. To be adequately compensated for services. In this connection, it is recommended that our overall objective be to recover our costs plus a 25% profit.

3. To be competitive.

4. To be fair and equitable in applying charges.

C. Background Information (Exhibits are attached to original of this Report)

The following information was used in preparing the Committee's recommendations:

1. Costs for major items subject to analysis in regular checking accounts and the cost of the Special Checking Department were prepared by the Control Division.

2. Schedule of service charges for each office.

[fol. 6118] 3. Policies and procedures now used at each office in the handling of accounts and service charges.

4. A statistical report of personal and business regular checking accounts which contained a classification of accounts according to size, the number of accounts and total deposit volume in each classification. A separate report showed the number of accounts in each classification that are exempt from service charges.

5. Survey showing details of personal and business accounts exempt from service charges.

6. Survey of deposited items broken down as to personal, business, and correspondent bank accounts.

7. A comparison of proof time in processing large volume deposits (bank accounts) as against the time to process small volume deposits.

8. Survey showing the competition in branch areas.

9. Service charges of selected items and earnings credit of other banks in major cities.

D. Recommendations—Service Charges

1. Regular Checking Accounts—It is recommended that the proposed charges shown on the attached schedule be adopted for regular checking accounts. Comments on major items or those involving a policy change are noted below.

(a) Checks deposited and deposit tickets—Historically the profit margin on deposited items has

been high to offset losses on other items which cannot be recovered through service charges due to competitive conditions. This is especially true of deposit tickets.

The Committee took into consideration, however, the difference in the operating procedures for the large volume of deposited items recieved from a small number of correspondent bank accounts and the small volume from a large number of personal and business accounts. For this reason and in view of competition in the correspondent bank field, we recommend there be no change in the deposited item charge for correspondent bank accounts. However, due to the small number and the high cost of processing bank deposit tickets, we do recommend that the charge for each correspondent bank deposit be increased from $.10 to $.35 each. Our surveys indicate that such a charge would be competitive.

[fol. 6119] On personal and business acounts, we propose a $.04 rate on the first 2,000 items deposited per month and $.02 for items in excess of 2,000, in order to:

(1) realize our over-all profit objective;

(2) recover our loss on personal and business deposit tickets where competitive conditions preclude a further increase in this item, and

(3) help distinguish between personal regular checking accounts and Special checking accounts.

(b) Checks drawn—Heretofore there has been no established volume level used to determine the so-called large volume accounts to receive a preferential rate. Our surveys indicated a volume of 1,000 checks per month to be equitable.

On the attached schedule volume figures have been adjusted to reflect this change and rates of $.05 for large volume accounts and $.07 for other accounts are proposed regardless of the ledger location of the accounts.

(c) Maintenance Charge on Business and Personal Accounts—Increased from $.75 per month to $1.25 per month. This is in line with our objective to make a distinction between regular personal accounts and Special checking accounts. At the present time a regular personal account customer with a balance up to approximately $600 receives better service at less cost than a Special checking account customer. The increase in maintenance cost on business accounts is believed to be justified by their extensive use of our lobby and analysis facilities, the two major items comprising maintenance cost.

(d) Maintenance Charge on Accounts of Correspondent Banks—Increased from $3.00 per month to $5.00 per month in an effort to be realistic and to recover as much of our cost as possible.

(e) N S F and Post-dated "on us" Checks—Increased from a $2.00 analysis charge to a $4.00 direct charge when checks are returned. If an overdraft is permitted, the charge will be made on the analysis. The direct charges are considered as penalty measures and are in line with competition. They are not directly related to cost

2. Special Checking Accounts—It is recommended that the monthly maintenance charge for this type of account be increased from $.25 to $.50, the charge for "on us" items returned from $2.00 to $4.00 and the stop payment charge from $.50 to $1.00. As will be seen in the attached schedule, these charges would increase the estimated earnings on Special [fol. 6120] checking accounts in the centralized of-

fices, after indirect earnings on balances but before taxes, to $120,448 from $13,113.

The Committee considered an alternative schedule of charges for Special checking account activity, which would eliminate the maintenance charge. A charge of $.12 would be made for each item—checks drawn and deposit tickets. The attached schedule shows that this method would produce $32,851 less income than would be realized by increasing the maintenance charge. The elimination of the maintenance charge would also be more in line with the objective of differentiating between regular and Special checking accounts.

It is the opinion of several members of the Committee that the elimination of a maintenance charge would represent a definite merchandising advantage. It was also felt by the Committee that the elimination of a maintenance charge, thus putting these accounts on a strictly "pay as you go" basis, would tend to reduce the number of accounts closed because of low activity or temporary inactivity, a costly procedure. It is recommended that a monthly charge of $.50 be made on accounts which have been inactive for a period of six months. These customers should be notified by letter before such a charge is made.

An increase in charges for Special checking account service is required to meet the earnings objective. The charges recommended above also meet the objective of providing a differential in the net cost to the customer of the two types of accounts, which should encourage those with small balances to use the Special checking account service.

E. Additional Recommendations

It is further recommended that:

1. A new earnings credit be established based on the recent study by the Control Division and based on a study of the impact of the combined effect of the new rate and new charges on specific customers.

The adoption of a new earnings credit should coincide with changes in the service charges.

2. Standard service charges be adopted at all offices as soon as possible. Temporary delays should be granted to specific offices by the Retail Division only if, in their opinion, present local competitive conditions do not permit immediate standardization.

3. The Control Division continue its cost study of minor items not covered in this report and recommend revision in charges where proper to G. E. Cooper, Senior Vice President.

[fol. 6121] 4. Each department review method and control of procedures used to notify Analysis Department of charges for services rendered to a customer. It would be desirable to establish analysis charges for as many of the special services rendered customers as possible. The analysis of the earnings credit by the Control Division indicates an analysis profit of $7,680,000 not consumed by activity charges. This is our "at risk position" subject to customer requests for additional services or reduction of excess balances.

5. Responsibility for periodic review of service charges be vested in the Senior Vice President of Operations. He should make changes as he deems advisable, with the approval of the Head of the Commercial and Retail Divisions. When such an agreement cannot be obtained, the proposed change(s) should be referred to the Administrative Committee for decision.

F. Alternatives to be Considered

It will be seen from the attached schedule that application of the proposed charges would result in a mark-up of 32.7% as compared with the suggested objective of 25%. The proposed charges could be reduced a total of $250,000 to bring the mark-up to 25%. If it were

desired to reduce the mark-up, the following alternatives are suggested:

	Reduction
1. Reduction of the proposed charge for the first 2,000 checks deposited in business and personal accounts from $.04 to $.03	$142,000
A recent Republic National Bank survey of charges made by 35 major banks shows that only 11 charge as much as $.03, the highest charge reported. The relatively large mark-up, however, can perhaps be justified by the fact that the cost figures are arrived at by averaging *all* deposited items, including those, of correspondent banks with very large letters, which are considerably less expensive to handle than those in the business and personal accounts, which for the most part have far fewer items.	
2. Elimination of the charge for deposit tickets to business and personal accounts.	111,000
Apparently many of our customers feel that it is unreasonable to make a charge for deposit tickets, feeling that they are prepared for the convenience of the bank and that a charge is already being made for the checks being deposited.	
[fol. 6122] 3. Reduction of the proposed maintenance charge on business and personal accounts from $1.25 to $1.00	$76,257
and on correspondent bank accounts from $5.00 to $3.00	19,128
	95,385

A possible basis for making the reduction in business and personal accounts is the fact that the proposed change represents an increase from $.75 and would be somewhat higher than other Philadelphia banks. However, a reduction in this figure would reduce the desired differential between the cost of low balance regular checking accounts and Special Checking accounts.

Respectfully submitted, Service Charges Committee, William R. Byrd, Jr.; Frank R. Dyer, Jr.; Ellis B. Ridgway, Jr.; Shaler Stidham, John C. Tiedeman, Harold W. Wallgren, Morris R. Brownell, Jr.

[fol. 6123]

Major Items Subject to Analysis—Regular Checking Accounts Costs, Current Charges, Proposed Charges

(Based on Central Office Costs and Volume)

	Est. Annual Volume	Costs		Current Charges			Proposed Charges			
		Per Item	Amount	Per Item	Amount	Over Cost	Per Item	Amount	Over Cost	Profit Margin %
Checks Deposited										
Business & Personal Accts.										
First 2000	14,229,093	$ .011457	$ 163,023	$ .03	$ 426,873	$ 263,840	$ .04	$ 569,164	$ 406,141	249.1
Over 2000	17,497,956	.011457	200,474	.015	262,469	61,995	.02	349,959	149,485	74.6
Bank Accounts										
First 2000	9,793,332	.011457	112,202	.03	293,800	181,598	.03	293,800	181,598	161.8
Over 2000	55,593,708	.011457	636,908	.015	833,906	196,998	.015	833,906	196,998	30.9
Non-Par	469,161	.070275	32,970	.03	14,075	−18,895	.10	46,916	13,946	42.3
Checks Drawn										
1–7 Ledgers—lrg. vol.	2,165,464(a)	.078972	171,011	.03	84,374	−86,637	.05	108,273	−62,738	Loss
1–7 Ledgers—all other	6,763,682(a)	.078972	534,142	.06	367,000	−167,142	.07	473,458	−60,684	Loss
8th Ledger—lrg. vol.	2,580,919	.036008	92,934	.03	77,428	−15,506	.05	129,046	36,112	38.9
8th Ledger—all other	197,000	.036008	7,094	.03	5,910	−1,184	.07	13,790	6,696	94.4
Bank Ledger	461,121	.052234	24,086	.06	27,667	3,581	.07	32,278	8,192	34.0
Acct. Reconcilement	3,087,148	.035852	110,681	.05	154,357	43,676	.05	154,357	43,676	39.5
Non-Ledger Items	3,854,75[illegible]	.023233	89,519	.015	57,821	−31,698	.03	115,642	26,123	29.3
Checks Returned	521,151	.188713	98,348	.10	52,115	−46,233	.25	130,288	31,940	32.5
Returns Clearing House Bks.	86,859	.117394	10,197	N.C.	N.C.	−10,197	N.C.	N.C.	−10,197	Loss
Collections										
Regular	136,541	1.229400	167,864	1.00	136,541	−31,323	1.50	204,812	36,948	22.0
Letters of Credit	835	2.567000	2,144	1.50	1,253	−891	2.50	2,088	−56	Loss
Security Drafts	16,727	2.987000	49,957	2.00	33,454	−16,503	3.00	50,181	224	.4
Coupons (shells)	330,562	.176136	58,224	.15	49,584	−8,640	.25	82,640	24,416	44.9
Deposit Tickets										
Business & Personal Accts.	1,109,275	.202376	224,491	.10	110,927	−113,564	.10	110,927	−113,564	Loss
Bank Accounts	302,796	.354727	107,410	.10	30,280	−77,130	.35	105,979	−1,431	Loss
Non-Sufficient Funds	7,820	.850298	6,648	2.00	15,640	8,992	4.00 D	31,280	24,632	370.5
Overdrafts	7,474	1.238000	9,254	1.00	7,474	−1,780	3.00	22,420	13,166	142.3
Post Dated Checks	808	1.275712	1,031	2.00	1,616	585	4.00 D	3,232	2,201	213.5
Stale Dated Checks	442	1.275712	564	N.C.	N.C.	−564	N.C.	N.C.	564	Loss
Stop Payments	10,270	2.201941	22,614	.50	5,135	−17,479	1.00	10,270	−12,344	Loss
Maintenance										
Business & Personal Accts.	25,419	10.118669	257,206	9.00(b)	228,774	−28,435	15.00(b)	381,285	124,079	48.2
Bank Accounts	797	65.307403	52,050	36.00(c)	28,692	−23,358	60.00(c)	47,820	−4,230	Loss
Total			$3,243,046		$3,307,162	$ 64,116		$1,303,811	$1,060,765	32.7%

(a) 647,000 checks, representing accounts with volume under 1000 per month, have been shifted from "large volume" to "all other", because they will be charged for at the higher rate under the proposed charges.

(b) Equivalent to $ .75 and $1.25 per month.

(c) Equivalent to $3.00 and $5.00 per month.

Control Division—8/1/60.

[fol. 6124] **PNB Centralized Special Checking Accounts—Estimated Annual Earnings and Expenses**

	Volume	Present Charges	Present Amount	Proposed Charges	Proposed Amount	Alternate Charges	Alternate Amount
Direct Earnings (a)							
Checks	2,242,737	$ 10/item	$224,274	$ 10/item	$224,274	$ 12/item	$209,128
Maintenance—(Av.No. of Accts.)	26,424	25/month	79,272	50/item	158,544	N.C.	0
Uncollected & NSF	13,740	2 00/item	27,480	4 00/item	54,960	4 00/item	54,960
Stop Payments	1,166	50/item	583	1 00/item	1,166	1 00/item	1,166
Deposits	673,659	N.C.	0	N.C.	0	12/item	80,839
Total Direct Earnings			$331,609		$438,944		$406,093
Indirect Earnings on Balances			136,335		136,335		136,335
Total Earnings			$467,944		$575,279		$542,428
Expenses (b)							
Departmental Direct			$156,970		$156,970		$156,970
Allocations from Other Departments			15,042		15,042		15,042
Operations Administrations (5.23%)			8,996		8,996		8,996
General Overhead (8.447%)			15,290		15,290		15,290
Total Departmental Expenses			$196,298		$196,298		$196,298
Check Handling Costs—Tellers, Proof, Transit, etc.			155,584		155,584		155,584
Maintenance Costs			77,742		77,742		77,742
Cost of Checks (c)			22,620		22,620		22,620
Cost of Deposit Tickets			2,587		2,587		2,587
Total Expenses			$454,831		$454,831		$454,831
Net Earnings Before Tax			$ 13,113		$120,448		$ 87,597

Notes:

(a) Earnings and Volume are based on 1959 figures.

(b) Expenses are current annual expenses, partly estimated.

(c) The $22,620 included in expenses is only for checks actually drawn. Although it is impossible to determine accurately, there are indications that we have been experiencing a wastage factor of about 29%, which is in line with the bank average as estimated by check manufacturers. Based on current volume and the cost of the new checks, wastage could amount to approximately $6,400 a year. However, since the new checks will be issued in books of 100 instead of books of 25 as heretofore, it is conceivable that wastage could increase to as much as $25,000 a year.

Control Division—8/1/60

6126

[fol. 6125] GOVERNMENT'S EXHIBIT 138

Ellis B. Ridgway, Jr.
Stephen G. Gardner
C. Donald Riddle
Robert C. Allen

Branch Administration

12/2/60

Merger Memorandum

Re: Priority of Branch Sites

We have met on several occasions and have discussed what should be considered as a de novo branch priority program should the merger be approved. The following locations are listed in the order of importance.

1. King of Prussia

In our opinion, this is the prime bank site in the four-county area due to the national industrial names already located here or that who have announced plans to locate here. Two previous applications submitted by The Philadelphia National Bank were declined without prejudice to their refiling at a later date.

PNB is on record in writing with all interested parties of the Acme tract, i.e., American Stores Company (owner) and National Planning and Research Board (designer).

A recent trade publication announcement indicates that Korvette, Inc. will locate a department store on a 79-acre tract adjacent to the Acme ground if they are successful in their rezoning efforts. This development may possibly bring in a Philadelphia competitor bank application since neither PNB nor Girard have a deposit relationship with Korvette. Apparently Morris Krevitz, Inc. will develop this shopping center.

We will stay as close to this situation as possible and continue our contacts with the Acme and Morris Kravitz. In the meantime, we will add to the PNB application the deposits Girard has in the area.

2. Warminster

Girard, prior to the merger announcement, had under study a proposed branch in the Rosemore Shopping Center on County Line Road northeast of Hatboro. The owners of this center have held two end stores available for Girard which could be occupied rather inexpensively and quickly if internal and regulatory approval could be obtained.

This site could become a satellite to the Hatboro office, acting as a temporary protection in this fast growing community and would give us a "hold" in the area and enable us to observe future commercial growth and determine the ultimate location.

We intend to make a field trip in the near future and try to arrive at a joint recommendation on the Warminster area.

[fol. 6126] 3. Morrell Tract

PNB has filed a letter of intent and formal application for a site on the east side of Frankford Avenue in the vicinity of Knights Road. The supporting information has been withheld as a result of a policy decision concerning PNB's relationship with the Frankford Trust Company which had filed for a branch prior to PNB's application.

This could be an important site in rounding out our Greater Northeast coverage should the Frankford Trust Company withdraw. This is a risk site because Fidelity-Philadelphia has notified the State of their intention to close their Andalusia office and relocate in the Morrell Tract Shopping Center.

4. Eastwick

Even though the redevelopment of this area has not yet been through the developers' planning stage, the Girard has established contacts with the prime developer (Reynolds Metals Company) through the bank's counsel, Barnes, Dechert, and with the secondary partner, Berger Brothers, through one of Girard's loan officers. The Girard had hoped to use this opportunity to develop a deposit relationship with Reynolds Metals as well as to tie down the branch site. Our last contact with Barnes, Dechert indicated that they had obtained space in Three Penn Center for the

Reynolds Company's advance planning division. With PNB's branch in this building, we certainly should be able to develop a strong contact as well as deposit business. We will follow up on this through Barnes, Dechert.

PNB had been requested to consider a branch site in the new Scott Paper administration building but declined to do so.

5. Randall Morgan Tract

Both banks have been following this proposed development at Stenton and Willow Grove Avenues in Chestnut Hill for the past few years. The latest proposal is for development of a scientific research area. PNB had gone on record with the Summit Construction Company of New York City as to a possible interest in a branch site. Girard is on record with William J. McCarter & Co., a local agent, but has never pressed its case due to its relatively poor relationship with Food Fair Properties, Inc. who had an interest in the shopping center end of the tract.

6. Roxborough

Mr. Richard I. Rubin has approached both banks with a shopping center now underway at Domino Lane and Ridge Pike, midway between offices of The First Pennsylvania Company and Liberty Real Estate. Neither of us have a very strong interest in the site, but due to the late stage of construction, we have agreed to take another look in view of our general lack of coverage in the Roxborough-Manayunk area.

This brief memo is an attempt to establish a schedule of priorities and is not a substitute for a detailed analysis of the four-county area which will certainly be on our agenda.

C. Donald Riddle, Robert C. Allen

/emc

[fol. 6127] GOVERNMENT'S EXHIBIT 141

January 17, 1961.

To: Messrs. V. E. Furey, E. L. Worstall

Re: Equipment Loans—Progress Report #1

This is the first progress report on the subject. We have had two meetings, one on 12/16/60 and the other on 1/12/61.

At the first meeting, GTCX supplied PNB with (1) a list of all our dealers, and (2) a list of our rental accounts and business loans. On this second list we showed the outstandings and rates. Outstandings of this group totaled about $11,436,000. Approximately $9,761,000 was on a simple interest basis, running from a low of 4% to a high of 7%. About $1,675,000 was on a dollar per hundred rate, from $3.50/$100 to $5.00/$100.

We offered to transfer to Walter Johnson's division all the simple interest outstandings and to keep in our division 9 rental companies where the rate is on a discount basis.

At the second meeting we had outstandings of all dealer accounts and direct loans, with rates, as of 12/31/60. These were exchanged, with the understanding that each division would now review the other's. At the next meeting we will attempt to determine where dealers and/or plans should be assigned.

One problem that confronts us is that of rate. Generally GTCX rates are higher than PNB. What will complicate our discussions is which way do we go—up or down. As an example, GTCX does business with * * * a Caterpillar dealer in the Phila. area, while PNB does business with * * *, a Caterpillar dealer in the Harrisburg area. Both dealers overlap in selling, even though they shouldn't. GTCX rates are $5.00/$100 to $10,000, $4.50/$100-$10,001 to $20,000 and $4.00/$100 over $20,000. PNB rates are usually not higher than 6% simple. * * * carries nice balances with GTCX. We understand that * * * carries balances with PNB. Both dealers have good financial statements. PNB has full recourse to dealer, GTCX has 50% of its outs' ndings on full recourse, with an understanding that other paper, if it becomes delinquent, will be picked up. They have always assured GTCX that the bank will suffer no loss. Since 1946 no loss has been suffered.

How do we resolve this situation? If PNB rates prevail, the merged bank will have to drop the rate to * * * with a corresponding drop in bank income.

Similar situations will arise in other lending categories, where rates vary. Guidance from your level would help in arriving at a decision for a new plan.

H. W. Ritter, Vice President. H. T. Enssler, Assistant Vice President.

HTE:avo

[fol. 6128] GOVERNMENT'S EXHIBIT 142

(page one only)

January 11, 1961.

To: Mr. E. L. Worstall
Senior Vice President

From: Bill Whiteford

Subject: Summary of Merger Meetings—Retail Division

At your request, I have attempted in the following paragraphs to summarizes, as briefly as possible, the principal areas discussed and the conclusions reached at meetings held on December 1, 9, 20, 1960, and January 4, 1961. Since I was not present at the December 1 meeting, the minutes prepared by Mr. Gardner have been used in this summarization.

Attendance at meetings, except as noted above, has been as follows:

E. L. Worstall, Senior Vice President—Philadelphia National

S. S. Gardner, Vice President—Girard Trust Corn Exchange

E. B. Ridgway, Jr., Vice President—Philadelphia National

W. J. Whiteford, Assistant Cashier—Philadelphia National (Secretary)

1. Exchange of Information

Cooperation in this area has been excellent. All information of significance relating to the branch systems in both banks has freely been made available. A task force consisting of Messrs. Allen of Girard and Riddle of PNB has been established to exchange information on branch sites presently under consideration as well as sites included in long range plans. This task force has recommended the following priorities for new branches:

1. King of Prussia—PNB
2. Rosemore Shopping Center (Warminster)—Girard will take 90-day option
3. Pottstown Area—PNB
4. Morrell Center (9800 Frankford Avenue)—PNB
5. Eastwick—Girard
6. Morgan Tract (Stenton Avenue, Chestnut Hill)—PNB

A task force consisting of Messrs. Allen and Maletz of Girard, and Messrs. Cotter and Riddle of PNB has been established to compare the types of information available to Branch Administration in both banks. This includes methods used and bases for various reports such as profit and loss, deposit allocations, activity reports, new business measurment, budgeting, expense controls, etc. It is expected that the report of this task force will be the basis for determining merger priorities and will be helpful in locating conflicts in systems and operating problems.

A task force consisting of Messrs. Allen and Riddle, together with members of the Public Relations Departments of each bank has been established and is well along in the development of a branch office handbook describing location, facilities and staff for each office.

Messrs. Gardner and Ridgway have exchanged information on branch manager job descriptions as well as major transfers and promotions of personnel.

[fol. 6129] GOVERNMENT'S EXHIBIT 144

January 16, 1961.

Bank	Numbers Assigned Actually Assigned	Total No. Accounts
Girard	136,200	136,200
P.N.B.	75,000	100,000

Philadelphia National has not notified its 17,000 commercial account of their number, as well as 8,000 personal accounts located in Bristol and Hatboro.

In addition to the actual assignment of the numbers, another important consideration is how many of the checks processed are printed in Magnetic Ink and how many customers are involved.

Bank	Type	No. Accounts	Accts. Assigned Numbers	Customers Using MICR	% of Checks in MICR
Girard	Personal	57,200	57,200	43,997	77%
P.N.B.	Personal	33,300	25,300	17,700	70%
Girard	Commercial	15,300	15,300	10,826	71%
P.N.B.	Commercial	17,000	800	?	5%

	Check Volume in MICR	Total Check Volume
Girard—Personal	23,800	35,500
P.N.B.—Personal	13,000	19,500
Girard—Commercial	29,500	44,300
P.N.B.—Commercial	5,500	55,000

* Actually 76-78% of checks in MICR. Additional 5-7% in MICR, but not in use yet. Old supplies being used up first.

[fol. 6130] GOVERNMENT'S EXHIBIT 146

Answer of the Philadelphia National Bank to Questions 4 and 5 of Questions Propounded by Plaintiff

In answer to Questions 4 and 5, it should be pointed out that persons desiring a loan or line of credit in excess of the lending limit of The Philadelphia National Bank are generally aware of the amount of such lending limit and therefore do not make such a request. However, the following instances have occurred with respect to customers of The Philadelphia National Bank.

1. * * * Jenkintown, Pa. On August 21, 1957, this customer requested a revolving credit for $7,500,000. In view of the outstanding commitments of The Philadelphia National Bank to this customer, the participation of the bank was limited to $2,000,000. Participations were also given to Bank of America $1,500,000, Girard Trust Corn Exchange Bank $1,400,000, Provident Tradesmens Bank $1,400,000, Fidelity-Philadelphia Trust Company $1,200,000. This transaction is recorded in credit memoranda of April 16, 1957, August 2, 1957, August 13, 1957 and August 16, 1957.

On October 27, 1958 this customer requested a $1,000,000 loan which The Philadelphia National Bank was unable to grant in full because of other outstanding commitments. A note for $600,000 was substituted. The additional arrangements for the remainder of the loan are not known.

The average yearly balances of this customer for each of the five years preceding such events and the average [fol. 6131] balances thereafter are as follows:

1952—243.6	1957—889.0
1953—126.1	1958—588.0
1954— 60.6	1959—313.1
1955— 85.2	1960—351.0
1956—765.9	

(Figures expressed in thousands of dollars)

2. * * * Merchantville, N.J. In 1957 the lines of credit of this company had reached the point where it was necessary to participate $600,000 to the Capital Bank and Trust Company, Harrisburg, Pennsylvania ($100,000) and the Bank of New York ($500,000). The arrangements were confirmed by letters of the two banks dated November 8, 1957 and February 26, 1958 respectively.

In July 1960 this customer needed financing of approximately $2,000,000 and it was finally arranged for the Manufacturers National Bank of Detroit to give a commitment of $2,500,000 for this purpose.

3. * * * Philadelphia 34, Pa. In December 1960, this customer requested an increase in its regulation V loan commitment, which The Philadelphia National Bank granted. However, this increase brought the total lines to

the customer above the legal limit of the bank and a reduction of $500,000 had to be made in the bank's commitment to . . . . The additional arrangements for this amount are not known. This transaction is recorded in a letter dated December 2, 1960 and in the minutes of the Executive Committee meeting of the same date.

[fol. 6132] GOVERNMENT'S EXHIBIT 147

Civil Action No. 29287

THE UNITED STATES OF AMERICA,

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK

Questions Propounded by Plaintiff for Answer by Defendants

1. State the name and address of each correspondent bank of (a) Philadelphia National Bank or (b) Girard Trust Company and the amount each such correspondent bank had on deposit with both banks as of November 15, 1960.

2. (a) For each year during the period January 1, 1956 to December 31, 1960, and with respect to every loan of $10,000 to $100,000 made by Philadelphia National Bank or Girard Trust Company, state the name and address of each borrower, type of loan, amount of loan, the branch or home office from which each loan originated, and, in addition, state the number and dollar volume of each type of loan originating in (1) Philadelphia County, (2) the four county area (Philadelphia, Bucks, Delaware, and Montgomery), and (3) any other area, designating such area.

(b) Provide the same information as above for every loan of $100,001 to $500,000.

(c) Provide the same information as above for every loan of $500,001 to $1,000,000.

(d) Provide the same information as above for every loan of $1,000,001 or more.

3. During the period January 1, 1956 to December 31, 1960, and with respect to every line of credit granted by (a) Philadelphia National Bank or (b) Girard Trust Company, state the name of each such customer, address, business and line of credit extended, designating the branch or home office from which each such line of credit was granted. [fol. 6133] 4. If either Philadelphia National Bank or Girard Trust Company have been unable to make a loan or extend a line of credit to any of the then customers of the banks during the period January 1, 1956 to December 31, 1960, because such request exceeded the respective lending limit:

(a) State the name of each such customer, his or its address, type of loan, size of loan or line of credit requested and date of such request.

(b) State what each such customer did to meet his or its need, specifying the name of the bank or banks or other financial institutions that were able to extend the financial service required.

(c) State whether each such customer reduced his or its deposits with either bank as a result of being unable to get the loan or the line of credit requested and if so, state the name of such customer, the average deposit account carried with the bank concerned for each of the five years (or aliquot part thereof) immediately preceding such event and the average annual (or aliquot part thereof) deposit account subsequent thereto.

(d) Identify all minutes, correspondence, memoranda or other records that relate to each such customer whose credit needs could not be satisfied.

(e) Did either bank participate with any other bank that did make the loan requested and, if so, state the name of the customer, his or its address, type of loan, amount of loan, originating bank, participating banks, and amount of loan participated in by each bank concerned.

5. If either Philadelphia National Bank or Girard Trust Company have been unable to make a loan or extend a line [fol. 6134] of credit to any party not then a customer of the bank during the period January 1, 1956 to December

31, 1960, because such request exceeded the lending limit of the bank concerned:

(a) State the name of such party, his or its address, type of loan, size of loan or line of credit requested, and date of such request.

(b) State what that party did to meet his or its need, specifying the name of the bank or banks or other financial institutions that were able to extend the financial help requested.

(c) Identify all minutes, correspondence, memoranda or other records that relate to each such customer whose credit needs could not be satisfied.

(d) Did either bank participate with any other banks that did make the loan requested and, if so, state the name of the party, his or its address, type of loan, amount of loan, originating bank, participating banks and amount of loan participated in by each bank concerned.

6. Identify, by name and address, each borrower of (a) Philadelphia National Bank or (b) Girard Trust Company which, to the knowledge of either bank, has obtained a commercial and industrial loan from a commercial bank or banks in any city other than Philadelphia within the past five years, together with the amount of the loans then outstanding and the line of credit then in existence to such borrower from either defendant. Identify the bank or banks from which any such loan or line of credit was obtained.

7. With respect to page 103 of the merger application and during the period January 1, 1956 to December 31, 1960, state every instance in which Philadelphia National Bank or Girard Trust Company sold to any other bank or placed participations in any commercial loan, although [fol. 6135] participants were also depositors of the borrowers, identifying the name of the borrower, amount of loan, name of participating banks, and amount of such participations.

(a) Did the sale of such participations cause the borrower to reduce his deposit account or change his borrowing pattern to the detriment of either bank?

(1) If such change did occur, state the name of the borrower, address, average deposit account, if any, for each of the five years preceding the event, and average annual deposit account for each year thereafter, or such aliquot part thereof.

(2) If such change did occur, state the name of the borrower, address, and total borrowings or line of credit extended, if any, for each of the five years preceding the event and average annual borrowings or line of credit extended for each year or aliquot part thereafter.

(3) Identity all minutes, correspondence, memoranda or other records that relate to each such event.

8. During the period January 1, 1956 to December 31, 1960, state the number of loan participations in which either bank engaged, indicate the name of the borrower, address, type of business, type of loan, originating bank, participating banks, amount of each participation, and whether the borrower was a customer of either bank at the time.

(a) Identify all minutes, correspondence, memoranda or other records that relate to each transaction.

9. Identify each of the 26 manufacturing enterprises with "headquarters nearer to Philadelphia than to any other major banking center," as these terms are used on page 9 [fol. 6136] of the merger application, together with the amount and type of deposit each had on deposit with (a) Philadelphia National Bank or (b) Girard Trust Company, as of December 31, 1959 and December 31, 1960.

10. State, if known by defendant, the amount of deposits maintained by each enterprise identified in ¶ 9 above, as of December 31, 1959 and December 31, 1960, in (a) other Philadelphia Commercial banks, (b) other commercial banks in the State of Pennsylvania and (c) any other commercial bank.

11. (a) For each year during the period January 1, 1956 to December 31, 1960, or such aliquot part thereof, state the name, address, business, and average annual demand deposit account of $2,500 to $25,000 for each individual, partnership, and corporation in Philadelphia National Bank or Girard Trust Company, identifying the branch or home

office in which the demand deposit account originated or is maintained, and, in addition, summarize such information by stating the number and dollar amount of such demand deposit accounts originating in (1) Philadelphia county, (2) the four county area (Philadelphia, Bucks, Delaware, and Montgomery), and (3) any other area, identifying such area.

(b) Provide the same information as above for every demand deposit account of $25,001 to $50,000.

(c) Provide the same information as above for every demand deposit account of $50,001 to $100,000.

(d) Provide the same information as above for every demand deposit account of $100,001 to $500,000.

(e) Provide the same information as above for every demand deposit account of $500,001 to $1,000,000.

(f) Provide the same information as above for every demand deposit account of $1,000,001 or more.

12. During the period January 1, 1956 to December 31, 1960, or such aliquot part thereof, state the name and ad- [fol. 6137] dress and average demand deposit account of every bank that maintained a deposit account in (a) Philadelphia National Bank or (b) Girard Trust Company.

13. (a) For each year during the period January 1, 1956, to December 31, 1960, or such aliquot part thereof, state the name, address, business, and average annual time deposit account of $2,500 to $25,000 for each individual, partnership, and corporation in Philadelphia National Bank or Girard Trust Company, identifying the branch or home office in which the time deposit account originated or is maintained, and, in addition, summarize such information by stating the number and dollar amount of such time deposit accounts originating in (1) Philadelphia County, (2) the four county area (Philadelphia, Bucks, Delaware and Montgomery), and (3) any other area, identifying such area.

(b) Provide the same information as above for every time deposit account of $25,001 to $50,000.

(c) Provide the same information as above for every time deposit account of $50,001 to $100,000.

(d) Provide the same information as above for every time deposit account of $100,001 to $500,000.

(e) Provide the same information as above for every time deposit account of $500,001 to $1,000,000.

(f) Provide the same information as above for every time deposit account of $1,000,001 or more.

14. With respect to each branch office and the home office of Philadelphia National Bank and Girard Trust Company, for each year during the period January 1, 1956 to December 31, 1960, or such aliquot part thereof as may be applicable, provide the following information:

(a) Distribution of assets;

(b) Statement of gross operating income, broken down by interest on loans, income from securities, other operating income;

[fol. 6138] (c) Statement of total operating expenses broken down by salaries or employee benefits and other operating expenses.

15. With respect to each *inter vivos* trust in which (a) Philadelphia National Bank or (b) Girard Trust Company acts as trustee, identify the settlor of such trust, domiciliary address (and also addresses of all other residences) at time created, date trust established, book value of the corpus of the trust, and market value thereof as of November 15, 1960.

16. With respect to each testamentary trust in which (a) Philadelphia National Bank or (b) Girard Trust Company acts as trustee, identify the Executor-Settlor of each such trust, domiciliary address of deceased at date of death (and also addresses of all other residences), market value of the corpus of the trust at date of death or at such time when assets were transferred to trustee and book value and market value as of November 15, 1960.

17. With respect to each estate in which (a) Philadelphia National Bank or (b) Girard Trust Company act as executor or administrator, state name of testator or intestate, domiciliary address (and also addresses of all residences), date of qualification of bank as executor or administrator, value of estate as determined for probate purposes and for federal estate tax requirements.

18. With respect to page 117 of the merger application, reference is made to custodian accounts. Describe nature

of services rendered in this connection, name of creator of the account, domiciliary address (and also all residences), book value of assets being administered and domiciliary addresses of beneficiaries.

19. With respect to page 117 of the merger application, reference is made to investment management accounts. State the name of the principal, domiciliary address (and also other residences) and book value and market value of [fol. 6139] assets being administered as of November 15, 1960.

20. With respect to pensions and profit sharing trusts in which (a) Philadelphia National Bank or (b) Girard Trust Company act as trustee, state name of the settlor of each trust, nature of settlor's business, domiciliary address (and also other residences), date trust was established, book value and market value as of November 15, 1960.

21. With respect to out-of-town divisions of Philadelphia National Bank or Girard Trust Company, state the name of the division, the geographic area encompassed, the number of persons assigned to each division, and the following information for each year, or aliquot part thereof, during the period January 1, 1956 to December 31, 1960:

(a) Customers of each such division, giving their address and type of business.

(b) Total loans and lines of credit extended to each such customer.

(c) Total deposits, demand or time, of each customer.

(d) Expenses incurred for each division.

22. With respect to the deposition of George H. Brown, Jr., (transcript page 85), in which it is stated that Girard Trust Company has participated in loans with some insurance companies, state for each year in the period January 1, 1956 to December 31, 1960, the number of such loans participated in by (a) Philadelphia National or (b) Girard Trust Company, the insurance companies involved, the total amount of loans, type of loan, term of loan, amount of participation by either bank, names of other participants and their respective amounts of participation.

23. State the name and address of each institution other than a commercial bank which individually performs each

[fol. 6140] one of the commercial bank functions referred to in the third sentence of paragraph 5 of defendant's answer to the complaint.

24. For each institution identified in #23 above, state which is a competitor of Philadelphia National Bank or Girard Trust Company, and as to each such institution state:

(a) For what services it is a competitor of defendant;

(b) To what types of customers it extends such services;

(c) In what geographic areas it competes with defendant;

(d) The extent of such competition.

25. State the name and address of each commercial bank, other than the other defendant, which competes with your bank within:

(a) Philadelphia county;

(b) The counties of Philadelphia, Bucks, Delaware and Montgomery;

(c) The HPC service area as claimed by defendant if different from (a) and (b) above; and

(d) Any other area.

26. For each commercial bank identified in #25 (a), (b), (c), and (d), above state

(a) For what services it is a competitor of your bank;

(b) To what types of customers it extends such services; and

(c) The extent of such competition.

27. Identify the individual (or individuals) who prepared the estimates that appear on pages 43 to 71 of the merger application, describe th method of computation used in making such estimates, the sources of the figures relied on, [fol. 6141] and state whether that individual (or individuals) believes the estimates are derived from reliable sources.

28. With respect to paragraph 11 of the answer of defendant Philadelphia National Bank, state in detail the banking services and the geographic areas in which said bank does not compete with defendant Girard Trust Corn Exchange Bank.

29. State the name and address of each institution which the defendant banks, or either of them, claims to be in competition with either or both banks and describe the nature and extent of the competition claimed.

30. With respect to each home office and each branch of defendant banks state separately:

(a) Whether it is either claimed or believed that in excess of 1% by number or dollar value of the loans below $10,000 originate outside the four county area (Philadelphia, Bucks, Delaware and Montgomery);

(b) Whether it is either claimed or believed that in excess of 1% by number or dollar value of deposits below $2,500 originate outside the same four county area;

(c) If the answer to either (a) or (b) is in the affirmative state the percentage by number and dollar value of each category which it is claimed or believed originate outside the four county area and identify any such area by city or county from which it is claimed or believed that 1% or more of either category originate.

[fol. 6142] GOVERNMENT'S EXHIBIT 148

Morgan, Lewis & Bockius
Counselors at Law

2107 Fidelity-Philadelphia Trust Building
Philadelphia 9, Pa.

May 3, 1961.

George D. Reycraft, Esq.,
Antitrust Division,
U. S. Department of Justice,
Washington, D. C.

Re: United States of America v. The Philadelphia National Bank and Girard Trust Corn Exchange Bank, Civil Action # 29287, U.S.D.C., E.D., Pa.

DEAR MR. REYCRAFT:

Pursuant to our discussions of yesterday and today, I enclose herewith a memorandum summarizing the agreed modifications of your Questions Propounded by Plaintiff for Answer by Defendants. Please advise me promptly if you have any questions regarding the enclosure.

As requested by Judge Clary, we are sending a copy of this letter and the enclosed memorandum to him.

Very truly yours, ——, ——.

cc: Hon. Thomas J. Clary, 3074 United States Court House, Ninth and Chestnut Streets, Philadelphia 7, Pennsylvania.

[fol. 6143] THE UNITED STATES OF AMERICA,

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK

Civil Action #29287

Modifications of Questions Propounded By Plaintiff on April 28, 1961, as Agreed Upon By Counsel for The Parties, May 2, 1961

Question 1. We will give the information requested in the amount of the average deposit during the month of June, 1960.

Question 2. We will give the information requested with respect to each loan of $50,000 or over as of September 21, 1960. The address we will give for each borrower will be the county and state if in Pennsylvania or New Jersey, New York City as such, and the state if elsewhere. With respect to loans under $50,000 we will give the same information, as of September 21, 1960, or other recent date, for one out of each 300 consumer credit loans and one out of each 50 other loans, selected at random.

Question 3. We will give the information requested (except the "business" of each customer) with respect to each line of $50,000 or over as of September 21, 1960. The addresses will be given on the same basis as mentioned in Question 2. With respect to lines under $50,000, we will give as of a recent date the aggregate number (excluding personal credit checks) for Girard and Philadelphia National and we will have Girard and Philadelphia National estimate the percentage thereof each has extended to borrowers in (a) Philadelphia, Bucks, Delaware and Mont-
[fol. 6144] gomery Counties, Pennsylvania, and in (b) an area comprising those counties plus Chester County in Pennsylvania, New Castle County in Delaware, and Mercer, Burlington, Camden, Gloucester and Salem Counties in New Jersey.

Questions 7 and 8. We will have both Girard and Philadelphia National promptly make available all of the loan participations presently in effect which it sold to or placed with any other bank or in which it engaged so that you

may yourselves obtain the information requested. You will give us copies of any tables or other analyses you make therefrom. We will not collect or make available any of the materials requested in sub-part 8(a), but if after you examine the participations there are specific transactions with respect to which you desire the type of materials described in sub-part 8(a) we will do our best to make them available for your inspection.

Question 11. We will give the information requested (except the "business" of each depositor) with respect to each deposit of $10,000 or over and the average balances thereof during the month of June, 1960. The addresses will be given on the same basis as mentioned in Question 2. With respect to deposits of under $10,000 we will give the same information as of June, 1960 (or other recent date) for 500 such deposits for both banks, selected at random, proportioned between the banks on the basis of the aggregate number of such deposits of each bank.

Question 12. We will give the information requested in the amount of the average deposit during the month of June, 1960.

Question 13. We will give the information requested (except the "business" of each depositor) with respect to each time deposit (excluding savings deposits) of $10,000 or over and the average balances thereof during the month of June, 1960. The addresses will be given on the same [fol. 6145] basis as mentioned in Question 2. We will as of a recent date (i) state the aggregate number of (a) time deposits under $10,000 and (b) savings deposits of Girard and Philadelphia National, and (ii) estimate the percentages thereof in the 4-county and 11-county areas referred to in Question 3 above.

Questions 15 to 20, both inclusive. We will give the geographical distribution of all such accounts by number of accounts, by county in the 11-county area described above and by state oustide of such area. Such distribution will be (a) based on the stated residence of the settlor, testator or other originator of each account as reflected in each bank's records, (b) classified into the types of accounts listed on page 117 of the Application to the Comptroller, and (c) stated as of a recent date.

Question 21. We will give you the names of the out-of-town divisions of Girard and of Philadelphia National, the number of persons assigned to each such division, the geographic areas covered by such divisions, and to the extent available the expenses incurred by such divisions.

Questions 30 will not be answered except to the extent the information requested is contained in the answers to other questions as described above.

[fol. 6146] GOVERNMENT'S EXHIBIT 149

MORGAN, LEWIS & BOCKIUS
Counselors at Law

2107 Fidelity-Philadelphia Trust Building
Philadelphia 9, Pa.

May 8, 1961,

Re: United States of America vs. The Philadelphia National Bank and Girard Trust Corn Exchange Bank Civil Action No. 29287

George D. Reycraft, Esquire,
Antitrust Division,
United States Department of Justice,
Washington 25, D. C.

DEAR MR. REYCRAFT:

We have prepared a program for the random sampling of loans under $50,000 and demand deposits under $10,000, and enclose herewith a copy for your information. This program was reviewed on Friday with Mr. O'Donnell of your office and he has expressed satisfaction.

On the assumption that the program will meet with your approval, the sampling procedures are being established immediately. Accordingly, if there are any points with respect to this program which you wish to raise, please let us know as promptly as possible.

Very truly yours, Ernest R. von Starck.

aps
enclosure

[fol. 6147] PNB-Girard Merger

Random Sampling of Loan Accounts Under $50,000. and Demand Deposit Accounts Under $10,000.

I. Consumer Credit Loans:

Information requested:

Name and address (county and state, if in Pennsylvania or New Jersey, New York City as such, and state if elsewhere) of each borrower, type of loan, amount of loan as of a recent date, branch or home office from which each loan originated.

Sample requested:

1 out of 300.

Comment:

Cards for consumer credit loans are kept in alphabetical order in each bank. Therefore it is suggested that a systematic sample be obtained, starting with 1, 301, 601, &c. for each bank.

II. Loans under $50,000., excluding consumer credit loans:

Information requested:

Same as Consumer Credit Loans.

Sample requested.

1 out of 50.

Comment:

At PNB, these loans are divided among several departments in the main and 421 Chestnut St. offices and the branch offices. The branches keep separate files for mortgages and other loans. Girard's loans are kept on a centralized basis among several departments. In view of the division in PNB's branches between mortgages and other loans it is suggested that separate samples be made of these two types, using the same 1-50 ratio. It is suggested that a count be

[fol. 6148] made of the two types of loans and that theoretical consecutive numbers be assigned taking the departments of the main office first and then the non-centralized branches in alphabetical order. Thus, if it is assumed that the main office has 3,000 loans of one type and each non-centralized branch office has 100, it would be assumed for sampling purposes that the loans in the main office were numbered 1 through 3,000, the loans in the first branch office were numbered 3001 through 3100, &c. A systematic sample should then be made starting with 1, 51, 101, &c.

III. Demand Deposits under $10,000.:

Information requested:

Name and address (as in I) of depositor, average balance as of a recent date, branch or home office in which the account originated or is maintained.

Sample requested:

500 cards total for both banks, proportionate to each bank's share of the aggregate number.

Comment:

It will be necessary for each bank to obtain its total number of demand deposits under $10,000. in order to allocate the number of cards between banks. PNB has a central information department where cards are kept with the name and address of each customer of the bank. Assuming, for example, that PNB has 80,000 demand deposits under $10,000. and Girard has 120,000, PNB's pro rata share would be 200 cards. Assuming again, that the total number of cards in PNB's central information department were 200,000 (because these cards would include customers with deposits over $10,000., savings accounts and loan accounts), a systematic sample would be made for each 1,000 cards, starting with 1, 1001, 2001, &c. Instead of counting, this can be done by measuring. [fol. 6149] If the card that is pulled is not a demand deposit under $10,000., it will be put back and the next higher numbered card wich is a demand deposit under

$10,000. will be used. However, the 1,000 count will continue from the point that the first card was picked. Girard has its cards arranged by business regular, individual regular, and special checking account. It can therefore divide its total by the number of cards needed and take the sample systematically, using the same procedure when an account over $10,000. is picked out.

D.A.S.

[fol. 6150] GOVERNMENT'S EXHIBIT 150

Morgan, Lewis & Bockius
Counselors at Law

2107 Fidelty-Philadelphia Trust Building
Philadelphia 9, Pa.

December 9, 1953.

Re: The Philadelphia National Bank—The Montgomery National Bank of Norristown

Mr. L. A. Jennings,
Deputy Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

DEAR MR. JENNINGS:

In accordance with our conversation of yesterday, I enclose herewith first draft copy of proposed Agreement of Merger of The Montgomery National Bank of Norristown into The Philadelphia National Bank. I would appreciate your comments and criticisms in view of the fact that we should like to present this matter to the respective Boards of Directors next Tuesday, December 15th.

With best wishes, I am

Very truly yours, Arthur Littleton.

n
enc.

Received Dec. 10, 1953. Comptroller of the Currency.

[fol. 6151]

Morgan, Lewis & Bockius
Counselors at Law

2107 Fidelty-Philadelphia Trust Building
Philadelphia 9, Pa.

December 15th, 1953.

L. A. Jennings, Esq.,
Deputy Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Dear Mr. Jennings:

I am enclosing herewith a copy of the proposed Agreement of Merger between The Philadelphia National Bank and Chester-Cambridge Bank and Trust Company, the original of which was signed by the Directors of The Philadelphia National Bank and also by the Directors of Chester-Cambridge Bank and Trust Company this morning. As I told you by telephone, this broke upon us over the week-end. We completed the drafting of the papers yesterday afternoon at about the time I talked with you by telephone, wherefore I was not able to get a draft copy in your hand before the Board meetings came along today. I would appreciate it if you would review it and let me have your comments and criticisms as soon as possible.

I say this because counsel for Chester-Cambridge tells me that, since reference to the other two mergers and to the proposed pension plan are made in the Agreement, his intention is to send copies of the Agreement to every one of the bank's shareholders along with the notice of the meeting, proxy statement, etc., and he wishes to get that notice out well in advance of Christmas.

Further, in accordance with our conversation of yesterday we are arranging that the letter which will be sent out by Montgomery will contain full information for each of its shareholders with respect to all the mergers and pension plan; and since a letter has already gone out from Lansdale to its shareholders prior to the Chester-Cambridge transaction, and since it contains therefore reference only to the Montgomery merger and pension plan, we are draft-

[fol. 6152]

ing a supplemental letter to be sent by registered mail by the President of Lansdale to each of its share-

holders giving the additional information about Chester-Cambridge. I shall see that you are furnished with copies of all of these letters.

I enclose herewith also draft of type of letter which Fred Potts will send out to Philadelphia Bank shareholders, which will serve the purpose of giving you certain additional information and also indicate to you the extent of the information with respect to each merger which we contemplate giving to shareholders of all the banks. With this letter I send to you a pro forma statement of condition as it would have been on September 30th had Philadelphia Bank, Lansdale, Montgomery and Chester-Cambridge been merged into one on that date.

I regret that the draft of the Chester-Cambridge agreement is a rather indistinct carbon, but we have not yet multilithed the agreement and had to work with typewritten copies for signature this morning.

Incidentally, the Montgomery National Directors also approved and signed their agreement this morning.

I believe that I gave you the proposed effective dates of the respective mergers, that is to say, Lansdale—January 30th, Montgomery—February 26th, Chester-Cambridge—March 26th.

Mr. Potts or Mr. Cooper at the Bank, and my partner Martin Snyder and I in this firm, are prepared to furnish you immediately such further information as you wish upon call from you.

With our thanks to you for your helpful cooperation in this as in all things, I am Sincerely,

Arthur Littleton.

MWS
Enclosures

[fol. 6153]

Pro-Forma Statement of Condition "PNB"—"L"—"M"—"CC"

September 30, 1953

Resources	PNB	L	M	CC	Adjustments	Combined
Cash and Due from Banks	$252,195,052	$ 3,500,928	$ 1,833,190	$ 5,249,611	−$2,937,630(a)	$259,831,151
U. S. Government Securities	177,593,328	2,745,500	6,444,594	13,772,706		200,556,128
Other Bonds and Investments	96,749,195	4,850,052	1,548,383	3,923,074		107,070,704
Loans and Discounts	321,260,683	5,596,827	1,845,168	6,892,788		335,595,466
Bank Buildings	1	121,942	89,723	200,910		412,576
Customer's Liability A/Cs of Acceptances	2,713,214	—	—	—		2,713,214
Other Resources	3,141,646			147,435		3,289,081
	$853,643,119	$16,815,249	$11,761,058	$30,186,524	−$2,937,630	$909,468,320
Liabilities						
Deposits	$760,254,894	$13,951,607	$10,289,955	$26,717,371	−$2,937,630(a)	$808,276,197
Bills Payable	10,000,000	—	—	—		10,000,000
Acceptances, Less Amount Held in Portfolio	2,756,486	—	—	—		2,756,486
Other Liabilities	8,639,431	50,000	57,926	286,975		9,034,332
Capital Stock	14,880,000	400,000	200,000	1,050,000	− 136,667(b)	16,393,333
Surplus	41,120,000	1,700,000	1,000,000	1,050,000	136,667(b)	45,006,667
Undivided Profits	15,992,308	527,470	213,177	1,063,678		17,796,633
Reserve for Contingencies	—	186,172	—	18,500		204,672
	$853,643,119	$16,815,249	$11,761,058	$30,186,524	−$2,937,630	$909,468,320

Notes:—

(a) These are the deposits of Lansdale, Montgomery National and Chester-Cambridge in Philadelphia National, carried on their books as "Due from Banks", and on Philadelphia National's books as "Deposits".

(b) These adjustments are made between the combined Capital and Surplus of the four banks in order to carry the new shares, being issued under the proposed plan of merger, at Philadelphia National's stated par value of $20 per share.

[fol. 6154] GOVERNMENT'S EXHIBIT 151

Organized 1803

THE PHILADELPHIA NATIONAL BANK
Philadelphia-1, Pa.

July 22, 1955.

E. Lawrence Worstall,
Vice President.

Hon. L. A. Jennings,
Deputy Comptroller of the Currency,
Treasury Department,
Comptroller of the Currency,
Washington 25, D. C.

DEAR MR. JENNINGS:

In the the absence of our President, Mr. Frederic A. Potts, who is on vacation, the writer acknowledges receipt of your letter of July 21st giving us your preliminary approval to the proposed merger of The Citizens National Bank and Trust Company of Pottstown, Pottstown, Pennsylvania, with The Philadelphia National Bank under the charter and title of the latter. We appreciate so much your very splendid cooperation and the guidance that you gave to the writer in the talk that we had together on this subject several weeks ago. We observe that you have approved the copy of the agreement to merge which, as Mr. M. P. Snyder has told you, has been signed by the majority of the Directors in each institution.

The new branch will be known as Citizens Office, The Philadelphia National Bank, and will be located at 401 High Street, Pottstown, Pennsylvania.

Tmank you, also, for sending us a letter of general instructions and various other papers that are necessary for the consummation of this merger. We shall use meticulous care in completing the merger in entire accord with your wishes.

Counsel is now preparing the necessary number of conformed copies of the agreement to merge which they will forward to you promptly. It is our plan to hold a stockholders' meeting for both institutions at noon on Tuesday,

November 22nd, with the merger becoming effective at the close of business on Friday, December 9th, and the new [fol. 6155] office opening for business on Monday, December 12th. We believe that this will allow sufficient time between the stockholders' meeting and the effective date for your office to make the proper examination of the papers.

We shall keep in touch with you, and with kindest regards, I am

Sincerely yours, E. L. Worstall, Vice President.

ELW:MS

[fol. 6156] GOVERNMENT'S EXHIBIT 152

Organized 1803

THE PHILADELPHIA NATIONAL BANK
Philadelphia-1, Pa.

September 27, 1955.

E. Lawrence Worstall,
Vice President.

Hon. L. A. Jennings,
Deputy Comptroller of the Currency,
Treasury Department,
Comptroller of the Currency,
Washington 25, D. C.

DEAR MR. JENNINGS:

Thank you so much for the courtesy that you extended to me upon my recent visit with you in Washington. We have proceeded in consummating the negotiations for a merger between the Hatboro National Bank, Hatboro, Pennsylvania, and our institution. The Directors of Hatboro have approved and have signed the agreement. Our Directors will consider the matter at their regular meeting on Tuesday, October 4th.

In the meantime, we are sending to you a copy of the proposed Agreement of Merger which is patterned after the ideas that were given to us by you and Mr. W. J. Rusch. May I add that Mr. Rusch was extremely helpful and loaned me the attached papers which I promised to return to him.

I trust you will find the agreement to your liking and as soon as it has been fully executed we will send you a completed copy.

With appreciation and every good wish, I am

Sincerely yours, E. L. Worstall, Vice President.

ELW:MS
enclosures

Received September 28, 1955, Comptroller of the Currency.

[fol. 6157] GOVERNMENT'S EXHIBIT 153

Organized 1803

THE PHILADELPHIA NATIONAL BANK
Philadelphia-1, Pa.

July 18, 1956.

Frederic A. Potts,
President.

Honorable Ray M. Gidney,
Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

DEAR MR. GIDNEY:

Arthur Littleton, Wistar MacLaren and I thoroughly enjoyed our visit with you and Mr. Jennings yesterday when we reviewed in a preliminary manner the actions that have been taken by the Boards of Directors of the Delaware Valley Bank and Trust Company, Bristol, Pennsylvania, and The Philadelphia National Bank looking toward a merger of these two institutions. Please accept this letter as a formal request for approval of the Comptroller of the Currency to the proposed merger.

You have in your possession a copy of the Agreement of Merger dated July 12, 1956, signed by members of both Boards of Directors. The Agreement calls for the shareholders of the Delaware Valley Bank and Trust Company

to receive fifty-five one hundredths (55/100th) share of The Philadelphia National Bank for each share now held by them. Our Bank presently has 832,416 ⅔ shares outstanding and if the proposed merger receives your approval and the approval of the shareholders of both institutions 50,187 ½ additional shares of The Philadelphia National Bank will be issued to the shareholders of the Delaware Valley Bank and Trust Company, making a total of 882,604 1/6 shares to be outstanding for this Bank upon completion of the merger.

Since the United States Steel Corporation constructed a very extensive plant in the Bristol area, the communities in which the Delaware Valley Bank and Trust Company have offices have grown to substantial proportions and the Bank itself has enjoyed splendid progress. We feel extremely fortunate in having consummated our negotiations to this point as I am sure you will agree with us, from the data that we left with you yesterday, that the area is flourishing and promising. The Bank has five offices in Bucks County—Bristol, Levittown, Midway, Yeardley and Southampton. These communities are located at distances from our Head Office in Philadelphia varying from seventeen to twenty-six miles. The offices are modern and satisfactorily managed.

[fol. 6158] In accordance with your request, we are preparing a list of our customers that are already located in the area of the five offices of the Delaware Valley Bank and Trust Company and shall forward this to you as promptly as possible.

Please be sure to let me know if there is anything additional that I can do to help you on your deliberations. This proposed merger is a very important and progressive step for The Philidelphia National Bank and we sincerely hope that it will receive your approval.

Sincerely yours, Frederic A. Potts, President.

[fol. 6159] GOVERNMENT'S EXHIBIT 158

Organized 1803

THE PHILADELPHIA NATIONAL BANK
Philadelphia-1, Pa.

April 23, 1958.

Frederic A. Potts,
President.

Honorable R. M. Gidney,
Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

DEAR MR. GIDNEY:

For some time we have been aware of the desirability of establishing a branch in the King of Prussia area of Upper Merion Township, Montgomery County, Pennsylvania. There has been an increase in the population of the area since 1950 of almost 100 per cent, with further increases to come as the result of the residential developments planned.

In addition, plans have been announced for the development of over 900 acres for an industrial park, shopping center and other industry use.

We are conducting a survey to determine the best location in the area and believe that the area, when developed, will more than adequately support additional banking facilities.

Please consider this letter as our request to commence whatever action is necessary in obtaining your approval for the establishment of a branch in this area with such growth potential.

Very truly yours,

Frederic A. Potts, President.

PAP:J
8 Local Branches.
— Outside.
Card made, entered 4-24-58. N.S.B.
Rejected. (reapplied 2-16-60 and again rejected; see attached).

[fol. 6160] GOVERNMENT'S EXHIBIT 161

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
Washington 25, D. C.

Address Official Correspondence
to the Board

March 1, 1961.

W. Wallace Kirkpatrick, Esquire,
Acting Assistant Attorney General,
Antitrust Division,
Department of Justice,
Washington 25, D. C.

DEAR MR. KIRKPATRICK:

Pursuant to the understanding in the Board's letter dated August 3, 1960, there are enclosed copies of certain reports on competitive factors that the Board has sent to the Comptroller of the Currency with respect to applications submitted under Public Law 86-463. These reports have to do with applications on which we are advised that agency now has taken action.

Very truly yours, Elizabeth L. Carmichael, Assistant Secretary.

Enclosures.

Report on proposed consolidation of First Westchester National Bank of New Rochelle, New Rochelle, and First National Bank and Trust Company of Ossining, Ossining, New York.

Report on proposed consolidation of The Philadelphia National Bank, Philadelphia, Pennsylvania, and Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania.

[fol. 6161] REPORT BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

To the Comptroller of the Currency, under section 18(c) of the Federal Deposit Insurance Act, as amended, on the competitive factors involved in the proposed consolidation of The Philadelphia National Bank, Philadelphia, Penn-

sylvania and Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania.

I. The Proposal.

The Philadelphia National Bank, Philadelphia, Pennsylvania (deposits $986,634,000 as of October 3, 1960), and Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, a State member bank (deposits $668,823,000 as of October 3, 1960), have made application for prior written consent of the Comptroller of the Currency to consolidate under the charter of the national bank and with the title Philadelphia Girard National Bank and Trust Company. All 39 offices (includes one authorized branch not yet opened) of Girard Trust Corn Exchange Bank would be operated as branches of the national bank. One branch of the national bank would be closed.

II. The Communities.

The application indicates the primary banking area embraces the Counties of Philadelphia, Delaware, Montgomery, and Bucks in Pennsylvania, the Cities of Camden and Trenton in New Jersey, certain smaller New Jersey communities, and the City of Wilmington in Delaware.

Under Pennsylvania law, a bank may have branch offices in counties where the head office is located and in counties contiguous to the head office county. The Counties of Delaware, Montgomery, and Bucks are contiguous with Philadelphia County. Philadelphia National Bank has offices in all four of these counties. Girard Trust Corn Exchange Bank has no offices in Bucks County but has offices in the other three counties.

Philadelphia currently is referred to as the heart of the "Delaware Valley Area" a geographical designation which, roughly, coincides with the primary banking area set forth in the application. However, it would seem more reasonable to consider the primary banking area as being represented by the four counties in Pennsylvania and not the Delaware Valley. While Philadelphia banks compete for some of the major accounts in the aforesaid sections in [fol. 6162] New Jersey and Delaware as they do in many up-State counties in Pennsylvania and elsewhere, by law

they may not have offices in these sections, and it is in the four-county area where the principal competitive impact of the proposal will fall and not in the out-of-State areas. This appears to be supported by views of bank examiners as expressed in the confidential sections of examination reports on national banks and State member banks. In all cases involving Philadelphia, Camden, Trenton, and Wilmington banks, the examiners indicate the primary competition is represented by the banks in the city where the subject institution is located.

The application seeks to imply that the competitive effect of the proposal would have little impact on not only the four-county area, but the primary area as set forth in the application. This is based on the premise that considerable business of Philadelphia National is generated outside the specified primary area. However, much of the business of all major Philadelphia banks is generated outside of the specified primary area, although Philadelphia National may have more proportionately than others.

The unique characteristics of the major Philadelphia banks are changing and have been changing for several years. They are becoming more alike. The principal competitive effects of the proposal will, therefore, be local and not international or national.

Philadelphia is the fourth largest city in the country (the boundaries of the City of Philadelphia and the County of Philadelphia are identical). Figures for the 1950 census and the 1960 census for the four Pennsylvania counties included in the primary banking area are as follows:

	1950	1960	% Change
Philadelphia	2,071,605	1,971,239	−4.8
Delaware	414,234	551,122	+33.0
Montgomery	353,068	515,790	+46.1
Bucks	144,620	307,560	+112.7
	2,983,527	3,345,711	+12.1

Economically, the Philadelphia four-county area is an industrial center, a commercial center, and a port. Industry is widely diversified and includes textiles, oil refining, steel, metal fabricating, electronics, ship building, printing and publishing, and chemicals. Most of the tonnage of the port is represented by imports of oil and iron ore. Cur-

rently the economic situation is somewhat similar to the national pattern, although unemployment is somewhat larger than the national average.

III. Competition Between the Two Institutions.

The two institutions rank second and third in deposit size and compete strongly with all other major commercial banks in Philadelphia and with each other. Essentially they are engaged in the same type of business. The differences in the types of operations in which they are engaged are minor.

[fol. 6163] The following comparative analysis of loans and deposits as of June 30, 1960, reflects the strong similarity of the two institutions in these categories:

Loan account	Philadelphia National (000 omitted)	Per Cent	Girard Trust (000 omitted)	Per Cent
Commercial and industrial	306,587	56.6	200,001	49.0
Loans to farmers	178	Neg.	92	Neg.
Single payment loans to individuals	24,200	4.5	71,572	17.5
Real estate loans	62,781	11.6	32,950	8.1
Brokers and dealers in securities	133	Neg.	2,632	.6
Other loans on securities	1,586	.3	897	.2
Instalment loans	68,005	12.5	50,567	12.4
All other loans	78,435	14.5	49,916	12.2
Total loans and discounts—gross	541,905	100.0	408,627	100.0
Deposits				
Demand deposits				
IPC	510,501	55.2	429,440	66.0
United States Government	62,806	6.8	30,142	4.6
States and political subdivisions	38,936	4.2	10,494	1.6
Banks	167,879	18.2	45,387	7.0
Certified and officers' checks	4,984	.5	5,570	.9
Other demand deposits	1,868	.2	227	Neg.
Total demand deposits	786,974	85.1	521,260	80.1
Time deposits				
IPC	113,409	12.3	122,087	18.8
United States Government	–0–	–0–	7	Neg.
States and political subdivisions	9,437	1.0	3,536	.5
Banks	14,675	1.6	3,900	.6
Total time deposits	137,521	14.9	129,530	19.9
Total deposits	924,495	100.0	650,790	100.0

While they are competing for essentially the same types of business and the same types of customers, the competitive strength of the two institutions differs substantially with respect to two important types of operations. Philadelphia National Bank, long a traditional "bankers' bank" in Philadelphia, has a much larger proportion of correspondent bank balances. On the other hand, Girard Trust Corn Exchange Bank is far ahead of Philadelphia National Bank in the trust field. Nevertheless, competition between the two in both these fields is strong.

[fol. 6164]. The head offices of the two institutions are located across the street from each other and compete directly in overlapping trade areas.

The following table reflects the distribution of banking offices currently being operated by the applicants by counties:

County	Philadelphia National	Girard Trust
Philadelphia County	10	20
Bucks County	5	0
Delaware County	4	12
Montgomery County	7	6
	26	38

In addition to the above, Philadelphia National has approval for another branch in Philadelphia and another in Delaware County which are not yet opened, and Girard Trust has approval for another branch in Philadelphia which is not yet open.

A branch of Philadelphia National and one of Girard Trust are situated next door to each other at 69th Street in Upper Darby. The proposal contemplates that the office of Philadelphia National at this location would be closed. A review of the schedules of branch offices discloses that the locations of an additional five branches of Philadelphia National are such as to afford some measure of competition for certain branches of Girard Trust. However, in each of these instances an office of another competing bank is closer than is the office of Girard Trust. The majority of the offices of the two applicants do not appear to serve overlapping trade areas; nevertheless, banks of this size operating numerous branches scattered throughout a metropolitan area offer widespread competition.

Based on figures in the application, it appears that 46 per cent of Philadelphia National Bank's IPC deposits are attributable to the main office and 44 per cent of Girard's IPC deposits are attributable to its main office.

The application indicates 392 common checking deposit accounts with balances of $10,000 or over aggregating $163,820,700 at Philadelphia National, and $101,782,700 at Girard Trust.

Eight common time deposit accounts with balances of at least $10,000 aggregate $1,149,400 in Philadelphia National, and $3,094,000 in Girard Trust. Thirty-six common savings deposit accounts with balances of at least $10,000 aggregate $736,400 in Philadelphia National, and $589,500 in Girard Trust. Both banks pay maximum interest rates permitted on time and savings accounts.

Sixty-seven common borrowers have outstanding loans aggregating $48,949,000 at Philadelphia National, and $43,599,000 at Girard Trust. With respect to interest rates and service charges on loans, the application states as following: "The rates of interest charged on loans and the [fol. 6165] service charges "imposed by each of the participants and the competitor commercial banks could best be described as flexible reflecting highly developed competition. While charges for specific services, o rates on a given category of loans may vary from bank to bank, on balance they have a tendency to equalize because of competitive factors." The schedules of service charges of the two applicants are not entirely uniform. The application indicates that in general the resulting bank would adopt the higher charge where differences exist.

Both institutions operate trust departments. The application indicates that Philadelphia National holds personal trust assets of market value of $361,300,000 compared to the holdings of Girard Trust valued at $2,248,206,000. The Reserve Bank is confided that Girard Trust has the largest personal trust department in the four-county area, and it is estimated that resulting bank would have above one-third of the four-county area personal trust business.

From the foregoing, it is clear that a substantial degree of competition exists between the two institutions.

IV. Effect on Other Institutions.

Forty-three commercial banks in the Philadelphia four-county area held deposits of $4,623,007,000 and operated a total of 283 banking offices as of October 3, 1960. The following schedule reflects the total and IPC deposits and number of offices of these banks and the percentages as of October 3, 1960:

[fol. 6166]

Name of Bank	Total Deposits (000 omitted)	Per Cent	IPC Deposits (000 omitted)	Per Cent	Banking Offices	Per Cent
Philadelphia National Bank	986,634	21.3	603,534	16.8	26	9.2
Girard Trust Corn Exchange Bank	668,823	14.5	560,039	15.6	38	13.4
	1,655,457	35.8	1,163,573	32.4	64	22.6
First Pennsylvania Banking & Trust Co., Philadelphia	1,021,841	22.1	761,055	21.1	38	13.4
Provident Tradesmens Bank & Trust Co., Philadelphia	457,082	9.9	378,294	10.5	20	7.1
Fidelity-Philadelphia Trust Co., Philadelphia	431,013	9.3	358,408	9.9	27	9.5
Central-Penn National Bank, Philadelphia	241,506	5.2	205,823	5.7	18	6.3
Broad Street Trust Co., Philadelphia (nonmember)	132,220	2.9	115,598	3.2	16	5.7
Liberty Real Estate Bank & Trust Co., Philadelphia (nonmember)	93,599	2.0	85,747	2.4	9	3.2
Nine other commercial banks with head offices in Philadelphia	146,948	3.2	134,535	3.8	23	8.1
Montgomery County Bank & Trust Co., Norristown (Montgomery County)	85,165	1.8	78,825	2.2	11	3.9
Fifteen other commercial banks with head offices in Montgomery County	190,474	4.1	174,574	4.9	33	11.7
Delaware County National Bank, Chester (Delaware County)	72,948	1.6	55,096	1.5	9	3.2
Nine commercial banks with head offices in Bucks County	94,754	2.1	87,173	2.4	15	5.3
	4,623,007	100.0	3,598,701	100.0	283	100.0

6689

[fol. 6167] The following schedule shows due to bank deposits held by certain banks in the four-county area. The amount of such deposits is significant in only six of the banks and they ranked on October 3, 1960, as follows:

Name of Bank	Amount (000 omitted)	Per Cent
Philadelphia National Bank	208,012	39.0
Girard Trust Corn Exchange Bank	55,099	10.3
	263,111	49.3
First Pennsylvania Banking & Trust Co., Philadelphia	176,480	33.1
Fidelity-Philadelphia Trust Co., Philadelphia	40,049	7.6
Provident Tradesmens Bank & Trust Co., Philadelphia	38,341	7.2
Central-Penn National Bank, Philadelphia	15,228	2.8
	533,209	100.0

Total loans (net) and total book capital funds of the banks in the four-county area on October 3, 1960, were as follows:

Name of Bank	Total loans (000 omitted)	Per Cent	Total capital (000 omitted)	Per Cent
Philadelphia National Bank	548,598	19.8	94,590	19.6
Girard Trust Corn Exchange Bank	406,660	14.6	74,981	15.5
	955,258	34.4	169,571	35.1
First Pennsylvania Banking & Trust Co., Philadelphia	658,718	23.8	95,314	19.7
Provident Tradesmens Bank & Trust Co., Philadelphia	282,064	10.2	57,776	12.0
Fidelity-Philadelphia Trust Co., Philadelphia	252,794	9.1	43,702	9.0
Central-Penn National Bank, Philadelphia	165,446	6.0	25,079	5.2
Broad Street Trust Co., Philadelphia (nonmember)	99,102	3.6	12,560	2.6
Liberty Real Estate Bank & Trust Co., Philadelphia (nonmember)	61,687	2.2	8,997	1.9
Nine other commercial banks with head offices in Philadelphia	80,817	2.9	24,529	5.1
Montgomery County Bank & Trust Co., Norristown (Montgomery County)	42,195	1.5	10,043	2.1
Fifteen other commercial banks with head offices in Montgomery County	97,519	3.5	20,411	4.2
Delaware County National Bank, Chester (Delaware County)	27,715	1.0	4,182	.9
Nine commercial banks with head offices in Bucks County	50,934	1.8	10,676	2.2
	2,774,249	100.0	482,840	100.0

[fol. 6168] The foregoing analyses have been directed toward the position of the resulting bank in relation to certain other banks and to aggregates of other banks in the area. The following comparisons give some indication of the effect of the proposal with respect to the competitive balances in the four-county area as measured by ranking the resulting bank with the four next largest banks in various categories.

1. Total deposits.

   Resulting bank would be number one. It would be 62 per cent greater than number two (First Pennsylvania); 262 per cent greater than number three (Provident); 284 per cent greater than number four (Fidelity); 585 per cent greater than number five (Central-Penn).

2. IPC deposits.

   Resulting bank would be number one. It would be 53 per cent greater than number two (First Pennsylvania); 208 per cent greater than number three (Provident); 225 per cent greater than number four (Fidelity); 465 per cent greater than number five (Central-Penn).

3. Due to bank deposits.

   Resulting bank would be number one. It would be 49 per cent greater than number two (First Pennsylvania); 557 per cent greater than number three (Fidelity); 586 per cent greater than number four (Provident); 1,628 per cent greater than number five (Central-Penn).

4. Total loans.

   Resulting bank would be number one. It would be 45 per cent greater than number two (First Pennsylvania); 239 per cent greater than number three (Provident); 277 per cent greater than number four (Fidelity); 477 per cent greater than number five (Central-Penn).

5. Total book capital.

Resulting bank would be number one. It would be 78 per cent greater than number two (First Pennsylvania); 193 per cent greater than number three (Provident); 288 per cent greater than number four (Fidelity); 576 per cent greater than number five (Central-Penn).

6. Trust department operations.

Resulting bank would be number one with respect to personal trust departments.

[fol. 6169] 7. Number of banking offices.

Resulting bank would be number one. It would be 68 per cent greater than number two (First Pennsylvania); 137 per cent greater than number three (Fidelity); 220 per cent greater than number four (Provident); 256 per cent greater than number five (Central-Penn).

Philadelphia National currently occupies first position in only one of the aforementioned categories; namely, due to bank deposits, although it is in a virtual tie with First Pennsylvania Company with regard to first positions in total deposits and total book capital. Girard Trust currently occupies first position only with respect to personal trust department operations and is in a tie for first position with First Pennsylvania Company in number of banking offices.

At the present time the two largest banks in the four-county area, namely, Philadelphia National and First Pennsylvania Company, are fairly close to being equal in competitive power. Philadelphia National leads significantly with respect to correspondent banking and First Pennsylvania is significantly ahead of Philadelphia National with respect to trust operations and number of offices. There are three other banks which are somewhat behind the two front runners but not so far behind as to be unable to furnish them with strong competition. These three banks are Girard Trust, Provident Tradesmens, and Fidelity-Philadelphia. Of these three, Girard Trust is the nearest to the

two leaders and is ahead of both of them in personal trust operations and equals one of them in number of offices.

If the consolidation is consummated, this situation would change sharply. The resulting bank would be far ahead of any other bank in measured categories. The lead over the number two bank would be quite significant and the lead over the other two (reduced from three as a result of the consolidation) would be most substantial. This is illustrated rather clearly by taking the total deposits of the number one bank (First Pennsylvania) before the consolidation as 100 and taking the total deposits of the number one bank (Philadelphia Girard National) after the consolidation as 100 and comparing them percentagewise with their competitors of prominence.

	Before Consolidation	After Consolidation
Bank No. 1	100	100
Bank No. 2	97	62
Bank No. 3	65	28
Bank No. 4	45	26
Bank No. 5	42	*

* This would be Central-Penn; the percentage after consolidation for Central-Penn would be 15.

[fol. 6170] According to the application, the amount of capital funds of the resulting bank would be of considerable significance since it would enable the resulting bank to compete much more strongly with banks in other large cities for business, especially loan business, of large concerns. If this is true, the consolidation would have an even greater impact on the local competitive situation because the resulting bank would be able to grant to a single borrower loans 78 per cent larger than its nearest rival and 193 per cent larger than the bank in third position. Therefore, it seems reasonable to believe the proposal would give the resulting bank a substantial lead in the big account category and place it in a strong position to expand that lead considerably.

Coupled with the large capital account to attract large business would be the large number of offices to attract small business. The resulting bank would have 68 per cent more offices than its nearest rival and 137 per cent more than the bank in third position.

The proposal would place the resulting bank in a posi-

tion substantially better than any other bank to compete for business, both large and small. Add to this the lead of the bank in both correspondent banking and trust operations, and it seems clear that the present competitive balances in Philadelphia banks would be greatly altered.

In addition to commercial banks, the area is served by four mutual savings banks with head offices in Philadelphia operating a total of 63 offices in the four-county area and having deposits aggregating $1,811,594,000. There are also 421 savings, building and loan associations in the four-county area with savings aggregatin $1,752,900,000. In addition there are numerous credit unions, insurance companies, sales finance companies, and personal loan companies.

V. Conclusions.

The proposed consolidation of two of the three largest banks in the area would substantially lessen both existing and potential competition. The resulting bank would obtain a dominant position, with attending competitive advantages, strongly adverse to the preservation of effective competition.

[fol. 6171] GOVERNMENT'S EXHIBIT 162

DEPARTMENT OF JUSTICE
Washington

Assistant Attorney General

January 19, 1961.

Honorable Ray M. Gidney,
Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

MY DEAR MR. GIDNEY:

This report is submitted in response to your letters of November 30, and December 21, 1960, requesting a report, pursuant to the provisions of Section 18(c) of the FDIC Act, on the competitive factors involved in the proposed

merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank, both of Philadelphia, Pennsylvania.

Relevant Market

The proposed merger of Girard Trust Corn Exchange Bank into the Philadelphia National Bank would affect competition in the field of commercial banking in several geographic areas. As the banks' merger application points out (p. 121), "the field of competition of the resulting bank will be local, regional, national and even international." The competitive effect of the merger on a regional, national or international level results primarily from the fact that part of the business of the merging banks involves the making of loans to large corporations whose operations extend beyond the local level. In spite of this fact, commercial banking, and the business of the merging banks, is essentially local in character, and the impact on competition of the merger can most appropriately be measured in such an area. As the Federal Reserve Board in the *Transamerica* case [1] stated,

> Because of the frequency of need for access to one or more of the services of commercial banks, such banks draw their business largely from areas within [fol. 6172] which customers may conveniently visit the banks as occasion may require. Thus, in this aspect of their customer relations, commercial banks are largely local, and for the usually needed customer services a distant bank cannot adequately serve a customer. Very large concerns with national credit standing have access to credit from banks in many parts of the country and may also maintain accounts in widely scattered banks. This does not apply, however, to the great multitude of the customers of commercial banks. The smaller concerns, local business enterprises, and ordinary citizens must depend upon their local commercial bank or banks for the financial serv-

[1] In the Matter of Transmerica Corp., 38 Federal Reserve Bull. 368, 383 (1952). See also 206 F. 2d 163, 167 (3rd Cir. 1953)

ices peculiar to such banks; for all these customers there is no alternative or substitute, because distantly located banks do not serve or supply their needs.

The primarily local nature of the merging banks business is plainly revealed by the fact that their service areas, as defined by the areas from which 75% of their IPC deposits are drawn, are limited to the City of Philadelphia and the immediately surrounding counties of Pennsylvania, New Jersey and Delaware. Other tests indicate that even smaller areas may also be appropriate for measurement of the competitive effects of the subject merger. For example, 75% of the number of commercial and industrial loans for each bank originate within areas which are somewhat smaller than the IPC "service areas" and which exclude the cities of Trenton, New Jersey, and Wilmington, Delaware.[2]

The City of Philadelphia may also be an appropriate area for measurement of the competitive effects of the merger, and in fact the banks' merger application compares the shares of personal trust and commercial credit business accounted for by each Philadelphia commercial bank. Areas smaller than the City of Philadelphia, however, do not appear to be significant for the measurement of competitive effects. Although individual branches may draw nearly all their deposits from their immediate neighborhoods, even the smallest individual or business borrowers or depositors are clearly not dependent on bank branches in such local areas for their banking needs.

[fol. 6173] The Banks

The Philadelphia National Bank is at the present time the second largest bank in Philadelphia. It operates 28

[2] Much larger areas are needed to account for 75% of the total amount of the banks' commercial and industrial loans. Thus only 55% of the total amount of Philadelphia National's commercial and industrial loans originate within the area which accounts for 75% of the number of loans. This difference reflects the fact that while many of the banks' larger loans may be made to large corporations located over a wide area, the great majority of their business loans are made to local Philadelphia companies.

branch banking offices and, as of June 30, 1960, had total assets of $1,064,335,000, total deposits of $924,495,000, and total loans and discounts of $523,612,000—approximately 22% of the totals for all Philadelphia banks. It is second in size only to the First Pennsylvania Banking and Trust Company, which, as of December 31, 1959, had assets of $1,221,000,000. Although Philadelphia National has a substantial volume of loans in nearly all categories, commercial and industrial loans account for approximately 57% of its total loans with the remainder being divided primarily between installment loans and real estate loans. Philadelphia National has been a party to nine mergers since 1950.

Girard Trust Corn Exchange Bank is the third largest bank in Philadelphia. It operates 39 banking offices and, as of June 30, 1960, had total assets of $740,920,000, total deposits of $650,790,000, and total loans and discounts of $399,362,000—approximately 15% of the totals for all Philadelphia banks. Approximately 49% of Girard Trust's total loans are in the commercial and industrial category with installment loans and real estate loans following in that order. Girard Trust also conducts a very substantial personal and corporate trust business. This bank was formed by the 1951 merger of the Girard Trust Company with the Corn Exchange National Bank and Trust Company. Since that time it has been a party to five mergers.

Competitive Effects

1. The merger would eliminate substantial presently existing competition between Philadelphia National and Girard Trust.

The banking competition which Congress intended to be protected by Section 18 of the FDIC Act is described in both the House and Senate Committee reports[3] in the following terms:

> Vigorous competition between strong, aggressive, and sound banks is highly desirable; lack of competi-

[3] H. Rept. No. 1416, 86th Cong., 2d Sess., (1960), p. 3; S. Rept: No. 196, 86th Cong., 1st Sess., (1959), p. 16.

tion, restraints on competition, and monopolistic practices are undesirable. Competition in banking takes many forms—competition for deposits by individuals and corporations and by personal and business depositors; competition for individual, business, and Governmental loans; competition for services of various sorts. Competition for deposits increases [fol. 6174] the amounts available for loans for the development and growth of the Nation's industry and commerce. Competition for loans gives the borrowers better terms and better service and furthers the development of industry and commerce. Vigorous competition in banking stimulates competition in the entire economy, in industry, commerce, and trade.

The merger application submitted by Philadelphia National and Girard Trust clearly shows that they are at the present time vigorous competitors. Although the business of the two banks differs in some respects, both offer a complete range of commercial banking services. Furthermore, commercial and industrial loans constitute by far the largest portion of the total loans for both banks (57% in the case of Philadelphia National and 49% for Girard Trust).

Competition is also indicated by the banks' substantial number of common borrowers and depositors. Thus the banks have 392 mutual checking accounts, representing total balances of $265,603,400; 44 mutual time and savings accounts exceeding $10,000, representing total balances of $5,568,300; and 67 common borrowers representing total loans of $92,548,000.

The proposed merger would of course eliminate this presently existing competition between Philadelphia's second and third largest banks.

2. The merger would eliminate a substantial independent source of banking services

A second important effect of the proposed consolidation would be the elimination of one of the major Philadelphia banks making independent decisions as to what terms and

services to offer prospective depositors, borrowers and other customers. The elimination of such independent sources of banking services affects the industry and commerce served by the banking system as well as competition in the banking system itself. Congress' concern with such effects of bank mergers is specifically expressed in the Report of the House Banking and Currency Committee.[4]

The narrowing of sources of credit which results from the merger of commercial banks may have an important effect upon the ability of borrowers to compete in their various industries and may be of particular importance to small businesses. This is made clear by two studies included in the Report, *Financing Small Business*, made by the Federal Reserve System to the Committees on Banking and Currency and the Select Committees on Small Busi- [fol. 6175] ness (85th Cong., 2d Sess., April 11, 1958). According to the first of these studies,[5] "The most important group of short- and intermediate-term lenders to small business are the commercial banks." In a Commerce Department survey, cited by the study, bank loans constituted nearly 80% of all loans made to established small and intermediate size businesses and nearly 70% of all loans to new firms.

The second study,[6] which is based upon the Federal Reserve Board's 1957 business loan survey, concurs in the conclusion that, "Commercial banks are, by far, the largest single institutional suppliers of funds to small business." The study goes on to state:

> Data from the business-loan survey indicate that in October 1957 member banks had outstanding to small businesses 685,000 individual loans involving $6.9 billion. More than any other single group in the financial community, commercial bankers have close connections with small-business men, both through their boards of directors and customers. Thus, they are familiar with the activities and problems of small business from daily contact. [p. 396]

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[4] H. Rept. No. 1416, *supra*, p. 5
[5] *Who Finances Small Business?*, p. 20
[6] *Commercial Banks*, p. 396

A similar conclusion was expressed by the Federal Reserve Board in the *Transmerica* case, *supra*, where it stated:

> Short-term business credit is credit required by small, medium, and even large business concerns for, or to supplement, their working capital. In this area commercial banks occupy a pre-eminent position. Exclusive of trade credit (which is an arrangement by which suppliers of goods and services grant the privilege of deferring payment for such goods and services for periods of 30, 60, and 90 days), commercial banks supply more than 90 per cent of all short-term business credit. Because of the commercial banks' intimate knowledge of the affairs of business concerns in the areas in which commercial banks operate, including that acquired in the course of extending the other services for which such banks are commonly relied upon, commercial banks are able to and do extend and service short-term business credit to the almost total exclusion of other lenders. Financial institutions without the same knowledge of local conditions, and without ready access to such knowledge, afford no practical alternative or substitute for the short-term business credit function of local commercial banks. [p. 383]

[fol. 6176] The danger to small business which may result from a narrowing of alternative sources of bank credit is clearly revealed by the Federal Reserve Board report's conclusion that:

> Even given the necessity of minimum credit standards in bank lending, as discussed earlier in this report, it is widely recognized that evaluation of credit risks is not an exact science. It may be easy to assess the creditworthiness of a large, well-established firm with a history of successful operations that is proven by audited records. But it takes considerable skill and judgment to evaluate the creditworthiness of a small firm, particularly a new one, whose prospects may depend heavily on the ability and health of the owner and whose past record may be based partly on intangible factors which are difficult to assess.
>
> Recognizing the above distinction, it is understandable that there are many gradations of credit risk

> which might be assigned by different loan officers to the same small-business loan application. While the decision may be based, in part, on certain formulas involving various financial ratios, there are other aspects of risk which cannot be quantified in lending to small business.
>
> Thus, it is clearly possible that a loan application deemed to be too risky by one bank might be granted, with appropriate safeguards, by another bank. . . . [*Financing Small Business, supra*, p. 411]

Where such differences in loan policy exist, the importance of maintaining many independent sources of credit is obvious.

The importance of the present merger to businesses in the Philadelphia area is shown by statistics supplied by the Federal Reserve Board which reveal that Philadelphia National and Girard Trust rank first and third among Philadelphia banks in commercial and industrial loans and account for 25.4% and 17.3% respectively of the volume of all such loans by Philadelphia banks as of June 15, 1960. The reporting schedules of both banks for the Federal Reserve Board's 1955 and 1957 business loan surveys show that most of these commercial and industrial loans were made to businesses in the Philadelphia area. The elimination by merger of any such important alternative source of business credit is of obvious detriment to competition.

The elimination of an alternative source of banking services may also be of importance to other customers. For [fol. 6177] example, the banks' merger application lists the present service charges on checking accounts for each bank, and the proposed charges for the resulting bank. For most items on the list the banks' present charges differ, and the higher of the two figures is adopted for the resulting bank.

3. The merger would substantially increase banking concentration in the Philadelphia area

The proposed merger of Philadelphia National and Girard Trust would concentrate in the resulting bank the

following shares of the commercial banking business within the City of Philadelphia and their service areas:

	City of Philadelphia		Philadelphia National Service Area	Girard Trust Service Area
Total Assets	37%			
Total Deposits	37%	IPC Deposits	21.1%	26.0%
Total Loans	36%	Loans	17.9%	21.4%

Concentration in the two largest banks (the resulting bank and First Pennsylvania Banking and Trust Co.) would be increased to the following levels:

	City of Philadelphia		Philadelphia National Service Area	Girard Trust Service Area
Total Assets	62%			
Total Deposits	62%	IPC Deposits	35.9%	44.8%
Total Loans	62%	Loans	36.2%	44.4%

In the important category of commercial and industrial loans the increase in concentration would be even more striking. The resulting bank would have 42.7% of total loans in this category by Philadelphia banks, while the two largest Philadelphia banks would account for 67.4% of such loans. Such increases in concentration constitute a clear tendency toward monopoly.

Although greater degrees of banking concentration exist in certain other cities, it was precisely the creation of such undue concentration through bank mergers which led to the enactment of the present law. Certainly the existence of such concentration in some cities should not be considered justification for undue increases in concentration in others.

4. The merger would substantially increase the advantages of the resulting bank over its smaller competitors

The merger of Philadelphia National and Girard Trust would result in the creation of a bank approximately 50% larger than its largest competitor, and many times larger than most of its smaller competitors. The competitive [fo. 6178] advantages inherent in such a concentration of resources, banking offices and personnel are obvious. Bank mergers of this magnitude have often in the past led to

further competitive realignments by way of merger. The continuation of such a merger trend in the Philadelphia area would appear to be a probable result of the present merger.

The banks in their application have urged the necessity of their merger to enable them to effectively compete with larger banks in other cities. This alleged justification, however, considers only one part of the business of the merging banks, the making of loans to large corporations, and ignores the essentially local nature of most of the other aspects of commercial banking, as found by the Federal Reserve Board in the *Transamerica* case, *supra*. Even in the category of commercial and industrial loans, a large share of both the number and dollar volume of such loans by the merging banks are made to small and medium sized businesses, principally in the Philadelphia area.

According to the banks' merger application, their competitive disadvantage vis-a-vis the larger commercial banks in New York and a few other cities result from their presently inadequate lending limits. These limits are $8,000,000 to a single borrower in the case of Philadelphia National and $6,000,000 for Girard. In spite of the claimed inadequacy of these limits, information supplied to this Department by the banks reveals that Philadelphia National has loans outstanding to only two borrowers in the amount of $8,000,000 and to only nine borrowers in amounts of $5,000,000 or more. Girard Trust has no loans outstanding in such amounts. Further information supplied by the banks shows that even where the requirements of certain borrowers have exceeded the lending limits of the merging banks, these borrowers have been able to meet their need by making direct borrowing arrangements with a number of banks or by participations arranged by the banks. Finally, although as the banks allege, some Philadelphia borrowers have undoubtedly gone to New York for part or all of their borrowing requirements, this may be caused by many factors such as historical banking relationships or the extensive industry specialization of the New York banks. The fact that many reasons may cause companies to borrow from banks in other cities is indicated by the merging banks' reporting schedules for the 1955 business loan survey which reveal that many of their loans were

made to companies in other cities and in amounts which by no means exceeded the loan limits of the banks in those cities.

Conclusion

It is the conclusion of this Department that the proposed merger of The Philadelphia National Bank and the [fol. 6179] Girard Trust Corn Exchange Bank would result in a substantial lessening of commercial banking competition and a tendency toward monopoly in the ways described above. These adverse competitive effects of the merger would not be significantly offset by the improved competitive position of the resulting bank in relation to the still larger banks in New York and a few other cities.

A summary is attached.

Sincerely yours, Robert A. Bicks, Assistant Attorney General, Antitrust Division.

[fol. 6180] Summary

In analyzing the competitive aspects of the proposed merger of The Philadelphia National Bank and the Girard Trust Corn Exchange Bank, this Department has measured the probable effects of the merger against the following statement in the House and Senate Reports on the amendment of Section 18 of the FDIC Act concerning the anticompetitive effects which the Act was intended to prevent:

> The large numbers of mergers in recent years, the vast resources involved in these mergers, and the increases in the size of the largest banks, particularly those which have grown through mergers, all give rise to concern for the maintenance of vigorous competition in the banking system and in the industry and commerce served by the banking system. The reduction in the number of banks and the loss of competition between merged banks also give rise to concern.

Applying these tests to the present merger, it is our conclusion that its effects would include: (1) The combination of the presently second and third largest banks in the City of Philadelphia (which banks have been a party to a total

of fifteen mergers during the last ten years) creating a new bank approximately 50% larger than its largest competitor. The resulting bank would thus obtain important competitive advantages over smaller banks in the area and its creation would probably lead to further competitive realignments by way of merger. (2) A substantial increase in commercial banking concentration and a tendency toward monopoly in the Philadelphia area. (3) The elimination of an important alternative source of commercial banking services in the Philadelphia area. (4) The elimination of substantial existing competition between Philadelphia National and Girard Trust.

[fol. 6181] GOVERNMENT'S EXHIBIT 163

THE PHILADELPHIA NATIONAL BANK
Philadelphia, Pennsylvania

Analysis of Competitive Factors

Under this proposal, The Philadelphia National Bank, Philadelphia, Pennsylvania (hereinafter referred to as applicant) is to be consolidated with the Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, a member bank, (hereinafter referred to as Girard) under the charter of the applicant and with the title Philadelphia Girard National Bank and Trust Company. The present main office of applicant will be continued as the main office of the consolidated bank and thirty-eight existing offices of Girard and one for which approval has been obtained, but not yet opened, will be continued as branches. One branch of [illegible] is to be discontinued.

Applicant was originally organized in 1803 and was chartered as a national bank in 1864. Two mergers were effected in the 1920's, but up until 1951 the character of its business was largely of the wholesale nature, as is evidenced by the fact that its $745 million in deposits at the end of 1950 were held in 11,000 accounts, of which about 1,000 were from domestic and foreign correspondent banks. At that time it operated only three banking offices, offered no per-

sonal trust services, had no savings or special checking accounts, no consumer credit department, and no safe deposit facilities. Since 1950 transactions have been effected involving eight relatively small mergers and assumption of liabilities of one bank through which eighteen additional banking offices and deposits aggregating $174 million were acquired. In addition to its main office, applicant now operates in 27 different branch locations. The expansion of the past decade follows a decision made in 1951 to enter the retail banking and trust fields, and at the same time expand its wholesale business and lending power. This decision created the need to obtain offices in outlying sections of both the city and its suburbs that were conveniently located to serve the bank's customers. During this period of expansion applicant's total resources grew from $837 million (as of 12-31-50) to $1.1 billion (as of 12-31-59), but the percentage relationship of its total assets to those of all commercial banks operating in Philadelphia increased only from 21.3% to 21.6%, and applicant dropped from first position in size to second position among Philadelphia commercial banks.

Girard was organized in 1835 as The Girard Life Insurance, Annuity and Trust Company of Philadelphia, to engage in life insurance and trust services, as well as becoming a bank of deposit. The life insurance business was subsequently discontinued and the bank became a member of the Federal Reserve System on November 3, 1917. Girard placed its primary emphasis on trust business and not until 1940 were special efforts made to develop commercial business. At that time the bank had only one office and following a study during the late 1940's of changing customer practices and the banking situation in Philadelphia, it was decided that in order to be able to compete more effectively with other Philadelphia banks, Girard should acquire or develop branches throughout the city and in the adjoining counties. The aforementioned decision eventually resulted in a merger on June 15, 1951, with the Corn Exchange National Bank which had a very desirable branch system as well as a substantial commercial business, consumer credit and foreign departments. With this merger the name of the bank was changed to its present title and twelve bank offices were acquired having deposits that aggregated nearly

$289 million. Since then transactions have been effected involving five other mergers through which twenty additional banking offices and deposits aggregating $124 million were acquired. In addition to its main office, Girard now operates in 37 different branch locations, though approval has been obtained for another, and through its expansion over the past decade resources have increased from $242 million (as of 12-31-50) to $772 million (as of 12-31-59). Over the same period of time the percentage relationship of its total assets to those of all commercial banks operating in Philadelphia increased from 6.2% to 15.3%, but its relative position as to size has not changed, still ranking third. The substantial growth in total resources (more than threefold) has resulted from the change in policy whereby more emphasis was placed on developing commercial bank business, as opposed to the former policy of primary emphasis on the trust function, and a substantial portion of this growth was accomplished through mergers.

As will be noted from the brief histories of both institutions outlined above, there has been, until in recent years, a wide divergence in the types of business on which each bank placed major emphasis. Applicant was primarily a wholesale bank, whereas Girard specialized in trust services, and it was not until 1951 that both banks commenced to expand to any substantial degree into the retail banking field. Applicant states three basic reasons for the proposed [fol. 6182] consolidation: first, to provide the Philadelphia area with a bank commensurate with its size and adequate to meet the area's banking needs; second, to establish a more diversified bank by combining the complementary services of the participants; and thirdly, the combine the separate institutions into a bank with greater depth in management and a more complete organization of specialists and technicians to render more effective service.

Philadelphia's metropolitan area ranks fourth in size throughout the United States. During the last ten years there has been a notable expansion of industry and extensive urban and suburban development, to the extent that traditional city, county, and even state lines have been obscured. The area has become known by a new concept "Delaware Valley, U.S.A." It is one of the most highly industrialized areas in the United States, contains a broad

diversification of manufacturing and processing facilities in all fields, and wholesale and retail commerce is abundant and complete. The world's largest fresh water port is located here. The present population of Philadelphia is nearly two million and that of the trade area is said to be nearly 18 million. Prospects for further substantial residential and industrial expansion are impressive.

The two banks involved in this proposal together with other competing banks serve the area described above, which is comprised of four counties in Pennsylvania, four counties in New Jersey, and one in the State of Delaware. The competitive area in Delaware is the City of Wilmington and surrounding territory in New Castle County. Seventeen banking offices of Delaware banks serve that area. In New Jersey there are eighty-eight banking offices of New Jersey banks in Camden, Gloucester, Burlington, and Mercer Counties. Philadelphia banks are active competitors in Chester County, Pennsylvania, but are restricted by law in branch operations to counties contiguous to Philadelphia County. They are also active in Allentown, Easton, and Bethlehem to the north, Reading to the northwest, Harrisburg and as far as Pittsburgh to the west, and Delaware and New Jersey as noted above on the south and east.

However, for the purpose of scheduling competing banks only those located in Philadelphia County and the three contiguous counties in Pennsylvania, namely, Bucks, Delaware, and Montgomery, where Philadelphia banks can operate branches, are included.

Name of Bank	No. of Offices	Deposits			Loans	
		Amount (000 omitted)	% of Phila. Commercial Banks	% of 46 Banks in 4 County Area	Amount (000 omitted)	%
Applicant	28	978,628	22.0	14.7	486,187	13.7
Girard	39	668,721	15.0	10.0	396,818	11.2
Subtotal	67	1,647,349	37.0	24.7	883,005	24.9
Broad Street Trust Co.	17	126,108	2.8	1.9	97,342	2.7
Brown Bros. Harriman (Private Bank-uninsured)	1	228,613	5.1	3.4	76,535	2.2
**Central-Penn National Bank	19	253,088	5.7	3.8	152,790	4.3
**Fidelity Philadelphia Trust Co.	27	420,549	9.5	6.3	239,700	6.8
**First Pennsylvania Bank & Trust Company	41	1,075,710	24.2	16.1	628,288	17.8
Liberty Real Estate Bank & Trust Company	10	105,020	2.4	1.6	58,811	1.6
**Provident Tradesmens Bank & Trust Company	20	457,567	10.3	6.9	250,167	7.1
Six other commercial banks	22	134,012	3.0	2.0	67,975	1.9
Total of 15 commercial banks in Philadelphia	224	4,448,025	100.0	66.7	2,454,613	69.3
Four Philadelphia Mutual Savings Banks	55	1,800,455		27.0	886,686	25.1
Total of all Philadelphia banks	279	6,248,580		93.7	3,341,299	94.4
17 Montgomery County Bks. (1)	48	269,436		4.0	128,693	3.6
9 Bucks County Banks	16	88,989		1.4	44,674	1.3

Name of Bank	No. of Offices	Amount (000 omitted)	% of Phila. Commercial Banks	% of 46 Banks in 4-County Area	Loans Amount (000 omitted)	%
(1) Delaware County Bank	8	62,686		.9	25,902	.7
Total of 46 banks in four county area	351	6,669,691		100.0	3,540,568	100.0

(1) Includes three banks with deposits aggregating $15 million and loans of $6 million that will disappear in 1961 through mergers on which applications have been processed.

All of the banks in the Philadelphia area provide the same general services and compete directly through main office and branch operations. Loan diversification in the two banks involved in this proposal is not dissimilar, nor is the deposit structure, though applicant has nearly 20% of its deposits in correspondent bank accounts, as compared to 7.5% for Girard, and 56% in other IPC demand deposits as compared to 67% for Girard. There are no industrial banks in the area. Competition from savings and loan associations and building and loan associations is intense, particularly in Philadelphia. In the four-county area there are 421 such associations with savings volume as of 12-31-59 aggregating $1,258 million and loan volume of $1,291 million. By contrast, all associations in the area as of 12-31-50 had share volume of only $432 million, thus showing a growth of nearly three times over the nine year period. Some 416 life insurance companies, 270 credit unions, 100 sales finance companies, and 313 small loan companies provide additional competition in the mortgage loan and instalment loan fields. Factors are active in the area, though their competitive influence is not significant, and activities of Government lending agencies are relatively unimportant. However, banks in both New York City and Pittsburgh are active competitors with Philadelphia banks.

In Philadelphia and the three contiguous Pennsylvania counties, the number of banks has declined from 104 in 1950 to 46 at the end of 1959. Three processed applications to merge and this proposal would reduce that number to 42. Resources of the seven largest commercial banks in Philadelphia at 12-31-59 represented 89.7% of total resources in Philadelphia's 15 commercial banks as compared to 60.8% of total resources among 34 commercial banks on

12-30-50. This trend in concentration suggests a lessening of competition in the immediate service area. Consummation of this proposal which will combine the second and third largest commercial banks in Philadelphia would contribute further to that tendency. The combination of resources of the two banks involved in this proposal would result in a concentration in one bank of 36.9% of commercial bank resources in Philadelphia compared to the next largest concentration of 24.5%. The two consolidating banks are now strong competitors with each other, as well as with other Philadelphia banks, both directly and through extensive branch systems, and it appears that consummation of the proposal would lessen competition to a significant degree in the Philadelphia area.

The aggregate growth of total resources of banks in the four-county area from 12-31-50 to 12-31-59 was from $5.6 billion to $7.5 billion, and applicant contends that a substantial volume of banking business that rightfully belongs to Philadelphia banks is lost by them because even the largest bank is too small to compete on a regional, national, and international scale, and especially with banks in New York and Pittsburgh. It is pointed out that although Philadelphia is the fourth largest city in the country, five smaller cities—Detroit, Boston, San Francisco, Pittsburgh, and Cleveland—all have one or more banks larger than Philadelphia's largest, and as of 12-31-59 the largest bank in Philadelphia ranked twentieth nationally and twelfth outside New York. If the proposal were consummated, the resultant bank would rank only fifteenth nationally and there would be seven larger banks outside of New York. When the twelve largest metropolitan areas in the country are ranked on the basis of deposits, loans, and lending limits of the biggest bank in each area, Philadelphia stands tenth or eleventh in each category. Following the proposed consolidation, it would climb to only seventh or eighth position. As an interesting comparison, Cleveland's metropolitan area has a population equal to about 40% of that of the Philadelphia metropolitan area; yet, Cleveland's largest [fol. 6184] bank is 19% larger than Philadelphia's largest bank in assets and 25% larger in capital and surplus. The desire to improve Philadelphia's competitive position na-

tionally is stated to be the primary purpose behind the proposal.

Also, applicant points out that no bank in Philadelphia has a lending limit high enough to serve the credit needs of large industry whereby they can effectively compete with the large banks in New York and other cities for this industry business, much of which is located in the Philadelphia area. As a result, these corporations go to the larger banks, especially those in New York (Philadelphia is unique in its proximity to New York), for their credit needs and then carry a substantial part of their deposit balances with those banks. It is noted that the largest New York Bank has a loan limit of $65 million, the limit of the fifth is $20 million, and two banks in Chicago and one in Pittsburgh have loan limits exceeding $25 million. Three San Francisco banks have loan limits in excess of $10 million and one of these is $50 million. By contrast, the highest lending limit in Philadelphia is only $8 million (that of applicant) and that of Girard is only $6 million. Applicant contends that since the deposits and loans of large industry are closely related and in turn lead to the use of other banking services, Philadelphia's low lending limits place it at a further disadvantage. It is also noted that Philadelphia's port is now the largest in the country with respect to import tonnage, whereas because of the size of its banks it is unable to attract more than a small fraction of the nation's foreign banking business. Following consummation of this proposal, the loan limit of the resulting bank will be $15 million, placing it in a much more favorable competitive position for the accounts of nearby large industries, which operate and do their banking on a national scale.

Philadelphia's largest single industry is the petroleum industry with six major refineries in the area, yet only two of these companies are known to carry more than accommodation balances in any Philadelphia bank. It is stated that 26 of the nation's largest manufacturing enterprises have headquarters nearer to Philadelphia than to any other major banking center, but as of 12-31-59 these had only 12.9% of their cash on deposit with applicant and only 4.4% with Girard. These concerns are heavily dependent on larger banks in other cities (notably New York) for their major financial requirements. Thus, it is concluded that the larger

lending limit of the resulting bank will improve the ability of applicant to finance both local and national industry, which in turn should enable it to acquire a more equitable share of the banking business of large corporations located in or near the service area; and in addition, should help to attract new business enterprises to the Philadelphia area, with consequent benefits not only to applicant, but to all Philadelphia banks as a whole. Management of both of the banks involved state that there is no feasible way other than a merger that will accomplish these results and that sale of additional capital stock by either of the participants is impractical because their capital positions are already strong in relation to deposits. The capital-assets ratio of applicant as of June 30, 1960, was 8.76% and that of Girard was 9.99%.

In the application it is stated that there are 392 common depositors with checking accounts having balances in excess of $10,000 each. The balances in applicant amounted to $164 million and in Girard $102 million. Thirty-four of these accounts with balances aggregating $58 million and $36 million in the two banks respectively are controlled from within the service area but are said to be sufficiently large and diversified to require or desire banking service from outside the service area of the resulting bank, if their needs are not satisfactorily met within. Additionally, 84 of the accounts, with balances of $44 million in applicant and $24 million in Girard are controlled from outside the service areas of the participating banks, and consequently, these depositors have a wide choice of major banking connections. There are 44 time and savings deposits common to both banks, aggregating $1,885,800 in applicant and $3,683,500 in Girard. There are 67 common borrowers on loans aggregating $49 million in applicant and $43.6 million in Girard. Of these, six loans aggregating $9.7 million in applicant and $7.5 million in Girard are controlled from within the service area, but are sufficiently large and diversified to require or desire banking service from outside the service area of the resulting bank, if their needs are not satisfactorily met within. Additionally, 16 of the accounts, with loans of $14.7 million at applicant and $17.9 million at Girard are controlled from outside the service areas of the

participating banks, and consequently have a wide choice of major banking connections.

[fol. 6185] However, from the foregoing it is obvious that competition exists between the two banks involved in this proposal, both locally and from outside the service area, and to this extent, at least, consummation of the proposal would eliminate one source of competition. Applicant now holds 22% of deposits in Philadelphia commercial banks and 14.7% of deposits in forty-six banks in the four-county area. The percentage of deposits held by Girard is 15% and 10% respectively. Upon completion of this proposal the resulting bank would hold 37% and 24.7% of deposits in Philadelphia commercial banks and the four-county area respectively. By comparison, the largest bank in Philadelphia at this time (First Pennsylvania Banking & Trust Company) holds 24.2% and 16.1% respectively.

An analysis reflecting the growth of banks in the service area over the past ten years indicates that many of these banks have grown more rapidly than either applicant or Girard, and also, more rapidly than Philadelphia's largest bank (adjusted for effect of mergers). After eliminating mergers over the ten year period, applicant's growth was 15.2% and that of Girard was 8.4%. Comparing this growth with that of a group of Philadelphia and suburban banks (selected as being most competitive) it is noted that in the suburban bank grouping, the smallest increase during the ten-year period was 30.8% and the greatest was 190.3%. In the selected Philadelphia banks the smallest growth was 37.1% and the largest was 65.2%. Therefore, it is concluded that while one source of competition would be eliminated in Philadelphia and the three adjacent counties as a result of this proposal, the effect on competition in the outlying areas should not be particularly adverse. In these outlying sections (notably the four counties in New Jersey and one county in the State of Delaware) banks will be subject to competition from only one less bank in Philadelphia, which should not materially alter the degree and extent of competition from the Philadelphia banks.

Both banks in this proposal have issued numerous participations, but these have been arranged for the convenience of correspondents (both banks do a sizeable correspondent

bank business), and have no significance as far as legal limits are concerned. However, there have been frequent instances where corporations made direct arrangements with several banks, apparently including both applicant and Girard, when credit requirements exceeded the lending limit of the participating banks.

Both banks exercise trust powers. Applicant held 2,570 accounts in all categories with assets of $361 million and Girard held 7,755 accounts in all categories with assets of $2.2 billion, both figures based on market values. Both banks also conduct a sizeable volume of corporate trust business, and the resulting bank will hold approximately 28% of the total personal trust volume of all banks in Philadelphia based on 12-31-59 figures.

No pension or profit sharing trust established or administered by either bank holds 5% or more of the stock of any bank. Also, none of the officers or directors of applicant held as much as 5% of the stock of any bank, including the participating banks. John R. Park, a director of Girard, owns 6.87% of the outstanding shares of The Peoples State Bank of Caro, Michigan, but otherwise, none of Girard's officers or directors hold as much as 5% of the stock of any bank. Neither bank involved in this proposal has any affiliations or affiliated interests. The stock of each bank is widely dispersed. Applicant has 2,647,812½ shares outstanding which is spread among 16,372 shareholders; Girard has 1,691,875 shares outstanding among approximately 9,536 stockholders. The largest holding of any individual of applicant is 24,694 shares, or .9% of the outstanding shares, and in the case of Girard the largest holding is 6,500 shares, or .38%. In determining common ownership of shares of the two banks only those who owned 1,000 shares or more in either bank, plus any shares in the other no matter how small, were considered. This figure of 1,000 shares amount to 1/26th of one percent of applicant's outstanding stock and 1/17th of one percent of Girard. This includes not only holdings of individuals, trustees, and corporations, but also trust and institutional investors. Accordingly, shareholders owning stock in both banks have 10% of the shares of applicant and 15.5% of the shares of Girard.

[fol. 6186] Summary:

Applicant contends that the primary purpose behind this proposal is to provide Philadelphia with a larger bank which will be more in keeping with its position in the United States as a major industrial center. While the Philadelphia metropolitan area ranks fourth in the nation, its largest bank ranks only twentieth nationally and only twelfth among banks outside New York City. Several banks in smaller metpolitan areas areas have much larger loan limits. In addition, the large New York City banks are in direct competition with those in Philadelphia for the accounts of corporations operating on a nationwide basis, but with head offices nearer to Philadelphia than to any other major banking center. As a result, Philadelphia banks are at a disadvantage in competing for this business, because of their relatively low loan limits, and are losing a considerable volume of loans and deposits which applicant feels rightfully belong to Philadelphia. The consolidation would increase Philadelphia's present highest loan limit from $8 million to $15 million and proponents contend that this would materially improve the competitive position of applicant and Girard on a national scale in striving to retain some of this business in Philadelphia banks. In addition, both applicant and Girard do a sizeable volume of correspondent bank business that extends throughout the country as well as internationally. Thus, it is apparent that the field of competition is not only local, but to some extent regional, national and international. As it relates to the scope of operations beyond the local level, it does not appear that the proposal will have any adverse effect on competition; in fact, it should promote competition from Philadelphia on the regional, national and international levels. Also, in the outlying sections of the defined trade area (notably the four counties in New Jersey and one county in the State of Delaware), the effect on competition should not be significant, inasmuch as the banks in these counties will be subject to competition from only one less bank in Philadelphia, which should not materially alter the degree and extent of competition from Philadelphia banks.

On the other hand, in Philadelphia and the three contiguous Pennsylvania counties in which Philadelphia banks can have branches, the number of banks has declined

from 104 in 1950 to 46 at the end of 1959. Three processed applications to merge and this proposal would reduce that number to 42. Resources of the seven largest commercial banks in Philadelphia at 12-31-59 represented 89.7% of the total resources in commercial banks compared to 60.8% on 12-30-50. This trend in concentration suggests a lessening of competition in the immediate service area. Consummation of this proposal which will combine the second and third largest commercial banks in Philadelphia would contribute further to that tendency. The consolidating banks presently are strong competitors with each other and with other Philadelphia banks, both directly and through extensive branch systems, and consummation of the proposal would adversely affect competition to a significant degree.

Therefore, it is concluded that the effect of the proposed consolidation on competition would be adverse as to Philadelphia and immediate suburbs but not adverse in the regional, national, and international fields of competition.

[fol. 6187] GOVERNMENT'S EXHIBIT 164

Advance Extract From Annual Report to The Congress of The Comptroller of the Currency

[fol. 6188] Annual Report of the Comptroller of the Currency

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Table No. — Consolidations of national banks, or national and state banks, during the year ended December 31, 1961, under sec. 1, 2, and 3 of the act of Nov. 7, 1918, as amended.

	Capital Stock	Surplus	Undivided Profits	Total Assets
The Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, with and the Philadelphia National Bank, Philadelphia, Pennsylvania, with consolidated 1961, under charter of the Philadelphia National Bank and title of "Philadelphia Girard National Bank and Trust Company."	$16,918,750	43,081,250	*	*
The consolidated bank at date of consolidation had	$26,478,125	53,521,875	*	*
	$48,262,000	101,378,000	*	*

*Figures will be as of the effective time of consolidation.

Summary of Report By the Attorney General

* * * * * * *

Basis for Approval

This consolidation would combine the second and third largest banks in Philadelphia into the largest bank in that city. The consolidated bank would have total assets of approximately $1.8 billion, and would rank in size approximately sixteenth in the nation. It was concluded that this proposed consolidation would be in the public interest in the light of the statutory factors enumerated in P. L. 86-463, approved May 13, 1960. In reaching this conclusion these factors were analyzed as follows:

Financial history and condition

The Philadelphia National Bank was organized in 1803 as the Philadelphia Bank, and it became a national bank on October 20, 1864, thus making it one of the oldest national banks in existence. The financial history of both banks during the entire period of their existence has been good, and both have grown steadily. Both are in good condition at the present time.

Adequacy of capital structure

The capital of the consolidated bank will be adequate in terms of ratios to capital and to risk assets. However, neither bank has a captial structure adequate to enable it to attract and to retain the national and international business which should be brought to or retained in Philadelphia and Pennsylvania and the surrounding areas. The combination of the capital structures of these banks will place the consolidated bank in a much more favorable position in this respect. This was an important factor in this consolidation.

[fol. 6189] Future earning prospects

Earnings of both banks have been good. It is reasonable to suppose that as savings are effected from the integration of personnel, and as a larger share of national and international business is attracted to the bank by its in-

creased size and capital structure, and its increased ability to service the needs of large concerns and of concerns engaged in foreign business, its earnings will increase. Accordingly, the future earnings prospects are definitely favorable.

General character of management

The Board of Directors of both banks consist of men outstanding in their respective businesses and professions and prominent in civic affairs. There is no doubt that the Board of Directors of the consolidated bank will be outstanding.

The proposed active management of the consolidated bank is composed of capable and experienced bankers. Management will be improved by increased depth of ability and experience at every level. It is contemplated that this will permit greater specialization along industry lines thus enabling the bank to better serve its important customers in the various industries with respect to which the bank establishes a specialized department. This may be of particular importance in international trade as the bank expands its specialization in foreign trade. Thus, the improvement in management resulting from this merger will enable the consolidated bank to better serve the banking needs of its customers, and hence the banking needs of the nation.

Consistency of corporate powers with Federal Deposit Insurance Act

The corporate powers of the consolidated bank would be consistent with the purposes of the Federal Deposit Insurance Act.

Convenience and needs of the Community

Philadelphia is the fourth largest city in the United States and it is the center of a highly intensified and diversified industrial area undergoing a remarkable modernization and development. It is adequately banked insofar as the number of banks is concerned and will remain so after the consolidation. The increased size of the consolidated bank will substantially increase the adequacy of banking facilities insofar as size is concerned. The formation of a banking institution large enough to be an important factor in assist-

ing the state and local areas within the state to attract new industry and to retain existing industry to cushion and to offset to some extent cyclical unemployment resulting from primary dependence upon coal mining and the production of steel, may in the long run prove of vital importance to the welfare of the state and these local areas.

The increased size of the consolidated institution will enable it to better compete with the New York City banks for some business which originates in the Philadelphia service area but now goes to New York, and to attract a larger share of the national business to the advantage of Philadelphia and Pennsylvania.

The increased size of the consolidated bank will increase its ability to attract a larger share of foreign trade business to the Philadelphia area to the advantage of the city and the state.

There is no doubt that the convenience and needs of the City of Philadelphia and the State of Pennsylvania will be advantageously served by this merger. This factor was an important one in indicating that the merger should be approved.

Effect of the transaction upon competition including any tendency toward monopoly.

It is clear that no tendency toward monopoly results from this consolidation. The consolidated bank will have nothing approaching a monopoly and certainly will not have moved measurably closer to the monopoly power of being able to raise prices or to exclude competition.
[fol. 6190] With respect to the effect upon competition, there are three separate levels and effective areas of competition involved. These are the national level for national accounts, the regional or sectional area, and the local area of the City of Philadelphia and the immediately surrounding area. On the national level competition will be increased by the formation of a bank which would rank approximately sixteenth in the nation and would be better able to compete at a national level. With respect to regional competition which includes important areas of Pennsylvania, New Jersey and Delaware and, to some extent, Maryland and New York, the application discloses that there are 85 commercial banks competing, and this does not include other

large banks on or close to the fringes of this area which also compete within it. There would be no adverse effect upon regional competition. With respect to local competition there would be eliminated an important competitor, but there would remain in the entire area 46 banks, and in the City of Philadelphia alone 16 commercial and 4 savings banks. Of these 7 commercial banks have assets in excess of $100 million and all of the savings banks are in this category. Thus the consolidation will not deprive the public or the small businesses in Philadelphia of an adequate number of alternative sources of banking service.

Since there will remain an adequate number of alternative sources of banking service in Philadelphia, and in view of the beneficial effects of this consolidation upon international and national competition it was concluded that the over-all effect upon competition would not be unfavorable.

Conclusion

It was concluded that the proposed consolidation would create a large, well-managed, adequately capitalized bank with satisfactory earnings prospects, which would be in the first rank of American financial institutions. By this consolidation the capital structure would be strengthened, the future earnings prospects would be enhanced, and the general character of the management would be improved. The consolidated bank would be well able to serve the convenience and needs of its community in providing adequate well rounded banking service of all kinds, but more importantly it would be far better able to serve the convenience and needs of its community by being of material assistance to its city and state in their efforts to attract new industry and to retain existing industry.

All of these factors were strongly favorable to approval of this transaction, and it was concluded that the over-all effect upon competition would not be unfavorable.

Accordingly, it was found that the proposed transaction would be in the public interest.

[fol. 6191] GOVERNMENT'S EXHIBIT 165

Inter-Office Memorandum

July 3, 1956.

To: Mr. R. D. Conner, Main Office

From: Third & Arch Streets

Re: Map

Attached is the map prepared at this office showing the distribution of our accounts, together with a separate sheet indicating the various percentages by locations. As we discussed, the competition for this office is not indicated for the obvious reason that within a half mile area, south of Arch Street, we have all of the Central City commercial bank branches together with our own office at Second & Chestnut Streets, and going west, a mile and half area includes the banks in the neigborhood of Broad and Chestnut Streets.

While the information developed is of interest in locating the principal sources of our business, it seems to me pretty much as might be expected, with the largest area being northwest of the office and the smallest southeast. The northwest area includes several of our large commercial customers, the southeast is restricted by the Delaware River, plus the business that would normally go to Second & Chestnut Streets.

R. B. Pennock.

Officers and employees are requested to transmit immediately to the central file any information coming to their attention that directly or indirectly affects any of our customers or that is of general interest. It is in this way that we are enabled to keep our files up to date. Take up one subject on this sheet—continue on back if necessary.

6.5—Girard Trust Corn Exchange Bank.

[fol. 6192] Arch Office

Northwest	Regular	Special	Sav. Fund
Total	32.5	48	46.5
Within ½ mile	26	39	37.5
Within 1 mile	4.5	6	7.5
Within 1½ mile	2	3	1.5

Northeast	Regular	Special	Sav. Fund
Total	20.0	19.5	22.75
Within ½ mile	18	18	18.75
Within 1 mile	1	1.5	2.75
Within 1½ mile	1		1.25

Southwest	Regular	Special	Sav. Fund
Total	16	16.5	13.75
Within ½ mile	13	12	10
Within 1 mile	2	3	2.5
Within 1½ mile	1	1.5	1.25

Southeast	Regular	Special	Sav. Fund
Total	9	10	11.75
Within ½ mile	8	7.5	9
Within 1 mile	.5	1	1.75
Within 1½ mile	.5	1.5	1

Total outside 1½ mile area
22.5
6
5.25

[fol. 6193]

Accounts shown in Quads—percentage shown represents the percentage of total number of accounts. Figures one (1) is the first half mile from center, number two (2) the second half mile, etc.

Regular Checking

North West
1 — .26
2 — .045
3 — .02
4 — .075
.40%

North East
1 — .18
2 — .01
3 — .01
4 — .06
.26%

South West
1 — .13
2 — .02
3 — .01
4 — .06
.22%

South East
1 — .08
2 — .005
3 — .005
4 — .03
.12%

N.W. — .40
N.E. — .26
S.W. — .22
S.E. — .12
100%

Special Checking

North West
1 — .39
2 — .06
3 — .03
4 — .03
.51%

North East
1 — .18
2 — .015
3 — none
4 — .015
.21%

South West
1 — .12
2 — .03
3 — .015
4 — .015
.18%

South East
1 — .075
2 — .01
3 — .015
4 — none
.10%

N.W. — 51
N.E. — .21
S.W. — .18
S.E. — .10
100%

Savings

North West
1 — .375
2 — .075
3 — .015
4 — .015
.48%

North East
1 — 1875
2 — 0275
3 — 0125
4 — 0125
.24%

South West
1 — 10
2 — 025
3 — 0125
4 — 0125
.15%

South East
1 — 09
2 — 0175
3 — 01
4 — 0125
.13%

N.W. — 48
N.E. — 24
S.W. — 15
S.E. — 13
100%

Third & Arch Office, Jul 3, 1956.

[fol. 6194]

GOVERNMENT'S EXHIBIT 170

Analysis Survey of Philadelphia Banks Regular Checking as of September 20, 1960

Bank	Analysis Basis	No. of Days Float	Balance Under	Items Allowed	Extra Items	Analysis Begins (Underlined)	Earnings per $100	Monthly Maintenance	Items: Checks Paid	Items: Deposit Tickets	Items: Cash Deposited	Items: Checks Deposited	Minimum Amount Charged
Girard Trust Corn Exchange	Average		$300	5	$ .05	$ 500			$ .05	$ .05	$ .05	$ .05	$ .50
	Collected	2					$ .15	$ .75					No chg.
	Balance		$500	10	$ .05	$2,500			$ .05	$ .05	$ .03	$ .03	$ .25 or less
Philadelphia National Bank	Average												
	Collected	1		No Meter Basis		$ 100	$ .15	$ .75	$ .06	$ .10	$ .03	$ .03	$ .26
	Balance												
First Pennsylvania Company	Average												
	Collected	2		No Meter Basis		$ 100	$ .15	$1.00	$ .05	$ .05	No Chg.	$ .03	$ .26
	Balance								$ .05	$ .05	No Chg.	$ .05	
Fidelity Philadelphia Trust Company	Average		Low	1 for									
	Ledger	None	Bal.	each		$ 300			First 300 items $ .04				
	Balance		Under $300	$20 of low Balance	$ .05	$2,500	$ .12	$ .50	Over 300 items $ .03 Cash deposited is not an item				$ .25
Central Penn National Bank	Average					$ 500			$ .05	$ .05	$ .05	$ .05	
	Collected	2	$500	10	$ .05		$ .10	$ .50					$ .25
	Balance					$1,500			$ .04	$ .02	$ .02	$ .02	
Provident Tradesmens Bank and Trust Company	Average		$300	10	$ .05	$ 500			$ .05	No Chg.	$ .05	$ .05	
	Ledger	None							First 500 items—$.04				
	Balance		$500	15	$ .05	$5,000	$ .10	$ .50	Over 500 items—$.03 Deposit ticket is not an item				$ .26
[fol. 6195]													
Broad Street Trust Company	Average		$100	5	$ .05								
	Collected	2	$200	10	$ .05	$ 300	$ .10	$ .60	$ .04	$ .03	$ .03	$ .03	$ .25
	Balance		$300	15	$ .05								
Liberty Real Estate Bank and Trust Company	Average		$200	10	$ .05	$ 300 to $1,500			1 item for each $50.00. Extra items $ .05 Deposit Tickets not considered items				
	Collected	2					$ .10	$ .50	$ .04	No Chg.	$ .03	$ .03	$ .26
	Balance		$300	15	$ .05	$1,600							
Frankford Trust	Average		$200	15	$ .03	$200	$ .10	$ .85	$ .03	No Chg.	No Chg.	$ .03	$ .25
	Ledger	None											
	Balance		$100	10	$ .03								
Industrial Trust	Average			$1.85									
	Ledger	None	$200	Chg. 6 items allowed	$ .04	$ 200	$ .10	$ .50	$ .04	No Chg.	No Chg.	$ .04	$ .25
	Balance												
Second National	Average				All Items								
	Ledger	None	$300	None	$ .03	$ 300	$ .10	$ .50	$ .03	$ .03	$ .03	$03	$ .25
	Balance												

[fol. 6196]

Misc. Expenses	Girard Trust Corn Exchange	Phila. Nat'l Bank	First Penna. Co.	Fidelity Phila. Trust Co.
Certified Checks	75	25	No Chg.	50
Checks Returned NSF & Uncoll. Funds	2 00*	2 00	3 00*	2 00*
Checks Returned Post Dated	2 00*	2 00	3 00*	2 00*
Collections	1 00	1 00	50	1 00
Currency Deposited	3 00 per hr.	NA	4 00 per hr.	3 00 per hr.
Deposit Return	30	10	No Chg.	25
Overdrafts	2 00	1 00	3 00*	2 00*
Payrolls	3 00 per hr.	15 Per 100 Units	4 00 per hr.	3 00 per hr.
Rolled Coin	02	.01½	01½	02
Stop Payments	2 00	50	2 00	1 50
Treasurers Checks	75	25	25*	75
Registered Checks	20*	25*	25*	NA
Wire Transfers	75	25	1 00	1 00
Checks Cashed	1 25 20	.05	No Chg.	10

Remarks:

NA—Information Not Available.

* Indicates Direct Charge.

DG:has
9/20/60

Sheet No. 3

Central Penn Nat'l Bank	Provident Tradesmens Bank & Trust Co	Broad Street Trust Co.	Liberty R. E. Bank & Trust	Frankford Trust Co.	Industrial Trust Co.	Second Nat'l
25	25	75	25	No Chg.	NA	25
4 00*	3 00*	3 00*	3 00*	2 00*	3 00*	2 00*
4 00*	3 00*	3 00*	3 00*	2 00*	3 00*	No Chg.
2 00	1 00	4 00	From 25 to 1 00	NA	NA	NA
4 00 per hr.	3 00 per hr.	4 00 per hr.	No Chg.	No Chg.	NA	No Chg.
25	25	30	25	No Chg.	No Chg.	15
No Chg.	No Chg.	2 00	No Chg.	No Chg.	3 00*	No Chg.
50 per order	50 per order	35 per order	35 per order	No Chg.	NA	10 Per 100 Units
02	02	02	01½	01	NA	NA
50	4 00	1 50	50	50	No Chg.	50
25*	25	75	No Chg.	No Chg.	No Chg.	25*
15*	NA	NA	15*	15*	NA	NA
NA	75	1 25	1 00	NA	NA	NA
05	10	20	No Chg.	No Chg.	No Chg.	No Chg.

[fol. 6197]

GOVERNMENT'S EXHIBIT 171

Analysis Survey of Philadelphia Banks Regular Checking as of March 31, 1961

Bank	Analysis Basis	No. of Days Float	Meter Basis: Balance Under	Meter Basis: Items Allowed $1	Meter Basis: Extra Items	Analysis Begins (Underlined)	Earnings per $100	Monthly Maintenance	Items: Checks Paid	Items: Deposit Tickets	Items: Cash Deposited	Items: Checks Deposited	Minimum Amount Charged
Girard Trust Corn Exchange	Average		$300	5	$.05	$ 500			$ .05	$ .05	$ .05	$ .05	$ .50
	Collected	2					$.15	$.75					No Chg.
	Balance		$500	10	$.05	$2,500			$ .05	$ .05	$ .03	$ .03	$ .25 or less
Philadelphia National Bank	Average	Pers.											
	Collected	None		No Meter Basis		$ 100	$.15	$.75	$ .06	$ .10	$ .03	$ .03	$ .26
	Balance	Cml. 1											
First Pennsylvania Company	Average												
	Collected	2		No Meter Basis		$ 100	$.15	$1.00	$ .05	$ .05	No Chg.	$ .03	$ .26
	Balance												
Fidelity Philadelphia Trust Company	Average		Low	1 for					$ .05	$ .05	No Chg.	$ .05	
	Ledger	None	Bal.	each	$.05	$ 300	$.12	$ .50	First 300 items $ .04				$ .25
	Balance		Under	$20		$2,500			Over 300 items $ .03				
			$300	of low		$2,500			Cash deposited is not an item				
				balance									
Central Penn National Bank	Average					$ 500			$ .05	$ .05	$ .05	$ .05	
	Collected	2	$500	10	$.05		$.10	$.50					$ .25
	Balance					$1,500			$ .04	$ .02	$ .02	$ .02	
Provident Tradesmens Bank and Trust Company	Average		$300	10	$.05	$ 500			$ .05	No Chg.	$ .05	$ .50	
	Ledger	None					$.10	$.50	First 500 items $ .04				
	Balance		$500	15	$.05	$5,000			Over 500 items $ .03				$ .26
									Deposit ticket is not an item				

[fol. 6198]

Sheet No. 2

Broad Street Trust Company	Average		$100	5	$.05								
	Collected	2	$200	10	$.05	$ 300	$.10	$.60	$ .04	$ .03	$ .03	$ .03	$ .25
	Balance		$300	15	$.05								
Liberty Real Estate Bank and Trust Company	Average		$200	10	$.05	$300 to $1,500	1 item for each $50.00. Extra items $.05 Deposit Tickets not considered items						
	Collected	2											
	Balance		$300	15	$.05	$1,600	$.10	$.50	$ .04	No Chg.	$ .03	$ .03	$ .26
Frankford Trust	Average		$200	15	$.03								
	Ledger	None				$ 200	$.10	$.35	$ .03	No Chg.	No Chg.	$ .03	$ .25
	Balance		$100	10	$.03								
Industrial Trust	Average			$1.85									
	Ledger	None	$200	Chg.	$.04	$ 200	$.10	$.50	$ .04	No Chg.	No Chg.	$ .01	$ .25
	Balance			6 items allowed									
Second National	Average												
	Ledger	None	$300	6	$.03	$ 300	$.10	$.50	$ .04	$ .03	$ .03	$ .03	$ .25
	Balance												

[fol. 6199]

Sheet No. 3

Misc. Expenses	Girard Trust Corn Exchange	Phila. Nat'l Bank	First Penna. Co.	Fidelity Phila. Trust Co.	Central Penn Nat'l Bank	Provident Tradesmens Bank & Trust Co.	Broad Street Trust Co.	Liberty R. E. Bank & Trust	Frankford Trust Co.	Industrial Trust Co.	Second Nat'l
Certified Checks	75	25	No Chg.	50	25	25	75	25	No Chg.	No Chg.	25
Checks Returned NSF & Uncoll. Funds	2 00*	2 00	3 00*	2 00*	4 00*	3 00*	3 00*	3 00*	2 00*	3 00*	3 00*
Checks Returned Post Dated	2 00*	2 00	3 00*	2 00*	4 00*	3 00*	3 00*	3 00*	2 00*	3 00*	No Chg.
Collections	1 00	1 00	50	1 00	2 00	1 00	1 00	From 25 to 1 00	NA	NA	NA
Currency Deposited	3 00 per hr.	NA	4 00 per hr.	3 00 per hr.	4 00 per hr.	3 00 per hr.	4 00 per hr.	No Chg.	No Chg.	NA	No Chg.
Deposit Return	30	10	No Chg.	25	25	25	30	25	No Chg.	No Chg.	15
Overdrafts	2 00	1 00	3 00*	2 00*	No Chg.	No Chg.	2 00	No Chg.	No Chg.	3 00*	No Chg.
Payrolls	3 00 per hr.	15 Per 100 Units	4 00 per hr.	3 00 per hr.	50 per order	50 per order	35 per order	35 per order	No Chg.	NA	10 Per 100 Units
Rolled Coin	02	01½	01½	02	02	02	02	01½	01	NA	NA
Stop Payments	2 00	50	2 00	1 50	50	1 00	1 50	50	50	1 00	50
Treasurers Checks	75	25	25*	75	25*	25*	75	No Chg.	No Chg.	No Chg.	25*
Registered Checks	20*	20*	25*	NA	15*	NA	NA	15*	15*	NA	25*
Wire Transfers	75* 1 25	25	1 00	1 00	NA	75	1 25	1 00	NA	NA	NA
Checks Cashed	20	05	No Chg.	10	05	10	20	No Chg.	No Chg.	No Chg.	No Chg.

Remarks:

NA—Information Not Available.

* Indicates Direct Charge.

DG:has
3/31/61

[fol. 6200] GOVERNMENT'S EXHIBIT 172

GIRARD TRUST CORN EXCHANGE BANK
Philadelphia, Pa.

Memorandum

Re: Proposed First Pennsylvania Company Branch
Springfield, Delaware County Shopping Center

Messrs. Day, Walker, Denbergh and a representative of First Pennsylvania Company's counsel lunched at Girard today with Messrs. Smith, Gardner and Allen.

Mr. Day had requested this meeting to inform Girard of their proposed new office and if possible to get a commitment from us not to oppose their location near our Lawrence Park and Pilgrim Gardens offices.

Three main points were stated by Mr. Day as representing the policy of First Pennsylvania Company:

(1) They will, as a general rule, not oppose the location of competitive branches near their offices. He admitted their opposition to Philadelphia National Bank in Ardmore was an exception and that possibly there would be other exceptions to this general policy.

(2) They have decided not to pay the necessary premiums to acquire branches by merger, but have made a policy decision to locate a few larger offices on the perimeter of and strategically in the three surrounding counties. He cited Cheltenham and Ogontz, Levittown; Ridge and Butler Pikes, and the Springfield Office as examples of this policy. He did say also that they had a gap in the northeast section of Montgomery County which they hoped to fill soon.

(3) They believe that it is wrong to have the question of branch locations become an issue to be decided by the State Banking Board with perhaps a national bank acquiring the contested site by default.

Mr. Smith pointed out in rebuttal that:

(1) We have in fact paid a premium and it is our duty to protect this premium for our stockholders. He also stated that, generally speaking, another office in a compet-

ing neighborhood merely slices the pie into more pieces and decreased the profit of present branch offices.

(2) We agree that it is not a good thing to have politicians settle the issue, however, since this is our only legal remedy, what would Mr. Day have us do, give our consent to every proposal for a branch that we believe will injure our existing branches. As far as national bank coming in by default, banks are banks and it would make little difference whether the site was acquired by a state or a national bank.

Mr. Denbergh, at this point, stated that the Springfield center would become a large regional center since its annual sales volume approached $40,000,000 and the Media by-pass would greatly increase traffic passing this point. He went on to argue that banks like department stores help [fol. 6201] to pull trade for each other and thus, by implication another bank in the Springfield Shopping Center, like the situation in Germantown, would actually help those banks on the perimeter such as our own and Provident-Tradesmens'.

Mr. Smith pointed out that this may be true ten years from now.

Isolated points were made of:

(1) The intolerable situation at City Line and that First Pennsylvania Company was there first at 54th Street and that this office grew by $3,000,000 last year, representing the best growth in their system.

(2) That Girard-Corn hurt First Pennsylvania in Mayfair.

(3) First Pennsylvania will not oppose Fidelity or P. S. F. S. at Cheltenham.

(4) Secretary Myers had turned down Pennsylvania Company at Levittown originally.

(5) We will, perhaps, be faced with the necessity of closing ranks against the mutuals.

(6) That their Tacony office is not profitable.

(7) That Philadelphia National has purchased the Devitt hardware store at 69th Street and has an application in for a branch. Our information is that this store has not been sold and has been offered to us for $400,000.

(8) Fidelity intends to close their airport office.

(9) Mr. Denbeigh offered to go over their application for the Springfield site with Messrs. Gardner and Allen.

(10) They have made use of Armstrong Associates for a survey of the neighborhood of our 22nd Street Office.

Mr. Smith made it clear that we have not made our decision as to whether we will or will not oppose their proposed office in Springfield.

Messrs. Smith, Wilkinson and Gardner will meet on Tuesday, September 9th to discuss this situation.

Robert C. Allen.

September 3, 1958.

[fol. 6202] GOVERNMENT'S EXHIBIT 173

Chartered 1836

GIRARD TRUST CORN EXCHANGE BANK
Philadelphia 2, Pa.

September 26, 1958.

The Honorable Robert L. Myers, Jr.,
Secretary of Banking,
Commonwealth of Pennsylvania,
Department of Banking,
Harrisburg, Pennsylvania.

DEAR SECRETARY MYERS:

We have been advised by representatives of the Department of Banking that The First Pennsylvania Banking and Trust Company has applied for permission to establish a branch office on the northeast corner of the intersection of State and Sproul Roads, Springfield, Delaware County.

The Girard Trust Corn Exchange Bank and other institutions provide competitive banking service and facilities in areas adjacent to this proposed branch. Based on experience gained from operating established banking offices in this locale, and the characteristics of the community, we believe the applicant unable to prove that the need for

an additional banking facility exists. Accordingly, it is respectfully requested that approval be denied.

Population growth within a two-mile radius of the proposed site is an important factor to be considered in determining and need for additional banking facilities. This was indicated by the adjudication and order of the Banking Board issued March 24, 1938, in re: "Application of The Western Savings Fund Society . . . to establish a branch . . . . in the Springfield Shopping Center . . . ."

The present population within two miles of the proposed site its approximately 30,000, and this represents a fourfold increase since 1940. However, in the last seven years, there has been an equal growth in banking facilities. Four offices of major banking institutions have opened in the same area. The number of persons per banking office is now less than 8,000, a remarkably small average. The "Survey of Branch Banking in the Philadelphia Area—1947-1957" prepared under the direction of Doctor E. Gordon Keith found in June, 1956, that the average population per banking office in Delaware County equaled 13,816 and in Philadelphia County, 18,466.

Appended to this letter is a map illustrating the two-mile area surrounding the proposed site. As indicated by the map, in addition to the four banking offices within this area, there are seven other banking offices on the immediate perimeter of the radius which serve the population within the subject area, and these offices, particularly to the east of the radius, are contiguous to the older more densely populated section of the area. Therefore, a realistic appraisal of the population per banking office would be considerably less than the 8,000 cited above.

[fol. 6203] From the foregoing, it is clear that by the test of present population density, the need for additional banking service at the proposed site is unproven. Referring to the norms developed in Doctor Keith's survey, the present population in the area could double before the existing offices can even be considered average for Delaware County. This is unlikely to happen. As indicated on the attached map, much of the remaining unimproved land has been pre-empted for non-residential purposes. Three golf courses, the largest publicly owned, and a 650-acre Catholic cemetery prevent development. The

ground to the west of Sproul Road is a watershed area steeply inclined towards Crum Creek and unsuitable for mass home construction. Further, zoning in the largest tract of unimproved land is restricted to two-acre plots. Zoning for industrial or commercial development is severely restrictive.

The Western Savings Fund adjudication referred to above gave consideration to that applicant's proposed location in the Springfield Shopping Center. The proposed office of The First Pennsylvania Banking and Trust Company will provide no particular convenience for persons using the shopping center. The site is barred to foot traffic from the shopping center by a six-lane high speed highway with a fence divided medial strip. Access by automobile from the shopping center requires a further motor trip negotiated through vehicle congested intersections.

The principal attraction for shoppers in this shopping center is a large discount house. This store does not especially draw its patrons from the immediate neighborhood, but from the entire metropolitan Philadelphia area. Therefore, the daily traffic count at the shopping center, although impressive, should be severely discounted for purposes of estimating banking needs.

In the recent Western case, the Department of Banking and the Banking Board did consider the distinctive characteristics of a mutual savings bank, including the fact that it is beneficially owned by depositors and specializes in promoting thrift and extending mortgage loans. In the present application, no similar arguments may be raised. The Girard Trust Corn Exchange Bank and the Provident Tradesmens Bank and Trust Company, which operate the existing commercial banking offices in the area, are both large, experienced commercial banks and trust companies offering services in every way comparable to those which the applicant can undertake to furnish.

No present or prospective industrial development is possible. Commercial development is limited to existing congested areas, and every test of population density indicates that adequate banking facilities already exist. The Girard Trust Corn Exchange Bank has had the experience of operating offices within the two-mile radius in question since

1954. This experience confirms the arguments presented above.

Respectfully submitted, Girard Trust Corn Exchange Bank, Geoffrey S. Smith, President.

[fol. 6204] GOVERNMENT'S EXHIBIT 174

Memorandum

September 11, 1958.

To: Mr. S. S. Gardner, Vice President.

From: Robert C. Allen.

Re: First Pennsylvania Company's Branch Application for Levittown

At your request, I spoke to Mr. Samuel H. Ballam, Jr., Vice President of Fidelity-Philadelphia, concerning First Pennsylvania's previous application for Levittown. He knew very little about the subject and could tell us nothing that we did not already know.

I called Mr. Ellis B. Ridgeway, Jr., Vice President of Philadelphia National, and he confirmed the same understanding that we had, i.e., First Pennsylvania's previous application for Levittown had been disapproved by Secretary Myers. It is entirely possible that the declined application could have been forwarded to the state banking board, although Ellis is not sure of this.

It is Ellis' understanding that First Pennsylvania intended to locate on the northwest side of Bristol Pike and the Levittown Parkway outside the Levittown Shopping Center. There is some available ground there for commercial development but it would be of a limited nature. They had heard a fairly fantastic rumor that the developer of this site had intended to tunnel under the Levittown Parkway to connect this site with the main Levittown shopping center.

Philadelphia National did not protest in writing, but indicated to Mr. William Baker (in the office of the Comptroller of The Currency) that they did not see the need for another bank in this location, using the usual maps,

population statistics, etc. Ellis said that they have not received any formal notice of the re-application of First Pennsylvania for this Levittown site.

Apparently the general policy of Philadelphia National is not to protest other banks' applications since they themselves expect to be in a position of applying for regional offices in spots where they lack coverage. Thus, they do not see how they could object to other banks' applications when they themselves will be trying to acquire competitive sites. Historically, Philadelphia National has never protested in the sense of appearing at a hearing, however, in the case of First Pennsylvania's Ridge and Butler Pikes application, they have taken great pains to explain to the examiners that they (Philadelphia National) could not possibly justify locating a branch at this site, and they believe that First Pennsylvania's office will do harm to their office in Conshohocken, as well as Peoples office in Lafayette Hill and Liberty Real Estate in Andorra.

10/20 Ridge & Butler declined as per Corby P/T. 10/16.

RCA:emc

R.C.A.

[fol. 6205] GOVERNMENT'S EXHIBIT 175

Memorandum

February 10, 1959.

To: Messrs. Geoffrey S. Smith, President George H. Brown, Jr., Executive Vice President O. H. Beadle, Senior Vice President.

From: S. S. Gardner

Mr. Zell G. Fenner, Assistant Vice President of the Federal Reserve Bank, called yesterday to inform us that the *Citizens and Southern Bank and Trust Company* has applied for permission to open a branch on the *Southeast Corner of Spring Garden and Broad Streets.*

The proposed branch will be in a ten-story office and loft building at 511-19 North Broad Street where the Burroughs Company was a former tenant. The building has entrances on Spring Garden and Broad Streets and is adjacent to a parking lot on Spring Garden Street.

As you know, Citizens and Southern is a small state-chartered bank which is not a member of the Federal Reserve System. The main office is located at 1849 South Street, and the bank now has one branch at 20th and Chestnut which was opened recently. Total deposits as of June 30th were $3,432,000—up only about $1,100,000 since December 31, 1950. The bank's capital and surplus is $335,000, indicating a lending limit of $33,500.

I do not recommend that we protest this application. The proposed site is close to the center city area and might be considered as falling into that category where protests would be given little consideration because of the general location. In addition, the bank itself is very small and can hardly be considered a threat to our commercial business. Although our Spring Garden Street Office is the closest bank to this site, it is still two full city blocks west of our location.

Our Spring Garden office manager, Mr. Pollock, feels that we might lose some "E" Bond and check cashing activity, and he expects that the new office might affect us most in special checking and saving fund business. He does not feel that any commercial accounts will be in jeopardy, including the one account we have now from a tenant in the building where the new branch will be located (Transport Agency, Inc.—approximate balance $10,000).

S. S. Gardner.

SSG:emc

1. Please note.
2. File: Protests not entered.

[fol. 6206] GOVERNMENT'S EXHIBIT 181

Number of Commercial and Industrial Loans of Philadelphia National Bank and Girard in Philadelphia, Bucks, Montgomery and Delaware Counties, Pennsylvania as of October 5, 1955

	Philadelphia National Bank				Girard				PMB & Girard Combined			
Number of Loans—1955	4-Counties	All Other	Total		4-Counties	All Other	Total		4-Counties	All Other	Total	
$1– $49,999	2,670	1,032	3,702	71%	1,146	210	1,356	85%	3,816	1,242	5,058	75%
$50,000– $99,999	300	228	528		270	78	348		570	306	876	
$100,000–$249,999	240	174	414		222	66	288		462	240	702	
$250,000–$499,999	78	60	138		54	30	84		132	90	222	
$500,000–$999,999	66	96	162		84	42	126		150	138	288	
$1,000,000 & Over	27	20	47		7	16	23		34	36	70	
Total Number	3,381	1,610	4,991		1,783	442	2,225		5,164	2,052	7,216	
Per Cent of Total	67.7	32.3	100.0		80.1	19.9	100.0		71.6	28.4	100.0	

Source: Tables 9 and 10.

[fol. 6207] GOVERNMENT'S EXHIBIT 183 (Revised)

Changes in the Number of Banks with Head Offices in Philadelphia Shown by Size of Bank

1940-1960[1]

Size of Bank in Total Assets (in $ million)	Number of Banks					
	1940	1945	1950	1955	1960	1960[2]
0-10	24	12	5	4	3	3
10-100	15	22	19	7	3	3
100-300	5	7	6	5	3	3
300-600	—	1	1	1	2	2
600-Over	1	1	1	3	3	2
Total	45	43	33	20	14	13

[1] Source: Government Exhibit 185.

[2] Number if merger is approved.

[fol. 6208] GOVERNMENT'S EXHIBIT 184

Commercial Banks in the Four County Area
(December 1960)

County	Number of Commercial Banks With H. O. In The County	Number of Competitive Commercial Banks With Offices In The County	Total Number of Commercial Banking Offices In The County
Philadelphia	14[1]	14	136
Delaware	1	11[3]	44[2]
Montgomery	14	23	70
Bucks	9	15	34

Source: Government Exhibit , "Commercial Banks With Head Offices in the Four-County Area and Location of Their Offices Within the Four Counties."

[1] Does not include:

Pennsylvania Warehousing and Safe Deposit Company
Finance Company of Pennsylvania
Brown Brothers Harriman and Company
First Camden National Bank & Trust Comapny.

[2] Includes a branch of the National Bank of Chester County & Trust Comapny.

[fol. 6209] GOVERNMENT EXHIBIT 185

TABLE

Changes in Commercial Banking in Philadelphia Four County Area as Measured by Changes in the Number of Independent Banks with Head Office in the County

1947-1960

Number of Banks

County	1947	1956	1960	1947-60
Philadelphia	39	19	16	-59%
Bucks	20	14	9	-55%
Delaware	15	2	1	-93%
Montgomery	34	23	16	-53%
Total	108	58	42	-61%

Source: 1947, 1956 from Keith Report; 1960 from *Polks Bank Directory*, September 1960.

[fol. 6210]

Changes in Philadelphia Commercial Banking as Measured by Assets and Number of Banks

1940-1960[1]

Assets Controlled by Six Largest Banks

Year	Amount	Per Cent of Total Phila Banks Assets	Number of Banks
1940	$1,477,048	72.60	45
1945	2,201,671	67.01	43
1950	2,568,540	69.77	33
1955	3,315,015	80.22	20
1960	4,282,941	91.42	14
		Decrease in Number of Banks 1940-60	68.9% -31-

Source: Rand MeNally Bankers Directories for the Years 1940, 1945, 1951, 1955 and Polk's *Bank Directory*, September 1960.

[1] During this period no new banks were started in Philadelphia.
[2] 000 omitted.

[fol. 6211]

Concentration of Philadelphia Bank Assets
1960

Assets as of June 30, 1960	Total Banks—14 (000 omitted)	%
First Pennsylvania Comapny	$1,182,660	25.25
Philadelphia National Bank	1,086,147	23.18
Girard Trust—Corn Exchange	757,572	16.17
PNB—Girard Combined	1,843,719	39.35
Provident Tradesmens	512,383	10.94
Fidelity Philadelphia	446,130	9.95
Central Penn National	278,049	5.93
Total Six Largest	4,282,941	91.42
Broad Street Trust	143,200	
Liberty Real Estate	111,815	
Frankfort Trust	53,518	
Industrial Trust:	44,434	
Second National	37,908	
Citizens and Southern	4,971	
Sonsitaly Bank and Trust	4,865	
Marian	1,067	
Total All Banks But Six Largest	401,778	8.58
Total All Banks	4,684,719	100.00
Not Included:		
Finance Co. of Penn	8,624	
Penn. Warehousing & Safe Deposit	4,933	
Brown Bros. Harriman—Total in New York, Boston and Philadelphia	253,611	
Philadelphia only—15%[1]	38,000	

Source: Polk's Bank Directory, September 1960.

Note: If Brown Bros, Harriman were included, the combined percentage for PNB-Girard would be 39%, for the six largest banks 90.7% and 9.3% for all other banks. Brown Bros. Harriman would constitute .8% of the Philadelphia County commercial banking assets.

[1] Estimate of Brown Bros. Harriman based upon Federal Reserve Bank allocations in exhibits 2, 3 and 4, all of which were substantially less than 15%.

[fol. 6212]

Concentration of Philadelphia Bank Assets
1955

Assets as of June 30, 1955	Total Banks—20 (000 omitted)	%
Philadelphia National	$1,021,109	24.71
Pennsylvania Company	835,800	20.23
Girard Trust	645,207	15.61
Fidelity Philadelphia	344,778	8.34
Central Penn National	245,138	5.93
First National	222,983	5.40
Total 6 Largest Banks	3,315,015	80.22
Tradesmens Bank and Trust	222,790	
Provident Trust Co.	180,566	
Broad Street Trust Co.	110,665	
Liberty Real Estate	87,198	
Market Street National Bank	65,855	
Frankford Trust	46,509	
Second National	33,509	
Industrial Trust	28,966	
Roosevelt Bank	15,488	
Gimbel Bros. Bank & Trust	15,341	
Sonsitaly Bank & Trust	4,499	
Rzepski Bank	2,704	
Citizens & Southern Bank & Trust	2,591	
Marian Bank	650	
Total Banks other than 6 largest	817,331	19.78
Total All Banks	$4,132,346	100
Not Included		
Brown Brothers Harriman, N.Y., Boston & Phila.	222,281	
Finance Co. of Penna	14,059	
Pa. Warehousing & Safe Deposit	4,442	

Source: Rand McNally Bankers Directory Final 1955 Edition

[fol. 6213]

Concentration of Phila. Commercial Bank Assets
1950

Total Banks—33

Assets as of December 31, 1950

	(000 omitted)	%
Philadelphia National	$ 837,430	22.75
Pennsylvania Co.	733,712	19.93
Corn Exchange	302,878	8.23
Girard Trust	241,956	6.57
Fidelity Philadelphia	229,754	6.24
First National	222,810	6.05
Six Largest Banks	2,568,540	69.77
Provident Trust	152,588	
Central Penn National	148,679	
Tradesmen's Bank & Trust Co.	137,527	
Land Title Bank & Trust	90,053	
Market Street National	64,419	
Broad Street Trust	59,168	
Ninth Bank & Trust	56,405	
Liberty Title & Trust	46,332	
National Bank of Germantown	40,749	
Frankford Trust	40,145	
City National	35,699	
Real Estate Trust	32,874	
Second National	28,852	
Industrial Trust	26,624	
Northwestern National	25,909	
North Philadelphia Trust	21,330	
Northeast National	19,358	
Gimbel Bros. Bank & Trust	17,228	
South Philadelphia National	14,982	
Roosevelt Bank	12,163	
Wyoming Bank & Trust	12,070	
National Bank of Olney	10,196	
North Broad National	9,229	
Sonsitaly Bank & Trust	4,369	
Rzepski Bank	2,959	
Citizens & Southern	2,595	
Marian	557	
Banks other than 6 largest	1,113,059	30.23
Total all banks	$3,681,599	100

Not Included

Brown Brothers Harriman, N.Y., Boston & Phila.	256,695
Finance Co. of Pennsylvania	15,117
Pa. Warehousing & Safe Deposit	3,595

Source: Rand McNally Bankers Directory First 1951 Edition

[fol. 6214]

Concentration of Philadelphia Bank Assets
1945

Total Banks—43

Assets as of December 31, 1944

	(000 omitted)	%
Philadelphia National	$ 774,126	23.56
Pennsylvania Co.	517,019	15.74
Corn Exchange	217,478	8.26
Girard Trust	243,852	7.42
Fidelity Philadelphia	208,849	6.36
First National	186,347	5.67
Total Six Largest Banks	2,201,671	67.01
Tradesmen's Bank and Trust	144,434	
Central Penn National	137,701	
Provident Trust	136,994	
Land Title Bank and Trust	85,972	
Market Street National	63,032	
Ninth Bank & Trust	43,535	
Germantown Trust	41,527	
National Bank of Germantown	32,738	
Real Estate Trust	31,741	
Kensington National	31,248	
Liberty Title & Trust	30,452	
Northern Trust	26,964	
City National	26,320	
Frankford Trust	23,922	
Industrial Trust	20,659	
Second National	19,310	
Broad Street Trust	18,395	
North Philadelphia Trust	16,797	
Erie National	15,954	
Northwestern National	14,977	
Mid City Bank & Trust	14,514	
South Philadelphia National	13,554	
Northeast National	12,899	
Security Bank & Trust	11,648	
Gimbel Bros. Bank & Trust	11,646	
Roosevelt Bank	9,417	
Wyoming Bank & Trust	7,743	
North Broad National	6,862	
National Bank of Olney	6,853	
Tioga National	6,454	
Morris Plan Bank of Phila.	5,056	
Chestnut Hill Title and Trust	3,867	
Banca D'Italia & Trust Co.	2,928	
Balance Forward	3,276,784	

[fol. 6215]

1945

	(000 omitted)	%
Balance carried Foreward	3,276,784	
Sonsitaly Bank & Trust	2,907	
Citizens and Southern	2,273	
Rsepski Bank	2,242	
Marian	300	
Total Banks Other Than 6 Largest	1,083,855	32.99
Total All Banks	$3,285,506	100

Not Included

Brown Brothers Harriman, N.Y., Boston & Phila.	180,612
Finance Co. of Pa.	12,764
Pa. Warehousing & Safe Deposit	2,531

Source: Rand McNally Bankers Directory First 1945 Edition

[fol. 6216]

Concentration of Philadelphia Bank Assets
1940

Total Banks—45

Assets as of December 31, 1939

	(000 omitted)	%
Philadelphia National	$ 617,897	30.37
Pennsylvania Co.	303,129	14.90
Fidelity Philadelphia	151,337	7.44
Corn Exchange	142,052	6.98
Girard Trust	138,805	6.82
First National	123,828	6.09
Total 6 Largest Banks	1,477,048	72.60
Central Penn National	77,631	
Provident Trust	71,679	
Tradesmen's Bank and Trust	61,708	
Land Title Bank and Trust	50,490	
Market Street National	44,066	
Germantown Trust	26,062	
Ninth Bank & Trust	23,502	
National Bank of Germantown	18,259	
Northern Trust	17,436	
Real Estate Trust	14,784	
Frankford Trust	14,064	
Industrial Trust	13,949	

Liberty Title & Trust	13,791
Kensington National	11,829
City National	11,613
Second National	9,858
Mitten Bank & Trust	9,839
North Philadelphia Trust	9,823
Erie National	5,738
Northeast National	4,683
Security Bank & Trust	4,526
South Philadelphia National	4,440
Northwestern National	4,034
Wyoming Bank & Trust	3,546
Gimbel Bros. Bank & Trust	3,409
Broad Street Trust	3,366
Tioga National	3,226
Roosevelt Bank	3,067
North Broad National Bank	2,809
National Bank of Olney	2,606
Pennsylvania Joint Stock Land Bank	2,285
Morris Plan Bank of Philadelphia	2,273
Chestnut Hill Title and Trust	2,012
Balance Forward	2,029,452

[fol. 6217]

1940

	(000 omitted)	%
Balance Brought Forward	$2,092,452	
Banca D'Italia & Trust Co.	1,203	
Sonsitaly Bank & Trust	1,145	
Morris Plan Co.	1,061	
Rzepski Bank	795	
Citizens & Southern	728	
Marian Bank	82	
Total All Banks but 6 Largest	557,418	27.40
Total All Banks	$2,034,466	100

Not Included:

Brown Brothers Harriman, N.Y., Boston & Phila.	123,951
Drexel & Co. & J. P. Morgan	671,577
Finance Co. of Penna	12,583
First Trust	434
Pa. Warehousing & Safe Deposit	2,706

Source: Rand McNally Bankers Directory First 1940 Edition

GOVERNMENT'S EXHIBIT 187

Commercial Banks with Head Offices in the Four-County Area and Location of their Offices within the Four Counties
(December 1960)

Name of Bank	Philadelphia	Delaware	Montgomery	Bucks	Total
Banks with H. O. in Philadelphia:					
Philadelphia National Bank	10 (One additional branch approved but not opened)	5	7	5	27
Girard Trust Corn Exchange	20 (One additional branch approved but not opened)	12	6	0	38
PNB—GTCX Combined	30	17	13	5	65
First Penna. Banking & Trust Co.	30	4	3	1	38
Provident—Tradesmens	12	4	2 (Includes Collegeville Nat'l. Bank acquired December 1960.)	2	20
Fidelity—Philadelphia	11	5	6	5	27
Central—Penn	12	0	1	5	18
Broad Street Trust	12	3	1	0	16
Liberty Real Estate	9	1	0	0	10
Citizens & Southern Bank	2	0	0	0	2
Frankford Trust Co.	3	0	0	0	3
Industrial Trust Co	8	0	1 (Perkiomen Nat'l. Bank acquired Dec. 1960.)	0	9
Second National Bank of Philadelphia	5	0	0	0	5
Sonsitaly	1	0	0	0	1
The Marian Bank	1	0	0	0	1
Total for All Banks with H. O. in Phila.	136	34	27	18	215

[fol. 6219]

Name of Bank	Philadelphia	Delaware	Montgomery	Bucks	Total
All Banks with H. O. in Montgomery:					
Montgomery County Bank & Trust	0	0	11	0	11
Bridgeport National Bank	0	0	1	0	1
Bryn Mawr Trust Company	0	1	2	0	3
Cheltenham National Bank	0	0	5	0	5
Elkins Park National Bank	0	0	1	0	1
Harleysville National Bank	0	0	2	0	2
Jenkintown Bank & Trust	0	0	4	0	4
Peoples National Bank of Norristown	0	0	6	0	6
Security Trust of Pottstown	0	0	2	0	2
National Bank of Royersford	0	0	1	0	1
National Bank & Trust Co. of Schwenksville	0	0	1	0	1
Peoples National Bank of Souderton	0	0	1	0	1
Union National B. & T. Co. (Souderton)	0	0	3	0	3
Bank of Old York Road	0	0	3	0	3
Total for All Banks with H. O. in Montgomery	0	1	43	0	44
Banks with H. O. in Delaware:					
Delaware County National Bank	0	8	0	0	8
Total for All Banks with H. O. in Delaware	0	8	0	0	8

[fol. 6220]

Name of Bank	Philadelphia	Delaware	Montgomery	Bucks	Total
Banks with H. O. in Bucks:					
The Chalfont National Bank	0	0	0	1	1
Doylestown National Bank	0	0	0	4	4
Doylestown Trust Co.	0	0	0	1	1
Morrisville Bank	0	0	0	2	2
Solebury National Bank of New Hope	0	0	0	1	1
Bucks County Bank & Trust Co.	0	0	0	4	4
Quakertown National Bank	0	0	0	1	1
First National Bank of Riegelsville	0	0	0	1	1
First National Bank & Trust Co. (Newtown)	0	0	0	1	1
Total for All Banks with H. O. in Bucks	0	0	0	16	16
All Banks Except PNB & GTCX	106	26	57	29	218
PNB-GTCX Combined	30	17	13	5	65
Grand Totals	136	43	70	34	283

Does Not Include:

Pennsylvania Warehousing and Safe Deposit Company
Finance Company of Pennsylvania
Brown Brothers Harriman & Company
First Camden National Bank & Trust Co. (New Jersey Bank with one office in Philadelphia)
National Bank of Chester County & Trust Co. (Chester County Bank with one office in Delaware County)

[fol. 6221]

Sources: PNB & GTCX information taken from answers to the government's complaint; annual reports for 1960; and maps appended to the application filed by PNB & GTCX with the Comptroller of the Currency.

Information on other banks from Report by Board of Governors of the Federal Reserve System to the Comptroller of the Currency under Section 18 (c) of the Federal Deposit Insurance Act on this proposed consolidation; annual reports for 1960 of some of the banks; the maps appended to the application filed by PNB & GTCX with the Comptroller; the Philadelphia Yellow Pages, January 1961; and the Delaware County-Main Line Telephone Directory, May 1960.

[fol. 6222] GOVERNMENT'S EXHIBIT 188

Organized 1803

THE PHILADELPHIA NATIONAL BANK
Philadelphia-1, Pa.

Frederic A. Potts,
President.

January 26, 1961.

The Honorable Ray M. Gidney,
Comptroller of the Currency,
Washington 25, D. C.

DEAR MR. GIDNEY:

In our discussions in Washington last week, respecting the merger application of The Philadelphia National Bank and the Girard Trust Corn Exchange Bank, it was made clear to us that under the new merger act the various advisory agencies, in their opinions, deal solely with the competitive aspects involved in the proposal, whereas your Office, having the final decision in the matter, considers also the technical banking factors, including the question of needs of the community, and therefore the public interest.

It appeared from our discussions that there may be some question whether the merger might result in an undue lessening of competition in the Philadelphia metropolitan area. Although we presented orally our reasons for believing that this merger will not so lessen local banking competition, we would like to restate our reasons for this conviction and furnish some further data bearing on this question.

The local situation divides itself into two distinct parts:

First, the activities of the main offices and nearby branch offices in the center of the city, which render banking services principally to businesses, professions and large individual accounts.

Second, the activities of the neighborhood and suburban branch offices, which render banking services, both business and personal, to the local communities throughout the rest of Philadelphia County and the surrounding counties.

These two separate competitive fields are discussed in the attached memorandum, as well as "share of the market" and other related factors. I hope that the information submitted herewith may help to clarify some of the basic issues that may not have been fully covered in our original Application.

Sincerely, Frederic A. Potts, President.

CC—Mr. Erle Cocke, Chairman, Federal Deposit Insurance Corporation.

[fol. 6223] Comments Regarding Competitive Factors in Proposed Merger Between the Philadelphia National Bank and Girard Trust Corn Exchange Bank.

Exhibit A attached hereto shows that the service area IPC deposits and loans of the Charter Bank, the Merging Bank and the Resulting Bank are distributed between Main Office and central city branches on the one hand, and neighborhood and suburban branches on the other hand, as follows:

	Charter Bank	Merging Bank	Resulting Bank
	% Distribution of IPC Service Area Deposits		
Main Offices	58.07%	44.12%	51.28%
Branch Offices			
In Phila. "Neighborhood" Areas	16.67	39.15	27.61
In Suburban Areas	25.26	16.73	21.11
Sub-total	41.93	55.88	48.72
Grand Total	100.00%	100.00%	100.00%
	% Distribution of IPC Service Area Loans		
Main Offices	70.22%	32.70%	58.45%
Branch Offices			
In Phila. "Neighborhood" Areas	5.51	40.92	16.62
In Suburban Areas	24.27	26.38	24.93
Sub-total	29.78	67.30	41.55
Grand Total	100.00%	100.00%	100.00%

Competitive Factors in Main Office and Central City Branches.

The deposit and loan accounts serviced at these offices consist of three general types, as follows:

1. Those which are national and international in scope.

2. Those which are derived from regional or local corporations of a size which permits them to do their banking in New York and other cities as well as in Philadelphia.
3. Those which are strictly local in character, consisting of moderate size and small businesses, professional firms, and large individual customers.

National and International Accounts—These appear to present no competitive problem, since they have large alternative banking facilities available throughout the entire country, particularly in New York.

[fol. 6224] *Regional and Large Local Accounts*—For these accounts it cannot be said that the local area, or even the regional area, is the service area. In fact, many of these corporations do go to New York, and to some extent to other cities, for a major part of their total banking needs. Hence, as to these large regional and local accounts, it is also proper to say that the merger cannot have any undue competitive effect.

Like the national and international accounts the competitive area includes at least New York and Pittsburgh, and even Chicago, Detroit, Cleveland and other cities. Since the Philadelphia banks, because of their inadequate size, do not now in any sense control these deposits locally, it is difficult to see how the creation of a somewhat larger bank can adversely affect the other banks in Philadelphia. The merged bank would be competing principally with New York and other cities to recover for Philadelphia more of this business.

Strictly Local Main Office Accounts—The loan requirements and deposit business of these customers can be just as well handled by any one of the other banks in Philadelphia after the merger as before. This local central city business does not seek banking facilities because of size. In fact, there is a tendency on the part of such customers to feel that they will not obtain from a very large bank the same personal attention and interest which they can obtain for a smaller bank. There has been a trend, which has been quite apparent after earlier mergers when smaller banks have become larger banks, to have the larger merged banks lose rather than gain this type of business. Proof

of this is provided by the letter (a copy of which he has sent to us) which you have received from Mr. Hubert J. Horan, Jr., Chairman and Chief Executive Officer of the Broad Street Trust Company, which is at the present time Philadelphia's seventh largest bank with deposits of approximately $145,000,000. He gives direct confirmation of what we have found to be the effect of mergers creating larger banks in this city during the past ten years. We know that this has been the effect, and it is further proved by the fact that the smaller banks have increased their deposits proportionately faster than the large banks in Philadelphia the past five years, as evidenced by the data provided on pages 138 to 140 of the Application.

Furthermore, since any of the six or eight largest banks in Philadelphia can, from the point of view of size, adequately serve these small and moderate size business firms and the large individual depositors, the competition for this business comes not from size but rather from the degree of excellence of the service which is rendered by the particular bank, and the extent of sales effort directed toward obtaining this type of business. As to excellence of service, any one of the six or eight larger banks in Philadelphia is just as able to provide it as is a large bank. As to the intensity of the sales effort to obtain this type of business, the large banks inevitably tend to direct their efforts toward larger accounts and perhaps may not spend the same effort in obtaining the moderate and small size accounts as do the less large banks.

[fol. 6225] Competitive Factors in Neighborhood and Suburban Branches.

An inherent fact in this type of banking is that each neighborhood or community adjacent to a branch bank is its own competitive banking area, separate and distinct from other neighborhood and community areas. This is so because the branch bank is entirely dependent for the deposit, loan and other banking business which it can generate, upon the convenience of the particular branch office to the small businesses and residents in that community.

From the customer's viewpoint, the two most important factors are convenience of location (to his place of business,

his home, or his wife's shopping area) and the quality of service. He is not too much concerned whether the branch is operated by Bank X or Bank Y, though as a matter of fact he often will favor the independent bank (because of the so-called personal touch) in preference to a branch of a large city bank.

Within each branch service area, competition exists with all banking offices that are located conveniently thereto. Sampling has shown that as a rule of thumb, a neighborhood branch in Philadelphia obtains a very substantial portion of its deposits from within a one-mile radius. In the suburbs, a two-mile radius generally applies, though variations will occur because of terrain, accessibility by roads, etc.

The IPC deposits and loans of neighborhood and suburban branch offices of the Charter Bank (detailed on pages 63 and 64 of the Application) are summarized as follows:

Type of Branch and Branch Number	No. of Branches	IPC Deposits	IPC Loans
Neighborhood Phila. (Nos. 237-244)	8	$ 84,027M	$ 21,382M
Suburban (Nos. 245-262)	18	127,370	94,174
	26	$211,397M	$115,556M

Similar data for the Merging Bank (detailed on pages 59 and 60 of the Application) are as follows:

Type of Branch and Branch Number	No. of Branches	IPC Deposits	IPC Loans
Neighborhood Phila. (Nos. 147-165)	19(b)	$187,200M	$ 72,600M
Suburban (Nos. 166-183)	18	80,000	46,800
	37	$267,200M	$119,400M

Notes: (a) Includes branches No. 245 and 255, approved but not opened.
(b) Includes branch No. 149, approved but not opened.

A most significant fact about these branches is that they are geographically distributed in such a way that there is virtually no overlap of service areas, and consequently virtually no lessening of competition. In only six of the Charter Bank's 26 neighborhood and suburban branch locations could it be said that there is *any* overlap of service area with branches of the Merging Bank. In 5 of these 6 cases there

is a very minor overlap of service area; competition will [fol. 6226] not be lessened because:

1. The same number of banking facilities will still be available, the only difference being that the branches of the Charter Bank and the Merging Bank will be under one central management rather than two.
2. A wide choice of alternative facilities is available in each such case:

PNB Branch	Branches of Other Competing Banks That Could Be Used
239	186, 189, 104, 188, 5, 105, 190
241	5, 104, 186, 210, 106, 284
242	284, 107, 272
243	108, 272, 190, 285, 142, 204
256	24, 25, 138, 139

In the sixth case where there is an overlap, a branch of the Charter Bank will be closed as a result of the merger (No. 251 with deposits of $780M and loans of $311M). There is no customer inconvenience involved, because the Merging Bank has an office right next door, and competition is not unduly lessened because the following offices of competing banks are nearby: 132, 209, 91, 90.

New Branch Offices.

A question might be raised as to whether the Resulting Bank could lessen competition by getting approval for more than its share of new branch offices. Recent history provides a "no" answer to this question. For example, the Charter Bank moved into direct competition with The Delaware County National Bank on February 20, 1954, when it merged with Chester-Cambridge Bank and Trust Company. Since that time the Charter Bank has opened one new branch in the Chester Area (and that one under a pre-merger approval), whereas Delaware County National has opened five.

Likewise, in the Norristown area, the Charter Bank has just opened its first new branch since its merger with Montgomery National Bank of Norristown on February 20, 1954. The competing Montgomery County Bank and Trust Company has opened three de novo, and acquired five others by merger, and the Peoples National Bank and Trust Company has opened four, and acquired one by merger.

Share of the Market.

Pages 123 and 124 of the Application show that with regard to personal trusts and consumer loans, the Resulting Bank will still be in *second* position in Philadelphia in these fields, which is just where the Merging Bank is now.

With regard to mortgage loans, the Resulting Bank will continue to have a relatively insignificant share of the market.

[fol. 6227] With regard to IPC service area deposits (as defined very carefully and specifically in the Application Form) the Resulting Bank will have a 21.03% share of the market, as shown on page 90 of the Application. However, this overstates the share of the market, because it is based on commercial banks alone, and completely ignores the savings deposits of Mutual Savings Banks and shares of Savings and Loan Associations in the area. Adjusting for these important competitive elements, the Resulting Bank's share of the market is only 12.60% as shown by the following figures (taken from Exhibits A and B of the Application):

	Estimated IPC Deposits	
	Amount	%
Resulting Bank	$ 961,781,000	12.60%
All Other Commercial Banks	3,611,077,000	47.32
Mutual Savings Banks	1,800,300,000	23.59
Savings & Loan Associations	1,257,900,000	16.49
	$7,631,058,000	100.00%

General Effect on Competing Banks.

In broad terms, it can be stated that the proposed merger should help rather than hurt competing banks in Philadelphia. Some business is likely to shift from the Resulting Bank to other local competitors, from mutual customers of the Charter Bank and the Merging Bank who will desire or need two Philadelphia banking connections post-merger. Furthermore, to the extent that the Resulting Bank can attract banking and other business to the Philadelphia area because of its added stature, all banks in the area should benefit either directly or indirectly.

[fol. 6228]

EXHIBIT A

Distribution of IPC Deposits and Loans within Service Areas of Charter Bank, Merging Bank and Resulting Bank

	Charter Bank		Merging Bank		Resulting Bank	
IPC Deposit Distribution	Amount	%	Amount	%	Amount	%
Main Offices (a)	$292,742M	58.07%	$211,000M	44.12%	$503,742M	51.28
Branch Offices:						
In Phila. "Neighborhood" Areas	84,027	16.67	187,200	39.15	271,227	27.61
In Suburban Areas	127,370	25.26	80,000	16.73	207,370	21.11
Sub-total	211,397	41.93	267,200	55.88	478,597	48.72
Grand Total	$504,139M (b)	100.00%	$478,200M	100.00%	$982,339M (b)	100.00%
IPC Loan Distribution						
Main Offices (a)	$272,539M	70.22%	$ 58,000M	32.70%	$330,539M	58.45%
Branch Offices:						
In Phila. "Neighborhood" Areas	21,382	5.51	72,600	40.92	93,982	16.62
In Suburban Areas	94,174	24.27	46,800	26.38	140,974	24.93
Sub-total	115,556	29.78	119,400	67.30	234,956	41.55
Grand Total	$388,095M (b)	100.00%	$177,400M	100.00%	$565,495M (b)	100.00%

Notes: (a) Includes the 421 Chestnut Street Office of the Charter Bank and the 17th Street and Pennsylvania Boulevard Office of the Merging Bank, whose deposit and loan characteristics are essentially similar to those of the main offices.

(b) These totals are higher than the totals for the Charter Bank and the Resulting Bank, shown on page 90 of the Application, by the amount of deposits and loans of the Charter Bank's main office service area (as shown on page 46 of the Application) that fall outside the service area of the Bank as a whole.

[fol. 6229] GOVERNMENT'S EXHIBIT 191

Loan Limits of Commercial Banks with Head Offices in Philadelphia, Montgomery, Delaware & Bucks Counties, Pennsylvania, as of December 31, 1960
(000 Omitted)

Banks with Head Offices in Philadelphia		
Philadelphia National Bank	$8,000	
Girard Trust Corn Exchange Bank	6,000	
PNB & Girard Combined		$14,000
First Penna. Banking & Trust Co.	7,705	
Provident Tradesmens	5,000	
Fidelity-Philadelphia	3,750	
Central-Penn	2,140	
Broad Street Trust	1,160	
Liberty Real Estate	726	
Citizens & Southern Bank	35	
Frankford Trust Co.	330	
Industrial Trust Co.	418	
Second National Bank of Philadelphia	300	
Sonsitaly	30	
The Marian Bank	91	
Total for All Banks with Head Offices in Philadelphia[2]		$35,603

[1] 10% of "net worth" of $90.000. Does not include "undivided profit' or "reserves."

[2] Does not include Pennsylvania Warehousing & Safe Deposit Co., Philadelphia, Loan Limit $150,000; Finance Company of Pennsylvania, Philadelphia, Loan Limit $458,000; Brown Brothers Harriman & Co., New York, Boston, Philadelphia, Loan Limit $1,889,000; First Camden National Bank & Trust Co.' Camden, a bank with 7 offices in New Jersey and one office in Philadelphia, Total Loan Limit $750,000.

[fol. 6230]

All Banks with Head Offices in Montgomery County		
Montgomery County Bank & Trust (Norristown)	$ 870	
Bridgeport National Bank	70	
Bryn Mawr Trust Company	265	
Cheltenham National Bank	122	
Elkins Park National Bank	12	
Harleysville National Bank	53	
Jenkintown Bank & Trust	250	
Peoples National Bank of Norristown	255	
Security Trust of Pottstown	100	
National Bank of Royersford	65	
National Bank & Trust Co. of Schwenksville	50	
Peoples National Bank of Souderton	35	
Union National Bank & Trust Co. (Souderton)	150	
Bank of Old York Road (Willow Grove)	90	
Total for All Banks with Head Offices in Montgomery County		$2,387

Banks with Head Offices in Delaware County		
Delaware County National Bank	253	
Total for All Banks with Head Offices in Delaware County[3]		$ 253

[3] Does not include National Bank of Chester County & Trust Co., a Chester County bank with one office in Concordville, Delaware County, Loan Limit $180,000.

[fol. 6231]

Banks with Head Offices in Bucks County		
The Chalfont National Bank	$ 25	
Doylestown National Bank & Trust Co.	125	
Doylestown Trust Co.	100	
Morrisville Bank	71	
Solebury National Bank of New Hope	53	
Bucks County Bank & Trust Co. (Perkasie)	132	
Quakertown National Bank	115	
First National Bank of Riegelsville	50	
First National Bank & Trust Co. of Newtown	100	
Total for All Banks with Head Offices in Bucks County	$ 771	
Total for Banks with Head Offices in Philadelphia, Montgomery, Delaware & Bucks Counties		
PNB & Girard Combined		$14,000
All Banks Except PNB & Girard		25,014
Grand Total		$39,014

Source: *Polk's Bank Directory*, 133rd Edition, March 1961, R. L. Polk & Co., Nashville, Tennessee.

[fol. 6232] GOVERNMENT'S EXHIBIT 192

Inter-Office Memorandum

March 8, 1960.

To: Mr. O. H. Beadle, Senior Vice President

From: S. S. Gardner

Re: Oregon Avenue Shopping Center, South Philadelphia

I have discussed the proposed office of *Ritter Finance* at this location with M. H. Callender, who handles the account of Ritter, and J. K. Neeley in the absence of H. W. Ritter, Consumer Credit. Ritter Finance is a very

good client of ours, as you know, and M. H. Callender feels we have more than a normal finance company relationship since the principals bank with us and we have trust connections, etc. With the diversity of our consumer credit operations, we can offer any type of credit available from Ritter Finance (much of it at a lower rate), and I do not think we should lose much good business. Ritter Finance concentrates more on the high rate, small personal loans.

I recommend that we tell Penn Fruit that we appreciate their inquiry and do not have any objection to their leasing to Ritter Finance. M. H. Callender will try to use this eventually to help us with Ritter, but without disclosing that Penn Fruit called.

SSG:cmc S. S. Gardner.

Officers and employees are requested to transmit immediately to the central file any information coming to their attention that directly or indirectly affects any of our customers or that is of general interest. It is in this way that we are enabled to keep our files up to date. Take up one subject on this sheet—continue on back if necessary.

cc: Mr. M. H. Callender, V.P.

G. 5—Girard Trust Corn Exchange Bank.

[fol. 6233] GOVERNMENT'S EXHIBIT 194

THE PHILADELPHIA NATIONAL BANK

Memorandum

February 20, 1961.

To: Henry Satterfield, Assistant Vice President.

From: Robert B. Lowry, Time Credit Manager.

Subject: Sylvan Pools, Inc.

During 1960 we purchased time paper from Sylvan Pools at the following rates:

0—$3,500—5%
$3,501—$5,000—4½%
$5,001 and over—4%

There was no participating or loss reserve.

Our competition for this dealer's paper has been with the folks from Girard Trust Corn Exchange. Mr. Clark and I visited this account early in February with the idea of discussing a possible "raise in rate" which I felt could be accomplished if and when the merger became a reality, and competition between banks eliminated.

During our conversations with Messrs. Herman and Ira Silverman, owners of this company, we were informed that Girard Trust had offered the following reduction in rate for the purchase of their paper.

0—$4,000—5%
$4,001—and over—4%

(A rate reduction to a mutual dealer seemed strange at this time, however, this was later verified)

This is a firm offer and it has been accepted by the folks at Sylvan Pools along with the request that we match this offer pending the merger and for 1961.

Dealer also informed us that Girard Trust purchased their paper originating anywhere in the State of New Jersey, two counties in Delaware, and parts of Maryland. The Average balance financed is approximately $4,500.

Under the circumstances, I recommend the following:

1. We match the rate reduction.
2. We purchase any or all of their New Jersey paper—extend our facilities as an exception here (No conflict with First Camden)
3. We refrain from extending our facilities into Delaware until a study has been made of the requirements set forth in the new law.
4. We refrain from extending our facilities into Maryland and recommend an alert correspondent bank in this state.

[fol. 6234] Sylvan Pools, Inc. is today a nationally recognized leader in this industry and one of the finest accounts in our dealer portfolio. There is a volume potential here of approximately $500,000 in 1961, and I feel every effort should be extended to maintain and expand a profitable "PNB—dealer" relationship.

R. Lowry.

2/24/61—I find it "real hard" to get enthused over this deal. Average deal will run 4500 which means the paper will be going on the books at 4% and in most cases will be set up for *5yrs.* This is *low* for non-recourse paper—(We don't even go this low on most anti repurchase paper.) Gross yield at 4% over five years is $7.42 simple int. I know that swimming pool paper has been good but even though we can get a volume I'm concerned with the *profit.* No mention is made of Credit Life Insurance so I assume it's not to be *included.* I think performance-wise we wouldn't have to be concerned (if good credit judgement is is used) but this paper in N.J. won't generate additional business for our bank. In view of these facts I suggest we decline.

(Signature Illegible) 2/24/61

[fol. 6235] GOVERNMENT'S EXHIBIT 195.

Proportion of Demand Deposit Accounts Under $10,000 of Philadelphia National Bank and Girard Trust Corn Exchange Bank Orginating in Philadelphia, Bucks, Delaware and Montgomery Counties as of April and May 1961

	Four Counties	Other Areas	Total
Philadelphia National Bank			
Per Cent of Accounts From	97.4	2.6	100.0
Girard Trust Corn Exchange Bank			
Per Cent of Accounts From	94.9	5.1	100.0

Sources: Random sampling of accounts taken by defendants and submitted to the Government in May 1961.

[fol. 6236]

GOVERNMENT'S EXHIBIT 196

Concentration of Deposits Loans and Capital Funds of Commercial Banks In Philadelphia, Bucks, Delaware and Montgomery Counties As Shown by Relative Size of Six Largest Banks and Effect of Proposed Consolidation of Philadelphia National Bank and Girard Trust Corn Exchange Bank on Such Concentration As of October 3, 1960

	Millions of Dollars			Relative Size (Largest Equals 100)		
Before Consolidation	Total Deposits	Total Net Loans	Total Capital Funds	Total Deposits	Total Net Loans	Total Capital Funds
First Penna B & T Co.	$1,022	$659	$ 95	100	100	100
Phila. National Bank	987	549	95	97	83	99
Girard Trust Corn Exchange	669	407	75	65	62	79
Provident Tradesmens B & T Co.	457	282	58	45	43	61
Fidelity Phila. Trust Co.	431	253	44	42	38	46
Central-Penn National Bank	242	165	25	24	25	26
After Consolidation						
Phila. National & Girard Combined	$1,655	$955	$170	100	100	100
First Penna B & T Co.	1,022	659	95	62	69	56
Provident Tradesmens B & T Co.	457	282	58	28	30	34
Fidelity Phila. Trust Co.	431	253	44	26	26	26
Central-Penn National Bank	242	165	25	15	17	15
Broad Street Trust Co.	132	99	13	8	10	7

Sources: Government Exhibits 2, 3 and 4. (Tables 2, 3 and 4).

[fol. 6237] GOVERNMENT'S EXHIBIT 197

Comparison of Growth by Acquisitions with other Growth of Philadelphia National Bank and Girard Trust Company December 31, 1949 to December 31, 1959

(Dollars in Thousands)

	Deposits		Loans		Total Assets		Capital Accounts		Net Operating Earnings	
Girard Trust Company	$	% Inc.	$	% Inc.	$	% Inc.	$	% Inc.	$	% Inc.
December 31, 1959	$659,135		$387,427		$753,044		$72,517		$7,145	
December 31, 1949	215,939		69,343		237,125		18,707		1,781	
Total Growth, 1949–1959[1]	443,196	205%	318,084	459%	515,919	218%	53,810	288%	5,364	301%
Growth by Acquisitions[2]	401,636	186	117,714	170	438,597	185	30,450	163	2,234	125
Growth due to Sale of Stock							4,746	25[3]		
Other Growth[4]	41,560	19	200,370	289	77,322	33	18,614	100	3,130	176
Philadelphia National Bank										
December 31, 1959	$949,669		$486,188		$1,064,836		$91,560		$8,311	
December 31, 1949	674,513		146,406		743,289		61,071		4,928	
Total Growth, 1949–1959[1]	275,156	41%	339,782	232%	321,547	43%	30,489	50%	3,383	69%
Growth by Acquisitions[2]	172,968	26	41,354	28	189,840	26	15,878	26	1,191	24
Growth due to Sale of Stock										
Other Growth[4]	102,188	15	298,428	204	131,707	18	14,611	24	2,192	44

Source: Application of defendants filed with the Comptroller of the Currency, pp. 23, 86 and 87.

[1] Percentages are dollars in Line 3 divided by dollars in Line 2.
[2] Percentages are dollars in Line 4 divided by dollars in Line 2.
[3] Percentages are dollars in Line 5 divided by dollars in Line 2.
[4] Percentages are dollars in Line 6 divided by dollars in Line 2.

[fol. 6238]

GOVERNMENT'S EXHIBIT 198

Percentage Analysis of Growth of Philadelphia National Bank and Girard Trust Company December 31, 1949 to December 31, 1959

	Dollars (Thousands)			Per Cent of Total		
	PNB	Girard	PNB and Girard Combined	PNB	Girard	PNB Girard Combined
Total Growth 1949 to 1959						
Deposits	$275,156	$443,196	$718,352	100%	100%	100%
Loans	339,782	318,084	657,866	100	100	100
Total Assets	321,547	515,919	837,466	100	100	100
Capital Accounts	30,489	53,810	84,299	100	100	100
Net Operating Earnings	3,383	5,364	8,747	100	100	100
Growth by Acquisitions						
Deposits	$172,968	$401,636	$574,604	63%	91%	80%
Loans	41,354	117,714	159,068	12	37	24
Total Assets	189,840	438,597	628,437	59	85	75
Capital Accounts	15,878	30,450	46,328	52	57	55
Net Operating Earnings	1,191	2,234	3,425	35	42	39
Other Growth						
Deposits	$102,188	$ 41,560	$143,748	37	9	20
Loans	298,428	200,370	498,798	88	63	76
Total Assets	131,707	77,322	209,029	41	15	25
Capital Accounts	14,611	23,360[1]	37,971[1]	48	43[2]	45[2]
Net Operating Earnings	2,192	3,130	5,322	65	58	61

Source: Application of defendants filed with the Comptroller of the Currency, pp. 23, 86 and 87.

[1] Include $4,746,000 due to sale of stock.

[2] 8.8% due to sale of stock and 34.6% due to other growth.

[3] 5.6% due to sale of stock and 39.4% due to other growth.

[fol. 6239] GOVERNMENT'S EXHIBIT 199

Answer of Girard Trust Corn Exchange Bank to Questions 4 and 5 Submitted by Plaintiff

* * * * * * *

Questions 4 and 5: With the one exception stated below there have been no occasions since January 1, 1956 when Girard Trust Corn Exchange Bank has been unable to make a loan or extend a line of credit to any customer or any other party "because such request exceeded [its] lending limit." Borrowers in the market for loans in excess of the Girard's lending limit are generally aware of that limit and do not make requests which cannot be granted.

The one exception was as follows: (a) request on March 27, 1958 by the Pennsylvania State University State College, Pa. for a $7,000,000 line of credit to match a $7,000,000 line extended by Mellon National Bank and Trust Company of Pittsburgh. (b) Unknown. (c) Deposit balances were not reduced. (d) Letter 3/3/58, J. F. Feeney, Jr. of Girard to McKay Donkin, PSU; B.D. 8, 3/27/58, by Feeney; Letter 5/12/58, Feeney to Donkin.

* * * * * * *

(Excerpt from letter dated May 24, 1961, addressed to George D. Reycraft, Esquire, by Barnes, Dechert, Price, Myers & Rhoads.)

[fol. 6240] GOVERNMENT'S EXHIBIT 200

Question 6

There follows a list of borrowers from Girard Trust Corn Exchange Bank who have borrowed from banks in cities other than Philadelphia during the last five years, and the names of such other banks. This list does not purport to be complete. It has proved impossible to list the amount of line or loan with the Girard held by each such borrower at the time of every borrowing it made from another bank. Consequently, the amount of line or loan in effect on a given date is stated as representative of the borrower's business with the Girard.

Borrower	Girard Lines and Loans	Banks Used In other Cities
S. A. Monclova, Mexico	$800,000 Line; 1,714,285 outstanding; current	Chemical Bank N.Y. Trust Co.; N.Y.
S.A., Monterrey, Mexico	$1,750,000 Line; 1,347,000 outstanding; current	Bank of America, San Francisco, Cal. First City Nat'l Bk., Houston, Texas Valley Nat'l Bk., Phoenix, Ariz. American Trust Co., New York Frost Nat'l Bk., San Antonio, Texas Laredo Nat'l Bk., Laredo, Texas
Commercio, S.A., Monterrey, Mexico	$500,000 Line; 300,000 outstanding; current	American Trust Co., New York, N.Y. Bank of America, San Francisco, Cal. Citizens' Nat'l Bk., Los Angeles, Cal. First City Nat'l Bk., Houston, Texas Mercantile Trust Co., St. Louis, Mo. National Bank of Commerce, San Antonio, Texas First National City Bk., New York, N.Y. Valley Nat'l Bk., Phoenix, Ariz.

[fol. 6241]

Borrower	Girard Lines and Loans	Banks Used In other Cities
Philadelphia 2, Pa.	$5,000,000 Line; current	Morgan Guaranty Trust Co., New York, N.Y. First Nat'l City Bk., New York, N.Y.
Philadelphia, Pa.	$2,710,883, 12/31/60	Irving Trust Co., New York, N.Y.
Philadelphia, Pa.	$500,000 Line; current	First Nat'l City Bk., New York, N.Y.
Fitchburg, Mass., and Philadelphia, Pa.	$1,000,000 Line; current	Chase Manhattan Bk., New York, N.Y. First Nat'l Bank of Boston
Philadelphia 3, Pa.	$2,500,000 Line; current	Chase Manhattan Bk., New York, N.Y. J. P. Morgan & Co., New York, N.Y. Guaranty Trust Co., New York, N.Y. Wachovia Bank & Trust Co. Two New York Banks
Philadelphia, Pa.	$6,000,000 Line; 6,000,000 Outstanding April, 1961	
Philadelphia, Pa.	$3,000,000 Line; 2,637,000 outstanding in 1960	First Nat'l Bank of Boston

Borrower	Girard Lines and Loans	Banks Used In Other Cities
Philadelphia, Pa.	$2,300,000 Line; 2,300,000 outstanding in 1960	Manufacturer's Trust Co., New York, N.Y.
Philadelphia, Pa.	$259,000 outstanding 12/31/60	Mellon National Bank, Pittsburgh, Pa. J. P. Morgan & Co., New York, N.Y.
Philadelphia, Pa.	$5,100,000 Line; as of April, 1961	Bankers Trust Co., New York, N.Y. Chase Manhattan Bk., New York, N.Y. First Nat'l Bank of Chicago
[fol. 6242]		First Nat'l Bank of Boston
Philadelphia, Pa.		Continental-Illinois Bank, Chicago Second Nat'l Bank of Boston Harris Trust Co., Chicago First Nat'l Bank of St. Louis Marine Trust Co. of Western New York Lincoln Rochester Trust Co. Whitney National Bk., New Orleans
	$200,000 Line; current	First Nat'l City Bank of New York
New York 4, N.Y.	$100,000 Line; current	Atco Nat'l Bank, Atco, N.J.
Philadelphia 2, Pa.	$4,500,000 Line; current	First Nat'l Bank of Boston
Philadelphia 29, Pa.	$650,000 Line; current	Credit Suisse Zurich, Switzerland
Philadelphia, Pa.	$2,500,000 Line; current	Empire Trust Co., New York, N.Y.
Philadelphia 2, Pa.		Bank of America, San Francisco, Cal. J. Henry Schroder Banking Corp., New York, N.Y.
	$5,500,000 Line; current	Morgan Guaranty Trust Co., New York, N.Y. First Nat'l Bank of Boston
Philadelphia, Pa.	$2,000,000 Line; 981,000 outstanding, current	Harris Trust & Savgs. Bank, Chicago
Evanston, Illinois		
[fol. 6243]		
Bridgeport, Pa.	$1,500,000 Line; 1957–59	First Nat'l City Bank of New York Morgan Guaranty Trust Co., N.Y. Montgomery-Norristown Bank, Norristown, Pa.

Borrower	Girard Lines and Loans	Banks Used In Other Cities
Philadelphia 34, Pa.	$4,000,000 Line; 2,000,000 commitment	Chase Manhattan Bk., New York Morgan Guaranty Tr., New York First Nat'l City Bk., New York Chemical Bank N.Y. Trust Co., New York, N.Y. Hanover Bank, New York First Nat'l of Chicago Continental-Illinois Bank, Chicago First Nat'l of Boston National Shawmut, Boston Mellon Nat'l Bank, Pittsburgh Bank of America, San Francisco Wells-Fargo Bank, San Francisco First Nat'l Bank, St. Louis Republic National Bank, Dallas First National Bank of Atlanta
	$1,820,000 outstanding; current	Wilmington Trust Co. Manufacturer's & Traders Trust Co., Buffalo, N.Y.
Allentown, Pa.	$2,500,000 Line; current	Mellon National Bank & Trust Co. Irving Trust Co., New York, N.Y.
Reading, Pa.	$6,000,000 Line; current	Morgan Guaranty Trust Co., New York, N.Y.
[fol. 6244]		
Burbank, Calif.	$1,875,000 Line; current	6 New York Banks 3 California Banks 4 Atlanta Banks First Nat'l Bank of Boston Continental-Illinois Bank & Trust Co., Chicago Mellon Nat'l Bank & Trust Co., Pittsburgh
Baltimore, Md.	$1,250,000 Line; current	7 Banks in other cities

Borrower	Girard Lines and Loans	Banks Used In Other Cities
Chicago, Ill.	$3,000,000 Line; current	Harris Trust Co., Chicago Marine-Midland, New York Bank of California, San Francisco Wells-Fargo Bank, San Francisco Security Trust Co., Los Angeles First Nat'l Bank of Chicago Mercantile Bank, St. Louis Baltimore Nat'l Bank
Winchester, Va.	$1,000,000 Line; current	Riggs Nat'l Bank, Washington, D.C. State Planters, Richmond First & Merchants, Richmond
Lancaster, Pa.	$550,000 Line 225,000 Loan; current	Chase Manhattan, N.Y. First Nat'l Bank of Boston Union & New Haven Trust Co., New Haven, Conn.
Racine, Wisconsin	$2,000,000 Line; current	88 Banks in U.S.
Co., Chicago, Ill.	$750,000 Line; current	Major Banks throughout U.S.
Chicago, Illinois	$1,250,000 Line; current	130 Banks in U.S.
[fol. 6245]		
Akron, Ohio	$2,500,000 Line; current	First Nat'l City Bank of New York Manufacturer's Trust Co., New York First National Bank of Akron, Ohio The Firestone Bank, Akron, Ohio Continental-Illinois Nat'l Bank & Trust Co., Chicago, Ill. First Nat'l Bank in Dallas The Akron Dime Bank Indiana Nat'l Bank, Indianapolis, Ind. The Cleveland Trust Co., Cleveland Wachovia Bank & Trust Co., Winston-Salem, N.C. Third National Bank & Trust Co. Central Nat'l Bank of Cleveland
Chicago, Ill., and Wilmington, Delaware	$5,500,000 Line; current	600 Banks in U.S.
Chicago, Ill.	$5,000,000 Line; current	Major Banks throughout U.S.
San Francisco, Cal.	$1,200,000 Line; current	Other Banks throughout U.S.

Borrower	Girard Lines and Loans	Banks Used In Other Cities
Camden, N.J.	$2,000,000 Line; current	Camden Trust Co. First Camden Nat'l Bank & Trust Co. Morgan Guaranty Trust Co., New York Wells-Fargo Bank, San Francisco First National Bank of Chicago
New York, N.Y.	$1,500,000 Line; current	Major Banks throughout U.S.
[fol. 6246]		
New York City, N.Y.	$2,163,000 outstanding, current	Bankers Trust Co. of New York First Nat'l Bank of Boston National Bank of Commerce, Houston -
Houston, Texas	$2,000,000 credit; current	First City Nat'l Bank of Houston Manufacturer's Trust Co., New York Chase Manhattan Bank, New York Hanover Bank, New York Bankers Trust Co., New York Chemical Corn Exchange Bank, New York City National of Houston. First National of Shreveport
Detroit, Michigan	$1,050,000 credit; current	at least 122 banks throughout U.S.
West Pittston, Pa.	$400,000 outstanding; 11/27/59	Old Forge Discount & Deposit Bank, Old Forge, Pa.
Pennsburg, Pa.	$3,305,000 outstanding; 5/29/59	Montgomery County Bank & Trust Co., 1st Nat'l Bank of Allentown
Co., Baltimore, Md.	$2,000,000 Line; 1,360,000 outstanding; 4/10/59	Berks County Trust Co. Equitable Trust Co. Mfg. Trust Co. Irving Trust Co. 1st Nat'l Bank, Baltimore, Md.
Sunbury, Pa.	$217,000	Capital Bank & Trust Co., Harrisburg, Pa.
Inc., Toms River, N.J.	$54,000 outstanding; 5/5/60	First Nat'l Bank, Toms River, N.J.
Skippack, Pa.	$19,880 outstanding; 5/1/59	Harleysville Nat'l Bank, Harleysville, Pa.
Spring City, Pa.	$468,500 outstanding; 12/31/60	Nat'l Bank & Trust Co. of Spring City, Pa.
[fol. 6247]		
New York City	$2,500,000 Line; current	Numerous other banks principally in N.Y.C.
Trust, Bristol, Tennessee	$5,000,000 Line; current	Hamilton Nat'l Bank, Knoxville, Tenn. First Nat'l Bank of Sullivan County, Bristol, Tenn.

Borrower	Girard Lines and Loans	Banks Used In Other Cities
Bristol, Tennessee	$1,000,000 Line; current	Central Bank of Richmond, Virginia; Dominion Nat'l Bank, Bristol, Tenn. Grace Nat'l Bank, New York City Hamilton Nat'l Bank, Johnson City, Tenn.
Johnson City, Tennessee	$150,000 Line; current	Grace Nat'l Bank, New York City, Dominion Nat'l Bank, Bristol, Tenn. First Nat'l Bank of Sullivan County, Bristol, Tenn.
Bristol, Tennessee	$250,000 Line; current	Chemical Corn Bank & Trust Co., N.Y.C. Nat'l Shawmut Bank, Boston, Mass. Union Trust Co. of Maryland, Baltimore, Maryland Chase Nat'l Bank of New York City Wachovia Bank & Trust Co., Winston-Salem, N.C. Security Nat'l Bank, Tarboro, N.C. Third Nat'l Bank, Scranton, Pa. Irving Trust Co., New York City First Nat'l Bank, Wilkes-Barre, Pa. Miners Nat'l Bank, Wilkes-Barre, Pa. Manufacturer's Trust Co., New York City National Bank of Commerce, Norfolk, Va. Seaboard Citizens Nat'l Bank, Norfolk, Va. State Planters Bank, Richmond, Va.
Wilkes-Barre, Pa. and Suffolk, Va.	$1,000,000 Line; current	
[fol. 6248]		
Philadelphia, Pa.	$125,000 outstanding; 9/27/59	Bryn Mawr Trust Co., Bryn Mawr, Pa. Cheltenham Nat'l Bank
Phoenixville, Pa.	$85,000 outstanding; 6/20/60	Phoenixville Trust Co., Phoenixville, Pa.
Atlantic City, N.J.	$34,000 outstanding; 5/9/60	Boardwalk Nat'l Bank, Atlantic City, N.J.
Atlantic City, N.J.	$57,500 outstanding; 9/9/60	Boardwalk Nat'l Bank, Atlantic City, N.J.
Whippany, N.J.	$17,800 outstanding; 4/1/59	Fidelity Union Trust Co., Newark, N.J.
Baltimore, Md.	$3,250,000 Line; 2,746,000 outstanding; 3/28/60	Union Trust Company, Baltimore, Md.
	$900,000 Line; 41,000 outstanding; 8/10/60	

Borrower	Girard Lines and Loans	Banks Used In Other Cities
Jessup, Maryland	$50,000 Line;	Michigan Nat'l Bank, Lansing, Michigan American Security & Trust Co., Washington, D.C.
Camden 6, New Jersey	$40,000 Line; 6,811 outstanding; 12/31/60	The First Nat'l Bank of Jersey City, Jersey City, N.J. New Jersey Bank & Trust Co., Passaic, N.J. Wilmington Trust Co., Wilmington, Del.
Elkton, Md.	$25,000 23,962.95 Line; outstanding as of 7/1/58	
Philadelphia, Pa.	$5,000,000 Line; outstanding has varied from 0 to $4,000,000	8 Banks located in New York, Detroit, and Chicago
Philadelphia, Pa.	$2,500,000 Line;	Morgan Guaranty Trust Co., New York, N.Y. Other banks in N.Y.C.
Philadelphia, Pa.	$1,689,000 outstanding; current	
Co., New York City	$5,000,000 Line; current	First Nat'l City Bank, New York, N.Y.
Corp., Baltimore, Md.	$1,000,000 Line; current	Numerous banks, principally in New York City
N.Y.C.	$1,000,000 Line; current. current	Manufacturer's Trust Co., New York, N.Y. Union Trust Co.
[fol. 6249]	$1,425,000 outstanding; current	Chemical Bank—New York Trust Co., N.Y.C., and numerous other bank
Elmira, N.Y.	$200,000 Line; current	Chemung Canal Trust Co., Elmira, N.Y. Marine Midland Trust Co., Elmira, N.Y.
	$500,000 maximum outstanding as of 1958	Irving Trust Company, New York City, and other banks throughout the U.S.
	$1,500,000 maximum outstanding as of 1956 $4,500,000 current outstanding	Numerous banks throughout the U.S.
	$500,000 maximum outstanding as of 1956 $75,000 maximum outstanding of 1959	Other banks in Cleveland, San Francisco, and Detroit Major banks in other cities
Phila., 17, Pa.	$150,000 Line; current 75,000 outstanding	Chase Manhattan Bank, New York National City Bank of Cleveland, Ohio
Fostoria, Ohio & Huntingdon Valley, Pa.	$50,000 maximum outstanding as of 1957	Chase Manhattan Bank, New York
Barre, Vermont		
[fol. 6250]	$350,000 Line; 200,000 maximum outstanding as of 1960	First Nat'l City Bank, New York City
Philadelphia, Pa.		

Borrower	Girard Lines and Loans	Banks Used In Other Cities
Philadelphia, Pa.	500,000 Line; 500,000 maximum outstanding as of 1960	First Camden Nat'l Bank, Camden, N.J. Boardwalk Nat'l Bank, Atlantic City, N.J. Bryn Mawr Trust Co. Union Trust Co., Wildwood, N.J. Doylestown Trust Co. Schuylkill Trust Co., Pottsville, Pa. Berks Co. Trust Co., Reading, Pa.
Philadelphia, Pa.	$1,000,000 Line; 2,047,000 outstanding as of 1960	Hanover Bank, New York City
Philadelphia, Pa.	$250,000 Line; 402,000 maximum outstanding as of 1960	First Nat'l Bank, St. Louis
Philadelphia, Pa.	$375,000 Line; 261,000 maximum outstanding as of 1960	Franklin Nat'l Bank, Franklin Square, New York
Everett, Mass.	$250,000 Line; current	Middlesex County Nat'l Bank, Everett, Mass. Rockland Atlas Nat'l Bank, Boston, Mass.
Kutztown, Pa.	$200,000 Line; current 61,000 outstanding	Merchants' Nat'l Bank, Allentown, Pa. First Nat'l Bank, Allentown, Pa.
Bridgeton, N.J.	$102,500 maximum outstanding as of 1956	Cumberland Nat'l Bank, Bridgeton, N.J. Farmers & Merchants Nat'l Bank, Bridgeton, N.J. Millville Nat'l Bank, Millville, N.J. Woodstown Nat'l Bank, Woodstown, N.J.
Gloversville, N.Y.	$600,000 Line; current maximum outstanding 500,000	Chase Manhattan Bank, of New York State Bank of Albany, Albany, N.Y. Trust Company of Fulton County, Gloversville, N.Y.
Binghamton, N.Y.	$195,000 maximum outstanding	First City Bank & Trust Company, Binghamton, N.Y.
[fol. 6251]		
Bethlehem, Pa.	$500,000 Line; current	Chase Manhattan Bank, New York City Hamburg Savings & Trust
Hamburg, Pa.	$250,000 Line; current	
Honesdale, Pa.	$1,000,000 Line; current	Bankers Trust Co., New York City Chase Manhattan Bank, New York City. Chemical Bank New York Trust Co., New York
Allentown, Pa.	$100,000 Line; current	First Nat'l Bank, Allentown, Pa. National City Bank of Cleveland

Borrower	Girard Lines and Loans	Banks Used In Other Cities
Allentown, Pa.	$1,600,000 Line; current	Hanover Bank, New York City
Wilkes-Barre, Pa.	$1,000,000 outstanding	First Nat'l Bank, Wilkes-Barre, Pa.
Bethlehem, Pa.	$250,000 Line; current 30,000 outstanding	Hanover Bank, New York City
Woolrich, Pa.	$1,000,000 Line; current	Mellon Nat'l Bank & Trust Co., Pittsburgh, Pa.
		Lock Haven Trust Co., Lock Haven, Pa.
		West Branch Bank & Trust Co., Williamsport, Pa.
	$250,000 Line; current 332,000 outstanding	First Nat'l Bank of Colorado Springs
Clifton Heights, Pa.		Exchange Nat'l Bank, Colorado Springs
	$250,000 Line; current 161,100 outstanding as of 12/31/60	Pittsburgh Nat'l Bank, Pittsburgh, Pa.
Philadelphia, Pa.		First Nat'l Bank of Miami, Miami, Fla.
		American Security & Trust Co., Washington, D.C.
	$120,000 Line; current 60,000 outstanding as of 12/30/60	Irving Trust Co., New York City
Philadelphia, Pa.	$4,141,900 outstanding as of 12/31/60	Major banks throughout the U.S.
Philadelphia, Pa.	$125,000 Line; 115,000 outstanding both as of 1956; non-current	Public Nat'l Bank, New York City
Philadelphia, Pa.	$2,000,000 Line as of 1958	Chase Manhattan Bank, New York City
Philadelphia, Pa.		Guaranty Trust Co., New York City
		First Nat'l Bank of Boston, Boston, Mass.
[fol. 6252]		
		United California Bank, Los Angeles, Cal.
		First Nat'l Bank, Madison, Wisconsin
		First Wisconsin Nat'l Bank, Milwaukee, Wisconsin
	$50,000 Line; current	Farmers Bank of the State of Delaware,
Laurel, Delaware		Dover, Del.
		Peoples Bank & Trust Co., Wilmington, Del.
	$60,000 Line; current	Peoples Bank & Trust Co., Wilmington, Del.
Seaford, Delaware		Farmers Bank of the State of Delaware, Dover, Del.
		Bank of Delaware, Wilmington, Del.
		Wilmington Trust Co., Wilmington, Del.
	$250,000 Line; current	County Trust Co., Salisbury, Md.
Salisbury, Maryland		

Borrower	Girard Lines and Loans	Banks Used In Other Cities
Kansas City, Missouri	$1,000,000 Line; current	First Nat'l Bank of Baltimore, Md. Bradford Nat'l Bank, Bradford, Pa. Commerce Trust Co., Kansas City, Mo. Union Nat'l Bank, Kansas City, Mo. First Nat'l Bank, St. Paul, Minn. Bank of the Southwest, Houston, Texas
West Grove, Pa.	$150,000 Line; current 175,000 outstanding	Nat'l Bank and Trust Co. of West Grove
New York City	$375,000 Line; current 500,000 outstanding	Bank of New York
New York City	$125,000 Line; current 500,000 outstanding	Bank of New York
Pennsburg, Pa.	$23,000,000 revolving credit	Various banks, some of which are Chase Manhattan Bank, New York City Manufacturer's Trust, New York City First Nat'l City Bank New York City Detroit Bank & Trust Co. Indiana Nat'l Bank, Indianapolis Harris Trust & Savings Bank, Chicago, Ill.
[fol. 6253] Hagerstown, Md.	$100,000 Line; current	Farmers & Merchants, Hagerstown, Md.
York, Pa.	$2,000,000 Line; current	Wells Fargo Bank, San Francisco, Cal.
Carlisle, Pa.	$150,000 Line; current	Farmers Trust Co., Carlisle, Pa. Harrisburg Nat'l Bank, Harrisburg, Pa. Dauphin Deposit & Trust Co., Harrisburg, Pa.
Carlisle, Pa.	$2,250,000 Line; current	York Bank & Trust Co. York County Nat'l Bank
York, Pa.	$300,000 Line; current	Baltimore Nat'l Bank
Hagerstown, Md.	$100,000 Line; current	Nicodemus Nat'l Bank, Hagerstown Hagerstown Trust Co. Second Nat'l Bank, all of Hagerstown, Md.
Berlin, Md.	$100,000 Line; current	Calvin B. Taylor Banking Co., Berlin, Md.
Salisbury, Md.	$400,000 Line; current	Baltimore Nat'l Bank, Baltimore, Md. Salisbury Nat'l Bank, Salisbury, Md.
Baltimore, Md.	$800,000 Line; current	Union Trust Co., Baltimore, Md. Baltimore Nat'l Bank, Baltimore, Md.
Philadelphia, Pa.	$3,500,000 Line; current	Chase Manhattan Bank, New York City

Borrower	Girard Lines and Loans	Banks Used In Other Cities
Madison, Wisconsin	$750,000 Line; current	American Nat'l Bank & Trust Co., Chicago, Ill. City Nat'l Bank & Trust Co., Chicago, Ill. Continental Illinois Nat'l Bank & Trust Co., Chicago, Ill. First Nat'l Bank, Chicago, Ill. Harris Trust & Savings Bank, Chicago, Ill. Northern Trust Co., Chicago, Ill. Chase Manhattan Bank, New York City National Shawmut Bank, Boston, Mass. Davenport Bank & Trust Co., Davenport, Iowa Hartford Nat'l Bank & Trust Co., Hartford, Conn.

[fol. 6254] GOVERNMENT'S EXHIBIT 201

Deposit Balances with Girard of 26 Corporations
(All Demand Deposits, and Listed to the Nearest $1,000)

	12/31/1959	12/31/60
26 Names Deleted. [9 Show No Balances]	$ 480,000	$ 456,000
	3,381,000	3,190,000
	1,97[illegible]00	1,766,000
	7,81[illegible]515	7,649,000
	239,000	225,000
	30,000	733,000
	50,000	50,000
	15,000	16,000
	89,000	73,000
	918,000	119,000
	138,000	104,000
	508,000	662,000
	2,707,000	430,000
	516,000	456,000
	1,399,000	1,174,000
	37,000	46,000
	1,500	2,000

[fol. 6255] Answer of Girard Trust Corn Exchange Bank To Question 10 Submitted by Plaintiff

Question 10: I am requested to inform you that Girard does not know the amount of the deposits as of 12/31/59 or 12/31/60, if any, maintained with any other commercial bank by any of the enterprises listed in response to question 9 above.

Excerpt from letter dated May 22, 1961 addressed to George D. Reycraft, Esquire by Barnes, Dechert, Price, Myers and Rhoads.

[fol. 6256] GOVERNMENT'S EXHIBIT 206

Memorandum

July 7, 1960.

To: Mr. G. H. Brown, Jr., President

From: S. S. Gardner

Re: Broad Street Trust Application—Drexel Line Shopping Center

No lease.

The attached report on the potential of the proposed Drexel Line Shopping Center branch bank indicates, I believe, that it is definitely a "second class" site. As you will

see, we are firmly entrenched in the area near the site and have been for some time.

If the Drexel Line center itself were an outstanding shopping location, as is the Springfield Shopping Center where First Pennsylvania located last year, I could see much more reason for the Broad Street application, but neither the road network around the proposed location nor the quality of stores in the shopping center is in any way unique.

I am sorry that the report took longer to prepare than originally expected, but we have tried to be as objective as possible while using estimates and sampling procedures.

As you know, we have informed both the State and Federal Reserve that we will not protest the Broad Street location.

S. S. Gardner.

SSG:emc

attachment

cc: Mr. O. H. Beadle, Senior Vice President, Mr. R. C. Allen, Asst. Vice-President.

7/8/60—Talked to H. Horan, Jr. This is Al Mueller's suggestion. Will talk to me next week. S. S.

7/20/60—Hubert Horan, Jr., J. Henderson, H. Jones, Al Mueller, Ray (Illegible) John Mamourian. Luncheon with the gentlemen. S. S.

7/26/60. Just as I had about convinced Mr. Horan not to go ahead he called to say the Secty. of Banking had refused his application. That of course ends this problem. He is toying around with a site at Lansdowne Ave. & State Rd.

S. S.

[fol. 6257]

Memorandum

July 7, 1960.

Re: Broad Street Trust Application—Drexel Line Shopping Center.

Banking facilities surrounding the proposed site have more than kept pace with the growth in population. In 1950, there was one bank within a mile-radius of the site and two banks within a two-mile radius. By 1960, this had increased to two banks in one mile and nine banks within

two miles. Looking at banking coverage in a different way, the population per commercial banking office within a two-mile radius (not including the proposed Broad Street office or mutual savings funds) is 9,000 persons, whereas in Delaware County as a whole it is 12,000 persons. This would certainly suggest that the population within the area in question is sufficiently well-banked.

Our Pilgrim Gardens Office was opened in June of 1954 and by 1960, it had total deposits of $3,050,000, consisting of $1,400,000 in retail checking accounts, $1,100,000 in savings and $550,000 in commercial deposits. While this represents fair growth, it certainly is not spectacular and compares unfavorably with new city offices opened only two and a half years.

Deposits within one-half mile of the Broad Street site.

A recent area analysis of the deposits originating at the Pilgrim Gardens Office indicates that we have accounts from 56% of the families* living within a half-mile radius of the proposed Broad Street site with average deposits as follows:

Personal Regular Checking	$217,000
Commercial Regular Checking	72,000
Special Checking	34,000
Savings Fund	250,000
	$573,000

In making our area analysis, we set-up five geographic breakdowns surrounding the office and everything outside these five areas was placed in an "others" category. (See map attached.)

Deposits close to the Pilgrim Gardens office.

In the area immediately surrounding our office, excluding the figures for the one-half mile radius of the Broad Street site shown above, we have the following "close in" business.

Personal Regular Checking	$ 354,000
Commercial Regular Checking	213,000
Special Checking	54,000
Savings Fund	460,000
	$1,081,000

*The Delaware County Planning Commission supplied us with a population estimate of 5,000 persons, or 1,430 families within a half-mile radius.

[fol. 6258] Deposits east of Pilgrim Gardens on Township Line Road.

In addition, a significant portion of our business at the Pilgrim Gardens Office comes from areas north of the office and further east along Township Line Road. It is unlikely that Broad Street would attract very much of this business since our office is situated between these areas and their proposed office. This business amounts to the following:

Personal Regular Checking	$375,000
Commercial Regular Checking	41,000
Special Checking	61,000
Savings Fund	256,000
	$733,000

Deposits outside the survey area.

The remainder of our deposits at Pilgrim Gardens are in the "other" geographic category. This represents business drawn from areas some distance from the office. We were open at this location in 1954 and since that time many other branches have located in this area. A new branch today will not have a similar opportunity to attract business from such a wide area. As shown below, the deposit totals in the "other" category amount to $613,000, or 20% of the office's total liability.

Personal Regular Checking	$212,000
Commercial Regular Checking	210,000
Special Checking	55,000
Savings Fund	136,000
	$613,000

Summary.

A recapitulation of the deposits of the office gives the following picture:

	Total Deposits
One-half mile radius Broad Street site	$ 573,000
Close in Pilgrim Gardens area	1,081,000
East on Township Line	733,000
Outside the survey area	613,000
	$3,000,000

We have a good percentage (56%) of the families within a one-half mile radius of the Broad Street site banking with us, and a significant portion of this business is savings fund

deposits on which we pay 3%. Although we do not have the population figures for the balance of the area close to our office, we probably have an equally good percentage of the families there banking with us with $1,081,000 total deposits of which nearly one-half are personal savings accounts. The next largest group of deposits comes from the "non-banked" areas east on Township Line Road which are closer to Pilgrim Gardens than the new Broad Street location. Finally, 20% of our business comes from outside all of the areas discussed and is drawn to our office by long-standing relationships and, in fact, is probably located closer to other offices of the Girard or other banks than either Pilgrim Gardens or the Broad Street site.

[fol. 6259] While this survey covers all of Pilgrim Garden's deposits, it does not include any figures for our larger Drexel Hill Office. This office is almost as close to the proposed site as Pilgrim Gardens and services a great deal of business in the Drexel Brook area which is close to the Drexel Line shopping center.

The immediate area surrounding the Drexel Line shopping center has many barriers which limit future growth. Very little available land is left for building and the nature of the hilly ground along State Road precludes intensive development unless apartment houses should be constructed. Rolling Green County Club and Sts. Peter and Paul Cemetery eliminate growth prospects to the northwest. The shopping center is poorly laid out for ingress and egress, and State Road is only a two-lane highway. The center has had continual tenant turnover since its inception, and it suffers from peripheral competing shopping centers which have more of a regional nature, such as, Springfield, Lawrence Park, Manoa, and Pilgrim Gardens, and the commercial shopping area at Drexel Hill.

In summary, this is an area with limited close in population, more than adequate banking facilities, and with limited growth potential for Broad Street, particularly with its one per cent savings rate. The shopping center where the branch is to be located has never done too well, and we have turned down the opportunity to locate there several times. Broad Street probably has very little business in this area now which could be transferred to a new office.

S. S. Gardner, R. C. Allen.

/emc
attachment

[fol. 6260] 6/7/60 Advised policy committee.

Memorandum

June 2, 1960.

To: Mr. G. H. Brown, Jr., President
Mr. O. H. Beadle, Senior Vice President

From: S. S. Gardner

Re: Broad Street Trust Application Drexeline Shopping Center

Yesterday, Mr. Zell G. Fenner, Assistant Vice President of Federal Reserve, called to ask what position we would take in the application of Broad Street Trust for an office in this center. I told him that I did not expect that we would protest and, other than explaining that we had looked at the site ourselves and rejected it, did not elaborate on our reason for not protesting. I gave Fenner nothing that might jeopardize our position with Broad Street Trust if it were disclosed to them.

We will have statistics available early next week on the potential banking business in the area which I think will be helpful for use in a possible discussion with Broad Street.

I will use the same approach in answering the state examiners when they get in touch with us during their investigation of the application.

I will be glad to do this.

S. S. Gardner.

SSG:emc

cc: Messrs. L. W. Elwell and J. F. Feeney, Jr., Mr. W. H. Smock, Mr. R. C. Allen.

[fol. 6261] GOVERNMENT'S EXHIBIT 207

S. S. Gardner

BROAD STREET TRUST COMPANY
Philadelphia

July 26, 1960 A.

Hubert J. Horan, Jr.
Chairman of the Board
and Chief Executive Officer

G. H. Brown, Jr., President.
Rec'd Jul 27 1960.
Ans'd
Account

Mr. George H. Brown, Jr., President,
Girard Trust Corn Exchange Bank,
Broad and Chestnut Streets,
Philadelphia, Pennsylvania.

DEAR GEORGE:

I am enclosing memorandum that you so kindly loaned me in connection with the Drexel Line Shopping Center.

Sincerely yours, Hubert, Chairman of the Board and Chief Executive Officer.

The map was not returned?

[fol. 6262 GOVERNMENT'S EXHIBIT 208

Inter-Office Memorandum

July 28, 1960.

To: Branch Administration Files

From: S. S. Gardner

Re: Competitive Banks' Locations—Not Protested

According to Mr. G. H. Brown, Jr., Hubert Horan told him that the Broad Street Trust application for a location in the Drexel Line Shopping Center was declined by the Secretary of Banking.

Mr. Brown also discovered that Broad Street is considering filing an application for an office at the intersection of State and Lansdowne Avenue. This location has been under observation for some time and as recently as June 8th, the Upper Darby officers and I agreed to again defer consideration because of the poor focal point characteristics and the lack of close-in population.

SSG:emc S. S. Gardner.

cc: Mr. W. H. Smock, V.P., Mr. R. C. Allen, A.V.P.

Officers and employees are requested to transmit immediately to the central file any information coming to their attention that directly or indirectly affects any of our customers or that is of general interest. It is in this way that we are enabled to keep our files up to date. Take up one subject on this sheet—continue on back if necessary.

G. 5—Girard Trust Corn Exchange Bank.

[fol. 6263] GOVERNMENT'S EXHIBIT 214

Memorandum

November 22, 1960.

To: Competitive Bank Sites

From: S. S. Gardner

Mr. Joseph M. Case, State Banking Examiner, and Mr. James Lomax, Chief Examining Officer of Federal Reserve, came in last week to discuss First Pennsylvania's application for a branch location at *401 West Chester Pike, Llanerch, Havertown Township, Delaware County*.

We talked for some time about the characteristics of the site, and I did my best to impress them with our ideas of its limitations. This included a discussion of the closeness of our existing offices at Havertown and Manoa, the lack of a large population close by not already in our branch area, the dead ground on the south side of West Chester Pike where a commercial quarry, golf courses and other restricted land use patterns prevent the possibility of home development. In addition, we thoroughly covered the quality of the shopping center concerned, characterizing it as a minor shopping center close by a larger regional center (Manoa). We also discussed traffic difficulties at the center itself and the fact that it was over a quarter of a mile from City Line Avenue, the main through traffic artery in the area.

I think Mr. Lomax was impressed with our arguments although Mr. Case seemed to adopt the position that the applicant bank was large enough to absorb any losses from such an unlikely site.

The meeting was held the day our merger was announced, and both men were interested in talking about that prospect. Our proposed expansion through merger has probably lowered the effectiveness of our objections in situations of this kind.

S. S. Gardner.

SSG:emc

cc: Mr. W. H. Smock, V.P.

[fol. 6264] GOVERNMENT'S EXHIBIT 215

GIRARD TRUST CORN EXCHANGE

Memorandum

December 19, 1960.

To: Mr. G. H. Brown, Jr., President, Mr. O. H. Beadle, Senior Vice President

The state bank examiners finally got around to talking to us about The First Pennsylvania's application in the Northeast. I thought you would like to see the attached and have included a copy of the conversation I had in November with the examiners about the West Chester Pike and City Line site.

We have had no word of approval or disapproval about the latter application.

S. S. Gardner.

SSG:emc
attachments

12/23/60 SSG I reported this to policy group. Thanks. File—No Protest etc.

[fol. 6265] GOVERNMENT'S EXHIBIT 215

Memorandum

December 19, 1960.

To: Branch Administration Files

From: S. S. Gardner

Re: Competitive Bank Sites—Not Protested Tulip and Harbison Application—First Pennsylvania

Mr. James Lomax, Jr., state bank examiner, called on December 14th to ask what our reaction was to The First Pennsylvania application at Tulip and Harbison Avenues. Lomax had already measured the distance from the new site to three of our offices (Wissinoming, Bridesburg and Orthodox) and determined that all were no more than

7/10ths of a mile away. I reminded him that the Frankford office was just a little further and in the area. According to Lomax, First Pennsylvania would reduce their staff and services at their Torresdale Avenue office when the new facility is opened, but he knows of no plan to close the Torresdale office completely.

As previously agreed, I tried to impress Lomax with the many arguments against the idea of the Secretary approving such an application. I gave him population figures in the area of one-half mile around the new site and in a one-mile radius, and in both instances, the population declined from 1950 to 1960. In addition, I pointed out that there were three banks within one-half mile radius and eight banks within a one-mile radius and that four of these banks were our offices, all of which have been open since at least 1923. I also indicated to him that our deposits have not grown in the offices concerned.

When we talked about the site defects, i.e., lack of focal point, inability of pedestrians to cross the high-speed highway and the modest residential population, Lomax appeared to be sympathetic. It was also pointed out to Lomax that we had the intention of spending substantial sums on the rehabilitation of at least one office in this area. I tried to relate this to the unfairness of having another bank come into our territory where little growth was expected and where we had the responsibility for maintaining good banking service in the community. The only argument that Lomax seemed to have with our position is that the new site is a poor one and, therefore, probably would not hurt us too much. I did my best to convince him that this reasoning had little practical merit.

S. S. Gardner.

SSG:emc

cc: Mr. G. H. Brown, Jr., President, Mr. O. H. Beadle, Senior Vice President.

[fol. 6266] GOVERNMENT'S EXHIBIT 216

Our Office 7169 Stenton Ave.

Inter-Office Memorandum

January 5, 1961.

To Mr. S. S. Gardner, Vice President

From G. H. Brown, Jr.

Re Stenton Avenue

Mr. Hubert Horan, Jr. called me this morning to say that he has been looking at a lot, size 237', on Stenton Avenue about 3½ to 4 blocks from our Stenton Avenue branch. This lot is restricted, and it is across from the Liberty Federal S. & L. Assoc.
7211-17

I tried to dissuade Mr. Horan from going ahead with this, telling him that we have not been too successful at our Stenton Avenue branch, but I think he still has in mind proceeding with the idea of establishing a branch there.

Do you have any ideas on this?

G. H. Brown, Jr.

GHB:MJ

Officers and employees are requested to transmit immediately to the central file any information coming to their attention that directly or indirectly affects any of our customers or that is of general interest. It is in this way that we are enabled to keep our files up to date. Take up one subject on this sheet—continue on back if necessary.

G. 5—Girard Trust Corn Exchange Bank

[fol. 6267] GOVERNMENT'S EXHIBIT 217

Memorandum

January 10, 1961.

To: Mr. George H. Brown, Jr., President

From: S. S. Gardner

Re: Proposed Broad Street Trust Branch Stenton Avenue near Washington Lane.

After reviewing Real Estate Division's records and talking with George C. Kilian, Manager of our Stenton Office, it appears that the lot that Broad Street is considering must be three or four blocks west of our office on Stenton Avenue. This is almost as far from the Liberty Savings & Loan office which, as you know, is across the intersection from our location.

If you think it would be helpful, we could review our figures with Mr. Horan and show that nearly $800,000 of the $2,800,000 of deposits acquired since 1957 are savings deposits which they would have difficulty attracting. Also, our nine-month profit and loss statement indicates modest earnings, as you know. I gather from your memorandum, however, that you suspect Horan has made up his mind on this location.

In view of the above and because Broad Street will probably have no difficulty in getting approval, I recommend that we do no more than you have already done in telling them that this is a poor site for a second bank and that we will have to admit this to the bank examiners when they question us.

Over the years, there has been a great deal of discussion of Chestnut Hill as a site for our bank, and should we obtain a desirable lead in that area, such as the redevelopment that once was proposed for the Randall Morgan tract, we would have a strong interest. If Broad Street establishes a branch at Stenton and Washington Lane, we should be able to talk them into not opposing anything we do at Chesnut Hill.

If you want me to talk to anyone at Broad Street, I will be prepared, and I will also express to the examiners when

they question us, our feeling that this is not a second-bank location.

S. S. Gardner.

SSG :emc

cc: Mr. O. H. Beadle, Senior Vice President.

[fol. 6268] GOVERNMENT'S EXHIBIT 218

Memorandum

January 12, 1961.

To: Competitive Bank Sites—Not Protested—File

From: S. S. Gardner

Re: Bank of Old York Road Application for a Branch at the Intersection of Routes 309 and 202—Montgomeryville, Montgomery County

Mr. Joseph M. Case, Chief Examining Officer of Federal Reserve, called on Friday to state that the Bank of Old York Road had applied for an office at this site which is over eight miles from our Ambler Office. I told Mr. Case that we would not file a formal protest because of the distance from our office and the area involved. I also told him that we had looked at the site ourselves over a year ago.

After this conversation, I checked with Philadelphia National whose Lansdale Office is closer than ours and found that they had been notified and do not think they will protest.

If the Bank of Old York Road gets this office, they will be spreading out away from the Warminster site which we have under surveillance, and it might give them less reason to protest any action we take in Warminster.

S. S. Gardner.

SSG :emc

cc: Mr. George H. Brown, Jr., President, Mr. O. H. Beadle, Senior Vice President, Mr. Walter Reller, Vice President

[fol. 6269] GOVERNMENT'S EXHIBIT 220

Memorandum

December 15, 1959.

To: Mr. S. S. Gardner, Vice President

From: R. C. Allen

Re: Beneficial Savings at Lawrence Park

On December 10th I met with Mr. William J. McCarter, Jr., rental agent for Food Fair Properties, Inc., our landlord at the Lawrence Park Office, to discuss a possible modification of our lease to permit Beneficial Mutual Savings to locate in the center. I explained that we were happy to be in a position to accommodate Beneficial, * * * but that in all fairness to our stockholders we would have to treat this as a business matter and gain something for the definite loss we would experience in slicing the relatively modest "deposit pie" into another piece.

Prohibition of Federal Savings & Loans, etc.

We discussed substituting a clause prohibiting a savings and loan or building and loan in exchange for permission for a mutual to lease in the shopping center. Mr. McCarter disclosed that a "federal" had been negotiating for a place in the center for over a year, which I was not aware of, however, he did not raise strong objections to our request.

Enlargement of Roof Sign.

I explained our desire to substitute a larger sign on the breezeway roof—adjacent to the office which would give us greater visibility due to our corner location. He had no objection, of course, to our changing the wording of the sign from "The Bank" but wondered if the present sign frame could not be used for this purpose.

We agreed that this is a technical matter to be solved by a representative from a sign company, but in all fairness I pointed out that if we now had poor visibility with our present sign and wanted to add the full bank's name, the new sign would undoubtedly have to be considerably larger. He was apparently concerned with the effect a larger bank

sign would have on one or two other tenants' signs now on the breezeway.

Sproul Road Sign.

From our conversation, it appears that we will have little success in our attempt to gain a road side sign. First of all, the township would probably not grant permission and secondly, Food Fair would not agree because of the pressure which would be generated from Woolworth's, Grant's and other chain stores. I explained that we would be pleased to submit a sketch of the proposed sign to the landlord and also agree to let the burden of securing township permission rest upon the bank. Mr. McCarter explained that the center is the largest tax payer in township and that they [fol. 6270] have been unable to get such permission and, therefore, in his opinion, we had little chance of receiving approval. I went into a long sales pitch on the different nature of the banking business as a service institution and the good possibility that if the bank could break the ice with such a sign, it might be the forerunner of general approval later for all of the stores in the center and thus benefit all of the tenants.

Mr. McCarter promised to get a letter off to Mr. Ralph Birenbaum, Vice-President of Food Fair Properties, Inc. in New York, setting forth our three requests. During our conversation, he placed a call to Mr. Birenbaum who apparently was in Florida but is returning to the office on December 14th. Mr. McCarter will try to do what he can for us and will contact me after he has received Food Fair's reaction to our requests. Mr. McCarter understands we will be pleased to make the necessary modification of the lease in writing by letter agreement after we see the results of his approach to the landlord.

R. C. Allen.

/emc

[fol. 6271] GOVERNMENT'S EXHIBIT 221

12/10/59 SSG. I called Frank Burns and told him of our decision. He was very pleased. I mentioned that we had some strings attached as far as the owners are concerned. Burns would be glad to see S & L's barred. I frankly said I was trying to make some capital out of this in our relations with his bank. They have no definite plans about 69th Street. I also called John Harrington and explained why I had first called Burns. He understood and said "You will do better."

(Burns said we would get a nice account at Lawrence Park—business referrals, etc.)

File competition sites not protested.

SSG

Memorandum

December 9, 1959.

To: Mr. G. H. Brown, Jr., President

From: S. S. Gardner

Re: Beneficial Mutual Savings Bank Application at Lawrence Park

We have reviewed William McCarter's request that we consider waiving the provision in our lease which prohibits the Food Fair Properties, Inc. from leasing space to a mutual savings bank. In view of the chance to improve our relationship with Beneficial, the likelihood that a protest would not be effective, and the possibility of strengthening our own position in the shopping center, I recommend that we agree and attempt to obtain all possible benefits from such an agreement.

We are prepared to suggest to McCarter that a provision be added to our present lease prohibiting the leasing space to a federal or state savings and loan association or a building and loan association. We would also like to obtain agreement from McCarter to expand the size of our present sign and perhaps obtain the right to construct an acceptable sign on Sproul Road at the entrance of the shopping center.

If this is agreeable with you, I will ask Bob Allen to contact McCarter as soon as possible, concurrent with an

approach to Beneficial through you and the contact officer to develop additional balances and good will.

This program has been reviewed with the senior officers of the Delaware County Division. In the long run it may be helpful in forestalling the application of a commercial bank should the shopping center, with the addition of the new Snellenburgs store, begin to realize its full potential.

It would be ideal to condition our agreement on a sizeable increase in balances from Beneficial if you think that is practical. In any event, you might want to mention to Beneficial that we understand that they are also planning to go into the new 69th Street Terminal and we do not intend to oppose this application.

S. S. Gardner.

SSG:emc

ccs: Mr. O. H. Beadle, Sr.V.P., Mr. L. G. Cordner, A.V.P., Mr. W. H. Smock, V.P.

[fol. 6272] Lawrence Park Lease

Executed 2/8/56
Basic term 2/1/57 to 9/30/71
Rent payable to: Food Fair Properties, Inc.
Rent graduated from $5,940 now to $6,930
If deposits go to $15,000,000, rent goes immediately to $7,920

Letter from Food Fair Properties, Inc. to Upper Darby National Bank on 11/2/56 enclosed Rider No. 6g2 which was executed by Smock and became "Schedule B" to the revised lease.

Rider 6g2

". . . In consideration of the execution of this lease . . . Landlord agrees not to sell or lease any building, part thereof, space or area in the Lawrence Park Shopping Center to a state or national banking institution or *mutual savings bank* as such institutions are now constituted as long as the lease to which this rider is a part is in full force and effect. This paragraph shall *no* no way limit or restrict Landlord from leasing or selling a portion of the Lawrence Park Shopping Center to a Federal or State Savings & Loan Society or Building & Loan Society."

Upper Darby managed to get this rider when the Landlord was unable to deliver possession under the basic lease

by September 30, 1956 and had to request an extension to June 1, 1957.

Beneficial Mutual Savings Fund, Assigned to L. G. Cordner, Average Balance 1959—$900,000, Profit Year to date—6,831.

Robert C. Allen, November 18, 1959.

/emc

[fol. 6273] GOVERNMENT'S EXHIBIT 222

Inter-Office Memorandum

Reported to Policy 3/16.

March 2, 1960.

To: Mr. G. H. Brown, Jr., President
Mr. O. H. Beadle, Senior Vice President

From: ——

Re: Beneficial Mutual Savings Fund Branch in Lawrence Park

Mr. J. Paul Baker of the State Banking Department and Mr. William J. Magee of F.D.I.C. stopped in yesterday in their investigation of Beneficial's application for a branch in Lawrence Park. To follow through on our original plan, I told them that we would not protest and explained this attitude by saying that we felt the shopping center activity would grow with the addition of a new Snellenburg's store and because there is a large amount of ground left for additional home construction.

I also told them that our attitude would have been different if a commercial bank had applied. They are checking with P.S.F.S. because of their office in Manoa, and Western Savings and First Pennsylvania because of their Springfield shopping center offices, but do not expect that any one of the three will protest.

SSG:emc

S. S. Gardner.

Officers and employees are requested to transmit immediately to the central file any information coming to their attention that directly or indirectly affects any of our customers or that is of general interest. It is in this way that

we are enabled to keep our files up to date. Take up one subject on this sheet—continue on back if necessary.

cc: Mr. L. G. Cordner, A.V.P.

G. 5—Girard Trust Corn Exchange Bank.

[fol. 6274] GOVERNMENT'S EXHIBIT 224

Memorandum

4/7/59 SSG. The policy Committee concurs in your opinion. Thanks. SR.

April 7, 1959.

To: Mr. Geoffrey S. Smith, President

From: S. S. Gardner

Re: Saving Fund Society of Germantown Proposed Wynnewood Location

I recommend that we do not protest this application.

I think it would be difficult to sustain an objection. The Wynnewood Shopping Center is a good bank site with an existing population census close to the center that is fairly dense by suburban standards. Customers are also attracted to the shopping center from throughout the Main Line and adjacent areas because of the John Wanamaker Department Store. The growth of our Wynnewood Office has been more rapid than that of the other Narberth Division offices. We expect this increase to continue and are forecasting a growth of between $600,000 and $700,000 in deposits in 1959. In view of this, it would be difficult to argue that there is a lack of potential for future growth.

In protesting the saving fund society's application, we are limited to arguing the case in terms of savings deposits, mortgage investments and possibly safe deposit boxes. They will, I am sure, emphasize their higher interest rates and their mutual form of organization and attempt, as have other societies, to show that the competition between a commercial bank and a savings institution is limited. This is a difficult concept to dispel.

I think we can compete with the office of the saving fund society; certainly more effectively than with another commercial bank. The proposed office is to be within the shopping center area, and it will not* have drive-in facilities. If the saving fund society's application is approved, it should prevent other commercial banks from coveting the location and would give us a strong position to protest such interest. The society is a customer and will probably use our office and in some ways furnish us with information on their progress.

We may soon require approval for expanded facilities or relocation of our office. As you know, this would be done to alleviate the growing congestion occurring in the parking and drive-in areas. To support such an application, we would have to present a case for a need for additional facilities. Protesting now and arguing the opposite course later would surely seem inconsistent to the Banking Board. [fol. 6275] The Saving Fund Society of Germantown, as you know, maintains accounts with current average balances totaling $1,335,000. We may obtain more balances by servicing the new office. While I do not believe that a protest would necessarily jeopardize our customer relationship, in view of the above there seems to be little reason to test this since it is unlikely that we could prevent approval.

S. S. Gardner.

SSG:emc

cc: Mr. George H. Brown, Jr., Exec.V.P., Mr. O. H. Beadle, Sr.V.P.

(Discussed with Carl B. Metzger, Jr.)

*Not definitely determined.

[fol. 6276] GOVERNMENT'S EXHIBIT 225

Inter-Office Memorandum

April 8, 1959

To: Mr. G. H. Brown, Jr., Executive Vice President, Mr. O. H. Beadle, Senior Vice President.
From: S. S. Gardner

Re: Saving Fund Society of Germantown; Proposed Wynnewood Location

Today I called J. Paul Baker, Chief Examiner of the Pennsylvania Department of Banking, and told him that we do not intend to protest the application of the Saving Fund Society of Germantown for a branch site in the Main Line Shopping Center, Wynnewood, Pennsylvania.

S. S. Gardner.

SSG:emc

Officers and employees are requested to transmit immediately to the central file any information coming to their attention that directly or indirectly affects any of our customers or that is of general interest. It is in this way that we are enabled to keep our files up to date. Take up one subject on this sheet—continue on back if necessary.

G. 5—Girard Trust Corn Exchange Bank.

[fol. 6277] GOVERNMENT'S EXHIBIT 226

Inter-Office Memorandum

January 15, 1960.

To: Competitive Banks' Branch Locations

Not Protested File

From: S. S. Gardner

Re: Savings Fund Society of Germantown
Wynnewood Shopping Center Branch

On Tuesday, January 12, 1960, a luncheon meeting was held for Messrs. Stanley H. Heist, President; and

Edward J. Thomas, Senior Vice President, of the above bank. Messrs. G. H. Brown, Jr., L. G. Cordner, L. W. Elwell, J. J. McHugh, Jr. and the writer attended.

There was general discussion concerning savings accounts, branch facilities, etc. We were informed that Germantown's banking hours at their new office in the Wynnewood Shopping Center would be:

Monday, Tuesday and Thursday—10:00 a.m. to 4:00 p.m.

Wednesday and Friday —10:00 a.m. to 8:00 p.m.

S. S. Gardner.

/emc

Officers and employees are requested to transmit immediately to the central file any information coming to their attention that directly or indirectly affects any of our customers or that is of general interest. It is in this way that we are enabled to keep our files up to date. Take up one subject on this sheet—continue on back if necessary.

G. 5—Girard Trust Corn Exchange Bank.

[fol. 6278] GOVERNMENT'S EXHIBIT 227

Memorandum

No protest contemplated—Called Colby. P/T. S. S. G.

December 4, 1959.

To: Competitive Banks' Site—Not Protested

Re • • • Saving & Loan—New Office

We received notice on November 30, 1959, that the above • • • has announced intentions of locating a branch office at the • • • shopping center where First Pennsylvania Company and Western Saving Fund are located; approximately • • • our Lawrence Park Office. We have approximately • • • in balances from • • •

At Mr. Gardner's suggestion, I contacted Mr. Robert C. Dembergh, Assistant Vice President of the First Pennsylvania Company, to sound out their reaction to * * * move. They are now investigating the possibility of opposing * * * and their counsel, Harry E. Sprogell, Esq., is examining their case. Apparently, they have also been in touch with Mr. Peter Williams of Western Saving. If they do protest, it will probably be based on the fact that commercial banks are also thrift and mortgage institutions and that, statistically, the community will not support another financial institution. Penco will open their new branch office on December 7th. I alerted Messrs. Vernon and Johnson regarding this situation as primary and secondary assignees on the * * * account.

Mr. Dembergh volunteered that they have not received approval on their Ashland Avenue and McDade Boulevard branch and that Mr. Pew and his attorney opposed them strenuously. It is his understanding that the Banking Board was unimpressed with the Ashland Avenue site and the Provident site west of Media.

He asked me what we were going to do about * * * proposed office at Lawrence Park. I replied that * * * is a good customer of ours and that any decision we would make would certainly take this into consideration, but that to date, no decision had been made and it would not be made at my level. He expressed surprise that Mr. Kelly had gone along with this proposal since he had previously expressed the opinion that as a member of * * * board he was opposed to the mutual's branch expansion program since it is so unprofitable.

Penco will open a new office at St. Davids in December and will open its relocated Strafford branch in January.

R. C. Allen.

/emc

[fol. 6279] GOVERNMENT'S EXHIBIT 231

THE PHILADELPHIA NATIONAL BANK

Inter-Office Memorandum

July 11, 1956.

To: R. Strunce, Asst. Cashier

From: Don Breth, Montgomery

Subject: Agents Auto Plan

Don Caldwell and John Isaacson, Allstate Agents, have brought to my attention that they are loosing good finance paper because of rate. Specifically, Don stated he called on George Scheetz Chevrolet in Germantown and learned that they are placing their paper with First Pennsylvania Co. for 24, 30, and 36 Months at a rate of 4%, no liability with or without insurance, no recourse to the dealer and the salesman receives no additional bonus for finance paper.

Don worked out a deal with the sales manager and our payments were higher. Based on this, Don said he would not be able to secure any paper through this dealer.

Presently our automobile paper has fallen off 50%. Our outstandings as of this date are $25,000.00 behind last month.

[fol. 6280] As I see the picture our competition is offering this low rate to suburban dealers for their quality paper.

I would appreciate your looking into this matter and advising.

Don.

Hotel—S. S. G. Ellis—Checking Penna Co., follow up in couple days. R. S.

[fol. 6281] GOVERNMENT'S EXHIBIT 232

THE PHILADELPHIA NATIONAL BANK

Inter-Office Memorandum
File

5/16/56.

Spoke personally to Mr. Erb about this. E. W.

April 29, 1957.

Their rate 6.00—add on + $4.56 for Ins.
Our charge, 6.00 discount plus 3.46 Ins. or 376.70, not 370.
On add-on basis + ins. we would be 417.20.
Erb says he pointed out that our rate was from the P/L chart & was a discount not an add on rate. He also told Mr. Erb that he could charge any lesser rate he wanted.

(Is this the first knowledge Mr. Erb had of his competitor's rates?)

To: Mr. E. Lawrence Worstall, Vice President
From: Mr. Frederick G. Erb, Vice President
Subject: —

I have been working very hard with one of our customers, Kepner & Remich, to get their retail paper. On Friday they sent and individual down, and we quoted a price of $430.00 for $370.00 over a two year period. He called this morning and advised that me that our competitor, the Security Trust Company, gave him a total figure of $418.80 or a difference of $11.20. He told us that if this was our rate he naturally would have to deal with Security Trust. I checked with Earl Caffery who is here this week and he said this is the best he could do.

Thought you would like to know this as I certainly can't ask for business where I know that our competitor is lower. Both figures included insurance.

F. G. E.

[fol. 6282] THE PHILADELPHIA NATIONAL BANK

Inter-Office Memorandum

May 7, 1957.

To: Mr. Ellis B. Ridgway, Jr., Vice President

From: E. Lawrence Worstall

Subject: Retail Paper—Kepner & Remich

DEAR ELLIS:

Attached is a memo from Fred Erb relative to the costs of our Time Credit Department on a financing deal in Pottstown wherein one of our competitors was able to offer a lower price. Would you please review this and give Fred a little memo showing the reasons for it and possibly pointing out what services we render in our charges that our competitors no doubt do not cover.

(E.L.W.)

CC—Mr. Frederick G. Erb, Vice President

[fol. 6283] GOVERNMENT'S EXHIBIT 233

THE PHILADELPHIA NATIONAL BANK

Memorandum

April 16, 1958.

To: W. E. Brown

From: Robert Lowry

Subject: 90 Day Cash Plan or Dealer Closeout on Anticipated Loans

Recently a new Bank policy has been adopted which is stated in the manual in Section II, Page GI, Paragraph G under Rate, which is definitely not competitive.

First Penna. Co. closes out any account for the dealer at any time on or before the first payment is due for $8.00. During this period the customer is charged $10.00 or a half of 1% per month whichever is greater.

Girard Trust Corn Exchange charges the dealer $10.00 or 2½% of the deal whichever is greater on or before the 90th day.

Although this is not a desirable or profitable type of paper, it does exist, and I feel we must be a little more realistic in our approach. If we charge at least enough to break even and consider it as a necessary evil, we will satisfy the trade need. I feel some consideration should be given to changing this paragraph.

However, I want it understood this type of paper will be discouraged in all new business solicitation.

R. L.

[fol. 6284] THE PHILADELPHIA NATIONAL BANK

Memorandum

May 19, 1958.

To: W. E. Brown, A. V. P.

From: Robert Lowry

Subject: 90 Day Cash Plan or Dealer Close-out Charts

On April 16, 1958, I gave you a memorandum suggesting we reconsider the new policy adopted by our Bank as outlined in Section II, Page GI, Paragraph G, which was not competitive. I believe the reply indicated we copied Girard Trust Corn Exchange in this matter, and that we were not trying to be competitive with First Penna. Co.

Mr. Dzamko recently checked with a personal friend at Corn Exchange regarding their close out charges to a dealer on accounts sold on the deferred payment plan. He was informed that the charge on or before the 30th day would be $6.00, on or before the 60th day $10.00, on or before the 90th day $15.00, on the 91st day the charge is $20.00.

This as we discussed, is an important part of our overall Time Credit program as we continually take a non-competitive attitude in our thinking; I can not help but feel we will hinder our Bank's progress in this field. In view of this discrepancy between our Bank and even Girard Trust Corn Exchange, I suggest we once again reconsider the above.

Robert Lowry.

[fol. 6285] GOVERNMENT'S EXHIBIT 234

Home Modernization—Girard Corn Plan

7/22/58—Bill Calkins informed me that he has learned that Girard Corn has come out with a new home modernization plan involving insurance. The bank gives the dealer the option of either selling exclusively with or without insurance. If they do not elect to use credit life insurance all of their deals are set up on this basis. If they elect to sell with the life package an additional 1% is added to the rate. Although the bank is only billed at one-half a per cent they pay the insurance company the full 1%. The insurance company apparently holds the extra one-half per cent which is refunded to the respective dealer involved.

I just can't figure out how the insurance company would arrange to set this up and it occurs to me that there is probably some arrangement within the bank to keep track of the accounting. However, this is the best information we have to date on this plan.

Robert R. Strunce/e.

[fol. 6286] GOVERNMENT'S EXHIBIT 235

THE PHILADELPHIA NATIONAL BANK

Memorandum

March 31, 1959.

To: Mr. Ellis B. Ridgeway, Vice President

From: Robert R. Strunce, Assistant Cashier

Subject: Home Modernization Plan—Reserve Bonus

After discussing the Pennsylvania Company's Reserve Bonus Plan with Bob Lowry we are convinced that we must at least match their plan if we are to obtain Home Modernization Paper. According to Bob Lowry this plan is being offered across the board to all Home Modernization Dealers and is *not* tied to any volume requirements.

Briefly the plan is this:

The rate to the customer is increased from 6½% per year to 7½% per year which includes Credit Life Insurance. Out of the 7½% per year 1% is credited to a reserve which accumulates over periods of three months (quarterly) at the end of which period the reserve is frozen for the quarters. After six months, (two quarters) the dealer is given all reserve, less charges for prepayments, accumulated in the first quarter. This continues on a quarterly basis with the bank always holding the *last* quarter and the dealer being refunded the previous quarter less rebates.

This operation would require a complicated bookkeeping system inasmuch as we are not set up on I.B.M. as is Penneo.

We therefore suggest the following plan:

Increase the rate to the customer to 7½% per year including Credit Life Insurance. 1% per year is to be credited to Dealers Reserve and accumulated by quarters the same as Pennsylvania Company. When the reserve has accumulated for six months the reserve is divided in half, after all rebates have been deducted, and half given to the dealer and half retained by the bank. Minimum reserve will be $200. Payments to dealer will be made each quarter on 3/1, 6/1, 9/1 and 12/1 by dividing reserve in half after all rebates have been charged during the quarter. Dealers volume will be reviewed quarterly and if volume is not commensurate with volume expected from a particular dealer bonus will be discontinued.

RRS/cl.

Discussed with ERR—3/31.

[fol. 6287] GOVERNMENT'S EXHIBIT 236

THE PHILADELPHIA NATIONAL BANK

Memorandum

April 1, 1959.

To: Mr. Ellis B. Ridgway, Vice President

From: Robert R. Strunce, Assistant Cashier

Subject: Consolidation Plan for Home Modernization Dealers

As you know I have not been too sold on offering a consolidation plan for home modernization dealers. However our experience with Town & Country has been satisfactory to date as we have built up adequate reserve to cover any losses.

The Northeast offices have recommended that we consider offering two dealers this plan.

Arrow Products—Based on the recommendation of Bill Brown and the basis on which they are going to set up the account with 1% placed into reserve, strictly for losses, I am willing to go along with the branch recommendation.

Homestead Construction Co.—Although this doesn't make as much sense as the other dealer because of the limited volume involved, I am recommending that we go along with the office's recommendation on the basis outlined by Bill Brown with 1% set aside in loss reserve.

The consolidation plan as mentioned by Bill Brown could serve in part as an answer to the Check Plan offered by Pennco. In addition, as we are trying to increase our home modernization portfolio, I am willing to give the plan a try and would appreciate your comments as this represents a deviation from our usual policy.

The dealer files mentioned above are enclosed herewith.

RRS/cl.

[fol. 6288] GOVERNMENT'S EXHIBIT 237

THE PHILADELPHIA NATIONAL BANK

Memorandum

April 7, 1959.

To: Mr. Ellis B. Ridgway, Vice President

From: Robert R. Strunce, Assistant Cashier

Subject: Bonus Plan

Enclosed is a list of dealers Bob Lowry sent to me which he states have been solicited by the Pennsylvania Company on their bonus plan.

Checking back on the volume generated by these dealers in 1958 we find that they gave us about $1,112,000. The thing to remember is that a good many of these dealers, according to Bob Lowry, did not start to give us the bulk of their business until the latter part of the year. Bob Lowry estimates that without the bonus plan it would probably cost us about $2,000,000 to $2,500,000 of home modernization volume.

I personally do not like the bonus plan idea but whether I like it or not, its a reality. I believe that if we don't meet this competition we will lose the major portion of our home modernization volume. I also know this plan represents a radical departure from our thinking in not using a reserve just for losses which would have the effect of enabling us to purchase a more marginal type of credit. Recognizing the reserve enables us to show fewer charge offs, which of course affects our net return, the gross rate to the bank would not be any different than our standard plan at 6½%. Needless to say, we would have to base our credit judgment on the fact that we would *NOT* have the extra reserve. I recommend, therefore, that we offer the bonus plan to those dealers who have been giving us a volume of business.

H. D. Satterfield.

Enclosure

4/7/59.

EBR agreed after discussing with [Illegible] that although distasteful we would offer Bonus to all dealers.
Question to be resolved is amt retained for pay offs.
EBR—thinks $1000.

[fol. 6289] GOVERNMENT'S EXHIBIT 238

THE PHILADELPHIA NATIONAL BANK

Memorandum

April 22, 1959.

To: Mr. Ellis B. Ridgway, Vice President

From: Robert R. Strunce, Assistant Cashier

Subject: Special Home Modernization Plan

Attached is an outline of the reserve or bonus plan we are setting up to compete with Pennsylvania Company who have already promoted the plan with the home modernization dealers in this area. When you have had an opportunity to review this plan, I would appreciate any suggestions or changes you might have so that I can notify our branches.

Included in the plan you will notice that we show a minimum charge of $8.00 in order to meet the minimum charge offered by Pennsylvania Company. Heretofore we have used a minimum charge of $10.00 but as we have very few accounts which prepay before the first instalment we are not actually giving up anything. Of course, on our deferred program I still suggest that we obtain the minimum of $15.00 to reduce the number of dealer payouts before the first payment becomes due.

Your comments and suggestions will be most appreciated.

RRS/cl.

cc to: Mr. E. L. Worstall, S.V.P., Mr. H. D. Satterfield, A.C., Mr. R. B. Lowry.

Satisfactory. Ridgway, 4/2.

[fol. 6296] Special Home Modernization Plan

A—Time Credit Accounting Classification—200.

B—Dealer Liability—

Non-recourse.

C—Terms—

Regular Plan up to 60 months (first payment due—45 days). Defered Plan up to 36 months (first payment due—120 days).

D—Down Payment—

None Required.

E—Documents—

Sales book (form 493) which includes note and application, or Dealer's Forms when authorized by Central Office. Important (Sales book contains 6½% charts which should be removed from book before distribution to dealers using this plan). Customers Completion Certificate (Form No. 1147) may be waived for responsible established dealers.

F—Rate—Regular Plan—

$8.00 per hundred per year to $299—$7.50 per hundred per year over that amount. (Form 1960 Spec). Deferred Plan—$7.50 per year plus 3% flat charge (Form 1925 DFT Spec), Minimum charge $8.00. Rebate Chart 12/78. Anticipation charge for customer or dealer before date of first payment $8.00 on regular plan and 12/78's or $15.00, whichever is greater, on deferred plan.

G—Life Insurance—

To $5,000 on first signer of note or signer designated. Applicants 63 or over not eligible. Premium paid by P.N.B.

H—Bonus and Reserve—

1% per year on amount of proceeds. To be accumulated in reserve in dealer's name. Reserve payable on quarterly basis when it exceeds 1% of accumulated dollar volume received from dealer or $200, whichever is greater. At the end of each year dealers reserve will be adjusted to 1% of outstandings plus accumulated volume for succeeding year. Reserve payable 3/1, 6/1, 9/1, 12/1. Reserve is frozen if dealer discontinues to give us business.

I—Minimum Monthly Installment—

$5.00.

J—Advance to dealer—

100% of unpaid balance (proceeds).

[fol. 6291] K—Items that Qualify—

Same as under Standard Modernization Plan.

L—Credits that Qualify—

Plan limited to home owners with good equity in property, job stability, and satisfactory credit background.

M—General—

Consolidations not allowed. Not retroactive prior to 3/1/59. All dealers must have a dealer number (no miscellaneous dealers). Dealer can only sell one plan—either our Standard Plan or our Special Plan.

[fol. 6292] GOVERNMENT'S EXHIBIT 239

THE PHILADELPHIA NATIONAL BANK

Memorandum

April 26, 1960.

To: Mr. H. D. Satterfield, Assistant Vice President

From: Robert R. Strunce, Assistant Cashier

Subject: Dealer Bonus Plan

As you know we have discussed this Bonus Plan several times. We agree that we would prefer not to use it but Bob Lowry has indicated that he needs the plan from a competitive standpoint.

Girard Trust Corn Exchange charges $7.50 per $100 per year and gives the dealer $1.00 per $100 per year. Three quarters of the reserve balance is paid to the dealer every two months.

First Pennsylvania Company uses the same rates and pays the same amount to the dealer reserve. They initially accumulate the reserve for six months at the end of which time they pay the dealer the amount accrued during the first three months. From then on they pay every three months, holding the reserve accumulated in the last three months prior to payment to the dealer.

We charge the same rate and give the dealer the same amount in his reserve. However we only pay the dealer the amount in his reserve which exceeds one per cent of accumulated volume. At the end of the year we reset the reserve on the basis of year end outstandings and in the new year, reserve is only paid in amounts exceeding one per cent of year end outstandings plus accumulated volume in the new year.

Bob Lowry believes he is hampered competitively unless we change our method of paying the bonus. He points out that he only intends to use the plan as a "door opener" to solicit the bigger volume accounts. In most cases he has been pushing the "loss reserve" plan and has been able, in some cases, to switch the dealers from "bonus" to "loss" reserve. On dealers who are giving us five year paper Bob states these are set up mostly on loss reserve. Small deal-

ers with no large volume anticipated are being set up with $7.50 per $100 per year with no bonus or no loss reserve.

A quick review of *dealer activity* for the first quarter of 1959 indicates that fifteen of *the top twenty dealers* were on a loss reserve plan. A quick review of dealer files indicates that approximately fifty per cent of all dealers are set up on bonus plan (by number not dollar volume).

Bob Lowry has suggested several ideas to place him in a more competitive position:

1. To establish a flat minimum dollar reserve and pay on excess of that amount.

2. Peg the reserve at one per cent of the net outstandings or last year's purchases, whichever is lower.

[fol. 6293] Our biggest risk is on refunds on prepaid accounts from dealers who have discontinued doing business with us. We probably would not be able to collect the proportion of dealer reserve from the dealer to be rebated. However I don't *believe* the *risk* is too great although I don't have actual statistics to support this.

Recognizing the calculated risk I recommend that we peg the reserve at one per cent of accumulated volume for last year or year end outstandings, whichever is greater, subject to a maintained reserve minimum balance of $200.

H. D. Satterfield.

cc: Mr. E. B. Ridgway, V.P.

Taken care of 5/2/60. H. D.

[fol. 6294] GOVERNMENT'S EXHIBIT 240

THE PHILADELPHIA NATIONAL BANK

Inter-Office Memorandum

May 18, 1959.

To: Mr. Ellis B. Ridgway, Vice President

From: Henry D. Satterfield, Assistant Cashier

Subject: Insurance Auto Agents Plan

I am attaching a memo received from our Time Credit Department in Norristown.

We are recommending that they continue giving the lower rate as an exception instead of changing our Auto Agent rates.

I would appreciate your comments.

HDS/cl.

Enclosure

Agreed. EBR, 7/18.

[fol. 6295] THE PHILADELPHIA NATIONAL BANK

Memorandum

May 12, 1959.

To: Mr. Henry Satterfield, A. C., Time Credit, Penn Center

From: Dudley C. Buzby, Time Credit, Montgomery

Subject: Insurance Auto Agents Finance Plan

Henry, pursuant to our telephone conversation of last Friday, I am writing a memo as you had requested.

As you will remember, our conversation followed the general lines of trying to find some type of rate that will be in competition with the Philadelphia banks. It is our general opinion that we should not lower our rates, justly so, to meet the cut-rate competition. However, these auto agents must offer to their own customers the lower rates per their own operation procedure.

You have been checking our folders as they have been coming through Penn Center as to these rate exceptions and have agreed that possibly some of them have been correct. We have approved quite a few applications on a good or excellent credit basis in order to meet the competition. Our volume has been about 100,000 a month on this type of paper and so far it has proved quite profitable to the office. We have had tentative verbal agreements on this procedure to follow in this matter. Our volume has increased and I therefore feel it is necessary that we have a definite procedure to follow.

Will you please endorse some type of an operation, probably along the Second National Rate Chart that we may properly follow. We understand that this is not to be the rule but rather an exception and each credit must be based and not judged on the individual nature of the applicant. Each approval will follow with a summarized outline on the back of the credit indicating why we have offered the lower rate. We must give this some type of consideration in order to properly handle our agents. We are securing these applications due to the service offered. The agents would rathr call us than Second National Bank or Fidelity Philadelphia.

Will you please give this your immediate consideration and notify us at your earliest convenience on what type of a plan or procedure we may follow.

Thank you, DCB:jcc.

HDS. 1/11/59.

[fol. 6296] THE PHILADELPHIA NATIONAL BANK

Memorandum

May 4, 1959.

To: Henry Satterfield, Asst. Cashier, Penn Center

From: Dudley C. Buzby—M Office

Subject: —

Hank, earlier in the year we requested procedure on our Allstate and State Farm Automobile Agents Plan. As you remember, we are being undercut on rates by other banks in

this area. We are not competitive with these rates and are currently making exceptions in order to secure good to excellent applications. Our agents have told us that they are required to offer the lower rates to their customers as policy holders and they are constantly giving us the choice between placing it through Second National Bank and ourselves. Sears recently opened a new store in Abington and we have the opportunity of picking up three additional agents, however, I feel that if we cannot offer them what they are presently securing through other banks, we will not be able to properly serve them. Would you please give this some thought and advise me if we are going to be able to offer rates that are equal to their other sources.

Thank you very much. DCB.

DCB/bas

Bob Lela discuss with Ellis tomorrow.

			HS.
228 deals total			13
Term			44
24 — 14 under	4	22	44
30 9 under	4½		
36 27 under	5	228/50	88
		456	9
50 or	22%	440	228

[Fol. 6297] THE PHILADELPHIA NATIONAL BANK

Memorandum

January 2, 1959.

To: Robert Strunce, Asst. Cashier, Time Credit, Penn Center

From: D. C. Buzby, Time Credit, Montgomery

Subject: Rates—Auto Agents Plan

DEAR MR. STRUNCE:

Attached you will find a rate schedule issued by the 2nd National Bank of Philadelphia to Allstate Insurance Co.

This schedule offers a 4% rate on 36 months as compared to our 5% rate. Our own agents are quite concerned about this matter and feel that they will have to offer the lower rates to their own customers. I have been told that Liberty Real Estate and Fidelity Philadelphia have also offered insurance agents the 4% rate for 36 months.

In line with the reduced rates 2nd National had a contest in which cash prizes were offered to the agents for sending in new business. One of our better agents made an extra $40.00 before Christmas in this manner.

I feel that competition has become quite stiff in this matter and would appear that a slight "rate war" is going on. We have to be careful in our own area due to the relationship with the local banks. However, most of our paper is coming from outside this area and should not present too much of a problem and particularly since this represents an insurance finance program.

DCB.

DCB/jm

4/17/59—HDS & RRS have decided not to reduce direct auto agent paper.

[fol. 6298] GOVERNMENT'S EXHIBIT 241

Floor Plan Rate

8/3/59—John Galligan and Earl Caffrey called on Brenninger Motors and T. D. Keyser and Jack said that they had a rough time. Both T. D. Keyser and Brenninger have gone into the Montgomery Trust because of the increase in our wholesale rate. Jack states that he thinks they are running a bluff but, of course, he is quite concerned. Jack does not feel that we should lower our rates but he told both dealers he would go back and discuss the situation further with Mr. Koch. I told Jack that he certainly would have to sell harder but we did not see how we could lower our rate. Jack also mentioned that Ralph Keyser had been at the meeting with T. D. Keyser and stated that he would go along with whatever rate his father accepted.

Jack informed me that in talking with Merv. Harris he was informed by them that up until a month ago the Mont-

gomery bank had been soliciting all of the Lansdale dealers almost on a daily basis. However for about the last three or four weeks there has been no one around from the Montgomery bank which would seem to indicate they are having the same money problems as everyone else.

Robert R. Strunce/el.

8/6/59—Jack Galligan called to tell me that he had a meeting with Mr. Koch, Mr. Weingartner, and Mr. Reber, and they concurred the rate should be 4% for T. D. Keyser. Montgomery County Bank & Trust has offered a rate of 3.8%. Apparently both Brenninger and Keyser had inquired to Montgomery County Bank & Trust but no one from the bank has been out to see them. T. D. Keyser agreed to go along with the 4¼% rate and discuss this further when Mr. Satterfield returns from his vacation. Jack informs me that he still thinks these dealers are using the threat of the Montgomery County bank as pressure and he doesn't feel that they will leave us. He mentioned he discovered that United States Liability is handling the insurance for the Montgomery bank and this is in our favor in view of the unsatisfactory experience we have had with this carrier.

Robert R. Strunce/el.

[fol. 6299] GOVERNMENT'S EXHIBIT 242

THE PHILADELPHIA NATIONAL BANK

Memorandum

March 25, 1960.

3/29/60

We discussed with Mr. Ridgway and we agreed that at the present time we would not lower the rate since we are after the dealer business.

[Illegible initials]

To: Mr. Henry Satterfield, Assistant Vice President, Time Credit Department, Penn Center

From: Cliff Gillam

Subject: Auto Agent Plan

DEAR HENRY

Forwarded herewith is a flyer received by one of our customers from Pennsylvania Co. which appears to provide for an across the board $4.50 rate on new cars, up to $6.00 on used. They also offer free literature.

The current plans of other agent financing banks for new cars are as follows:

2nd National Bank:	$3.50 for 24 months
	4.00 for 30-36 months
Fidelity:	$3.50 for 12 months
	4.00 for 18 months
	4.25 for 24-30 months
	4.50 for 36 months

In addition, Fidelity offers *free literature.*

Liberty Real Estate:	$3.50 for 12 months
	4.00 for 18-30 months
	4.50 for 36 months

In addition, Liberty pays one-quarter of one percent finders fee to the agent.

Broad Street Trust:	$3.50 for 12 months
	4.00 for 24 months
	4.50 for 30-36 months

On used, Broad Street offers $5.00 on 58's as well as 59's.

In view of the above, we are not at all competitive with our schedule of $4.00 for 24 months, $4.50 for 30 months and $5.00 for 36 months. We are feeling this in our volume which has been down in recent months averaging around $50,000.00 for January and February whereas formerly it would be running $100,000.00 but with no increase in trend. We have lost all of our State Farm agents and our remaining loyal All State agents are finding it harder and harder to justify giving us paper. In addition, because of our higher rates, I know they do push our boys on unusual deals pretty hard.

Accordingly, we feel that some serious consideration should be given to offering a plan competitive with Pennsylvania Co. as follows

$4.00 on New 24 months
$4.50 on New 30 and 36 months
$5.00 on Late Model Used
$6.00 on Older Model Used.

It also seems to me that we would benefit by giving out imprinted literature as several of the other banks are. It seems to me this might be worthwhile of and by itself regardless of the attraction it should be to the agent in reducing his promotional expenditures.

CG/ap.

[fol. 6300] GOVERNMENT'S EXHIBIT 243

THE PHILADELPHIA NATIONAL BANK

Memorandum

December 9, 1960.

Notified 12/15/60

To: Mr. E. B. Ridgway, Vice President

From: H. D. Satterfield, Assistant Vice President

Subject: T. D. Keyser, Inc.

Bob Strunce and I had a meeting with the above dealer on November 30, 1960. We reviewed Collections and the Lansdale Office. T. D. also wanted to know if we would continue operating the way we are now after the merger. He stated that if he had to do business in Philadelphia, they would seek another finance connection. He wants local service. I could not give him a definite answer to this question, but stated that there is a possibility that Lansdale would not be changed.

The main purpose of the meeting was a discussion of rates. Montgomery Trust has been after T. D. Keyser for a long time to take over his account. They are offering him a fantastic reserve deal. Montgomery Trust will handle his paper at 4% per year addon. This is for new and used cars. He stated that we should give him the same rates and this is the rate that his account warrants. He screens all his credits and they also work their past dues. This is the reason why our collection and repossession experience has been so good. In 1958 we purchased 124 new cars and 159 used cars. We had 5 repossessions for new and 8 for used in the year 1958. In 1959 we purchased 156 new cars and 190 used cars. We had one new car repossession and one used car for the year 1959. We have purchased 95 new cars and 150 used cars through August, 1960 and there have been 4 new car repossessions and 2 used. In 1958 and 1959 there were no losses and as of the end of August, 1960 we have lost $20.00. Our experience has been execellent and it is one of the largest and best accounts we have on our books.

The dealer has no Demonstrators and he pays his interest and curtailments when due. He has a net worth of $274,000. His present retail outstandings are $734,508. with a participation reserve of $26,971.48. He stated that we were well protected on repurchase and they definitely screen all credits. He could not understand why we would retain more on used than on new since our experience on used is better than new. After checking with our Collection Department, this statement is true. As of December 7, 1960, the dealer has 20 new past dues and only 15 used. Our Collection experience is good on this dealer.

I cannot see giving the dealer a 4% rate on new and used cars, but I am recommending the following plan:

New Cars—We retain 4% per year
1959-60 Used—We retain 4% per year
1958 Used—We retain 4½% per year
1957 & Older—We retain 5% per year

The dealer at the present time has a $150M Wholesale line but has only $58M outstanding. He pays for a great deal of his new cars because he does not like to pay the interest.

[fol. 6301] I would certainly hate to lose T. D. Keyser, Inc. because of our excellent experience and I feel if he should leave us that other dealers will follow. I also know if we give him the above plan he will have a better plan than the other dealers, but the other dealers do not give us the volume that T. D. Keyser is giving us. I also know that Montgomery Trust is working this account very hard and if T. D. changes, we would, in all probability, lose his deposit account. I understand that Montgomery is offering a 4% wholesale rate, but I want to keep our rate at 4½%.

I will appreciate your comments and suggestions.

H.D.S:bes.

P. S. I am attaching a list of retail purchases for August, September and October, 1960.

Hermon called me—

1. What effect on his son's deal?
2. Keep W/S rate at 41/2
3. (Copy Illegible)

12/21/60

Earl and I had a meeting with T. D. Keyser and gave him the following plan which was approved by Mr. Ridgeway—1958-59-60-61 retain 4% 1957 & older retain 5%.

T. D. Agreed to the plan.

HDS 12/22/60

[fol. 6302]

THE PHILADELPHIA BANK

Memorandum

December 2, 1960.

To: Edward A. Tobin
Credit Manager

From: John J. Plunkett

Subject: Retail Purchases of T. D. Keyser

Year	Number	New	Number	Used
Aug. 1960	14	$32,362.44	20	$26,986.74
1959			4	10,425.54
1958			3	4,055.08
1957			4	4,582.92
1956 & Older			7	4,876.80
Sept. 1960	25	53,298.90	15	24,979.89
1959			5	10,144.58
1958			3	4,303.04
1957			4	4,758.96
1956 & Older			2	1,289.51
Oct. 1960	19	42,813.30	8	10,810.68
1959			3	5,825.76
1958			2	2,505.12
1957			2	2,158.80
1956 & Older			1	321.00

J J. Plunkett.
JJP:sg

To: R. R. S.

New	1960	1959	1958	1957	1956
14— 32	20—27	4—10	3— 4	4— 5	7—5
25— 53	15—25	5—10	3— 4	4— 5	2— 1
19— 43	8—11	3— 6	2— 3	2— 2	1
58—128M	43—63M	42—26M	8—11M	10—12M	10— 6M

[fol. 6303] GOVERNMENT'S EXHIBIT 244

THE PHILADELPHIA NATIONAL BANK

Memorandum

April 29, 1960.

To: Mr. Ellis B. Ridgway, Vice President

From: Robert R. Strunce, Assistant Cashier

Subject: Bonus Plan—Home Modernization

This plan is not being used by any of the county offices with the exception of the Madison Office. Madison has two dealers on the plan—Competition is Penco and Girard Trust.

The Montgomery Office has Peoples National Bank as competition. Their charge is $6.00 per $100 per year and they give the dealer 1% per year only on deals in excess of $500. Total reserve is returned to dealer once a year around Christmas.

The remaining county offices indicate that they have no dealers and there is no competition. However our offices have not promoted our Home Modernization Plan to any extent.

RRS/cl.

Harry

Shouldn't this be discussed and a deal worked out to increase volume of desirable Home Mod. business at adequate rates??

Ellis [illegible].

[illegible]

[fol. 6304] GOVERNMENT'S EXHIBIT 246

1. Lines of Credit Held by Pennsylvania Power & Light Company from 1956 to Date, the Amount of Each Line of Credit and the Bank with Which Each Line of Credit Was Carried.

The Company does not, as a matter of policy, request banks to advise as to the line of credit which the bank will

extend to the Company. Some banks, however, gratuitously furnish this information. The banks and lines of credit listed below are the result of gratuitous information and do not reflect the true borrowing power of the Company.

Bank	Year	Line
The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.	1956	$ 6,500,000
	1958	7,500,000
	1959	7,500,000
	1960	7,500,000
	1961	7,500,000
The Chase Manhattan Bank, New York, N. Y.	1959	10,000,000
	1961	20,000,000

[fol. 6305] 2. Loans Made to Pennsylvania Power & Light Company from January 1, 1956 to June 6, 1961, the Amount of Each Loan and the Person, Bank or Institution from Which Each Loan Was Obtained.

Person, Bank or Institution Making Loans	Date of Loan	Maturity	Amount
The Chase Manhattan Bank, New York, N.Y.	Sept. 25, 1956	Dec. 22, 1956	$ 5,000,000
	Jan. 28, 1957	Apr. 27, 1957	10,000,000
	Apr. 27, 1957	Oct. 24, 1957	10,000,000
	Oct. 24, 1957	July 24, 1958	10,000,000
	July 24, 1958	Apr. 24, 1959	10,000,000
	Sept. 25, 1959	June 27, 1960	5,000,000
	Apr. 25, 1960	Jan. 25, 1961	5,000,000
	June 27, 1960	Mar. 27, 1961	5,000,000
	Sept. 26, 1960	June 26, 1961	15,000,000*
	Mar. 27, 1961	Dec. 27, 1961	10,000,000
Mellon National Bank and Trust Company Pittsburgh, Pa.	Mar. 24, 1960	Dec. 24, 1960	5,000,000
	Dec. 27, 1960	Sept. 27, 1961	5,000,000
The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.	June 27, 1960	Mar. 27, 1961	5,000,000
	Mar. 27, 1961	Dec. 27, 1961	5,000,000

* Banks participating in this Loan, and the amount of participation by each, are as follows:

The Chase Manhattan Bank, New York, N. Y.	$ 5,000,000
Mellon National Bank and Trust Company, Pittsburgh, Pa.	5,000,000
Irving Trust Company, New York, N. Y.	2,500,000
Girard Trust Corn Exchange Bank, Philadelphia, Pa.	2,500,000

[fol. 6306] Although the information requested relates only to loans made to Pennsylvania Power & Light Company from 1956 to date, we believe it would be informative to set forth major loans which were obtained prior to that date but which matured after 1956.

1. Loan of $27 million dated March 2, 1950; $9 million of this loan matured October 1, 1960 and the remaining $18 million was repaid at the rate of $1.8 million each year, with the final payment made October 1, 1960. Participants in this loan, and the amount of participation by each, were as follows:

Person, Bank or Institution	Amount
The Chase Manhattan Bank, New York, N. Y.	$12,400,000
Mellon National Bank and Trust Company, Pittsburgh, Pa.	6,000,000
The First National City Bank of New York, N. Y.	3,000,000
Irving Trust Company, New York, N. Y.	2,250,000
Fidelity-Philadelphia Trust Company, Philadelphia, Pa.	850,000
The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.	850,000
The Philadelphia National Bank, Philadelphia, Pa.	850,000
Girard Trust Corn Exchange Bank, Philadelphia, Pa.	600,000
The Market Street National Bank of Philadelphia, Philadelphia, Pa.	200,000
Total	$27,000,000

2. Loan of $12 million dated May 18, 1955; repayment was made at the rate of $2.4 million each year, with final payment on May 31, 1960. Participants in this loan, and the amount of participation by each, were as follows:

Person, Bank or Institution	Amount
Girard Trust Corn Exchange Bank, Philadelphia, Pa.	$ 3,250,000
The Chase Manhattan Bank, New York, N. Y.	3,250,000
Mellon National Bank and Trust Company, Pittsburgh, Pa.	1,500,000
Brown Brothers Harriman and Company, New York, N. Y.	1,250,000
The First National City Bank of New York, N. Y.	900,000
Irving Trust Company, New York, N. Y.	750,000
Fidelity-Philadelphia Trust Company, Philadelphia, Pa.	350,000
The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.	350,000
The Philadelphia National Bank, Philadelphia, Pa.	350,000
The Market Street National Bank of Philadelphia, Philadelphia, Pa.	50,000
Total	$12,000,000

[fol. 6307] 3. Deposits of Pennsylvania Power and Light Company in Each Bank in Which the Company Had a Deposit as of Any Specified Date Within Each Calendar Year from 1956 to 1960.

	December 31,				
	1956	1957	1958	1959	1960
General Bank Accounts					
The Chase Manhattan Bank, New York, N. Y.	$1,807,515	$2,773,028	$ 568,344	$1,245,319	$1,589,468
Morgan Guaranty Trust Company, New York, N. Y.	188,778	188,778	—	—	—
Irving Trust Company, New York, N. Y.	427,859	527,859	324,288	295,488	495,488
The First National City Bank of New York, N. Y.	409,029	409,029	209,029	209,029	209,029
Girard Trust Corn Exchange Bank, Philadelphia, Pa.	630,306	586,306	386,307	586,307	486,307
Mellon National Bank and Trust Company, Pittsburgh, Pa.	891,818	1,859,562	889,132	514,132	986,077
The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.	2,460,439	2,757,100	3,138,913	2,164,139	2,390,818
Service Area Banks:					
The Company maintains minimum imprest balances in approximately 150 banks located throughout the territory it serves. These banks generally receive local deposits or act as collection agencies for payment of bills due the Company	2,282,250	563,500	558,500	559,500	551,000
Special Bank Accounts					
Payroll Bank Accounts:					
The First National Bank of Allentown, Allentown, Pa.	2,500	2,500	2,500	2,500	2,500
Lehigh Valley Trust Company, Allentown, Pa.	2,500	2,500	2,500	2,500	2,500
Provident Tradesmen's Bank and Trust Company, Philadelphia, Pa.	50,000	25,000	25,000	25,000	25,000
Petty Cash Checking Account:					
Lehigh Valley Trust Company, Allentown, Pa.	65,574	135,086	167,152	7,105	47,219
Dividend Disbursing Account:					
Irving Trust Company, New York, N. Y.	4,514,383	4,516,095	4,662,530	4,843,985	4,843,770

Deposit with Trustees for the Payment of Interest on Bonds Issued by the Company or Predecessor Companies:					
The Hanover Bank, New York, N. Y.	1,938	1,938	1,938	1,938	1,938
Farmers Trust Company, Carlisle, Pa.	1,513	1,513	1,595	1,595	1,595
Morgan Guaranty Trust Company, New York, N. Y.	283,958	284,513	283,748	283,163	285,398
Irving Trust Company, New York, N. Y.	—	—	—	—	4,680
Chemical Bank New York Trust Company, New York, N. Y.	5,184	4,274	4,177	25,416	375
The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.	25	25	25	25	25
Deposit with Trustee for Sinking Fund:					
Chemical Bank New York Trust Company, New York, N. Y.	447	447	447	447	—
Irving Trust Company, New York, N. Y.	—	—	—	—	447

In addition to the foregoing, the following banks acted as Subscription Agents in connection with the 1959 offering of 295,481 shares of this Company's Common Stock:

Irving Trust Company, New York, N. Y.
Lehigh Valley Trust Company, Allentown, Pa.
Girard Trust Corn Exchange Bank, Philadelphia, Pa.
The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.

[fol. 6308] 4. Pennsylvania Power & Light Company's Sales or Volume of Business by States for Each of the Years 1956 Through 1960.

The Company's chartered territory is completely within the Commonwealth of Pennsylvania.

The Operating Revenues (Sales) for the years 1956 through 1960 are as follows:

1956	$128,604,964
1957	129,365,768
1958	131,054,965
1959	138,377,270
1960	142,304,011

[fol. 6309] 5. Pennsylvania Power & Light Company's Sales or Volume of Business in Philadelphia for Each of the Years 1956 Through 1960.

The Company's chartered territory does not include the City of Philadelphia. The answer to the question, therefore, is "None."

[fol. 6310] GOVERNMENT'S EXHIBIT 248

To: Mr. Geoffrey S. Smith—M. O.

From: Mr. Harry Kilpatrick—M. O.

Subject: Ambler Trust Company, Ambler, Pa., Ambler National Bank, Ambler, Pa.

Mr. George Scherff, President of the Ambler Trust Company, says their deposits increased from $3,000,000 in 1944 to $5,800,000 in 1955, and during this same period the bank's net earnings amounted to $250,000.

Mr. Walter Reller, President of the Ambler National Bank, told George Scherff that Jim Henderson visited him the other day with the view of purchasing the bank. The only definite figures that were mentioned was Reller's salary. Henderson agreed that if they were successful in acquiring the bank they would pay Reller a salary of $25,000 a year and give him a contract covering this until his retirement date. Reller also told Scherff that Messrs.

Coxe, Ingersoll, and Wear (Directors of the Ambler National Bank) had promised Fred Potts of the Philadelphia National Bank that if at any time they would consider selling the bank they would give him an opportunity to make a bid.

Harry Kilpatrick.

May 26, 1955

[fol. 6311] GOVERNMENT'S EXHIBIT 249

November 28, 1955.

Mr. Walter Reller, President,
Ambler National Bank,
Ambler, Penna.

DEAR MR. RELLER:

This proposal of merger is submitted to you and your directors by me on behalf of the Girard Trust Corn Exchange Bank, with the informal consent of my directors. If approved by you and your Board, of course both Boards will have to take formal action and obtain the approval of shareholders of both banks and of the regulatory authorities.

Proposal.

We propose a merger of the Ambler National Bank with the Girard Trust Corn Exchange Bank on the basis of an exchange of shares of the two institutions as follows:

For the 20,000 shares of Ambler National Bank of a par value of $200,000 now outstanding, 13,333 1/3 shares of Girard Trust Corn Exchange Bank also of a par value of $200,000. This is equivalent to 2 shares of Girard Trust Corn Exchange for 3 shares of Ambler National.

There are several ways of calculating the premium to the Ambler National Bank in this offer: straight book values; true net worth values; or market values. They are set forth below in this order, although straight book value is not as accurate an appraisal as true net worth, or even market value.

Based upon the figures you have submitted to us as of 10/31/55, the book value of the 20,000 shares of your stock,

including reserves, was $610,563, or $30.53 per share; while the book value of our 13,333 1/3 shares as of the same date, including reserves, was $924,933, or $69.37 per share. Therefore this suggested basis of exchange is equivalent to a premium of $314,370, which your shareholders will receive if book value figures only are considered. This premium is in excess of 50% over your present book value.

It is important, however, to look behind this book value figure and to evaluate the exchange on a true net worth basis. For this purpose we have estimated the real value of your buildings in Ambler, which you carry on your books [fol. 6312] at $53,000, to be worth $153,000. This gives a net worth value for the 20,000 shares of your bank of $710,563.

The net worth value of our 13,333 1/3 shares offered in exchange is $1,212,399. This is arrived at also by adding asset values not shown on our books: (1) Our income-producing Trust Department, now handling trust assets in excess of one billion five hundred million dollars. This income-producing asset, earning after taxes approximately $500,000 per annum, is not capitalized on our books and has a capital value of approximately $10,000,000. (2) Excess of the tax value over book for our real estate and furniture and equipment. We have made chargeoffs on our buildings in excess of normal tax-allowable depreciation. The value we carry on our books for our buildings is $8,169,000, while the tax value is $16,498,000, or more than double the book value. Of course the real value of our buildings, or the replacement value, is in excess of the tax value. However, in arriving at the net worth figure we have used only the tax book value. In addition, we have charged off completely all furniture and equipment which has a tax value in excess of $1,400,000.

Therefore the actual premium which your shareholders would receive, based upon the real net worth value of the assets of the two institutions, would be $501,836, or 89% of your current net worth value, and 6.97% for deposits.

In dividends your shareholders would receive $40,000 against the $20,000 they are now receiving, or double the amount.

Bank stocks generally sell on approximately a 4% yield based upon their dividend payout. This is equivalent to

$75 per share for Girard, which is the current market value of our stock. There are no published prices for the stock of Ambler National, but on the same basis your shares should sell for $25 per share. Thus, on the basis of the offered exchange of 2 of Girard for 3 of Ambler, the market value of the former would be $150, while that of the latter would be $75, or double the amount. This would be a premium of 100% of market value.

We feel justified in offering this premium for your bank since we believe it important for our bank to be able to follow the expansion of the metropolitan area, both industrially and in population, into the surrounding counties, and we believe that your bank offers to us these advantages in an important area.

It is submitted that a merger of our two institutions would prove beneficial to your shareholders, employees, and customers alike.

[fol. 6313] 1. Shareholders

The shareholders of the Ambler National Bank would become partners in an institution whose record, taking the period 1950 to 1954 inclusive, shows a comparatively better operating result than that of other large Philadelphia banks. For comparison, our net operating earnings when applied to deposits have increased from .67% to .83% in contrast with the following banks.

	1950	1954
Girard Trust Corn Exchange	.67%	.83%
Phila. National	.68	.79
First Penna. Co.	.61	.68
Fidelity-Phila.	.85	.69
Central-Penn.	.61	.69
Provident	.71	.70
Tradesmens	.72	.72

The enlarged institution would have resources in excess of $650,000,000, capital and surplus of over $50,000,000, and a lending capacity to any one corporation exceeding $5,000,000.

2. Employees

As to the staff, the Girard would of course gain through the addition to its organization of the competent management and personnel now employed by the Ambler National

Bank. It would be the policy of the bank to continue these employees in their present or comparable positions, and no officer or employee would be released because of the merger, as we need additional competent help to augment our staff.

Furthermore, these employees would be benefited by our generous funded pension plan, which together with social security, is designed to provide approximately 50% of their final salaries upon reaching retirement age, after appropriate length of service. This length of service under such plan would date from the date of their employment by your bank. In addition, since the merger between Girard and Corn Exchange, a bonus has been paid annually of 5% of salaries, which it is contemplated will be continued. Furthermore, they will participate in the Girard-Corn profit-sharing plan which this year is estimated to yield an additional 4.20% of annual salaries. Group life insurance is also provided to employees. The enlarged bank would offer to them greater future opportunities at higher salary levels and in many specialized fields.

3. Customers

Your customers as a result of such merger would have a bank with very much larger resources and larger capital—[fol. 6314] hence a stronger bank in many ways. Those who are industrial customers will find specialists in various lines of industry to give them financial advice and they will where needed find it possible to obtain larger lines of credit, if justified. With a larger bank it should be feasible for those of your customers who are large corporations to increase their deposit balances.

Furthermore, the individuals will find a complete, rounded set of bank services of every kind. For instance, with the specialized investment, tax, and administrative personnel of the Girard Trust Corn Exchange Personal Trust Department, the merged bank should be able to attract additional trust business from the customers of the Ambler National Bank, and attract new customers from the growing population of your area. Girard has extensive foreign connections abroad and maintains banking connections in virtually all important foreign cities throughout the free world. Its Foreign Department is manned by experienced personnel capable of taking care of the requirements and

foreign business of the industries and individuals you now serve.

General Policy

With respect to the officers of your bank, we would expect to determine by conference with you suitable positions and titles in each case.

We believe it would be desirable to maintain the present Board of Directors as the Advisory Board, the meetings to be attended as well by our President or another senior officer, the fees paid to directors on the Advisory Board to be $50 per meeting.

If you and your Board regard this proposal favorably, and we are otherwise agreed upon the terms of the merger, we will of course make available to you and your staff before entering into a final agreement of merger, the opportunity to check fully and completely our books, our earnings, the nature of our loans, the securities in our portfolio, and all of our other assets and liabilities, to the extent that you desire and we assume that you will be willing to grant us the same opportunity.

I should be very glad to meet with you and with any of your directors, at such time as may be convenient, to further discuss this proposal.

Sincerely yours, Geoffrey S. Smith, President.

[fol. 6315] GOVERNMENT'S EXHIBIT 250

GIRARD TRUST CORN EXCHANGE BANK
Philadelphia, Pa.

Memorandum

January 4, 1957

Re: Ambler National Bank

I paid a visit this morning to Walter Reller, President of the Ambler National Bank. He said he had been hoping to see me in order to get some advice as to whether they should establish a branch in the new Fort Washington industrial center, which they have an approved application for.

It is his feeling that the industrial center has not developed sufficiently to make it worth while for them to open a branch, but for the future he feels that it may be useful. He said very frankly that what he has in mind is whether their bank would be more attractive in a year or so to a large Philadelphia bank such as ours if they had a branch in the industrial center.

I told him that rather than give him an off-the-cuff answer I would like to have Mr. Beadle analyze it, explaining that Mr. Beadle has had many years experience in just this kind of problem and was our expert on it.

The Ambler National increased its deposits about $1 million last year and their earnings went from around $1.80 to approximately $2.30 a share. They also had nonrecurring profits from a real estate transaction which added another $40,000. He fully expects a similar increase again next year and specifically stated that he has no interest in discussing merger at this time.

We also discussed the branch banking problem in general. The visit was on a very friendly basis and I think I have established over the past year a very satisfactory relationship with Walter Reller. I don't think he would discuss merger with anyone else without talking to me about it.

I had an opportunity to tell him about our very substantial increase in net operating earnings of approximately 75% over the past five years, and he commented on the fact that Philadelphia National had made very little progress during this period.

Geoffrey S. Smith, President.

[fol. 6316]

GOVERNMENT'S EXHIBIT 251

The Atlantic Refining Company (Only)

Notes Payable to Banks

1956–1960

	Amount	Time Period: Date of Loan	Time Period: Date Repaid	Interest Rate
Notes dated prior to 1956:				
Guaranty Trust Co. of N. Y.	$ 400,000	9-12-46	9-10-56	1¾%
Notes dated in 1956:				
Chase Manhatton Bank of N. Y.	20,000,000	6- 6-56	8-28-57	3¾
	1,000,000	10-17-56	11- 2-56	4
Guaranty Trust Co. of N. Y.	20,000,000	6- 6-56	8-28-57	3¾
	1,000,000	10-17-56	11- 2-56	4
First National City Bank of N. Y.	20,000,000	6- 6-56	8-28-57	3¾
	1,000,000	10-17-56	11- 2-56	4
First Penna. Bkg & Trust Co.	5,000,000	6- 6-56	8-28-57	3¾
	1,500,000	10-17-56	11- 2-56	4
Notes dated in 1957:				
Chase Manhattan Banks of N. Y.	3,000,000	6-14-57	8-28-57	4
	2,000,000	7- 1-57	8-28-57	4
	1,000,000	8-21-57	8-28-57	4½
	1,000,000	10-31-57	1-24-58	4½
	1,000,000	12-16-57	1-15-58	4½
	1,000,000	12-20-57	1-20-58	4½
Guaranty Trust Co. of N. Y.	3,000,000	6-14-57	8-28-57	4
	2,000,000	6-28-57	8-28-57	4
	2,000,000	10-31-57	1-29-58	4½
First National City Bank of N. Y.	3,000,000	6-14-57	8-28-57	4
	1,000,000	7- 1-57	8-28-57	4
	2,000,000	8-21-57	8-28-57	4½
	1,000,000	10-31-57	1-29-58	4½
	1,000,000	12-16-57	1-15-58	4½
	1,000,000	12-20-57	1-20-58	4½
First Penna. Bkg & Trust Co.	2,000,000	6-18-57	8-28-57	4
	1,000,000	10-30-57	1-28-58	4½
	1,000,000	12-16-57	1-15-58	4½
	1,000,000	12-19-57	1-20-58	4½
[fol. 6317]				
Notes dated in 1958:				
Chase Manhattan Bank of N. Y.	$1,000,000	1-29-58	2-28-58	4 %
	1,000,000	2-28-58	3-31-58	4
	1,000,000	5-29-58	7-28-58	3½
	2,000,000	6-18-58	8-18-58	3½
	1,000,000	6-30-58	8-29-58	3½
	1,000,000	7-18-58	9-16-58	3½
	2,000,000	7-28-58	9-26-58	3½
	1,000,000	8-18-58	1-12-59	3½
	1,000,000	8-18-58	1-19-59	3½
	1,000,000	8-29-58	2-28-59	3½
	2,000,000	9-16-58	3-16-59	4
	1,000,000	9-26-58	3-26-59	4

	Amount	Time Period: Date of Loan	Time Period: Date Repaid	Interest Rate
Guaranty Trust Co. of N. Y.	1,000,000	5-29-58	7-28-58	3½
	2,000,000	6-16-58	8-15-58	3½
	2,000,000	7-18-58	9-16-58	3½
	2,000,000	7-28-58	9-26-58	3½
	1,000,000	8-15-58	1-12-59	3½
	1,000,000	8-15-58	1-19-59	3½
	1,000,000	9-16-58	1-19-59	4
	1,000,000	9-16-58	3-16-59	4
	2,000,000	9-26-58	3-26-59	4
First National City Bank of N. Y.	1,000,000	1-29-58	2-28-58	4
	1,000,000	5-29-58	7-28-58	3½
	2,000,000	6-18-58	8-18-58	3½
	1,000,000	6-30-58	8-29-58	3½
	1,000,000	7-18-58	9-16-58	3½
	2,000,000	7-28-58	9-26-58	3½
	1,000,000	8-18-58	1-12-59	3½
	1,000,000	8-18-58	1-19-59	3½
	1,000,000	8-29-58	2-28-59	3½
	1,000,000	9-16-58	3-16-59	4
	2,000,000	9-26-58	3-26-59	4
First Penna. Bkg & Trust Co.	1,000,000	1-28-58	2-27-58	4
	1,000,000	2-27-58	3-28-58	4
	1,000,000	5-29-58	7-28-58	3½
	1,000,000	6-16-58	8-15-58	3½
	1,000,000	6-18-58	8-18-58	3½
	1,000,000	6-30-58	8-29-58	3½
	1,000,000	7-18-58	9-16-58	3½
	1,000,000	7-31-58	9-29-58	3½
	1,000,000	8-15-58	1-12-59	3½
	1,000,000	8-15-58	1-19-59	3½
	1,000,000	8-29-58	2-27-59	3½
	2,000,000	9-16-58	3-16-59	4

[fol. 6318]

Notes dated in 1959:

Chase Manhattan Bank of N. Y.	1,000,000	3- 2-59	9- 2-59	4
	2,000,000	3-16-59	9-16-59	4
	1,000,000	3-26-59	9-28-59	4
	1,000,000	5-28-59	11-30-59	4½
	2,000,000	6-18-59	12-18-59	4½
	1,000,000	6-23-59	12-23-59	4½
	1,000,000	7-31-59	1-13-60	4½
	1,000,000	9- 2-59	3- 2-60	5
	2,000,000	9-16-59	3-16-60	5
	1,000,000	9-21-59	3-21-60	5
	1,000,000	9-28-59	3-28-60	5
	1,000,000	11-30-59	5-31-60	5
	2,000,000	12-18-59	6-20-60	5
	1,000,000	12-23-59	6-23-60	5
Guaranty Trust Co. of N. Y.	1,000,000	3-16-59	9-16-59	4
	2,000,000	3-26-59	9-28-59	4
Morgan Guaranty Trust Co. of N. Y.	2,000,000	5-22-59	11-23-59	4½
	2,000,000	6-17-59	12-18-59	4½
	1,000,000	6-23-59	9-23-59	4½
	1,000,000	9-16-59	3-16-60	5
	2,000,000	9-21-59	3-21-60	5
	2,000,000	9-28-59	3-28-60	5
	2,000,000	11-23-59	5-23-60	5
	2,000,000	12-17-59	6-17-60	5
	1,000,000	12-23-59	6-23-60	5

	Amount	Time Period: Date of Loan	Time Period: Date Repaid	Interest Rate
First National City Bank of N. Y.	1,000,000	3- 2-59	9- 2-59	4
	1,000,000	3-16-59	9-16-59	4
	2,000,000	3-26-59	9-28-59	4
	1,000,000	5-28-59	11-30-59	4½
	2,000,000	6-18-59	12-18-59	4½
	1,000,000	7-20-59	1-13-60	4½
	1,000,000	8-31-59	2-29-60	4½
	1,000,000	9- 2-59	3- 2-60	5
	1,000,000	9-16-59	3-16-60	5
	1,000,000	9-21-59	3-21-60	5
	2,000,000	9-28-59	3-28-60	5
	1,000,000	11-30-59	5-31-60	5
	2,000,000	12=18-59	6-20-60	5
[fol. 6319]				
First Penna. Bkg & Trust Co.	1,000,000	3- 2-59	9- 2-59	4 %
	2,000,000	3-16-59	9-16-59	4
	1,000,000	5-28-59	11-30-59	4½
	2,000,000	6-17-59	12-17-59	4½
	1,000,000	7-20-59	1-13-60	4½
	1,000,000	9- 2-59	3- 2-60	5
	2,000,000	9-16-59	3-16-60	5
	1,000,000	11-30-59	5-31-60	5
	2,000,000	12-17-59	6-17-60	5
Notes dated in 1960:				
Chase Manhattan Bank	1,000,000	3- 2-60	9- 2-60	5
	2,000,000	3-16-60	9-16-60	5
	1,000,000	3-21-60	9-21-60	5
	1,000,000	3-28-60	9-28-60	5
	2,000,000	6-20-60	9-19-60	5
	1,000,000	6-23-60	9-21-60	5
	1,000,000	9-16-60	1- 6-61	4½
	1,000,000	9-16-60	1-13-61	4½
	2,000,000	9-19-60	12-19-60	4½
	2,000,000	9-21-60	12-20-60	4½
	1,000,000	9-28-60	12-27-60	4½
	1,000,000	12-20-60	1-18-61	4½
	1,000,000	12-20-60	2- 3-61	4½
Morgan Guaranty Trust Co. of N. Y.	1,000,000	3-16-60	9-12-60	5
	2,000,000	3-21-60	9-21-60	5
	1,000,000	3-28-60	9-28-60	5
	2,000,000	5-23-60	11-10-60	5
	2,000,000	6-17-60	9-15-60	5
	1,000,000	6-23-60	9-21-60	5
	2,000,000	9-15-60	12-14-60	4½
	3,000,000	9-21-60	12-20-60	4½
	1,000,000	9-28-60	12-27-60	4½
	1,000,000	12-20-60	1-12-61	4½
	1,000,000	12-20-60	1-18-61	4½
	1,000,000	12-20-60	2- 6-61	4½
[fol. 6320]				
First National City Bank of N. Y.	1,000,000	2-29-60	8-29-60	5 %
	1,000,000	3- 2-60	9- 2-60	5
	1,000,000	3-16-60	9-16-60	5
	1,000,000	3-21-60	9-21-60	5
	1,000,000	3-28-60	9-28-60	5
	1,000,000	5-31-60	11-10-60	5
	2,000,000	6-20-60	9-19-60	5

	Amount	Time Period: Date of Loan	Time Period: Date Repaid	Interest Rate
	1,000,000	9-16-60	1-26-61	4½
	2,000,000	9-19-60	12-19-60	4½
	1,000,000	9-21-60	1- 6-61	4½
	1,000,000	9-28-60	12-27-60	4½
	2,000,000	12-19-60	1-13-61	4½
First Penna. Bkg & Trust Co.	1,000,000	3- 2-60	9- 2-60	5
	2,000,000	3-16-60	9-16-60	5
	1,000,000	5-31-60	11-18-60	5
	2,000,000	6-17-60	9-15-60	5
	2,000,000	9-15-60	12-14-60	4½
	1,000,000	9-16-60	1-18-61	4½
	1,000,000	9-16-60	2- 2-61	4½

C.F.S.—R.W.W.
6-5-61

[fol. 6321]

Schedule 2B

The Atlantic Refining Company (Only)
Notes Payable to Other than Banks

	Amount	Time Period: Date of Loan	Time Period: Date Repaid
Notes dated in 1958:			
Goldman, Sachs & Co.	$2,500,000	8-22-58	12-22-58
	2,500,000	8-22-58	2-20-59
Notes dated in 1959:			
Goldman, Sachs & Co.	5,000,000	8-18-59	11-18-59
	5,000,000	11-18-59	2-16-60
Notes dated in 1960:			
Goldman, Sachs & Co.	5,000,000	4-28-60	7-28-60
	3,000,000	6-30-60	10-13-60
	5,000,000	7-28-60	3-15-61

CFS-RWW
6-6-61

[fol. 6322]

Schedule 2C

Atlantic Pipe Line Company
Notes Payable to Banks
1956-1960

Notes dated prior to 1956:			
Guaranty Trust Co. of N. Y. (Serial notes)	$900,000	9-28-49	12- 1-56
	400,000	10-26-49	12- 1-57
	500,000	12- 1-49	12- 1-58
	500,000	12- 1-59	12- 1-58
			$325,000 5-31-59
			$325,000 5-31-60
	400,000	7-18-55	$350,000 5-31-61
	1,600,000	12-21-55	Balance Repayable

	Amount	Time Period: Date of Loan	Time Period: Date and Am't. Repaid
Notes dated in 1957:			
Guaranty Trust Co. of N. Y.	2,800,000	12-20-57	1-20-58
Notes dated in 1958:			
Guaranty Trust Co. of N. Y.	2,450,000	1-20-58	2-19-58
	2,100,000	2-19-58	3-21-58
	1,750,000	3-21-58	4-21-58
	1,150,000	4-21-58	5-21-58
	650,000	5-21-58	6-20-58
	300,000	6-20-58	8-19-58
	2,300,000	12-29-58	$300,000 1-27-59; $600,000 2-26-59; $1,400,000 3-30-59
Notes dated in 1959:			
Morgan Guaranty Trust Co. of N. Y.	1,000,000	3-30-59	$250,000 4-27-59; $750,000 5-15-59
Morgan Guaranty Trust Co. of N. Y.	600,000	12-30-59	1-29-60
Notes dated in 1960:			
Morgan Guaranty Trust Co. of N. Y.	1,000,000	6-21-60	$200,000 8-19-60; $800,000 9-19-60
Morgan Guaranty Trust Co. of N. Y.	400,000	9-19-60	$200,000 10-25-60; $200,000 1-23-60
Morgan Guaranty Trust Co. of N. Y.	2,600,000	12-21-60	

CFS-EJP
6-8-61

[fol. 6322a]

Schedule 2

Atlantic Refining Company of Cuba
Notes Payable to Banks
1956-1960

	Amount	Time Period: Date of Loan	Time Period: Date Repaid
Notes dated prior to 1960:			
None.			
Notes dated in 1960:			
The First National City Bank of N. Y. Havana Branch	$20,000	12-31-59	5-10-60 $3,000; 8-31-60 $27,000 Written Off 12/31/60
	30,000	5-10-60	

NOTE: Transactions consolidated on a one month lag.

CFS-EJP
6-6-61

[fol. 6323] The Atlantic Refining Company and Consolidated Subsidiaries — Schedule 3

Cash by Banks at December 31

	1956	1957	1958	1959	1960
First Penna. Banking & Trust Co.	$ 3,211,212.18	$ 3,064,838.89	$ 6,896,985.76	$ 2,970,782.87	$ 7,398,952.77
The Chase Manhattan Bank	4,131,070.55	1,593,309.26	2,583,694.40	2,991,070.28	2,887,847.19
Morgan Guaranty Trust Co. of N. Y.	5,559,158.24	2,724,038.07	4,136,379.70	10,385,765.27	7,153,266.36
First National City Bank of N. Y.	4,924,392.92	2,446,689.28	3,520,325.17	4,063,720.63	2,320,086.71
Philadelphia National Bank	—	—	5,132.25	1,000.00	1,000.00
First National Bank—Dallas	124.36	67.02	78.06	111.02	51.54
Royal Bank of Canada	154,987.07	114,588.05	144,867.68	125,106.97	830,662.84
Merchants National—Port Arthur	4,273.21	13,866.45	4,202.26	4,741.65	4,439.94
The Rhode Island Hospital Trust Co.—Providence	—	—	—	126,450.20	70,816.37
The Lincoln National Bank & Trust Co.—Syracuse	75,000.00	18,136.02	10,667.94	12,764.23	75,000.00
The Union National Bank—Pittsburgh	149,993.77	49,948.10	49,636.92	70,476.30	55,017.13
The Pittsburgh National Bank	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
The Union National Bank—Charlotte	6,003.29	5,832.73	5,493.81	5,898.01	60,599.41
The Bank of Virginia—Richmond	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
The Wilmington Savings & Trust Co.—N. C.	100.00	100.00	100.00	100.00	100.00
The National Shawmut Bank of Boston	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Harrisburg Trust Co.	—	—	—	—	20,000.00
Republic National Bank—Dallas	150.94	172.02	257.36	273.66	218.01
Genesee Valley Union Trust Co.—Rochester	20,000.00	20,000.00	20,000.00	20,000.00	—
National Commercial Bank & Trust Co.—Albany	1,000.00	1,000.00	1,000.00	1,000.00	—
Berks County Trust Co.—Reading	147,588.76	170,227.88	1,962.51	50,668.07	—
National Bank—Tulsa	10,000.00	10,000.00	10,000.00	—	—
The Rhode Island National Bank—Providence	175,000.00	5,000.00	5,000.00	—	—
Sub-total	18,581,055.29	10,248,813.77	17,406,783.82	20,840,929.16	20,889,058.27

[fol. 6324]

Sub-total carried forward	$18,581,055.29	$10,248,813.77	$17,406,783.82	$20,840,929.16	$20,889,058.27
Banco Agricola Mercantil—Guatemala	64,802.76	146,673.25	13,340.36	38,469.98	21,131.41
British Bank of the Middle East—Tripoli	—	—	—	—	28,381.07
Banco Union—Caracas	—	—	—	4,036.00	10,022.26
Banco Boliviano Americano—La Paz	—	—	—	—	4.81
Bank of London & South America	—	—	—	—	4,000,000.00
Credito Hipotecario Nacional de Guatemala	—	462.50	—	—	—
Banco Exterior de Espana	—	—	—	—	6,010.82
Cash in transit, petty cash and advances	4,664,295.80	4,061,604.26	4,357,622.69	3,235,054.49	2,729,806.81
Total consolidated cash	23,310,153.85	14,457,553.78	21,777,746.87	24,118,489.63	27,684,415.45

CFS-RHH
6-6-61

[fol. 6325]

GOVERNMENT'S EXHIBIT 252

Schedule 1

Rohm & Haas Company

Lines of Credit Held from January 1, 1956 to May 31, 1961

	January 1, 1956	May 8, 1956	April 26, 1957	June 26, 1959	May 31, 1961
Philadelphia National Bank	$ 6,500,000	$ 6,600,000	$ 7,500,000	$ 8,000,000	$ 8,000,000
Girard Trust Corn Exchange Bank	4,500,000	5,000,000	5,000,000	5,000,000	5,000,000
Fidelity-Philadelphia Trust Company	2,500,000	2,750,000	3,000,000	3,300,000	3,300,000
Central Penn National Bank of Philadelphia	—	2,000,000	2,000,000	2,000,000	2,000,000
Provident Tradesmens Bank & Trust Company	—	1,700,000	1,700,000	1,700,000	1,700,000
Equitable Security Trust Company, Wilmington, Delaware.	—	1,150,000	—	—	—
Total Credit Line Held	$13,500,000	$19,200,000	$19,200,000	$20,000,000	$20,000,000

[fol. 6326]

GOVERNMENT'S EXHIBIT 253

Schedule 2

Rohm & Haas Company

Total Loans Outstanding January 1, 1956 to July 24, 1958

	January 1, 1956	July 1, 1956	July 1, 1957	March 17, 1958	July 1, 1958	July 11, 1958	July 24, 1958
Philadelphia National Bank	$ —	$ —	$ —	$1,875,000	$1,875,000	$1,484,375	$ 898,438
Girard Trust Corn Exchange Bank	—	—	—	1,250,000	1,250,000	989,583	598,958
Fidelity-Philadelphia Trust Company	—	—	—	750,000	750,000	593,750	359,375
Central Penn National Bank of Philadelphia	—	—	—	500,000	500,000	395,833	239,583
Provident Tradesmens Bank & Trust Company	—	—	—	425,000	425,000	336,459	203,646
Total Bank Loans	—	—	—	4,800,000	4,800,000	3,800,000	2,300,000
Penn Mutual Life Insurance Company	5,600,000	5,400,000	4,800,000	4,800,000	4,000,000	4,000,000	4,000,000
Total Loans Outstanding	$5,600,000	$5,400,000	$4,800,000	$9,600,000	$8,800,000	$7,800,000	$6,300,000

[fol. 6328]

GOVERNMENT'S EXHIBIT 254

Schedule 3

Rohm & Haas Company Bank Account Balances—Beginning of Business September 1, 1956, 1957, 1958, 1959, 1960

	Location	Account No.	1956	Total	1957	Total	1958	Total	1959	Total	1960	Total
Philadelphia National	Phila. Pa.	#1	$2,797,564		$5,131,034		$4,839,298		$3,947,199		$3,001,020	
Philadelphia National	Phila. Pa.	#2	36,811		40,000		40,000		40,000		90,000	
Philadelphia National	Phila. Pa.	#3	1,897,774		812,239		892,267		208,826		37,585	
Philadelphia National	Phila. Pa.	#3 Time	3,000,000	$7,732,149	-0-	$5,983,273	-0-	$5,771,565	-0-	$4,196,025	2,000,000	$5,128,605
Girard Trust Corn Exch.	Phila. Pa.	#1	$ 961,997		$ 384,787		$ 298,776		$ 199,450		$ 151,420	
Girard Trust Corn Exch.	Phila. Pa.	#2	14,997		15,000		15,000		15,000		15,000	
Girard Trust Corn Exch.	Phila. Pa.	#3	175,000		175,000		50,000		100,000		50,000	
Girard Trust Corn Exch.	Phila. Pa.	Pl. Oper.	15,748		4,933		6,319		9,010		5,179	
Girard Trust Corn Exch.	Phila. Pa.	Pl. Payroll	40,727	1,208,469	18,773	598,493	105,000	475,095	140,000	463,460	150,000	371,599
Frankford Trust	Phila. Pa.	#1	$ 399,936		$ -0-		$ -0-		$ -0-		$ -0-	
Frankford Trust	Phila. Pa.	#4 Sav. Bd.	21,183	421,119	-0-	19,348	-0-	1,106	-0-	-0-	-0-	
Provident Trust	Phila. Pa.	#1 #5		198,429		118,529		67,172		100,972		118,028
Equitable Security Trust	Wilm. Del.	#1		348,085		-0-		-0-		-0-		-0-
First Nat'l Bank	Chicago	#1 #5		214,981		50,000		50,000		100,000		50,000
Nat'l. Sec. Bank of Chicago	Chicago	Oper. #1	$ 9,000		$ -0-		$ -0-		$ -0-		$ -0-	
Nat'l. Sec. Bank of Chicago	Chicago	Oper. #5	10,442	19,442	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Commerce Trust Co.	Kan. C. Mo.	Oper. #1		1,500		1,500		1,500		1,500		1,500
Security 1st Nat'l Bank	L. A.	Oper. #1	$ 10,000		$ 10,000		$ 10,000		$ 15,000		$ 15,000	
Security 1st Nat'l Bank	L. A.	Oper. #5	20,126	30,126	32,016	42,016	104,901	114,901	142,855	157,855	330,194	345,194
Bank of Charlotte	Char.	Oper. #1		10,000		10,000		10,000		10,000		10,000
Lincoln Bank & Trust Co.	Louisville	Oper.		1,500		1,500		2,000		2,000		2,000
Nat'l Bank of Detroit	Detroit	Oper.		1,200		1,200		1,500		1,500		1,850
Bank of America	San. Fran.	Oper.		20,000		20,000		20,000		20,000		20,000
Fidelity Phila Trust Co.	Phila.	#1	$ 691,388		$ 219,572		$ 396,078		$ 817,768		$ 671,878	
Fidelity Phila Trust Co.	Phila.	#3 Time	4,000,000		-0-		1,000,000		-0-		2,000,000	
Fidelity Phila Trust Co.	Bristol	Demand #3	-0-		200,000		50,000		200,000		100,000	
Fidelity Phila Trust Co.	Bristol	Oper. #1	-0-		10,519		13,757		6,391		15,286	
Fidelity Phila Trust Co.	Bristol	Payroll	-0-	4,691,388	37,402	467,493	140,079	1,599,914	160,000	1,184,159	180,201	2,967,365
Central Penn Nat'l Bank	Phila.	#3		150,000		150,000		50,000		100,000		50,000
Republic Nat'l Bank of Dallas	Dallas	#5		-0-		-0-		-0-		30,000		30,00

[Col. 6329]

	Location	Account No.	1956	Total	1957	Total	1958	Total	1959	Total	1960	Total
Farmers Nat'l Bk of Bucks Co.	Bristol	#3	200,000		-0-		0		0		0	
Farmers Nat'l Bk of Bucks Co.	Bristol	Pl. Oper.	10,716		-0-		0		0		0	
Farmers Nat'l Bk of Bucks Co.	Bristol	Payroll	23,771	$ 234,487	-0-	$ 0	0	$ 0	0	$ 0	0	$ 0
First Nat'l Bank	Louisville	Oper.	-0-		-0-		0		0		1,001	
First Nat'l Bank	Louisville	Payroll	-0-	-0-	-0-	-0	0	0	0	0	20,000	21,001
Mortan Guaranty Trust of N.Y.	N.Y.	#3		601,850		301,850		525,000		200,000		100,000
Nat'l Bank of Commerce	Houston	#5	100,000		100,000		50,000		100,000		50,000	
Nat'l Bank of Commerce	Houston	Payroll	40,945	140,945	36,740	136,740	21,003	71,003	120,041	220,041	150,000	200,000
Park Nat'l Bank	Knox.	Oper.	28,594		29,837		35,146		30,060		25,363	
Park Nat'l Bank	Knox.	Payroll	11,221		3,387		21,145		18,414		45,000	
Park Nat'l Bank	Knox.	#5	100,000		75,000		50,000		100,000		100,000	
Park Nat'l Bank	Knox.	Bond	876	140,691	1,304	109,528	0	106,291	0	148,474	0	170,363
1st National City of N.Y.	N.Y.	#5	520,174		200,000		100,000		200,000		100,000	
1st National City of N.Y.	N.Y.	A	-0-	520,174	2,000	202,000	2,000	102,000	2,000	202,000	0	100,000
Irving Trust of N.Y.	N.Y.	#5		3,900		3,654		4,044		4,061		4,146
Pasadena State Bank	Pasadena	Pl. Oper.		53,706		30,442		52,210		74,189		88,210
First Nat'l Bank Huntsville	Huntsville	#1	8,030		15,561		15,752		21,278		30,285	
First Nat'l Bank Huntsville	Huntsville	Bond	1,161	9,191	145	15,706	0	15,752	0	21,278	0	30,285
Henderson Nat'l Bank	Huntsville	Payroll		5,924		6,441		3,791		6,197		9,950
1st Nat'l Bank of Skokie	Skokie Ill.	Oper	-0-		9,000		9,000		9,000		12,000	
1st Nat'l Bank of Skokie	Skokie Ill.	#5	-0-	-0-	10,588	19,588	12,738	21,738	29,658	38,658	106,115	118,115
Total Bank Balances Per Books				$16,758,356		$8,289,301		$8,666,582		$7,281,569		$9,941,211

[fol. 6330]

GOVERNMENT'S EXHIBIT 255

Lines of Bank Credit

Bankers Securities Corporation (Merchandising Divison) & Response to Question 1

Mdse Division	2/2/57	2/1/58	1/31/59	1/30/61	1/28/61	5/27/61
Phila Nat'l Bank	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000
Girard Trust Corn	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Provident Tradesmens	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Manufacturers Trust	3,000,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Central-Penn	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	750,000
Camden Trust	400,000	400,000	400,000	400,000	400,000	400,000
Total	12,000,000	10,500,000	10,500,000	10,500,000	10,500,000	10,250,000

Note: Neither Bankers Securities Corporation proper nor its Hotel Divison requested or had any lines of Bank credit outstanding during the years 1956 to date.

[fol. 6331]

Loans Outstanding Bankers Securities Corporation & Response to Question 2.

	2/2/57	2/1/58	1/31/59	1/30/60	1/28/61	5/27/61
Phila Nat'l Bank	3,700,000	1,400,000	800,000	3,700,000	2,700,000	3,150,000
Girard Trust Corn	2,300,000	2,000,000	2,300,000	—	1,850,000	1,900,000
Provident Tradesmens	—	1,300,000	1,600,000	1,600,000	—	1,000,000
Manufacturers Trust	3,000,000	1,500,000	1,500,000	1,500,000	1,500,000	—
Central-Penn	—	1,000,000	1,000,000	—	750,000	750,000
Camden Trust	—	—	—	400,000	400,000	400,000
First Penna Banking & Tr. Co. (Investment Obligation)	—	4,000,000	4,000,000	4,000,000	3,000,000	3,000,000
Total	9,000,000	11,200,000	11,200,000	11,200,000	10,200,000	10,200,000

[fol. 6332] Bank Deposits Bankers Securities Corporation & Response to Question 3.

Bankers Securities Corp.	1/31/57	1/31/58	1/31/59	1/31/60	1/31/61
Phila National Bank	961,078.03	356,518.84	418,599.42	362,446.98	855,156.69
First Penna Bk. & Trust Co.	4,200,425.56	1,589,407.83	1,233,256.63	1,529,761.74	1,809,876.66
Chase Manhattan Bank	300,108.91	1,999,966.36	270,028.36	270,005.08	269,627.68
Bank of Old York Road	75,000.00	5,888.24	5,888.24	5,888.24	5,888.24
Broad Street Trust Co.	108,162.46	103,701.11	103,701.11	103,701.11	103,701.11
Camden Trust Co.	824,884.19	289,644.98	399,644.98	564,510.74	273,054.56
Central-Penn. Nat'l. Bank	258,679.06	158,679.06	265,807.40	258,736.51	258,736.51
Chemical Corn Exchange Bank	50,538.65	-0-	-0-	-0-	-0-
Fidelity-Phila Trust Co.	314,539.75	340,138.07	359,916.37	251,542.93	251,542.93
First Nat'l. Bank of Boston	1,132,323.97	368,705.23	368,705.23	818,705.23	456,024.98
Girard Trust Corn Exch. Bk	302,047.95	362,047.95	412,047.95	262,047.95	262,047.95
Manufacturers Trust Co	404,078.75	254,078.75	427,239.50	232,450.46	232,450.46
Tradesmens Bk. & Trust Co.	824,068.83	-0-	-0-	-0-	-0-
Provident Tradesmens Bk. & Tr. Co	-0-	223,348.35	563,294.07	213,322.07	436,155.26
Pittsburgh National Bank	-0-	-0-	-0-	-0-	200,000.00
	9,755,936.11	4,252,124.77	4,828,129.26	4,873,119.04	5,414,263.03
Hotel Division					
Provident Tradesmens	166,531.17	124,971.54	174,449.10	221,125.21	223,454.44

Snellenburgs Division					
Phila Nat'l. Bank			148,767.15	40,292.16	175,413.06
Girard Trust Corn Exch			14,685.42	8,957.20	17,041.23
Provident Tradesmens			461,728.60	82,117.79	53,475.32
Manufacturers Trust			10,672.62	711.02	4,286.02
Central Penn			149,389.84	11,012.22	26,109.27
Camden Trust			50,608.39	5,333.36	11,547.63
Bank of Old York Road			62,656.67	14,487.80	27,865.95
Boardwalk Nat'l Bank			47,963.66	9,696.04	6,753.75
Guarantee Trust			39,149.90	14,156.53	14,754.64
	175,854.41	612,737.34	985,622.25	189,764.12	337,246.87

[fol. 6333] Sales or Volume of Business Bankers Securities Corporation & Response to Questions 4 and 5.

	1/31/57	1/31/58	1/31/59	1/31/60	1/31/61
Bankers Securities Corp.	11,135,246.48	4,405,549.23	4,441,312.50	4,198,915.36	6,352,452.34
Hotel and Mdse. Division sales (see footnote)	32,415,870.95	33,817,566.51	33,662,750.13	33,045,776.99	31,382,018.58
Hotel and Mdse. Division sales in Philadelphia (see footnote)	21,831,044.95	21,802,541.51	21,305,355.13	22,770,786.99	21,362,617.58

Note: Sales of Merchandising Division included herein are on a calendar year basis. Because of the nature of our Hotel and Merchandising activities, no accurate record is maintained of the geographic source of sales.

[fol. 6334] DEFENDANTS' EXHIBIT 1

Monthly Review of Credit and Business Conditions

Federal Reserve Bank of New York

Volume 39.
May 1957.
No. 5.

[fol. 6335]

The Location of Business Customers of Second District Banks

There has long been general recognition of the role of the principal money market banks in providing credit and banking facilities to serve the needs of the country as a whole. That recognition usually has centered, however, on their role in meeting the residual reserve adjustments of the nation's banking system, as reserve pressures are transmitted to the principal centers through shifts in interbank balances and transfers of Federal funds. Recognition has extended, too, to the important role of the large banks in serving the national needs of the large corporations whose head offices tend to cluster in the same cities as those in which the lending banks are located. But there has never been a statistical basis for appraising the important contribution made by the large metropolitan banks to the financing of the nation's business through the granting of loans to firms which maintain head offices, as well as much of their operations, in areas located hundreds or thousands of miles away from such financial centers as New York City.

The survey of commercial loans at member banks which was conducted by the Federal Reserve System in October 1955 provided quantitative information on this subject for the first time, in addition to data on many other aspects of business borrowing. While some other findings of the survey have already been published, the information on location of borrowers is, due to processing difficulties, only

now becoming available.[1] Results for the Second District are analyzed in this article.

Most businesses which borrow from Second District banks are located in the same city, metropolitan area,[2] or county as the banks from which they receive loans, and therefore the great majority of the *number* of bank loans is made to local borrowers. But nearly half of the total *amount* of loans outstanding at Second District member banks at the time of the 1955 loan survey had been extended to borrowers outside the metropolitan area or county in which the banks were situated. Over 40 per cent of the total amount of loans went to borrowers outside the [fol. 6336] District (including 2 per cent to borrowers outside the United States).

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[1] The information on location of borrower for all member banks is still being processed by the Board of Governors of the Federal Reserve System. However, some figures for the Seventh District have been published by the Federal Reserve Bank of Chicago (see *Bank Loans to Business*, August 1956, and the article on "Location of Business Borrowers" in the April 1957 issue of *Business Conditions*). These data indicate that Seventh District member banks made 40 per cent of their loans to nonlocal borrowers, compared with 45 per cent for Second District banks.

[2] As defined by the Bureau of the Census.

Table I

Commercial Loans Made by Second District Member Banks, Classified by location of Bank and Borrower, Outstanding on October 5, 1955

Location of lending banks in the Second Federal Reserve District

Borrower location relative to location of lending bank	Central reserve New York City banks	All other Second District member banks	Other Second District member banks: New York City reserve city banks	Other Second District member banks: Newark, Jersey City, Paterson, and Passaic	Other Second District member banks: Buffalo	Other Second District member banks: Rochester	Other Second District member banks: Syracuse	Other Second District member banks: Albany, Schenectady, and Troy	Other Second District member banks: All other locations	Total Second District
Amount of loans (in millions of dollars)										
Within same city	3,959	918	183	82	128	67	58	32	368	4,876
Outside same city but within same metropolitan area or county	406	523	18	130	28	2	6	10	329	929
Inside Second District, but not in same city, metropllitan area, or county	148	237	4	2	75	31	30	33	62	385
Outside Second District but within United States*	4,027	149	7	21	65	5	6	15	30	4,176
Outside United States	218	†	†	0	0	0	0	†	0	219
Total—all borrowers	8,758	1,827	212	235	296	105	99	91	789	10,585
Number of loans (in thousands)										
Within same city	62 5	84 9	11 3	5 6	5 2	3 0	2 6	3 0	54 1	147 5
Outside same city but within same metropolitan area or county	7 6	51 7	0 8	7 4	2 6	0 3	0 6	0 8	39 3	59 4
Inside Second District, but no in same city, metropolitan area, or county	0 9	11 5	0 1	0 1	1 0	1 2	1 9	1 6	5 6	12 4
Outside Second District but within United States*	6 7	3 0	0 3	0 4	0 2	0 1	0 1	0 1	1 8	9 7
Outside United States	0 4	‡	‡	0	0	0	0	‡	0	0 4
Total—all borrowers	78 1	157 2	12 6	13 5	9 1	1 5	5 2	5 5	100 9	229 3

Note: Details may not add to totals shown because of rounding.

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* Includes loans to borrowers in United States territories.

† Less than $500,000.

‡ Less than 50.

The sharp contrast between the number and amount of loans made to nonlocal borrowers mainly reflects the heavy volume of nonlocal lending by the central reserve New York City banks which figure so prominently in the District totals. As shown in Table I, the business loans of the eighteen central reserve New York City banks on October 5, 1955 amounted to 8.8 billion dollars—over 80 per cent of the amount held by all Second District member banks on the survey date. More than 4.2 billion dollars, or 48 per cent, of these loans went to borrowers outside the Second District. For other District banks, on the other hand, no more than 149 million dollars, or 8 per cent, of their total commercial loans were extended to borrowers outside the Second District.

The survey also indicated that more than a fifth of the commercial loans of the central reserve New York City banks involved participation through pool arrangements. In the case of reserve city and country member banks, pool participations were less prevalent and participations generally took the form of "over-line" arrangements. As was expected, the survey verified earlier impressions that the bulk of nonlocal loans is extended to the larger corporations.

New York City Bank Loans to Nonlocal Borrowers

At the time of the October 1955 survey, lending by the central reserve New York City banks to nonlocal borrowers amounted to 4.4 billion dollars, of which more than 4.2 billion represented loans to borrowers outside the Second District. The City banks had loans outstanding to borrowers in all but five of sixty-four major cities which were coded separately in the survey. The amount of loans to borrowers in individual cities ranged downward from 375 million dollars each for Chicago and Houston and 218 million for Los Angeles. Total loans outstanding to borrowers in seven other major cities ranged from 138 million to 89 million dollars.[3] More than 30 per cent of their loans outside the District were made to borrowers located outside major cities.

[3] Detroit, 138 million; Dallas, 125 million; Philadelphia, 113 million; Baltimore, 98 million; Minneapolis, 97 million; San Francisco, 93 million; St. Louis, 89 million.

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Table II

Commercial Loans Made by Second District Member Banks to Borrowers in Other Federal Reserve Districts, by District of Borrower Outstanding on October 5, 1955

(Dollar amounts in millions)

Location of borrower—Federal Reserve District	Central reserve New York City banks		Other Second District member banks		All Second District member banks	
	Amount	Per cent	Amount	Per cent	Amount	Per cent
Boston	145	3 6	20	13 6	165	4 0
Philadelphia	308	7 7	29	19 4	337	8 1
Cleveland	310	7 7	5	3 2	314	7 6
Richmond	457	11 4	27	18 3	484	11 6
Atlanta	210	5 2	5	3 1	215	5 2
Chicago	716	17 9	33	22 2	749	18 0
St. Louis	148	3 7	3	2 2	151	3 6
Minneapolis	147	3 7	8	5 4	155	3 7
Kansas City	332	8 3	*	0 1	332	8 0
Dallas	685	17 1	5	3 2	690	16 6
San Francisco	554	13 8	14	9 5	568	13 6
Total—all borrowers	4,012	100 0	149	100 0	4,161	100 0

Note: Details may not add to totals shown because of rounding.
* Less than $500,000.

An idea of the flow of funds to various sections of the country from the Second District (mainly originating with the New York City banks) can be obtained from Table II, in which loans are classified by the Federal Reserve District in which the borrower was located.[4] The Districts receiving the largest shares were the Chicago District with 18 per cent of the total, Dallas with only slightly less, and San Francisco with 14 per cent.

The role of the central reserve New York City banks in the national market was even greater than these figures suggest since many national concerns have headquarters in New York City, and although they may disburse their borrowed funds in other parts of the country, loans to such businesses were classified for purposes of the survey as loans to local borrowers. The extent to which local loans are made to concerns doing a nation-wide business cannot be accurately determined but a partial indication is the fact that on the books of the central reserve New York City

[4] Undoubtedly, some Second District businesses borrowed from banks in other parts of the country, but figures on these loans are not yet available, so no net interdistrict flow can be computed.

banks on the survey date were 814 loans of 1 million dollars or more which had been made to borrowers in the New York metropolitan area. These loans amounted to 2.2 billion dollars, or a quarter of all business loans made by the money market banks.

The central reserve New York City banks were responsible for virtually all of the 219 million dollars of business loans made to borrowers outside the United States by Second District banks. Borrowers in Latin American countries accounted for nearly 45 per cent of the amount of loans outstanding to foreign borrowers on the survey date (of which 10 per cent went to Mexico), and another third was held by continental Western European countries. Japan and Canada were next in line with 8 per cent and 5 per cent, respectively, while borrowers in the United Kingdom and other sterling-area countries together had 4 per cent.

Nonlocal Loans by Other Second District Banks

Loans of other Second District banks tended to be concentrated much nearer home than those of the money market banks (see the accompanying chart). Nearly 80 per cent of the total amount of loans outstanding at the other banks in the Second District had been made to borrowers in the same city, county or, metropolitan area as the lending bank, [fol. 6337] compared with 50 per cent for the central reserve banks. Only 8 per cent of the business loans of other Second District banks went to borrowers outside the District, in contrast to 48 per cent for the big New York City banks. But the percentage of loans made by other Second District banks to borrowers within the District but outside their own metropolitan areas was larger than for the central reserve New York City banks (13 per cent, compared with 2 per cent).

The loan pattern, however, varied somewhat from city to city. The reserve city and country banks located in the major cities of the New York metropolitan area for which separate figures were obtained, i.e., New York City, Newark, Jersey City, Paterson, and Passaic, concentrated their lending operations in their local area to a greater degree than banks in other major cities in the District. Over 90 per cent of the amount of these loans outstanding on the survey date, or 413 million dollars, had been made to local

borrowers; only 6 million had been made to borrowers elsewhere in the District and 28 million to borrowers in other parts of the country. This pattern was also typical of banks in the smaller cities and towns and rural areas of the District.

For banks in Rochester and in Syracuse, on the other hand, local borrowers accounted for somewhat less than two thirds of the total amount of their loans outstanding, and for banks in Buffalo and in the Albany, Schenectady, and Troy area, local borrowers accounted for only about half of the outstanding amount of business loans. Most of the remainder of the loans at Rochester and Syracuse banks went to borrowers in other parts of this District. But roughly a fifth of the outstanding loans of the Buffalo and capital-area banks had been extended to borrowers outside the District.

Table III

Commercial Loans Made by Second District Member Banks by Kind of Participation and Location of Borrower Outstanding on October 5, 1955

Borrower location relative to location of lending bank	Per cent distribution of amount of loans				
	All Second District member banks	Central reserve New York City banks	Other member banks in New York City	Member banks in other major cities*	All other member banks in Second District
All locations:					
No bank participation	74.7	71.1	98.1	88.2	94.0
Excess or overline participation initiated by lending bank	2.1	2.0	0.7	3.2	2.7
Excess or overline participation initiated by another bank	4.4	4.5	1.2	5.7	2.6
Pool-type participation	18.8	22.4	0	2.9	0.7
Total	100.0	100.0	100.0	100.0	100.0
Within same city, metropolitan area, or county:					
No bank participation	83.9	80.4	98.0	93.2	95.0
Excess or overline participation initiated by lending bank	2.5	2.3	0.8	4.0	2.8
Excess or overline participation initiated by another bank	2.0	2.1	1.3	1.9	1.7
Pool-type participation	11.6	15.2	0	0.9	0.6
Total	100.0	100.0	100.0	100.0	100.0
Inside Second District but not in same city, metropolitan area, or county:					
No bank participation	78.1	76.0	100.0	75.2	89.6
Excess or overline participation initiated by lending bank	1.3	0	0	2.2	2.0
Excess or overline participation initiated by another bank	10.8	8.6	0	14.1	7.5
Pool-type participation	9.8	15.4	0	8.5	0.9
Total	100.0	100.0	100.0†	100.0	100.0
Outside Second District:‡					
No bank participation	62.2	61.4	100.0	83.3	81.0
Excess or overline participation initiated by lending bank	1.7	1.7	0	1.1	1.7
Excess or overline participation initiated by another bank	7.0	6.9	0	11.3	13.0
Pool-type participation	29.1	30.0	0	4.3	4.2
Total	100.0	100.0‡	100.0†	100.0	100.0

Note: Details may not add to totals shown because of rounding.

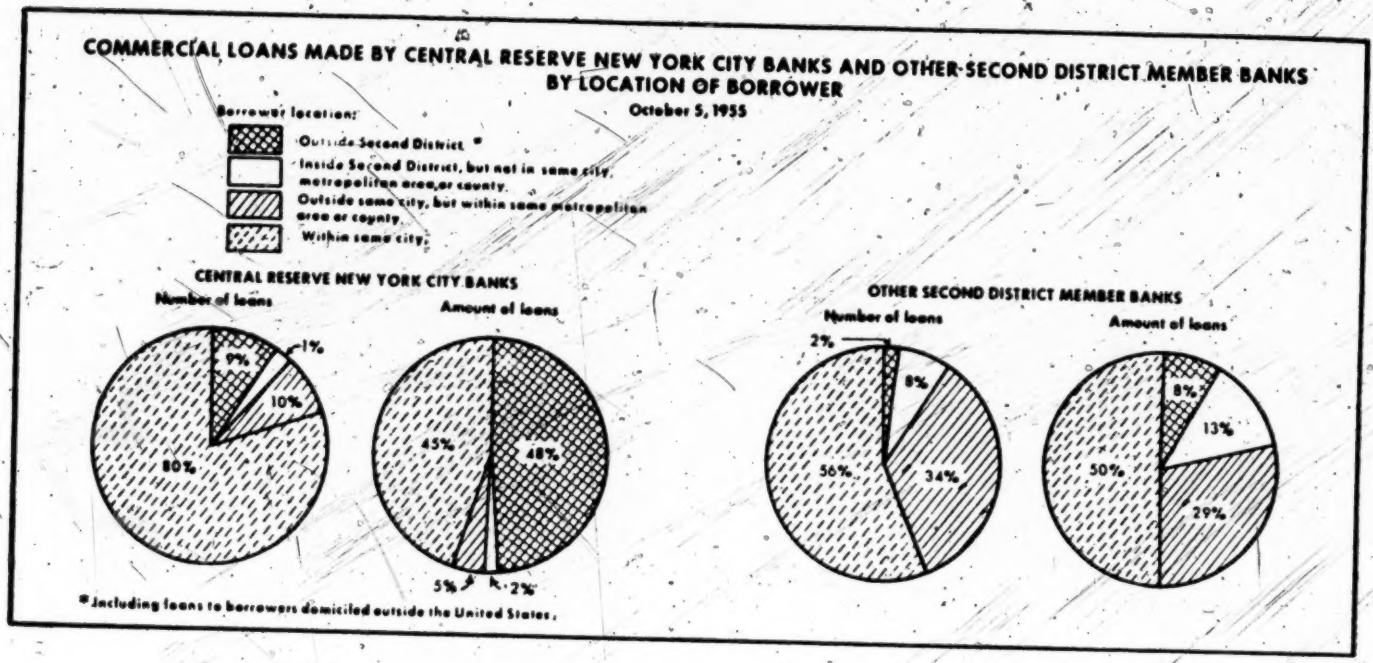
* Including Newark, Jersey City, Paterson, Passaic, Buffalo, Rochester, Syracuse, Albany, Schenectady, and Troy.

† Less than 10 million dollars of loans.

‡ For central reserve New York City banks this includes 218 million dollars of loans to borrowers outside the United States, distributed as follows: No bank participation, 88.1 per cent; excess or overline participation initiated by lending bank, 1.4 per cent; excess or overline participation initiated by another bank, 1.5 per cent; pool-type participation, 9.0 per cent.

COMMERCIAL LOANS MADE BY CENTRAL RESERVE NEW YORK CITY BANKS AND OTHER SECOND DISTRICT MEMBER BANKS BY LOCATION OF BORROWER

October 5, 1955



* Including loans to borrowers domiciled outside the United States.

[fol. 6338] Participated Loans

Banks who wish to participate, with other banks, those customer requests for loans, which are larger than they can or wish to handle alone, usually do so in one of two ways. The first is a pool-type arrangement in which two or more banks share a loan; in their negotiations with the borrower the participating banks may operate through a syndicate leader or they may jointly or separately work out the loan details with the borrower. This method is most often used by large banks in connection with loans to large borrowers. The second is an excess or "over-line" arrangement in which the initiating bank offers another bank that part of a loan which exceeds the bank's legal limit for loans to a single customer, or which exceeds the line of credit which the bank wishes to extend to the customer concerned.

Participated loans accounted for about one quarter of the total amount of loans outstanding at Second District member banks in October 1955 (see Table III), pool loans for 19 per cent, and excess loans for 6 per cent.[5] Nearly all pool participations were made by the central reserve New York City banks. The proportion of their loans in this form ranged from about 15 per cent of their loans to borrowers within the Second District to 30 per cent of their loans to borrowers outside this District. Over-line credits, on the other hand, were found in banks throughout the District. About 4.5 per cent of all business loans of the central reserve banks were derived from over-line loan arrangements initiated by other banks.

[5] Accommodation loans are included in the figures for pool loans; a loan to a railroad in which the lending bank agrees to give certain banks along the right of way a portion of the loan is an example of an accommodation loan.

TABLE IV.

Commercial Loans Made by Second District Member Banks to Nonlocal Borrowers As a Per Cent of the Banks' Total Loans to Specified Types and Sizes of Borrowers, Amount Outstanding on October 5, 1955

Business of borrower	Asset-size of borrower (in thousands)							
	Less than $50	$50–250	$250–1,000	$1,000–5,000	$5,000–25,000	$25,000–100,000	$100,000 and over	All borrowers
	Central reserve New York City banks							
Manufacturing and mining—total:	8	4	10	29	57	68	58	51
Food, liquor, and tobacco	*	*	9	28	72	79	44	56
Textiles, apparel, and leather	†	3	5	22	32	44	74	30
Metals and metal products	*	4	6	36	52	57	54	49
Petroleum, coal, chemicals, and rubber	*	*	61	59	80	77	66	73
All other manufacturing and mining	*	3	8	21	32	54	43	31
Trade—total:	4	3	9	27	35	70	76	38
Wholesale trade	1	1	3	25	26	90	5	19
Retail trade	7	9	4	17	42	58	66	41
Commodity dealers	*	*	48	54	37	73	95	67
Other—total:	13	16	34	47	55	63	59	54
Sales finance companies	*	*	17	33	54	66	66	61
Transportation, communication, and other public utilities	*	*	62	62	63	82	59	64
Construction	*	11	10	18	45	63	*	32
Real estate	*	18	39	62	74	76	*	58
Service firms	14	9	15	66	31	13	6	23
All other borrowers	1	9	39	17	23	37	44	26
Total—all borrowers	9	7	16	35	53	67	60	50

	Other Second District member banks							
Manufacturing and mining—total:	7	10	17	31	46	87	87	29
Food, liquor, and tobacco	*	*	36	72	*	*	*	58
Textiles, apparel, and leather	*	2	25	35	*	*	*	20
Metals and metal products	*	11	8	14	56	*	81	28
Petroleum, coal, chemicals, and rubber	*	*	*	72	*	8	*	29
All other manufacturing and mining	*	12	13	23	74	*	*	22
Trade—total:	10	12	9	9	19	*	75	12
Wholesale trade	6	10	10	3	*	*	*	8
Retail trade	11	12	9	17	23	*	75	14
Commodity dealers	*	*	*	*	*	*	*	19
Other—total:	11	9	13	22	28	63	75	23
Sales finance companies	*	*	*	40	*	*	99	69
Transportation, communication, and other public utilities	*	18	38	*	23	48	59	41
Construction	14	10	9	17	*	*	*	11
Real estate	6	6	7	21	39	*	*	13
Service firms	13	9	18	8	*	*	9	13
All other borrowers	7	6	7	*	*	*	*	9
Total—all borrowers	10	10	13	24	35	44	78	22

* Less than 10 million dollars of loans.
† Less than 0.5 per cent.

[fol. 6339] Nonlocal Loans by Asset-Size of Borrower and Type of Business

The percentage of loans to nonlocal borrowers generally increased with the asset-size of the borrow. For the central reserve banks only 9 per cent of the total amount of loans outstanding on the survey date to borrowers with assets of $50,000 or less had been made to customers outside the New York metropolitan area. As Table IV indicates, the proportion of out-of-town loans to total loans by size classes increased from 9 per cent until it reached a maximum of 67 per cent for business with assets of from 25 million to 100 million dollars. But it decreased to 60 per cent for loans to borrowers with assets of 100 million dollars or more. This decline in the percentage of loans made to nonlocal companies in the largest asset class—which occurred in a number of industry categories—is probably explained by a fact mentioned earlier: that many of the largest firms have national headquarters in New York City. Loans to these firms were classified as loans to borrowers within the New York metropolitan area.

In the case of the central reserve New York City banks, nonlocal loan percentages were relatively high in most industry classifications, with the notable exceptions of wholesale trade, textile, apparel, and leather firms, construction, and service firms. For other Second District member banks, the table indicates that there were only three industry categories in which more than two fifths of all loans were made to borrowers outside the banks' own metropolitan areas or counties; these were food, liquor, and tobacco manufacturers; sales finance companies; and transportation, communication, and other public utilities.

Commercial Loan Survey

In July the Bank will publish a pamphlet combining all the articles that have appeared in the *Monthly Review* on the 1955 commercial loan survey and some supplemental statistical data. Requests for copies of this pamphlet may be addressed to the Publication Division, Federal Reserve Bank of New York 45, N. Y. Requests will be filled as soon as the pamphlet is available.

[fol. 6340]

DEFENDANTS' EXHIBIT 3

TABLE 10.—Business loans of member banks, October 1955 and October 1957, by size of bank and relative size of borrower[1]

Relative size of borrower	Size of bank (total deposits in millions)								Percentage change, 1955-57			
	All banks		Under $20		$20 to $100		$100 and over		All banks	Size of bank (deposits in millions)		
	1955	1957	1955	1957	1955	1957	1955	1957		Under $20	$20 to $100	$100 and over
	Amount (millions of dollars)								Amount			
Small	6,327	7,001	1,254	1,328	1,371	1,546	3,703	4,127	+10.6	+5.9	+12.8	+11.4
Medium	13,835	17,706	1,281	1,594	2,106	2,665	10,447	13,447	+28.0	+24.4	+26.5	+28.7
Large	9,760	14,704	88	104	405	649	9,176	13,951	+50.7	+17.7	+31.1	+52.0
All sizes[2]	30,805	40,618	2,708	3,101	4,087	5,015	24,009	32,501	+31.9	+14.5	+22.7	+35.4
	Number (in thousands)								Number			
Small	685.5	714.4	302.5	285.4	150.8	162.3	232.2	266.7	+4.2	−5.7	+7.6	+14.9
Medium	391.3	480.8	140.1	159.1	99.4	132.2	151.7	189.5	+22.9	+13.5	+32.9	+24.9
Large	26.4	34.7	2.6	3.1	5.5	7.4	18.3	24.3	+31.4	+18.3	+33.2	+32.8
All sizes[2]	1,185.2	1,280.6	465.3	458.8	269.5	315.3	450.4	506.5	+8.0	−1.4	+17.0	+12.5

[1] The total asset size used to classify various types of business as relatively small, medium, or large is given in survey II, appendix A.
[2] Includes a small amount of loans for which size of borrower was not ascertained.
Note.—Details may not add to totals because of rounding.

[fol. 6341]

DEFENDANTS' EXHIBIT 10

GIRARD TRUST CORN EXCHANGE BANK
Philadelphia, Pa.

Distances from all Philadelphia National Offices to the Nearest Girard Trust Corn Exchange Office

The Philadelphia National Bank	Girard Trust Corn Exchange Bank	Distance
Philadelphia		
Main Office	Main Office	Nominal (Center City)
421 Chestnut Street	2nd & Chestnut Streets	Nominal (Center City)
35 South 9th Street	3rd & Arch Streets	½ mile (Center City)
Three Penn Center Plaza	Suburban Station	Nominal (Center City)
3131 Market Street	Suburban Station	1 mile
Front & Norris Streets	Germantown & Lehigh Avenues	1¼ miles
Castor & Erie Avenues	Torresdale Ave. & Orthodox St.	1 mile
Front St. & Allegheny Ave.	Germantown & Lehigh Avenues	⅞ mile
Allegheny & Kensington Avenues	Germantown & Lehigh Avenues	1⅞ miles
7th & Dauphin Streets	Germantown & Lehigh Avenues	⅝ mile
Roosevelt Boulevard & Holme Avenue	Frankford Ave. & Cottman St.	2 miles
Delaware County		
6914 Market Street, Upper Darby	6910 Market Street PTC Terminal Upper Darby Drive-In	Nominal
Kedron St. & McDade Boulevard	Baltimore Pike & Oak Avenue	2¼ miles
5th & Market Streets, Chester	Baltimore Pike & Oak Avenue	6¾ miles
11th & Madison Sts., Chester	Baltimore Pike & Oak Avenue	5¼ miles
10th & Market Sts., Marcus Hook	Baltimore Pike & Oak Avenue	9½ miles

Montgomery County		
75 St. James Place, Ardmore	18 East Wynnewood Road, Wynnewood	1 mile
5th & Fayette Sts., Conshohocken	18 East Wynnewood Road, Wynnewood	5½ miles
South York Road, Hatboro	Fort Washington Industrial Park	6¼ miles
West Main Street, Lansdale	Butler Avenue & Spring Garden, Ambler	8 miles
110 West Main Street, Norristown	Butler Avenue & Spring Garden, Ambler	7½ miles
401 High Street, Pottstown	3533 West Chester Pike, Newtown Square	22½ miles
Route 363 & Ridge Pike, Lower Providence	Butler Avenue & Spring Garden, Ambler	9½ miles
Bucks County		
200 Radcliffe St., Bristol	Comly Road & Roosevelt Boulevard	8 miles
Levittown Shopping Center	Comly Road & Roosevelt Boulevard	10 miles
Midway Shopping Center, Levittown	Comly Road & Roosevelt Boulevard	6½ miles
689 Second Street Pike, Southampton	Comly Road & Roosevelt Boulevard	5¾ miles
10 South Main Street, Yardley	Comly Road & Roosevelt Boulevard	12½ miles

R.C.Allen
6/23/61

[fol. 6342]

DEFENDANTS' EXHIBIT 11

GIRARD TRUST CORN EXCHANGE BANK
Philadelphia, Pa.

Distances from All Girard Trust Corn Exchange Offices to the Nearest Philadelphia National Office

Girard Trust Corn Exchange Bank Philadelphia	The Philadelphia National Bank	Distance
Main Office	Main Office	Nominal (Center City)
2nd & Chestnut Streets	421 Chestnut Street	Nominal (Center City)
3rd & Arch Streets	421 Chestnut Street	Nominal (Center City)
Suburban Station	Three Penn Center Plaza	Nominal (Center City)
Roosevelt Boulevard & Comly Road	Roosevelt Boulevard & Holme Avenue	3¾ miles
Kirkbride, Ash & Thompson Streets	Erie and Castor Avenues	1¾ miles
Rising Sun & Cottman Avenues	Roosevelt Boulevard & Holme Avenue	2¼ miles
4700 Frankford Avenue	Erie and Castor Avenues	1¼ miles
5500 Germantown Avenue	Front Street & Allegheny Avenue	3½ miles
Germantown & Lehigh Avenues	7th and Dauphin Streets	⅝ mile
Frankford Avenue & Cottman Street	Roosevelt Boulevard & Holme Afenue	2 miles
Broad Street & Erie Avenue	Front Street & Allegheny Avenue	1¼ miles
Torresdale Ave. & Orthodox Street	Erie and Castor Avenues	1 mile
427 North Sixty-Third Street	6914 Market Street	1 mile
23rd and Passyunk Avenue	Broad and Chestnut Streets	2¼ miles
12th & Spring Garden Streets	Broad and Chestnut Streets	¾ mile
Stenton Avenue & Washington Lane	Front Street & Allegheny Avenue	4½ miles
22nd and Indiana Streets	7th and Dauphin Streets	1½ miles
72nd and Ogontz Avenue	Front Street & Allegheny Avenue	4½ miles
60th and Ludlow Streets	6914 Market Street	1¼ miles
Torresdale Avenue & Howell Street	Erie and Castor Avenues	2¼ miles

Montgomery County	
Haverford Avenue & Essex Road, Narberth	75 St. James Place, Ardmore — 1¼ miles
Bala and City Line Avenues, Bala-Cynwyd	75 St. James Place, Ardmore — 3¼ miles
18 East Wynnewood Road, Wynnewood	75 St. James Place, Ardmore — 1 mile
Butler Pike & Spring Garden Street, Ambler	110 West Main Street, Norristown — 7½ miles
Bethlehem Pike & Wissahickon Avenue, Flourtown	5th and Fayette Streets, Conshohocken — 5½ miles
Fort Washington Industrial Park	South York Road, Hatboro — 6¼ miles
Delaware County	
6910 Market Street, Upper Darby	6914 Market Street, Upper Darby — Nominal
P. T. C. Terminal, Upper Darby	6914 Market Street, Upper Darby — Nominal
Drive-In, Upper Darby	6914 Market Street, Upper Darby — Nominal
West Chester Pike & Summit Avenue, Broomall	75 St. James Place, Ardmore — 4½ miles
Ferne Boulevard & Burmont Road, Drexel Hill	6914 Market Street, Upper Darby — 2½ miles
Darby Road, near Mill Road, Havertown	75 St. James Place, Ardmore — 2¼ miles
Lawrence & Sproul Roads, Lawrence Pk.	6914 Market Street, Upper Darby — 5 miles
Manoa Shopping Center, Manoa	6914 Market Street, Upper Darby — 3 miles
3533 West Chester Pike, Newtown Sq.	75 St. James Place, Ardmore — 6½ miles
Baltimore Pike & Oak Ave., Penn Oak	Kedron & McDade Blvd., Ridley Twnshp. — 2¼ miles
1021 Pontiac Rd., Pilgrim Gardens	6914 Market Street, Upper Darby — 3¼ miles
712 Church Lane, Yeadon	6914 Market Street, Upper Darby — 2 miles

R. C. Allen
6/26/61

[fol. 6343] DEFENDANTS' EXHIBIT 12

The Philadelphia National Bank

List of each of its offices, giving each office of a competing institution located within a radius of one mile for each Philadelphia National city office and within a radius of two miles for each Philadelphia National suburban office.

[fol. 6344] GIRARD TRUST CORN EXCHANGE BANK
Philadelphia, Pa.

Philadelphia National Main Office
Broad & Chestnut Streets

Main Offices of all Major Philadelphia Commercial Banks.

Broad Street Trust Company
336 Market Street
8th & Christian Streets

Central Penn National Bank
1716 Arch Street
21 South 12th Street
7th & Chestnut Streets

Citizens & Southern Bank & Trust Co.
20th & Chestnut Streets

Fidelity-Philadelphia Trust Company
5th & Chestnut Streets
18th & Walnut Streets
251 South 24th Street

First Camden National Bank
3rd & Market Streets

First Pennsylvania Banking & Trust Co., The
S.W. Cor. 15th & Chestnut Streets
Reading Terminal
6th & Chestnut Streets
315 Chestnut Street
5th & Bainbridge Streets
17th & Pennsylvania Boulevard

Girard Trust Corn Exchange Bank
Suburban Station
12th & Spring Garden Streets

Industrial Trust Company
1518 Walnut Streets
1015 Chestnut Street

Liberty Real Estate Bank & Trust Co.
15th & Sansom Streets

Provident Tradesmens Bank & Trust Co.
17th & Chestnut Streets
12th & Chestnut Streets
4th & Chestnut Streets
Juniper & Market Streets

[fol. 6345] Main Offices of all Philadelphia Mutual Savings Banks (except Germantown Mutual Savings Fund).

Beneficial Mutual Savings Bank
33 South 16th Street

Philadelphia Saving Fund Society
7th & Walnut Streets
15th & Market Streets

Western Saving Fund Society
Suburban Station

James W. Baird Savings & Loan
32 South 18th Street

Benjamin Franklin Federal Savings & Loan
1624 Chestnut Street

Cayuga Federal Savings & Loan
13th & Sansom Streets

Colonial Federal Savings & Loan
1326 Walnut Street

Continental Savings & Loan
112 South 19th Street

Edmunds-Bouvier Savings & Loan
1829 Chestnut Street

First Federal Savings and Loan of Philadelphia
424 South 4th Street

First Federal Savings of Philadelphia
16th & Pennsylvania Boulevard

Italian Merchants Savings & Loan
1022 Catherine Street

Liberty Federal Savings & Loan
202 North Broad Street

Mid-City Federal Savings & Loan
15th & Locust Streets

Penn Federal Savings & Loan
1627 Walnut Street

Philadelphia Federal Savings & Loan
1619 Chestnut Street

[fol. 6346] Prudential Federal Savings & Loan Association
2015 Chestnut Street

Public Federal Savings & Loan Association
7th & Chestnut Streets

Quaker City Federal Savings & Loan
35 South 16th Street

Second Federal Savings & Loan
1727 Chestnut Street

Stephen Girard Savings & Loan
N.W. Cor. Juniper & Walnut Streets

Walnut Street Federal Savings & Loan
1705 Walnut Street

Philadelphia National Downtown Office
421 Chestnut Street

Beneficial Mutual Savings Bank
12th & Chestnut Streets

Broad Street Trust Company
336 Market Street
8th & Christian Streets

Central Penn National Bank
2nd & Pine Streets
21 South 12th Street
7th & Chestnut Streets

Fidelity-Philadelphia Trust Company
5th & Chestnut Streets

First Camden National Bank & Trust Co.
3rd & Market Streets

First Pennsylvania Banking & Trust Co.
6th & Chestnut Streets
Reading Terminal
315 Chestnut Street
5th & Bainbridge Streets

First Federal Savings & Loan of South Philadelphia
424 South 4th Street

Girard Trust Corn Exchange Bank
2nd & Chestnut Streets
3rd & Arch Streets

[fol. 6347] Industrial Trust Company
1015 Chestnut Street

Philadelphia Savings Fund Society
7th & Walnut Streets
12th & Market Streets

Provident Tradesmens Bank & Trust Company
4th & Chestnut Streets
6th & Spring Garden Streets
12th & Chestnut Streets

Public Federal Savings & Loan
7th & Chestnut Streets

Philadelphia National Gimbel Office
35 South Ninth Street

Main Offices of all Major Philadelphia Commercial Banks.

Beneficial Mutual Savings Bank
12th & Chestnut Streets

Broad Street Trust Company
336 Market Street
8th & Christian Streets

Central Penn National Bank
21 South 12th Street
7th & Chestnut Streets
2nd & Pine Streets

Fidelity-Philadelphia Trust Company
5th & Chestnut Streets

First Federal Savings & Loan of South Philadelphia
424 South 4th Street

First Pennsylvania Banking & Trust Co., The
6th & Chestnut Streets
Reading Terminal
5th & Bainbridge Streets
315 Chestnut Street

Girard Trust Corn Exchange Bank
2nd & Chestnut Streets
3rd & Arch Streets

Industrial Trust Company
1015 Chestnut Street

[fol. 6348] Philadelphia Savings Fund Society
7th & Walnut Streets

Provident Tradesmens Bank & Trust Company
12th & Chestnut Streets
6th & Spring Garden Streets
4th & Chestnut Streets

Public Federal Savings & Loan
7th & Chestnut Streets

Philadelphia National Penn Center Office
Three Penn Center Plaza

See banks and financial institutions listed under the Broad & Chestnut Streets location of Philadelphia National's main office.

Philadelphia National 3131 Market Street Office

Broad Street Trust Company
2200 Benjamin Franklin Parkway
39th & Lancaster Avenue

First Pennsylvania Banking & Trust Co., The
32nd & Market Streets

Philadelphia Saving Fund Society
Pennsylvania Railroad 30th Street Station

Philadelphia National Upper Darby Office
6912 Market Street

Bell Savings & Loan Association
6930 Market Street
7578 Haverford Avenue

Beneficial Mutual Savings Bank
7622 City Line Avenue

Broad Street Trust Company
7508 Haverford Avenue

Central Penn National Bank
60th & Lansdowne Avenue

Fidelity-Philadelphia Trust Company
Baltimore Pike & Lansdowne Avenue
Marshall Road & Lansdowne Avenue
7636 City Line Avenue

[fol. 6349] First Pennsylvania Banking & Trust Co., The
18 Garrett Road, Upper Darby

Girard Trust Corn Exchange Bank
6910 Market Street
PTC Terminal
Drive-In at Glendale & Ludlow
427 North 63rd Street
60th & Ludlow Streets

Greater Delaware Valley Savings & Loan
69th & Walnut Streets

Liberty Real Estate Bank & Trust Co.
49 South 69th Street

West Philadelphia Federal Savings & Loan
7584 Haverford Avenue
5525 Chestnut Street

Western Saving Fund Society
6920 Market Street

Philadelphia National Front Street Office
Front & Norris Streets

First Pennsylvania Banking & Trust Co., The
Frankford & Girard Avenues

Front & Huntingdon Savings & Loan
Front & Huntingdon Streets

Industrial Trust Company
1944 North Front Street
Kensington & Huntington
136 West Girard Avenue

Our Home Savings & Loan
2651 Kensington Avenue

John B. Stetson Savings & Loan
1854 Germantown Avenue

Western Saving Fund Society
Front & York Streets

Philadelphia National Allegheny Office
Allegheny & Kensington Avenues

Aramingo Savings & Loan Association
1900 East Allegheny Avenue

Beneficial Mutual Savings Fund
826 East Allegheny Avenue

[fol. 6350] City Savings & Loan
3505 Kensington Avenue

East Indiana Savings & Loan
721 East Allegheny Avenue

First Pennsylvania Banking & Trust Co., The
Kensington & Allegheny Avenues

Front & Huntingdon Savings & Loan Association
Front & Huntingdon Streets

Industrial Trust Company
Kensington & Huntingdon Avenues

Northeast Federal Savings & Loan
1841 East Allegheny Avenue

Our Home Savings & Loan Association
2651 Kensington Avenue

Provident Tradesmens Bank & Trust Company
Erie & "I" Street

Philadelphia National Erie Office
Erie & Castor Avenues

City Savings & Loan Association
3505 Kensington Avenue

Frankford Trust Company
Frankford Avenue & Unity Street

Provident Tradesmens Bank & Trust Company
Erie Avenue & "I" Street

Second National Bank
4356 Frankford Avenue

Third Federal Savings & Loan
4625 Frankford Avenue

Philadelphia National Fairhill Office
Front & Allegheny Avenue

Beneficial Mutual Savings Bank
826 East Allegheny Avenue

Capital Savings & Loan Association
3116 North Front Street

[fol. 6351] First Pennsylvania Banking & Trust Co., The
6th Street & Erie Avenue
Kensington & Allegheny Avenues

Forward Savings & Loan Association
6th Street & Erie Avenue

Front & Huntingdon Savings & Loan
Front & Huntingdon Streets

Industrial Trust Company
Kensington Avenue & Huntingdon

Northeast Federal Savings & Loan
1841 East Allegheny Avenue

Our Home Savings & Loan
2651 Kensington Avenue

Western Saving Fund Society
Front & York Streets

Philadelphia National Northern Office
Seventh & Dauphin Streets

Central Penn National Bank
Broad & Glenwood Streets

East Girard Savings & Loan
1500 East Susquehanna Avenue

First Pennsylvania Banking & Trust Co., The
1006 Lehigh Avenue

Front & Huntingdon Savings & Loan Association
Front & Huntingdon Streets

Girard Trust Corn Exchange Bank
2721 Germantown Avenue

Home Unity Savings & Loan Association
2513 Germantown Avenue

Industrial Trust Company
Front & Norris Streets
Kensington Avenue & Huntingdon Street

North Phila. Federal Savings & Loan
1019 West Lehigh Avenue

Our Home Savings & Loan
2651 Kensington Avenue

Philadelphia Saving Fund Society
11th Street & Lehigh Avenue

[fol. 6352] John B. Stetson Savings & Loan
1854 Germantown Avenue

Western Saving Fund Society
Front & York Streets

Philadelphia National Pennypack Office
Roosevelt Boulevard & Holme Avenue

Fidelity-Philadelphia Trust Company
Welsh Road & Roosevelt Boulevard

Liberty Real Estate Bank & Trust Co.
8344 Bustleton Avenue

Western Saving Fund Society
Welsh Road & Roosevelt Boulevard

Philadelphia National Bristol Office
200 Radcliffe Street

Burlington Bank & Trust Company
324 High Street, Burlington, New Jersey

Burlington County Savings & Loan
309 Warren Street, Burlington, New Jersey

Burlington Savings Bank
332 High Street, Burlington, New Jersey

City of Burlington Loan & Building Association
18 East Broad Street, Burlington, New Jersey

Farmers & Mechanics Savings & Loan
352 High Street, Burlington, New Jersey

Fidelity-Philadelphia Trust Company
244 Radcliffe Street

Fidelity Savings & Loan Association of Bucks County
237 Radcliffe Street

First Federal Bucks County
118 Mill Street

Mechanics National Bank of Burlington
High & Broad Street, Burlington, New Jersey

Philadelphia National Levittown Office
Levittown Shopping Center

Fidelity-Philadelphia Trust Company
Newportville & Falsington Road, Levittown

[fol. 6353] First Federal Bucks County
737 Shopping Center

First Pennsylvania Banking & Trust Company, The
Levittown Parkway & Bristol Pike

Mechanics National Bank of Burlington
Florence, Mansfield Township, New Jersey

Western Saving Fund Society
713-15 Shopping Center

William Penn Savings & Loan Association
Tullytown

Philadelphia National Midway Office
Midway Shopping Center, Levittown

Central Penn National Bank
U.S. #1 & Hulmeville Road, Pendel

Fidelity-Philadelphia Trust Company
Newportville & Falsington Road, Levittown

Philadelphia National Southampton Office
689 Second Street Pike

First Pennsylvania Banking & Trust Co., The
255 East County Line Road, Warminster

Northeast Federal Savings & Loan
Street Road & Cybus Way, Upper Southampton

Philadelphia National Yardley Office
10 South Main Street

First Trenton National Bank, The
Pennington & Olden Street, Ewing, New Jersey

Yardley Savings & Loan Association
95 South Main Street, Yardley

Philadelphia National Chester-Cambridge Office
5th & Market Streets

Delaware County National Bank
4th & Market Streets
15th & West 4th Streets
Radio Park Lane & Middleton Road

[fol. 6354] Fidelity-Philadelphia Trust Company
9th & Engle Streets
5th & Market Streets

First Federal Savings of Chester
23 East 5th Street, Chester

Philadelphia National Madison Street Office
11th & Madison Streets

See banks and financial institutions listed under Chester-Cambridge Office of Philadelphia National Bank.

also: Fidelity-Philadelphia Trust Company
McDade Boulevard & Fairview Road

Philadelphia National Marcus Hook Office
10th & Market Streets

Fidelity-Philadelphia Trust Company
10th & Market Streets, Marcus Hook
9th & Engle Streets, Chester

Philadelphia National Ardmore Office
75 St. James Place, Suburban Square

Bryn Mawr Trust Company
Bryn Mawr & Lancaster Avenues
Station Road & Lancaster Avenue

First Pennsylvania Banking & Trust Co., The
Pennsylvania Railroad Station—Inbound
East Lancaster Road

Girard Trust Corn Exchange Bank
Haverford Avenue & Essex Road, Narberth
18 East Wynnewood Road, Wynnewood

Lower Merion Federal Savings
44 East Lancaster Avenue

Philadelphia Saving Fund Society
46 St. Georges Road, Ardmore

Philadelphia National Conshohocken Office
5th & Fayette Streets

Conshohocken Federal Savings
Fayette Street at Second Avenue
Ridge & Butler Pikes, Plymouth Meeting

First Pennsylvania Banking & Trust Co., The
Ridge & Butler Pikes, Plymouth Meeting

[fol. 6355] Philadelphia National Hatboro Office
South York Road

Bank of Old York Road
Willow Grove

Doylestown National Bank & Trust Company
Street & York Roads, Warminster

First Pennsylvania Banking & Trust Co., The
255 East County Line Road, Warminister

Hatboro Federal Savings & Loan
221 South York Road

Willow Grove Federal Savings & Loan
81 North Old York Road

Philadelphia National Lansdale Office
West Main Street

Bank of Old York Road
Route 463 & Bethlehem Pike

First Federal Savings of Lansdale
412 West Main Street, Lansdale

Montgomery County Bank & Trust Company
501 North Broad Street
114 North Main Street, North Wales

Peoples of North Wales Federal Savings & Loan
115 South Main Street

Philadelphia National Montgomery Office
110 West Main Street, Norristown

Bridgeport National Bank
Swedesford Road

Montgomery County Bank & Trust Company
Main & Swede Streets
510 West Marshall Street
Main & Hill Streets
Markley & Johnson Streets
Valley Forge Shopping Center, King of Prussia

Norristown Federal Savings
104 West Main Street

[fol. 6356] Peoples National Bank of Norristown
Main & Swede Streets
Egypt Road & Ridge Pike Jeffersonville

Western Saving Fund Society
Valley Forge Shopping Center, King of Prussia

Philadelphia National Ridley Office
Kedron Avenue & McDade Boulevard

Broad Street Trust Company
7 Kedron Avenue, Morton
1006 Lincoln Avenue, Prospect Park
Chester Pike & Amosland Road, Norwood

Delaware County National Bank
1444 Chester Pike, Sharon Hill

Fidelity-Philadelphia Trust Company
McDade & Fairview, Ridley Township
Swarthmore & Hinckley Avenues, Ridley Park

First Pennsylvania Banking & Trust Co., The
McDade & Ashland Avenue, Blenolden

Provident Tradesmens Bank & Trust Company
Chester Road & Rutgers Avenue, Swarthmore

Philadelphia National Citizens Office
401 High Street, Pottstown

First Federal Savings of Pottstown
High & Hanover Streets

Montgomery County Bank & Trust Company
205 High Street
West High Street, Stowe
High & Wilson Streets

Security Trust Company of Pottstown
High & Hanover Streets
930 North Charlott Street

Philadelphia National
Route 363 & Ridge Pike, Lower Providence Office

Peoples National Bank of Norristown
Egypt Road & Ridge Pike, Jeffersonville

R. C. Allen, R. W. Maletz, 6/13/61.

[fol. 6357] DEFENDANTS' EXHIBIT 12-A

Addendum to Defendants' Exhibit D-12

Page 5 Under "Philadelphia National 3131 Market Street Office" add: "Girard Trust Corn Exchange Bank, Suburban Station"

Page 6 Under "Philadelphia National Upper Darby Office," add to the offices of Girard Trust Corn Exchange Bank: "712 Church Lane, Yeadon"

Page 7 Under "Philadelphia National Erie Office" add: "Girard Trust Corn Exchange Bank, Torresdale Ave. and Orthodox Street"

Page 8 Under "Philadelphia National Fairhill Office" add: "Girard Trust Corn Exchange Bank, 2721 Germantown Avenue"

[fol. 6358] DEFENDANTS' EXHIBIT 13

Girard Trust Corn Exchange Bank

List of each of its offices, giving each office of a competing institution located within a radius of one mile for each Girard city office and within a radius of two miles for each Girard suburban office.

[fol. 6359] GIRARD TRUST CORN EXCHANGE BANK
Philadelphia, Pa.

Girard Trust Corn Exchange Main Office
Broad & Chestnut Streets

Main Office of all Major Philadelphia Commercial Banks

Broad Street Trust Company
336 Market Street
8th & Christian

Central Penn National Bank
1716 Arch Street
21 South 12th Street
7 & Chestnut Streets

Citizens & Southern Bank & Trust Co
20th & Chestnut Streets

Fidelity-Philadelphia Trust Company
5th & Chestnut Streets
18th & Walnut Streets
251 South 24th Street

First Camden National Bank
3rd & Market Streets

First Pennsylvania Banking & Trust Co., The
S.W. Cor. 15th & Chestnut Streets
Reading Terminal
6th & Chestnut Streets
315 Chestnut Street
5th & Bainbridge Streets
17th & Pennsylvania Boulevard

Industrial Trust Company
1518 Walnut Street
1015 Chestnut Street

Liberty Real Estate Bank & Trust Co.
15th & Sansom Streets

Philadelphia National Bank, The
421 Chestnut Street
9th & Chestnut Streets
Three Penn Center Plaza

[fol. 6360] Provident Tradesmens Bank & Trust Co.
17th & Chestnut Streets
12th & Chestnut Streets
4th & Chestnut Streets
Juniper & Market Streets

Main Office of all Philadelphia Mutual Savings Banks (except Germantown Mutual Savings Fund)

Beneficial Mutual Savings Bank
33 South 16th Street

Philadelphia Saving Fund Society
7th & Walnut Streets
15th & Market Streets

Western Saving Fund Society
Suburban Station

James W. Baird Savings & Loan
32 South 18th Street

Benjamin Franklin Federal Savings & Loan
1624 Chestnut Street

Cayuga Federal Savings & Loan
13th & Sansom Streets

Continental Savings & Loan
112 South 19th Street

Colonial Federal Savings & Loan
1326 Walnut Street

Edmunds-Bouvier Savings & Loan
1829 Chestnut Street

First Federal Savings and Loan of Philadelphia
424 South 4th Street

First Federal Savings of Philadelphia
16th & Pennsylvania Boulevard

Italian Merchants Savings & Loan
1022 Catherine Street

Liberty Federal Savings & Loan
202 North Broad Street

Mid-City Federal Savings & Loan
15th & Locust Streets

[fol. 6361] Penn Federal Savings & Loan
1627 Walnut Street

Philadelphia Federal Savings & Loan
1619 Chestnut Street

Prudential Federal Savings & Loan Association
2015 Chestnut Street

Public Federal Savings & Loan Association
7th & Chestnut Streets

Quaker City Federal Savings & Loan
35 South 16th Street

Second Federal Savings & Loan
1727 Chestnut Street

Stephen Girard Savings & Loan
N. W. Cor. Juniper & Walnut Streets

Walnut Street Federal Savings & Loan
1705 Walnut Street

Girard Trust Corn Exchange Downtown Office
Second & Chestnut Streets

Broad Street Trust Co.
336 Market Street
8th & Christian

Central Penn National Bank
2nd & Pine Streets
7th & Chestnut Streets
21 South 12th Street

Fidelity-Philadelphia Trust Co.
5th & Chestnut Streets

First Camden National Bank & Trust Co.
3 Market Street

First Federal Savings & Loan of South Philadelphia
424 South 4th Street

First Pennsylvania Banking & Trust Co., The
6th & Chestnut Streets
Reading Terminal
315 Chestnut Street
5th & Bainbridge Streets

Industrial Trust Company
1015 Chestnut Street

Marian Bank
4th & Fairmount

[fol. 6362] Philadelphia National Bank
421 Chestnut Street
9th & Chestnut Streets

Philadelphia Saving Fund Society
7th & Walnut Streets
12th & Market Streets

Public Federal Savings & Loan
7th & Chestnut Streets

Provident Tradesmens Bank & Trust Co.
4th & Chestnut Streets
6th & Spring Garden Streets
12th & Chestnut Streets

Girard Trust Corn Exchange Bank Arch Street Office
Third & Arch Streets

Broad Street Trust Company
336 Market Street

Central Penn National Bank
2nd & Pine Streets
7th & Chestnut Streets
21 South 12th Streets

Fidelity-Philadelphia Trust Company
5th & Chestnut Streets

First Camden National Bank & Trust Co.
3 Market Street

First Federal Savings & Loan of South Philadelphia
424 South 4th Street

First Pennsylvania Banking & Trust Co., The
6th & Chestnut Streets
Reading Terminal
5th & Bainbridge Streets
315 Chestnut Street

Industrial Trust Company
1015 Chestnut Street

Marian Bank
4th & Fairmount Streets

Philadelphia National Bank
421 Chestnut Street
9th & Chestnut Streets

[fol. 6383] Philadelphia Saving Fund Society
7th & Walnut Streets
12th & Market Streets

Provident Tradesmens Bank & Trust Co.
4th & Chestnut Streets
6th & Spring Garden Streets
Juniper & Market Streets

Public Federal Savings & Loan
7th & Chestnut Streets

Girard Trust Corn Exchange Boulevard Office
Roosevelt Boulevard & Comly Road

None.

Girard Trust Corn Exchange Bridesburg Office
Kirkbride, Ash & Thompson Streets

Eastern Federal Saving & Loan
2601 Orthodox Street

First Pennsylvania Banking & Trust Co., The
Tulip & Harbison Avenue

Girard Trust Corn Exchange Burholme Office
Rising Sun & Cottman Avenues

Cheltenham Federal Savings & Loan
6425 Rising Sun Avenue

Cheltenham National Bank
500 Central Avenue, Cheltenham

Corona Savings & Loan
Cottman Avenue & Oakley Street

Fox Chase Federal Savings & Loan
Rhawn Street at Pine Road

Second National Bank
Rising Sun & Martins Mill Road

Girard Trust Corn Exchange Frankford Office
4700 Frankford Avenue

First Pennsylvania Banking & Trust Co., The
Harbison & Tulip Streets

[fol. 6364] Frankford Trust Company
Unity & Frankford Avenue

Germantown Saving Fund Society
5135 Frankford Avenue

Home Unity Savings & Loan
4806 Frankford Avenue

Liberty Real Estate Bank & Trust Co.
Frankford Avenue & Pratt Street

Second National Bank
4356 Frankford Avenue

Third Federal Savings & Loan
4625 Frankford Avenue

Western Savings Fund Society
4643 Frankford Avenue

City Savings & Loan Association
1531 Pratt Street

Girard Trust Corn Exchange Germantown Office
5500 Germantown Avenue

First Pennsylvania Banking & Trust Co., The
16 West Chelten Avenue
Chelten & Wayne Avenues

Germantown Federal Savings & Loan
128 West Chelten Avenue

Germantown Saving Fund Society
Germantown Avenue & School House Lane

Hamilton Savings & Loan
5434 Germantown Avenue

Intercounty Savings & Loan
60 West Chelten Avenue

Keystone Savings & Loan
5024 Wayne Avenue

Liberty Real Estate Bank & Trust Co.
Germantown Avenue & School House Lane

[fol. 6365] Provident Tradesmens Bank & Trust Co.
150-54 Chelten Avenue

Reliance Federal Savings & Loan
5519 Germantown Avenue

Girard Trust Corn Exchange Germantown & Lehigh Office
2721-27 Germantown Avenue

Central Penn National Bank
Broad Street & Glenwood Avenue

East Girard Savings & Loan
1500 East Susquehanna Avenue

First Pennsylvania Banking & Trust Co.
1006 Lehigh Avenue

Front & Huntingdon Savings & Loan
Front & Huntingdon Streets

Home Unity Savings & Loan Association
2513 Germantown Avenue

North East Federal Savings & Loan
1841 East Allegheny Avenue

North Phila. Federal Savings & Loan
1019 West Lehigh Avenue

Philadelphia National Bank
7th & Dauphin Streets
Front & Allegheny Avenue

Philadelphia Saving Fund Society
11th & Lehigh Avenue

Philadelphia Suburban Federal Savings & Loan
3310 North Broad Street

John B. Stetson Savings & Loan
1854 Germantown Avenue

Western Saving Fund Society
Germantown Avenue & Venango Street
Front & York Streets

[fol. 6366] Girard Trust Corn Exchange Mayfair Office
4010 East Cottman Street

Bell Savings & Loan Association
4014 Cottman Street

Clearfield Federal Savings & Loan Association
7149 Frankford Avenue

First Pennsylvania Banking & Trust Co., The
8001 Frankford Avenue
7157 Frankford Avenue
6936 Torresdale Avenue

Germantown Saving Fund Society
2604 Cottman Street

Holmesburg Savings & Loan
7915 Frankford Avenue

Philadelphia Saving Fund Society
Frankford Avenue & Teesdale Street

Girard Trust Corn Exchange North Philadelphia Office
3711-15 Germantown Avenue

Abraham Lincoln Savings & Loan
1414 West Erie Avenue

Central Penn National Bank
Broad & Glenwood Streets

Community Federal Savings & Loan
3626 North Broad Street

First Pennsylvania Banking & Trust Co.
6th & Erie Avenue

Forward Savings & Loan
6th & Erie Avenue

Philadelphia Suburban Federal Savings & Loan
3310 North Broad Street

Provident Tradesmens Banking & Trust Co.
3701 North Broad Street

Second National Bank
3314 Germantown Avenue

Western Saving Fund Society
Germantown Avenue & Venango Street

[fol. 6367] Girard Trust Corn Exchange Orthodox Office
N.W.Cor. Orthodox & Torresdale Avenues

City Savings & Loan
1531 Pratt Street

Eastern Federal Savings
2601 Orthodox Street

First Pennsylvania Banking & Trust Co.
Tulip Street & Harbison Avenue

Frankford Trust Company
Unity Street & Frankford Avenue

Liberty Real Estate Bank & Trust Co.
Frankford Avenue & Pratt Street

Second National Bank
4356 Frankford Avenue

Third Federal Savings & Loan
4625 Frankford Avenue

Western Saving Fund Society
Germantown Avenue & Venango Street

Girard Trust Corn Exchange Sixty-Third Street Office
427-35 North 63rd Street

Bell Savings & Loan Association
6940 Market Street, Upper Darby

Central Penn National Bank
62nd & Lancaster Avenue
60th & Lansdowne Avenue

First Pennsylvania Banking & Trust Co., The
18 Garrett Road, Upper Darby

Greater Delaware Valley Savings & Loan
69th & Walnut Streets

Liberty Real Estate Bank & Trust Company
49 South 69th Street, Upper Darby

Philadelphia National Bank, The
6914 Market Street, Upper Darby

West Philadelphia Federal Savings & Loan
5525 Chestnut Street

Western Saving Fund Society
69th & Market Streets, Upper Darby

[fol. 6368] Girard Trust Corn Exchange South Philadelphia Office
23rd, Passyunk & Ritner

Beneficial Mutual Savings
Broad & Snyder Avenue

Central Penn National Bank
Broad & Passyunk Avenue

Fidelity-Philadelphia Trust Company
23rd & Snyder Avenue
21st & Wharton Streets

First Federal Savings & Loan
1332 Point Breeze Avenue

Home Unity Savings & Loan
Broad & Passyunk Avenue

Albert Lawrence Savings & Loan
21st & Wharton

Philadelphia Saving Fund Society
Broad & McKean Streets

Savings & Loan Association of South Philadelphia
2101 South 19th Street

Burton C. Simon Savings & Loan
2009 West Passyunk Avenue

Girard Trust Corn Exchange Spring Garden Street Office
N.W.Cor. 12th Street, Ridge Avenue and Spring Garden Street

All Main Offices of Major Philadelphia Commercial Banks
Beneficial Mutual Savings
33 South 16th Street

Broad Street Trust Company
Broad & Fairmount Avenue
Broad & Thompson

Cayuga Federal Savings & Loan Association
13th & Sansom Streets

Central Penn National Bank
17th & Arch Streets
21 South 12th Street

Colonial Federal Savings & Loan
1326 Walnut Street

First Federal Savings & Loan
16th & Pennsylvania Boulevard

[fol. 6369] First Pennsylvania Banking & Trust Co., The
5th & Chestnut Streets
7th & Girard Avenue
S.W.Cor. 15th & Chestnut Streets
Reading Terminal
6th & Chestnut Streets
17th & Pennsylvania Boulevard

Home Unity Savings & Loan
4th & Girard Avenue

Industrial Trust Company
1015 Chestnut Street

Liberty Federal Savings & Loan
202 North Broad Street

Liberty Real Estate Bank & Trust Co.
15th & Sansom Streets

The Marian Bank
4th & Fairmount Avenue

Penn Federal Savings & Loan
1627 Walnut Street

Philadelphia Federal Savings & Loan
1619 Chestnut Street

Philadelphia National Bank, The
9th & Chestnut Streets
Three Penn Center Plaza

Philadelphia Saving Fund Society
12th & Market Streets
15th & Market Streets

Provident Tradesmens Bank & Trust Co.
6th & Spring Garden Streets
17th & Chestnut Streets
12th & Chestnut Streets
Juniper & Market Streets

Public Federal Savings & Loan
7th & Chestnut Streets

Quaker City Federal Savings & Loan
35 South 16th Street

[fol. 6370] Second Federal Savings & Loan
1727 Chestnut Street

Stephen Girard Savings & Loan
Juniper & Walnut Streets

Varsity Building & Loan Association
1622 North Broad Street

Western Savings Fund Society
Suburban Station

Girard Trust Corn Exchange Stenton Avenue Office
7169 Stenton Avenue

First Pennsylvania Banking & Trust Co.
6740 Germantown Avenue

Germantown Saving Fund Society
Wister & Chelten

Liberty Federal Savings & Loan
Stenton Avenue & Duval Street

Girard Trust Corn Exchange Suburban Station Office
17th Street at Pennsylvania Boulevard

See banks and financial institutions listed under Girard's Main Office location at Broad & Chestnut Streets.

Girard Trust Corn Exchange Twenty-Second Street Office
2942 North 22nd Street

Central Penn National Bank
Broad & Glenwood Streets

East Girard Savings & Loan
1500 East Susquehanna Avenue

First Pennsylvania Banking & Trust Co., The
1006 Lehigh Avenue

North Philadelphia Federal Savings
1019 West Lehigh Avenue

Philadelphia Saving Fund Society
11th & Lehigh Avenue

Philadelphia Suburban Federal Savings
3310 North Broad Street

[fol. 6371] Second National Bank
3314 Germantown Avenue

Western Saving Fund Society
Germantown Avenue & Venango Street

Girard Trust Corn Exchange West Oak Lane Office
7178-81 Ogontz Avenue

Cheltenham National Bank
74th & Cheltenham Avenue

East Girard Savings & Loan Association
7915 Ogontz Avenue

Fidelity-Philadelphia Trust Company
Cheltenham Avenue & Washington Lane

First Pennsylvania Banking & Trust Co., The
2510 Cheltenham Avenue

Germantown Saving Fund Society
Wister & Chelten Avenue

Grand Union Federal Savings & Loan
7501 Ogontz Avenue

Liberty Federal Savings & Loan
Stenton Avenue & Duval Street

Philadelphia Saving Fund Society
53 East Cheltenham Avenue
Cheltenham Shopping Center

Provident Tradesmens Bank & Trust Company
Ogontz & Washington Lane

Girard Trust Corn Exchange West Philadelphia Office
60th & Ludlow Streets

Metropolitan Federal Savings & Loan
5218 Chestnut Street

Philadelphia Saving Fund Society
15 South 52nd Street

Provident Tradesmens Bank & Trust Company
19 South 52nd Street

West Philadelphia Federal Savings & Loan
5225 Chestnut Street

Western Saving Fund Society
4 South 52nd Street

[fol. 6372] Girard Trust Corn Exchange Wissinoming Office
Torresdale Avenue & Howell Street

Fidelity Federal Savings & Loan Association
6958 Torresdale Avenue

First Pennsylvania Banking & Trust Co., The
6836 Torresdale Avenue
Tulip Street & Harbison Avenue

Girard Trust Corn Exchange Upper Darby Office PTC Terminal Office Drive-In Office

6910 Market Street PTC Terminal Building Glendale Road & Ludlow Street

Bell Savings & Loan Association
6930 Market Street
7578 Haverford Avenue

Beneficial Savings & Loan
7622 City Line Center

Broad Street Trust Company
7508 Haverford Avenue

Central Penn National Bank
60th & Lansdowne Avenue
58th & Baltimore Avenue

Fidelity-Philadelphia Trust Company
48 West Marshall Road
Baltimore Pike & Lansdowne Avenue
7636 City Line Avenue

First Pennsylvania Banking & Trust Co., The
18 Garrett Road

Greater Delaware Valley Savings & Loan
69th & Walnut Streets

Liberty Real Estate Bank & Trust Co.
49 South 69th Street

Philadelphia National Bank, The
6914 Market Street

Western Saving Fund Society
6920 Market Street

Girard Trust Corn Exchange Broomall Office
Westchester Pike & Summit Avenue

Beneficial Mutual Savings
Lawrence Park Shopping Center

[fol. 6373] Colonial Federal Savings & Loan
West Chester Pike & Eagle Road

Philadelphia Saving Fund Society
Manoa Shopping Center

Girard Trust Corn Exchange Drexel Hill Office
4221 Ferne Boulevard

Fidelity-Philadelphia Trust Company
Baltimore Avenue & Ogden Street
Lansdowne & Baltimore Pike
48 North Marshall Road
220 West Baltimore Pike

First Pennsylvania Banking & Trust Co., The
West Chester Pike west of City Line Avenue

Lansdowne Federal Savings & Loan
32 South Lansdowne Avenue

Philadelphia Saving Fund Society
Penn Oak
Manoa Shopping Center

Provident Tradesmens Bank & Trust Company
Saxer Avenue & Hart Lane

Springfield Township Federal Savings & Loan
153 Saxer Avenue

Girard Trust Corn Exchange Havertown Office
1625 East Darby Road

Colonial Federal Savings & Loan
West Chester Pike & Eagle Road

First Pennsylvania Banking & Trust Co., The
West Chester Pike west of City Line Avenue

Philadelphia Saving Fund Society
Manoa Shopping Center

Girard Trust Corn Exchange Lawrence Park Office
Lawrence Park Shopping Center

Beneficial Mutual Savings Bank
Lawrence Park Shopping Center

Colonial Federal Savings & Loan
West Chester Pike & Eagle Road

[fol. 6374] First Pennsylvania Banking & Trust Co., The
Sproul & Township Line Roads

Metropolitan Federal Savings & Loan
Pilgrim Gardens Shopping Center

Philadelphia Saving Fund Society
Manoa Shopping Center

Western Saving Fund Society
Springfield Shopping Center

Girard Trust Corn Exchange Manoa Office
Manoa Shopping Center—West Chester Pike and Eagle Road, Havertown

Beneficial Mutual Savings Bank
Lawrence Park Shopping Center

Colonial Federal Savings & Loan
West Chester Pike & Eagle Road

Metropolitan Federal Savings & Loan
Pilgrim Gardens Shopping Center

Philadelphia Saving Fund Society
Manoa Shopping Center

Girard Trust Corn Exchange Newtown Square Office
3533 West Chester Pike, Newton Square

Marple-Newton Federal Savings & Loan
3531 West Chester Pike

Girard Trust Corn Exchange Penn Oak Office
Baltimore Pike & Oak Lane

Broad Street Trust Company
7 Kedron Avenue, Morton

Delaware County National Bank
1444 Chester Pike, Sharon Hill

Fidelity-Philadelphia Trust Company
Baltimore Avenue & Ogden Street, Clifton Heights
Baltimore Avenue & Lansdowne Avenue, Lansdowne
220 West Baltimore Avenue, Clifton Heights
Marshall Road & Lansdowne Avenue, Lansdowne

Glenolden Savings & Loan Association
Glenolden

Morton Savings & Loan Association
Morton

[fol. 6375] Lansdowne Federal Savings & Loan
32 South Lansdowne Avenue

Philadelphia Saving Fund Society
Baltimore Pike & Delmar Road, Upper Darby

Provident Tradesmens Bank & Trust Company
Saxer Avenue & Hart Lane, Springfield

Springfield Township Federal Savings & Loan
153 Saxer Avenue

Girard Trust Corn Exchange Pilgrim Gardens Office
1021 Pontiac Road

First Pennsylvania Banking & Trust Co., The
Sproul & Township Line Roads

Metropolitan Federal Savings
Pilgrim Gardens Shopping Center, Drexel Hill

Philadelphia Saving Fund Society
Manoa Shopping Center

Provident Tradesmens Bank & Trust Company
Saxer Avenue & Hart Lane, Springfield

Western Saving Fund Society
Springfield Shopping Center

Girard Trust Corn Exchange Yeadon Office
712 Church Lane

Beneficial Mutual Savings Bank
6401 Woodland Avenue, Philadelphia

Central Penn National Bank
65th & Woodland Avenue, Philadelphia
58th & Baltimore Avenue, Philadelphia
No 1 Bala Avenue

Delaware County National Bank
9th & Main Streets, Darby

Fidelity-Philadelphia Trust Company
Baltimore Pike & Lansdowne Avenue, Lansdowne
Marshall Road & Lansdowne Avenue, Lansdowne

Greater Delaware Valley Savings & Loan
69th & Walnut Street

Lansdowne Federal Savings & Loan
32 South Lansdowne Avenue

Liberty Real Estate Bank & Trust Company
49 South 69th Street, Upper Darby

[fol. 6376] Girard Trust Corn Exchange Bank Bala-Cynwyd Office

Cayuga Federal Savings & Loan
4700 City Line Avenue

Central Penn National Bank
Belmont & City Line Avenues
62nd & Lancaster Avenue

Fidelity-Philadelphia Trust Company
49 East City Line Avenue

First Pennsylvania Banking & Trust Co., The
2490 North 54th Street
Presidential Apts., City Line Avenue

Industrial Trust Company
140 Montgomery Avenue

West Philadelphia Federal Savings & Loan
5418 City Line Avenue

Girard Trust Corn Exchange Bank, Narberth Office
Haverford & Essex Avenues

Beneficial Mutual Savings Bank
7622 City Line Center

Broad Street Trust Company
7508 Haverford Avenue

Fidelity-Philadelphia Trust Company
7636 City Line Avenue

First Pennsylvania Banking & Trust Co., The
2490 North 54th Street, Philadelphia
7 East Lancaster Road, Ardmore
Inbound Pennsylvania Railroad Station, Ardmore

Industrial Trust Company
140 Montgomery Avenue

Lower Merion Federal Savings & Loan
44 East Lancaster Avenue

Public Federal Savings & Loan
Wynnewood Shopping Center

West Philadelphia Federal Savings & Loan
5418 City Line Avenue

[fol. 6377] Girard Trust Corn Exchange Bank Wynnewood Office
18 East Wynnewood Road

Beneficial Mutual Savings Bank
7622 City Line Center

Broad Street Trust Company
7508 Haverford Avenue

Bryn Mawr Trust Company
Station Road & Lancaster Avenue

Fidelity-Philadelphia Trust Company
7636 City Line Avenue

First Pennsylvania Banking & Trust Co., The
7 East Lancaster Road, Ardmore
Inbound Pennsylvania Railroad Station, Ardmore

Germantown Saving Fund Society
Wynnewood Shopping Center

Industrial Trust Company
140 Montgomery Avenue

Lower Merion Federal Savings & Loan
44 East Lancaster Avenue

Public Federal Savings & Loan
Penn & East Wynnewood Roads

Girard Trust Corn Exchange Ambler Office
Butler Avenue & Spring Garden Street

Ambler Savings & Loan
44 East Butler Avenue

Provident Tradesmens Bank & Trust Company
Butler Avenue & Main Street

Girard Trust Corn Exchange Flourtown Office
Wissahickon Avenue & Bethlehem Pike

Broad Street Trust Company
Germantown Avenue & Gravers Lane

First Pennsylvania Banking & Trust Co., The
8527 Germantown Avenue

Germantown Saving Fund Society
Germantown & Highland Avenue

[fol. 6378] Industrial Trust Company
1620 East Wadsworth Street

Philadelphia Suburban Federal Savings & Loan
Flourtown Shopping Center, Bethlehem Pike

Western Saving Fund Society
Wadsworth & Pickering Streets

Girard Trust Corn Exchange Fort Washington Office
Fort Washington Industrial Park

Philadelphia Suburban Federal Savings & Loan
Flourtown Shopping Center, Bethlehem Pike

R. C. Allen, R. W. Maletz, 6/9/61.

[fol. 6379] DEFENDANTS' EXHIBIT 13-A

Addendum to Defendants' Exhibit D-13

Page 9 Under "Girard Trust Corn Exchange Orthodox Office" add: "Philadelphia National Bank, Erie and Castor Avenues"

Page 12 Under "Girard Trust Corn Exchange Suburban Station Office" add: "Philadelphia National Bank, 3131 Market Street"

Page 14 Under "Girard Trust Corn Exchange Bank Wissinoming Office" add: "Liberty Real Estate Bank and Trust Co., 5119 Frankford Ave."

Page 17 Under "Girard Trust Corn Exchange Yeadon Office" add: "Philadelphia National Bank 6914 Market Street"

Page 18 Under "Girard Trust Corn Exchange Narberth Office: add: "Philadelphia National Bank, 75 St. James Place, Ardmore"

Page 19 Under "Girard Trust Corn Exchange Wynnewood Office" add: "Philadelphia National Bank, 75 St. James Place, Ardmore"

Page 20 Under "Girard Trust Corn Exchange Fort Washington Office" add: "Provident Tradesmens Bank and Trust Company, Butler Avenue and Main Street, Ambler"

Errata

Page 13 Under "Girard Trust Corn Exchange Bank West Oak Lane Office" delete "Philadelphia Saving Fund Society, 53 East Cheltenham Avenue, Cheltenham Shopping Center."

[fol. 6380] DEFENDANTS' EXHIBIT 14

TREASURY DEPARTMENT
Comptroller of the Currency
Washington 25

February 28, 1961.

Mr. Frederic A. Potts, President,
The Philadelphia National Bank,
Philadelphia 1, Pennsylvania.

Re: Proposed consolidation of The Philadelphia National Bank, Philadelphia, Pennsylvania, and Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, under the charter of the former and title "Philadelphia Girard National Bank and Trust Company".

DEAR MR. POTTS:

The Comptroller has considered the proposed consolidation in the light of the statutory factors enumerated in Section 18(c) of the Federal Deposit Insurance Act, as amended by P. L. 86-463, approved May 13, 1960. These factors are the financial history and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act, and the effect of the transaction on competition (including any tendency toward monopoly). After giving careful consideration to the proposed consolidation in the light of each of these factors, the Comptroller has found that the transaction will be in the public interest. Accordingly, on February 24, 1961, he gave his approval to the proposed consolidation on the following conditions:

1. That the consolidation will be consummated in accordance with the provisions of Title 12, U.S.C., Section 215, and in accordance with the provisions outlined in our Standard Form of General Instructions.

2. That any assets acquired by reason of the consolidation which do not conform to legal requirements for national banks will be made to conform or be eliminated within a reasonable period of time after the consolidation becomes effective.

3. That the fixed assets to be acquired by reason of the consolidation will not be set up on the books of the consolidated bank in excess of the present carrying value as shown on the books of the Girard Trust Corn Exchange Bank:

[fol. 6381] Approval is also given to the consolidated bank to continue to operate the present branches of The Philadelphia National Bank and to establish branches at the present location of the head office and the branch locations of the Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania.

In order that our files may be complete, please furnish this office a complete list of all branches now being operated by The Philadelphia National Bank and Girard Trust Corn Exchange Bank, including street numbers (if any) and postal designations with the correct popular name of each branch.

It is noted from the application that approval has been given to the Girard Trust Corn Exchange Bank to establish a branch at the N. E. Corner Comly Road & Roosevelt Bvld., Philadelphia. You are advised that unless this branch is opened for business prior to the effective time of the consolidation, it will be necessary for the consolidated bank to apply to the Comptroller of the Currency for permission to establish a branch at this location.

Please forward to the Comptroller an executed copy of the consolidation agreement including the proposed directors of the consolidated bank prior to the beginning of publication of the shareholders' notice.

Please forward to the Comptroller, as soon as completed, the various papers requested in the General Instructions accompanying this communication.

We have been advised that the Attorney General has filed an action to enjoin this proposed consolidation. We would appreciate being kept informed of the progress of this litigation.

You are reminded that there should be forwarded to this office, as promptly as possible after the effective time of the consolidation, the List of Directors and the Oaths of all Directors of the consolidated bank, as well as a statement of condition of each of the consolidating banks, as shown by its books immediately prior to the effective time of the consolidation; and a statement of condition of the consolidated bank, as shown by its books immediately after the effective time of the consolidation. Blanks for this purpose are enclosed.

Very truly yours, H. S. Haggard, Deputy Comptroller of the Currency.

Enclosures

[fol. 6382]

DEFENDANTS' EXHIBIT 15

Commercial Banks with Head Office Located in Ten County Area by Counties on December 31, 1960

Name of Bank	Assets	Deposits	Loans	Lending Limit
Philadelphia County				
Philadelphia National Bank	$1,183,949,306	$1,049,004,620	$ 532,667,634	$ 8,000,000
First Pennsylvania Banking and Trust Company	1,252,262,166	1,119,481,608	645,335,000	7,704,850
Girard Trust Corn Exchange Bank	791,463,722	698,562,675	402,512,655	6,000,000
Provident Tradesmens Bank and Trust Company	541,823,088	476,194,053	293,322,670	5,000,000
Fidelity-Philadelphia Trust Company	515,511,185	463,732,096	253,340,625	3,750,000
Central-Penn National Bank of Philadelphia	293,309,993	261,300,793	164,669,345	2,139,600
Brown Brothers Harriman (a)	279,413,151	238,466,465	87,750,419	1,888,528
Broad Street Trust Company	160,660,801	144,786,429	103,629,668	1,160,000
Liberty Real Estate Bank and Trust Company	123,455,772	111,109,787	64,688,695	726,000
Finance Company of Pennsylvania (The)	12,815,426	1,371,263	666,734	457,853
Industrial Trust Company	53,540,544	48,175,051	24,018,878	417,500
Frankford Trust Company	57,346,255	51,499,474	27,635,907	330,000
Second National Bank of Philadelphia	40,802,267	36,910,771	20,035,485	300,000
Pennsylvania Warehousing and Deposit Company	4,949,573	2,161,445	1,783,959	150,000
Citizens and Southern Bank and Trust Company	5,210,368	4,706,603	2,373,582	34,500
Sonsitaly Bank and Trust Company	4,832,569	4,455,676	1,705,109	30,000
Marian Bank	1,096,311	999,680	197,013	9,000
Total Philadelphia County (b)	$5,322,442,497	$4,712,918,489	$2,626,333,378	$ 38,097,831

Bucks County				
Bucks County Bank and Trust Co. (Perkasie)	$ 20,799,983	$ 18,406,732	$ 12,033,020	$ 132,000
Doylestown National Bank and Trust Company	18,191,648	16,422,364	9,266,649	125,000
Quakertown National Bank	9,759,279	8,475,706	4,368,835	115,000
Doylestown Trust Company	14,986,883	12,950,814	6,901,692	100,000
First National Bank and Trust Co. (Newtown)	10,475,842	9,150,601	3,124,572	100,000
Morrisville Bank	15,143,538	13,832,332	7,018,335	70,500
Solebury National Bank of New Hope	6,412,369	5,846,759	2,861,329	52,500
First National Bank of Riegelsville	5,717,248	5,078,913	3,072,836	50,000
Chalfont National Bank	4,086,601	3,691,519	1,925,386	25,000
Total Bucks County	$ 105,573,391	$ 93,855,740	$ 50,672,654	$ 770,000

(a) Assets, Deposits, Loans & Lending Limit are for entire Bank.

(b) Does not include Assets, Deposits, Loans and Lending Limit for the First Camden National Bank and Trust Co. which has an office at 223 Market Street, Philadelphia, Pa.

[fol. 6383]

Name of Bank	Assets	Deposits	Loans	Lending Limit
Delaware County				
Delaware County National Bank (Chester)	$ 79,992,356	$ 71,914,869	$ 29,178,183	$ 253,000
Total Delaware County	$ 79,992,356	$ 71,914,869	$ 29,178,183	$ 253,000
Montgomery County				
Montgomery County Bank and Trust Co. (Norristown)	$ 103,318,755	$ 90,676,979	$ 44,237,557	$ 870,000
Bryn Mawr Trust Company	41,308,142	37,100,137	17,830,479	265,000
Peoples National Bank & Trust Co. of Norristown	28,099,222	24,625,992	15,455,419	254,500
Jenkintown Bank and Trust Company	31,034,075	25,955,206	15,315,060	250,000
Union National Bank & Trust Co. (Souderton)	14,912,792	12,962,253	6,827,915	150,000
Cheltenham National Bank	21,454,212	19,850,539	9,020,846	122,150
Security Trust Company of Pottstown	17,494,931	15,750,579	8,654,753	100,000
Bank of Old York Road (Willow Grove)	15,210,358	13,924,753	7,524,726	90,000
Bridgeport National Bank	10,200,581	9,040,176	4,284,792	70,000
National Bank of Royersford	5,528,662	4,705,391	1,582,394	65,000
Harleysville National Bank and Trust Co.	6,075,656	5,442,399	2,484,457	52,500
National Bank & Trust Co. of Schwenksville	5,181,398	4,389,682	2,775,802	50,000
Peoples National Bank of Souderton	4,738,314	4,315,302	2,532,523	35,000
Elkins Park National Bank	3,850,843	3,591,864	1,256,062	21,000
Total Montgomery County	$ 308,407,941	$ 272,331,252	$ 139,772,785	$ 2,395,210

[fol. 6384]

Name of Bank	Assets	Deposits	Loans	Lending Limit
Chester County				
Nat'l Bk. of Chester Co. & Trust Co. (West Chester)	$ 23,851,304	$ 20,828,458	$ 9,874,243	$ 180,000
First National Bank of West Chester (The)	20,032,588	17,989,329	7,603,019	160,000
National Bank of Chester Valley (Coatesville)	15,565,311	13,792,388	6,651,522	140,000
National Bank of Coatesville	17,556,230	15,750,799	8,234,859	125,000
Upper Main Line Bank (Berwyn)	18,299,544	15,845,951	9,169,797	115,000
Downington National Bank (The)	11,504,198	10,118,945	5,462,513	100,000
Farmers & Mechanics Nat'l Bank of Phoenixville	17,295,122	15,945,843	6,700,483	100,000
National Bank and Trust Co. of Kennett Square	12,745,678	11,530,506	6,945,319	85,000
National Bank & Trust Co. of Spring City (The) Est.	8,200,000	7,200,000	2,800,000	75,000
National Bank of Avondale (The)	7,189,843	6,383,668	3,868,829	55,000
National Bank of Malvern (The)	4,965,644	4,320,287	2,489,399	50,000
National Bank of Oxford (The)	6,901,498	6,171,813	2,563,647	50,000
Phoenixville Trust Company	6,689,193	5,950,177	3,151,775	50,000
Elverson National Bank (The)	6,060,305	5,506,302	2,995,210	40,000
Peoples Bank of Oxford	5,163,126	4,504,658	1,991,855	35,000
Farmers Bank of Parkesburg	3,452,566	3,095,720	1,300,619	30,000
First National Bank of Honey Brook (The)	4,088,635	3,648,233	2,297,448	30,000
National Bank and Trust Co. of West Grove	4,617,324	4,087,792	2,442,602	30,000
Atglen National Bank	2,179,865	1,913,503	1,089,185	15,000
Total Chester County	$ 196,357,974	$ 174,584,372	$ 87,632,324	$ 1,465,000

Name of Bank	Assets	Deposits	Loans	Lending Limit
Burlington County				
Mechanics National Bank of Burlington	$ 19,234,243	$ 17,354,034	$ 9,648,681	$ 165,000
Burlington County Trust Company (Moorestown)	26,322,222	24,023,950	9,888,739	138,360
Union National Bank & Trust Company at Mt. Holly	16,624,656	15,044,437	5,229,883	130,000
Bank of Levittown (The)	5,160,650	4,319,091	2,715,786	65,000
Burlington County National Bank of Medford (The)	9,006,595	8,258,034	3,866,012	65,000
Cinnaminson Bank & Trust Company (Riverton)	11,173,708	10,126,204	4,971,101	65,000
Riverside Trust Company	8,129,367	7,246,045	3,302,068	65,000
First National Bank of Riverside	7,831,027	7,148,129	2,921,319	62,500
Bordentown Banking Company	9,509,585	8,640,022	4,213,998	60,000
Burlington Bank & Trust Company	9,286,452	8,407,775	3,832,970	60,000
Peoples National Bank of Pemberton (The)	9,027,771	8,404,359	2,209,064	45,000
First National Bank & Trust Company of Beverly	5,408,576	4,774,603	2,918,685	40,000
Farmers Trust Company (Mt. Holly) (The)	5,919,813	5,413,177	1,843,677	35,000
First National Bank of Bordentown	5,426,496	4,964,105	2,504,715	35,000
First National Bank of Marlton	5,031,177	4,654,393	2,149,004	32,500
Burlington County				
First National Bank & Trust Company of Roebling	$ 5,509,876	$ 5,026,667	$ 2,299,913	$ 30,000
First National Bank of Vincentown (The)	2,930,831	2,568,323	981,510	20,000
Total Burlington County	$ 161,533,045	$ 146,373,348	$ 65,497,125	$ 1,113,360
Camden County				
Camden Trust Company	$ 184,468,008	$ 170,652,937	$ 106,878,893	$ 1,031,532
First Camden National Bank & Trust Company	139,845,854	124,660,231	72,492,270	750,000
Haddonfield National Bank	24,942,850	23,136,266	9,763,506	110,000
Peoples National Bank of Laurel Springs	12,210,248	11,181,197	5,836,733	63,000
Audubon National Bank	11,868,157	10,856,497	4,648,555	60,000
Merchantville National Bank & Trust Company	14,217,219	13,161,206	4,229,893	60,000
Third National Bank of Camden (The)	9,130,285	8,306,831	3,067,352	60,000
First National Bank of Collingswood (W. Collingswood)	8,797,071	7,928,435	3,794,733	50,000
Atco National Bank (The)	5,490,817	5,111,775	1,613,564	30,000
Total Camden County	$ 410,970,509	$ 374,995,375	$ 212,325,499	$ 2,214,532

Gloucester County				
First County National Bank & Trust Co. of Woodbury	$ 20,645,975	$ 18,545,711	$ 10,689,909	$ 168,000
Farmers & Mechanics National Bank (Woodbury)	13,213,414	12,019,945	6,856,980	100,000
Pitman National Bank and Trust Company	9,653,299	8,732,830	2,911,329	85,000
National Bank of Mantua	8,871,013	8,081,276	4,753,234	76,000
First National Bank of Westville (The)	10,137,736	9,281,154	4,209,754	70,000
First National Bank of Glassboro (The)	8,146,488	7,333,142	2,533,553	60,000
First National Bank & Trust Company of Paulsboro	11,645,188	10,616,291	4,204,731	50,000
Swedesboro Trust Company	5,607,116	5,067,925	1,834,104	50,000
Clayton National Bank (The)	5,891,306	5,261,108	2,425,055	46,000
First National Bank of Williamstown (The)	5,077,565	4,543,822	2,346,210	32,500
Pitman Title and Trust Company	4,684,309	4,287,177	1,743,846	27,500
Farmers National Bank of Mullica Hill (The)	2,487,035	2,133,915	1,316,441	25,000
First National Bank of Newfield (The)	3,301,836	2,971,675	1,082,295	15,000
Toutal Gloucester County	$ 109,362,280	$ 98,875,971	$ 46,907,441	$ 805,000

[fol. 6386]

Name of Bank	Assets	Deposits	Loans	Lending Limit
Mercer County				
First Trenton National Bank	$ 186,470,405	$ 166,888,329	$ 64,828,314	$ 1,000,000
Trenton Trust Company	106,107,550	98,634,519	50,248,204	500,818
Princeton Bank and Trust Company	38,719,558	34,516,143	14,638,086	210,000
Broad Street National Bank of Trenton	45,813,667	42,586,657	19,592,299	200,000
First National Bank of Princeton	39,303,676	36,427,126	16,166,766	160,000
Security National Bank of Trenton	20,220,754	18,440,080	9,896,489	120,000
First National Bank of Hamilton Square	10,745,440	9,661,345	4,834,788	65,000
First National Bank of Hightstown	11,574,178	10,447,377	4,883,176	60,000
Yardville National Bank	7,089,643	6,089,485	3,578,039	51,000
Hightstown Trust Company	9,002,605	7,535,042	4,070,184	50,000
Total Mercer County	$ 475,047,476	$ 431,226,103	$ 192,676,345	$ 2,416,818
New Castle County				
Wilmington Trust Company	$ 373,445,684	$ 335,234,855	$ 143,389,735	$ 3,020,250
Bank of Delaware (Wilmington)	174,735,377	149,095,473	88,903,763	2,000,000
Farmers Bank of the State of Delaware (a)	113,864,369	101,708,447	62,097,865	800,000
Delaware Trust Company (Wilmington	80,293,299	73,163,061	34,815,775	400,000
Peoples Bank and Trust Company (Wilmington)	10,245,323	8,437,952	4,065,567	81,376
Colonial Trust Company (Wilmington)	6,384,114	5,728,629	2,940,242	56,000
Commercial Trust Company (Wilmington)	4,048,364	3,240,253	2,037,125	50,000
Townsend Trust Company	516,692	445,816	307,048	5,000
Total New Castle County	$ 763,533,222	$ 677,054,486	$ 338,557,120	$ 6,412,626
Grand Total	$7,933,220,691	$7,05[illegible],130,005	$3,789,552,854	$ 55,943,377

(a) Main Office located in Dover, Kent County; there are 7 branch offices located in New Castle County.

Source: Polk's Bank Directory 133rd Edition dated March 1961.

6/21/61

[fol. 6387] DEFENDANT'S EXHIBIT 16

Alternative Sources of Credit from Commercial Banks Located in Delaware Valley

Number of Commercial Banks Authorized to Make Loans Within Limits Stated After PNB-Girard Merger

Loans	Number of Commercial Banks		
	Phila. County*	4 Counties	10 Counties
Below $10,000	17	41	116
Up to $25,000	16	39	110
Up to $50,000	14	35	90
Up to $100,000	14	27	51
Up to $250,000	13	18	25
Up to $500,000	9	10	16
Up to $1,000,000	7	7	11
Up to $2,500,000	4	4	5
Up to $5,000,000	3	3	3
Up to $7,000,000	2	2	2
Up to $8,000,000	1	1	1
Up to $15,000,000	1	1	1

* Including First Camden National Bank and Trust Company, with office in Philadelphia.

Source: See Defendants' Exhibit No. 15.

[fol. 6388] DEFENDANT'S EXHIBIT 17

Number of PNB Loans to Customers Located Within the 4-County Area, Distributed by Size and Type of Loan

Size of Loan	Type of Loan				
	Commercial and Industrial	Consumer Installment	Real Estate	All Other	Total
Under $10,000	1,200	52,200	2,330	2,364	58,094
$10,000–24,999	189	—	723	373	1,285
$25,000–49,999	189	—	104	373	666
$50,000–99,999	146	—	53	52	251
$100,000–249,999	120	—	18	40	178
$250,000–499,999	59	—	4	5	68
$500,000–999,999	34	—	—	4	38
$1,000,000–2,499,999	23	—	2	3	28
$2,500,000–4,999,999	11	—	1	1	13
$5,000,000–6,999,999	1	—	—	—	1
$7,000,000–7,999,999	—	—	—	—	—
$8,000,000 and over	—	—	—	—	—
	1,972	52,200	3,235	3,215	60,622

Sources: PNB records.

For all loans $50,000 and over, and for commercial and industrial loans under $50,000, the data are based on an actual count as of September 21, 1960. The breakdown of commercial and industrial loans under $50,000 into the three categories indicated is based on an analysis of samples furnished to the Justice Department.

For consumer installment, real estate and all other loans under $50,000 the data are as of May 23, 1961, and the distribution by size groups is based on an analysis of samples furnished to the Justice Department.

[fol. 6389] DEFENDANTS' EXHIBIT 18

Comparison of Relative Growth of Deposits of Banks in the Delaware Valley with Deposit Growth of the Philadelphia National Bank and Girard Trust Corn Exchange Bank, 1951-1960

The following graphs portray the percentage growth of deposits, during the period from December 31, 1951 to December 31, 1960, of all commercial banks having their main offices in each of the 10 counties which comprise the Delaware Valley area, together with Farmers Bank of the State of Delaware, which has seven branch offices in New Castle County, although its main office is in Kent County. For purposes of comparison, each county graph sets forth the deposit growth of The Philadelphia National Bank and Girard Trust Corn Exchange Bank, although the main offices of these two banks are in Philadelphia County.

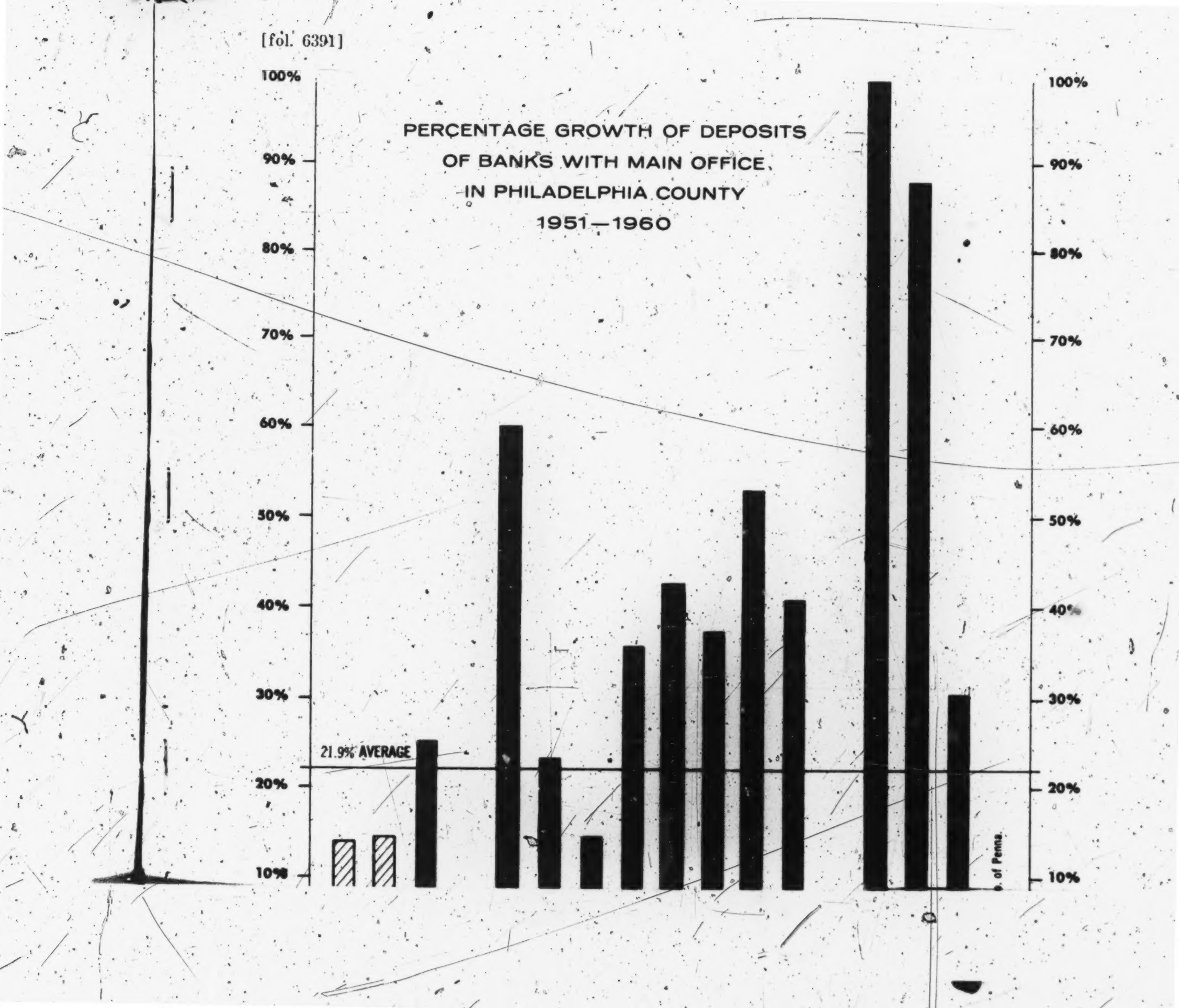
With respect to the Philadelphia County graph, the indicated growth for Brown Brothers, Harriman and Company includes deposits in the Boston, New York and Chicago offices of this bank, since data for the Philadelphia office alone were not available. The First Camden Bank and Trust Company, which also has an office in Philadelphia, is represented only on the graph for Camden County, where its main office is located.

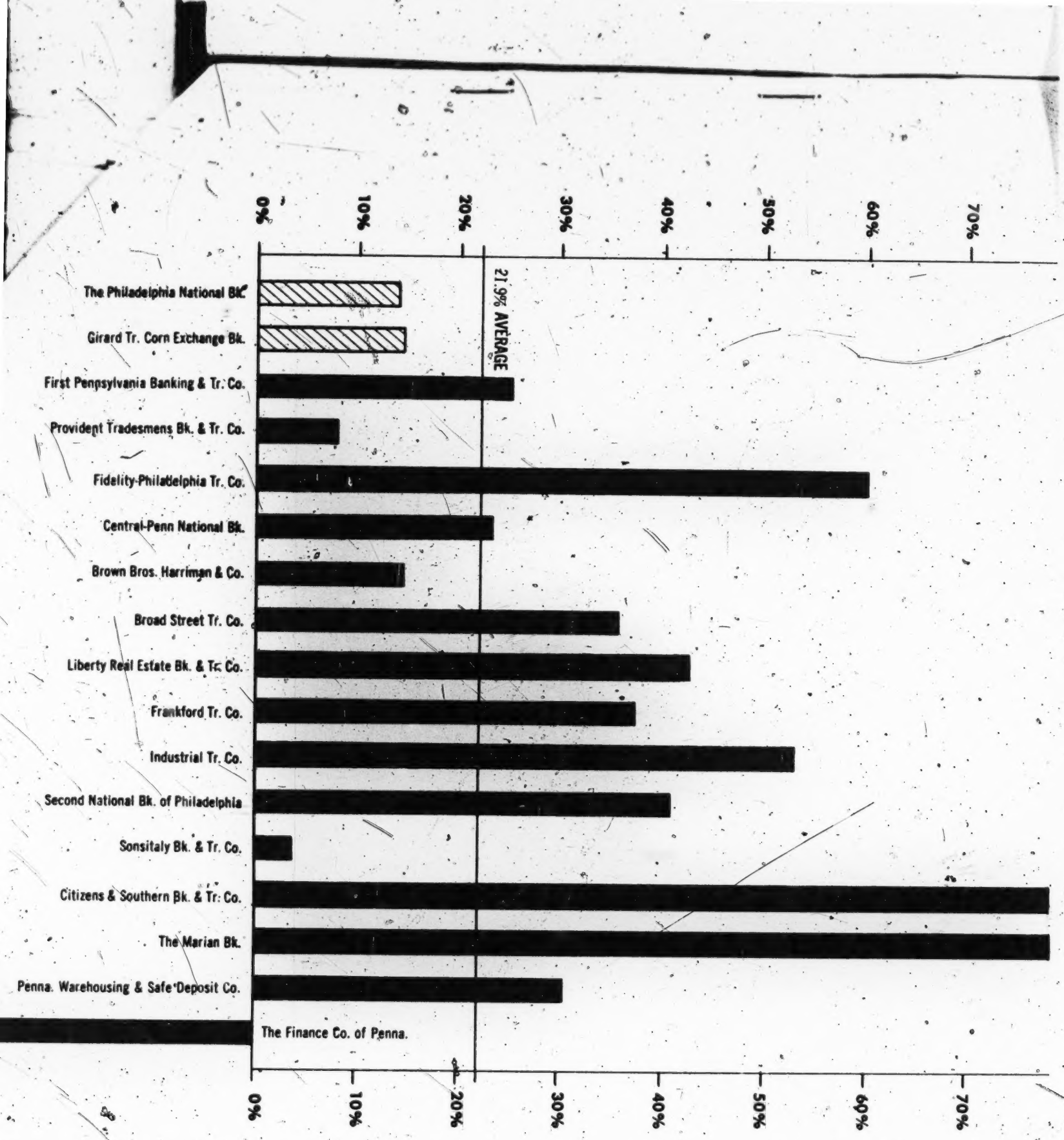
[fol. 6390] Three banks represented on the graphs, The Bank of Old York Road, The Bank of Levittown and The People's Bank Trust Company of Wilmington, were chartered after December 31, 1951. With respect to each of these banks, the base date for the growth indicated is the end of the year in which it was chartered.

In the case of banks which merged with other banks during the 1951-1960 period, the growth represented for the present bank is based upon the combined deposits of each of its constituent banks at December 31, 1951.

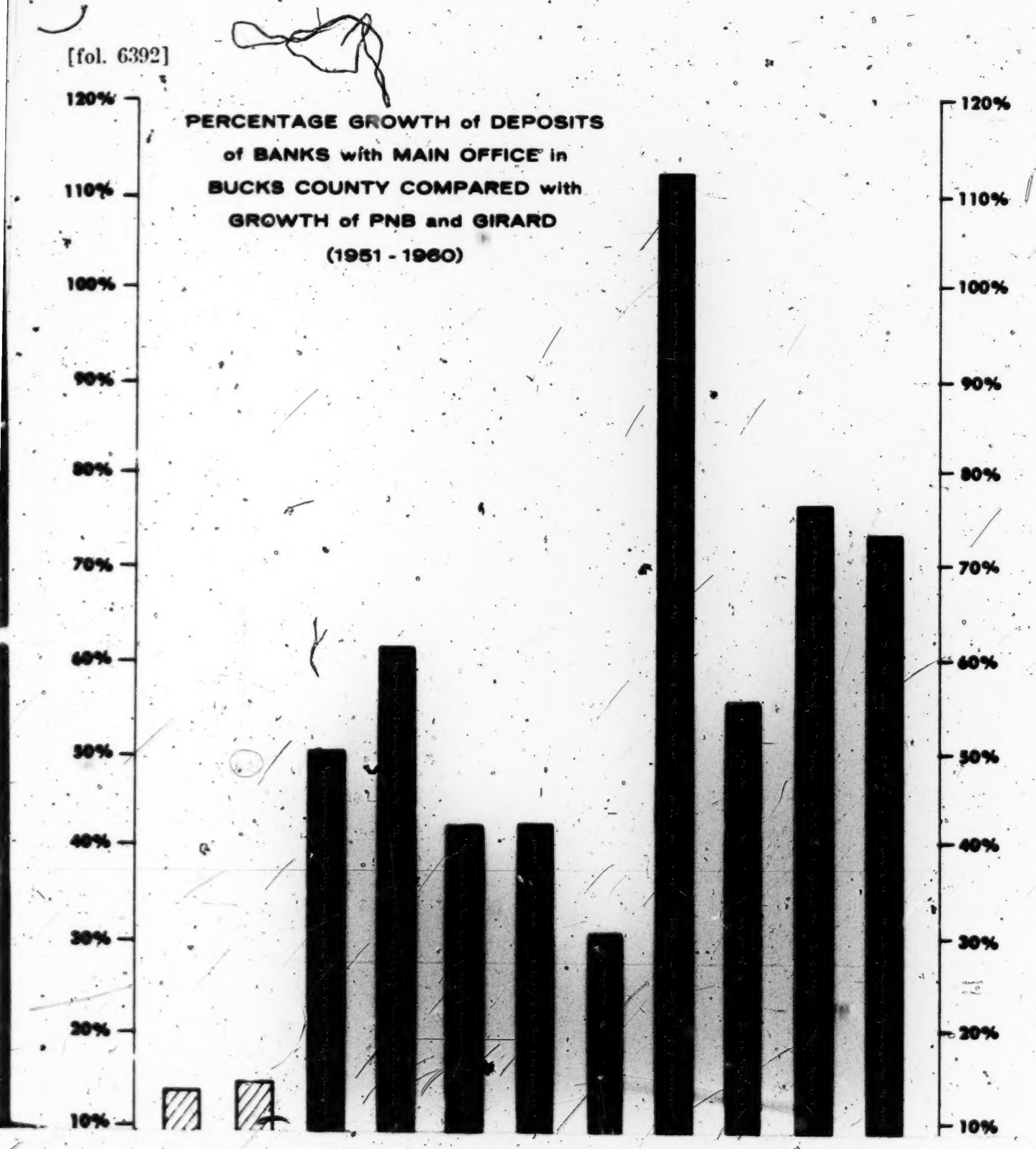
Source; Polk's Directory

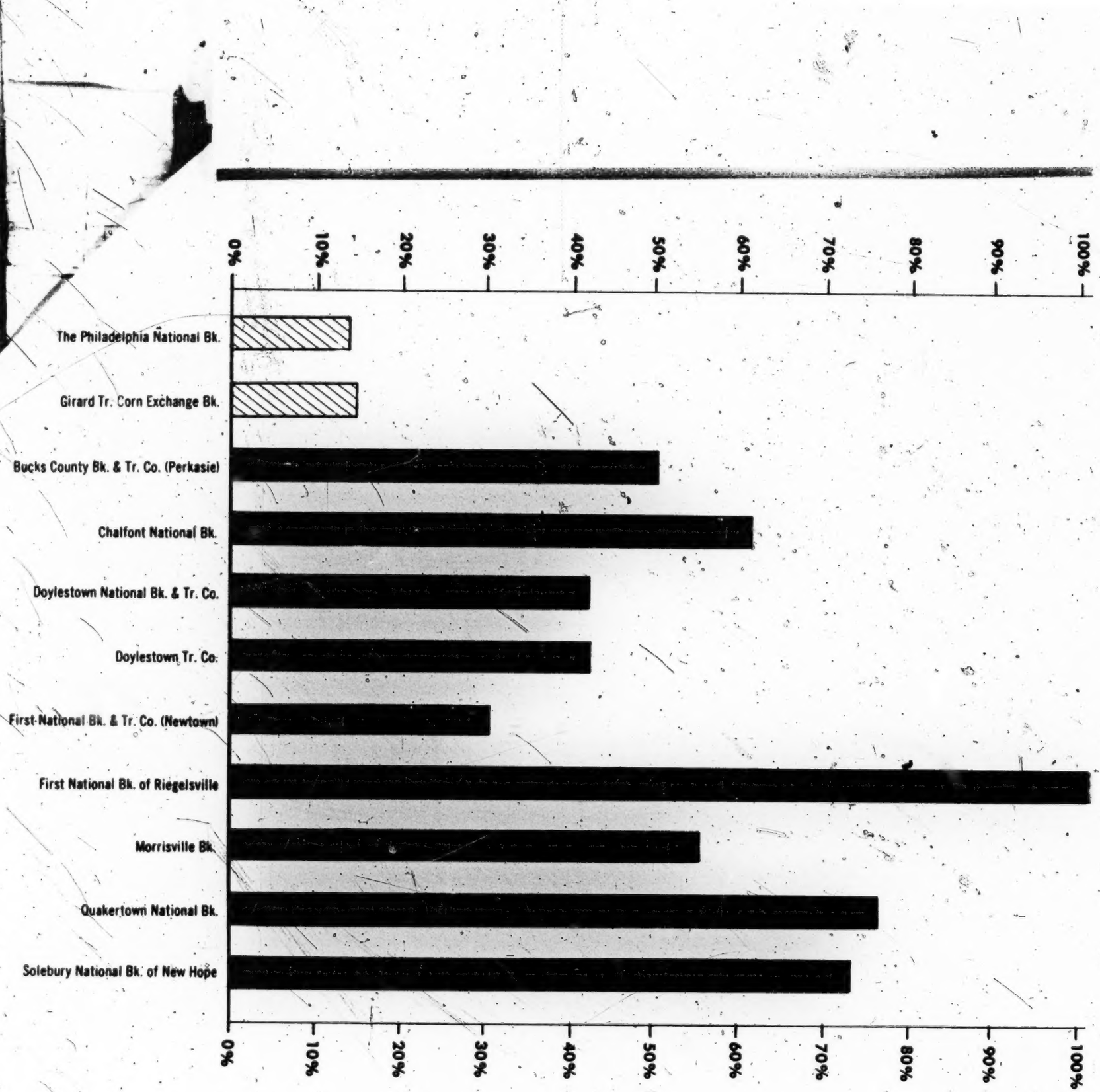
[fol. 6391]


PERCENTAGE GROWTH OF DEPOSITS
OF BANKS WITH MAIN OFFICE
IN PHILADELPHIA COUNTY
1951—1960
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
21.9% AVERAGE

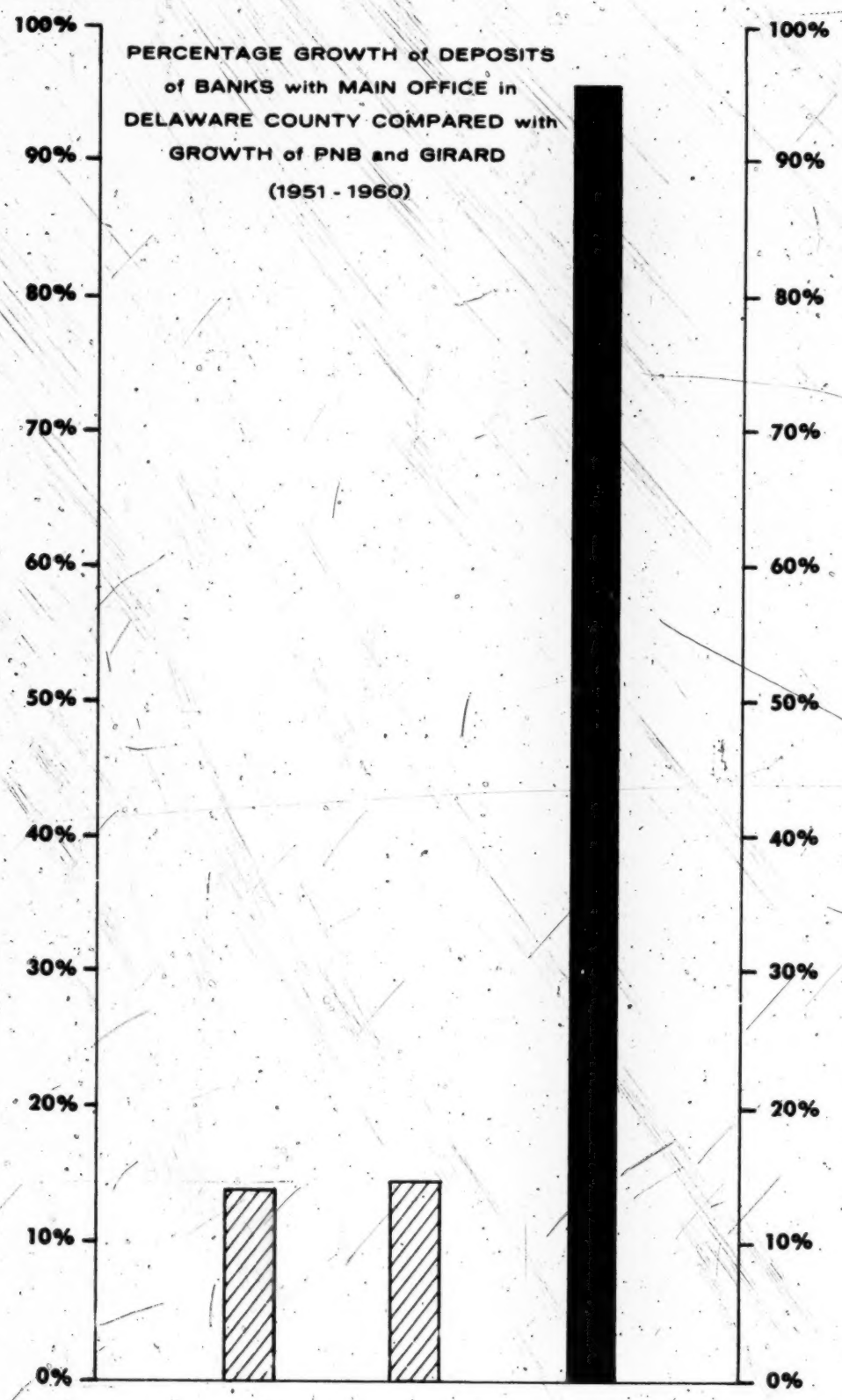

0%
10%
20%
30%
40%
50%
60%
70%
21.9% AVERAGE
The Philadelphia National Bk.
Girard Tr. Corn Exchange Bk.
First Pennsylvania Banking & Tr. Co.
Provident Tradesmens Bk. & Tr. Co.
Fidelity-Philadelphia Tr. Co.
Central-Penn National Bk.
Brown Bros. Harriman & Co.
Broad Street Tr. Co.
Liberty Real Estate Bk. & Tr. Co.
Frankford Tr. Co.
Industrial Tr. Co.
Second National Bk. of Philadelphia
Sonsitaly Bk. & Tr. Co.
Citizens & Southern Bk. & Tr. Co.
The Marian Bk.
Penna. Warehousing & Safe Deposit Co.
The Finance Co. of Penna.

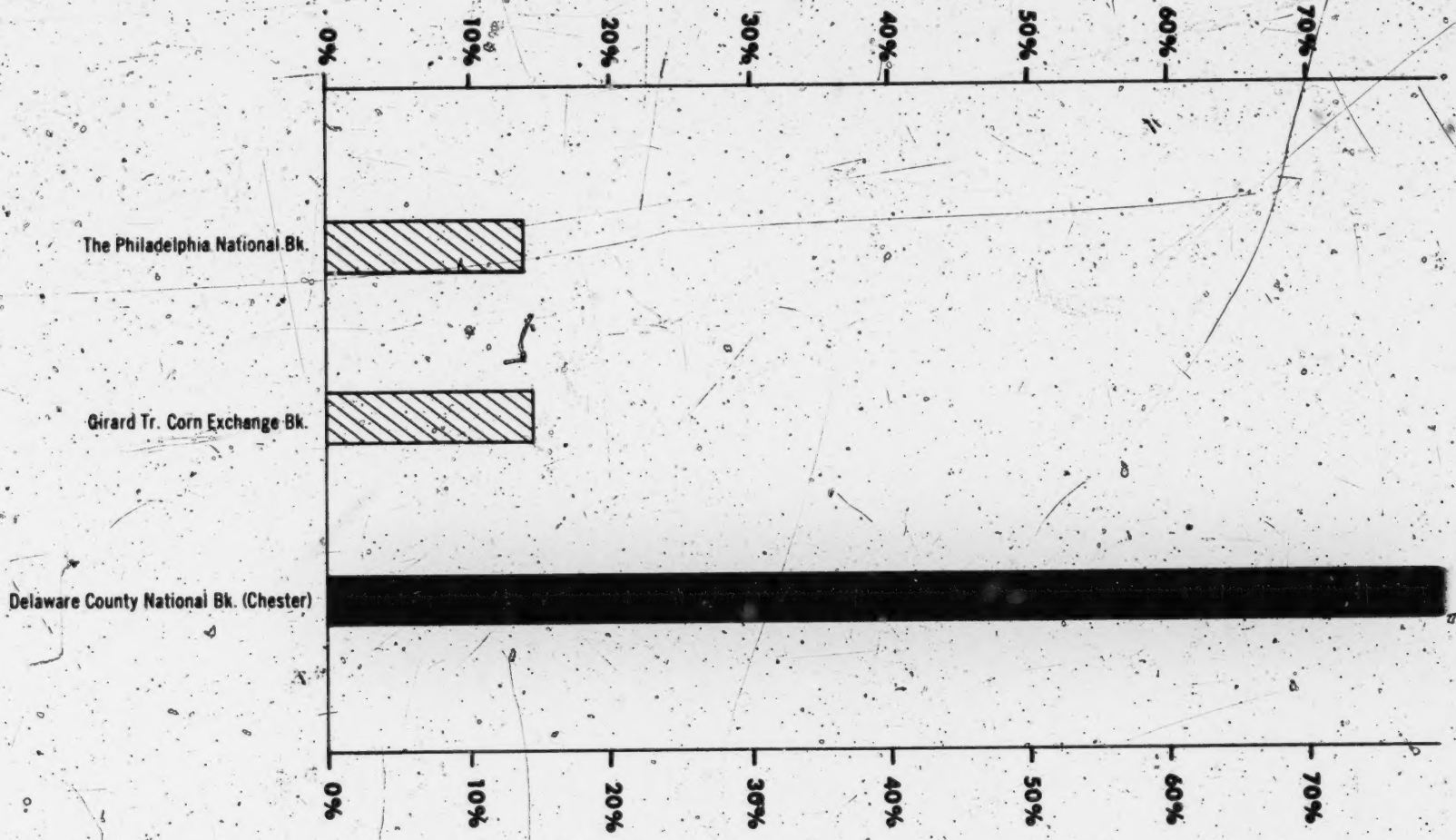
[fol. 6392]


PERCENTAGE GROWTH of DEPOSITS
of BANKS with MAIN OFFICE in
BUCKS COUNTY COMPARED with
GROWTH of PNB and GIRARD
(1951 - 1960)
120%
110%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%


0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
The Philadelphia National Bk.
Girard Tr. Corn Exchange Bk.
Bucks County Bk. & Tr. Co. (Perkasie)
Chalfont National Bk.
Doylestown National Bk. & Tr. Co.
Doylestown Tr. Co.
First National Bk. & Tr. Co. (Newtown)
First National Bk. of Riegelsville
Morrisville Bk.
Quakertown National Bk.
Solebury National Bk. of New Hope

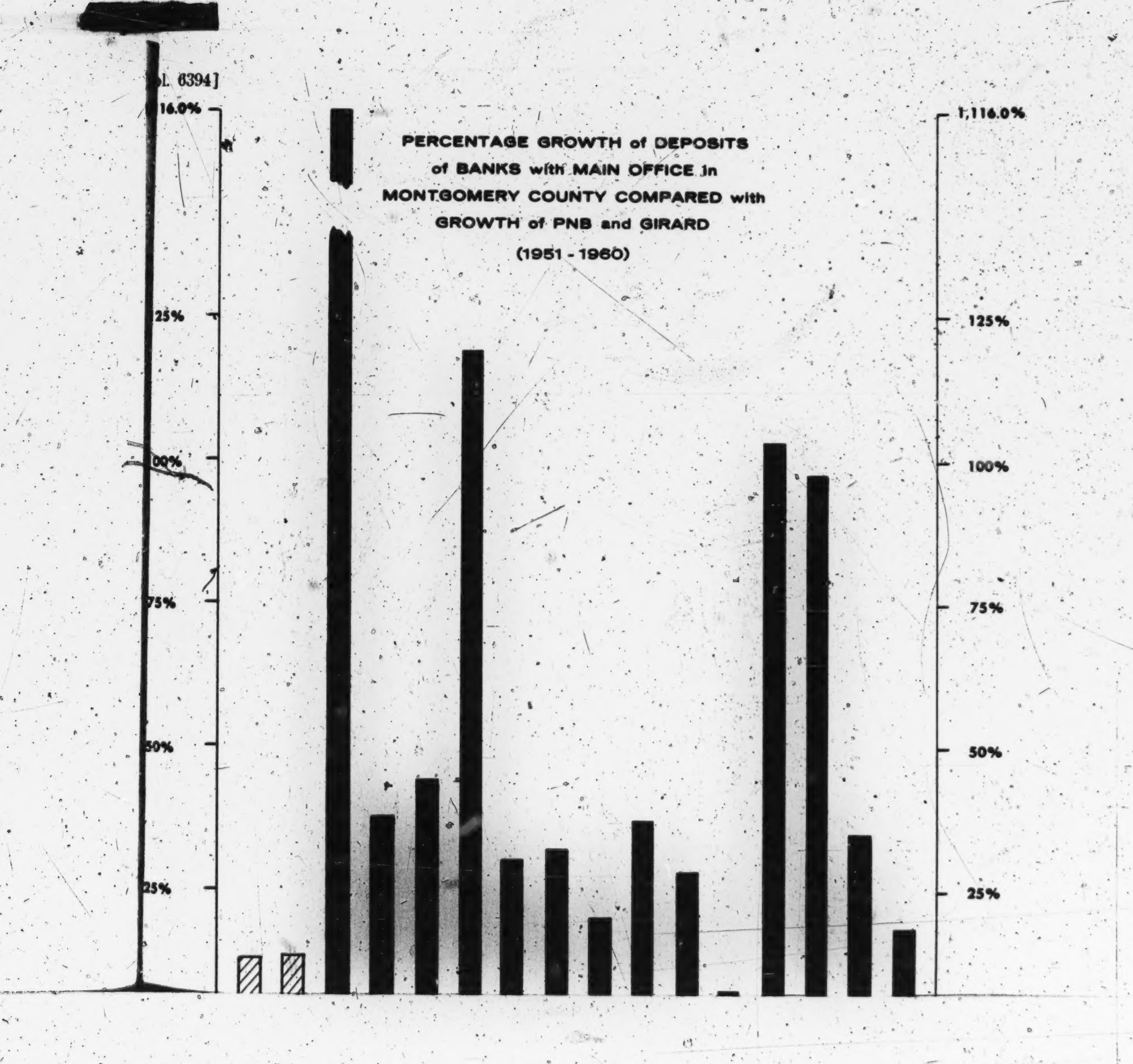
[fol. 6393]

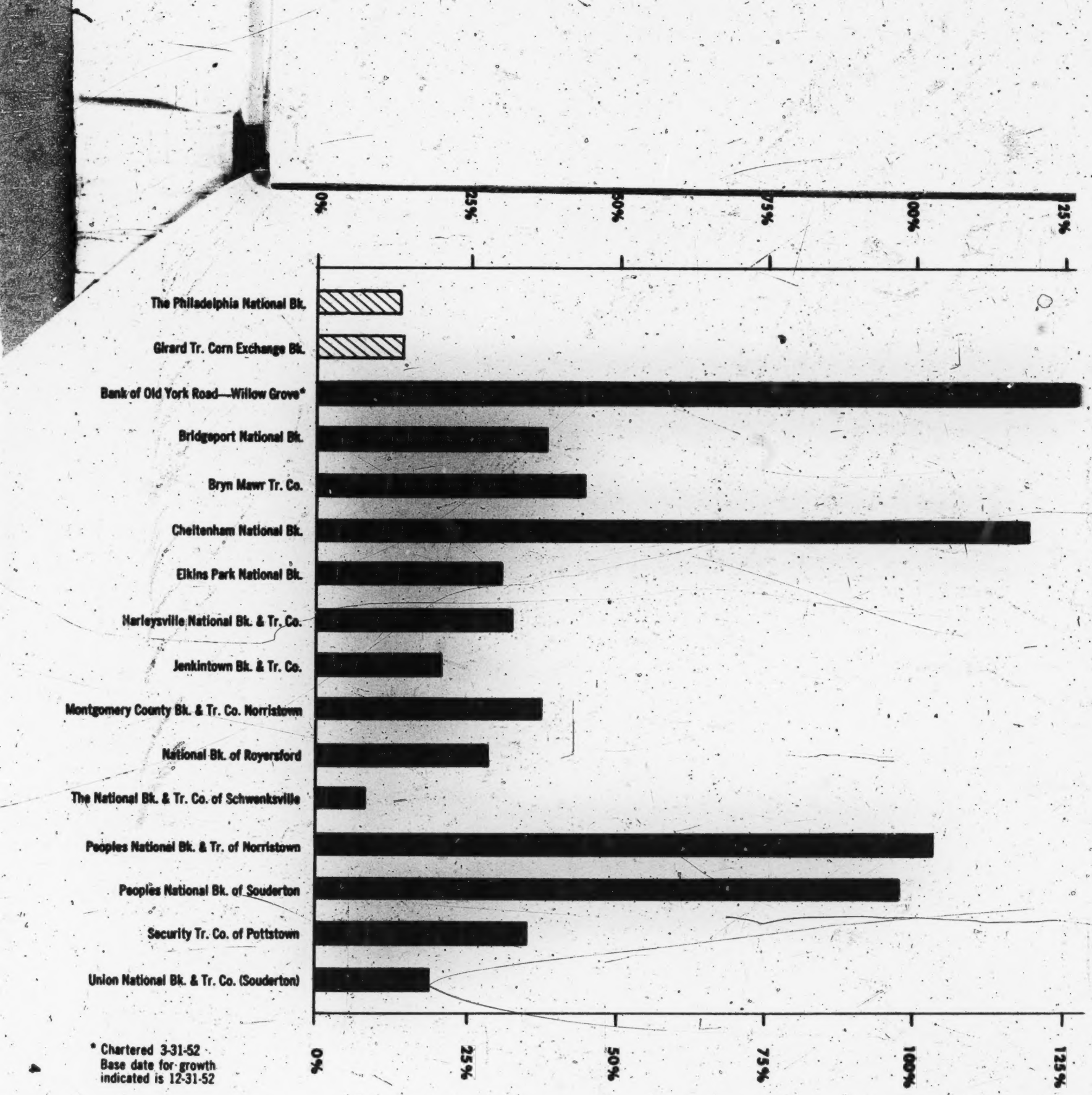

PERCENTAGE GROWTH of DEPOSITS
of BANKS with MAIN OFFICE in
DELAWARE COUNTY COMPARED with
GROWTH of PNB and GIRARD
(1951 - 1960)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%


0%
10%
20%
30%
40%
50%
60%
70%
The Philadelphia National Bk.
Girard Tr. Corn Exchange Bk.
Delaware County National Bk. (Chester)
0%
10%
20%
30%
40%
50%
60%
70%

[...l. 6394]

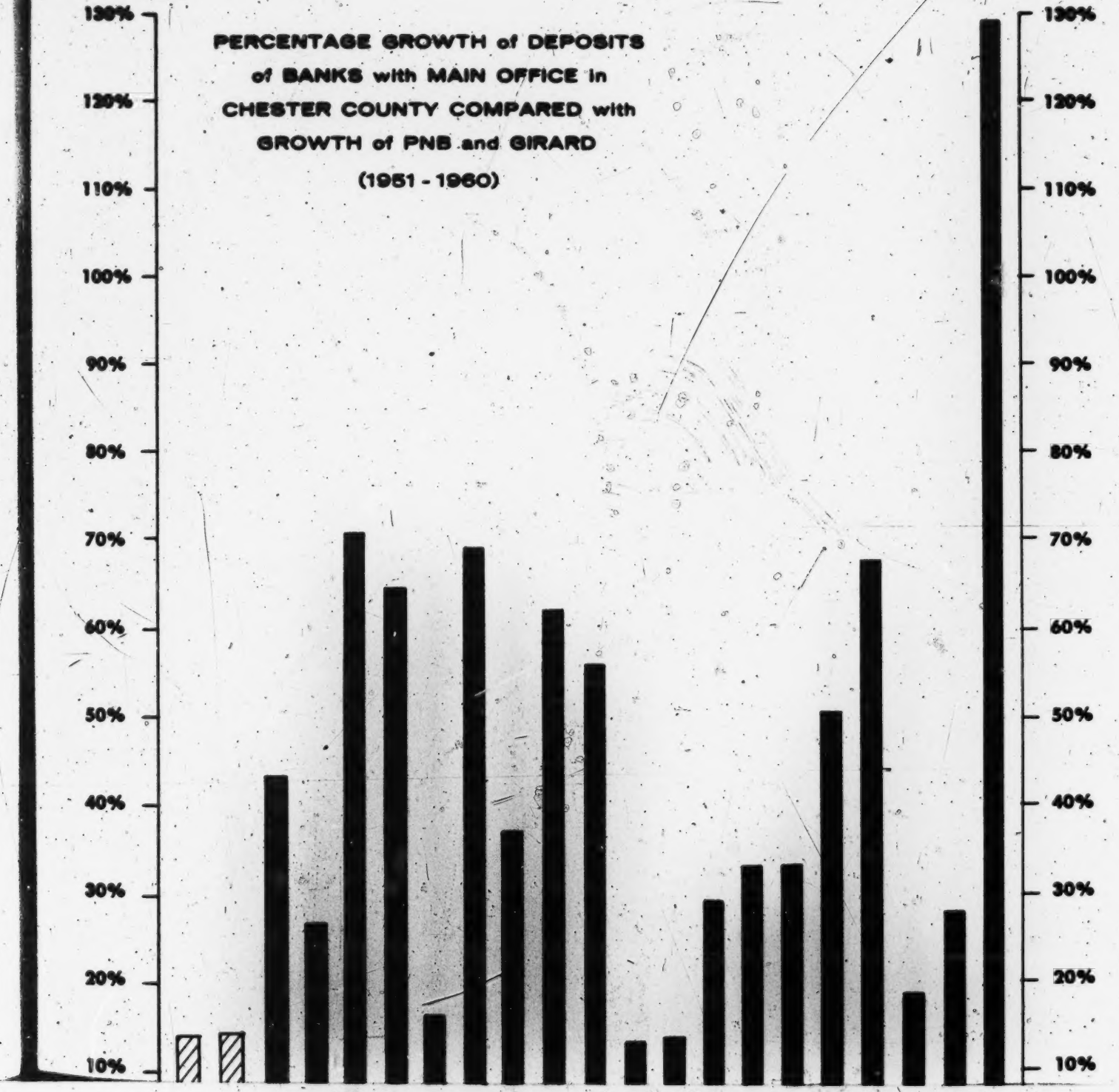
PERCENTAGE GROWTH of DEPOSITS of BANKS with MAIN OFFICE in MONTGOMERY COUNTY COMPARED with GROWTH of PNB and GIRARD (1951 - 1960)

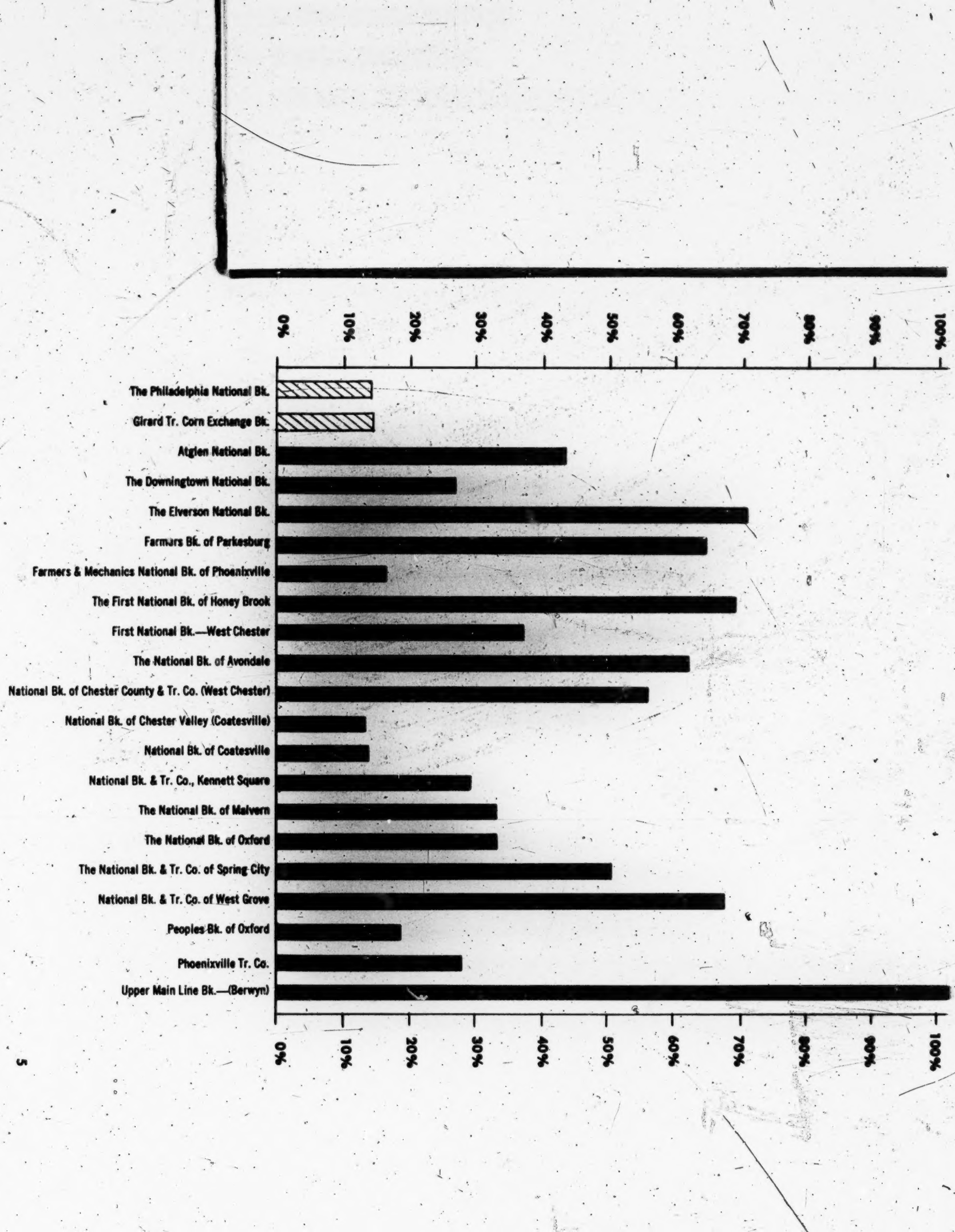




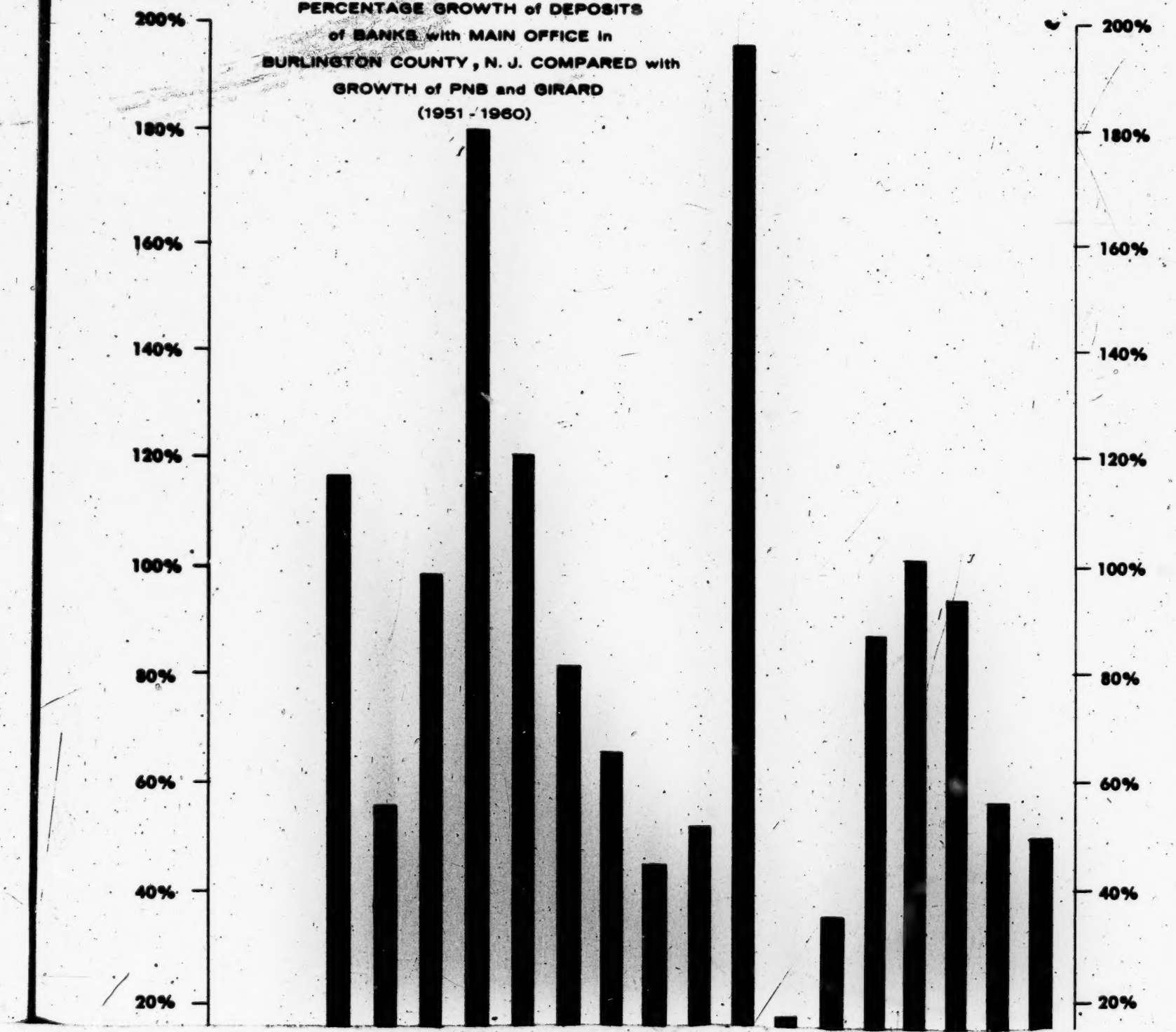
* Chartered 3-31-52
Base date for growth indicated is 12-31-52

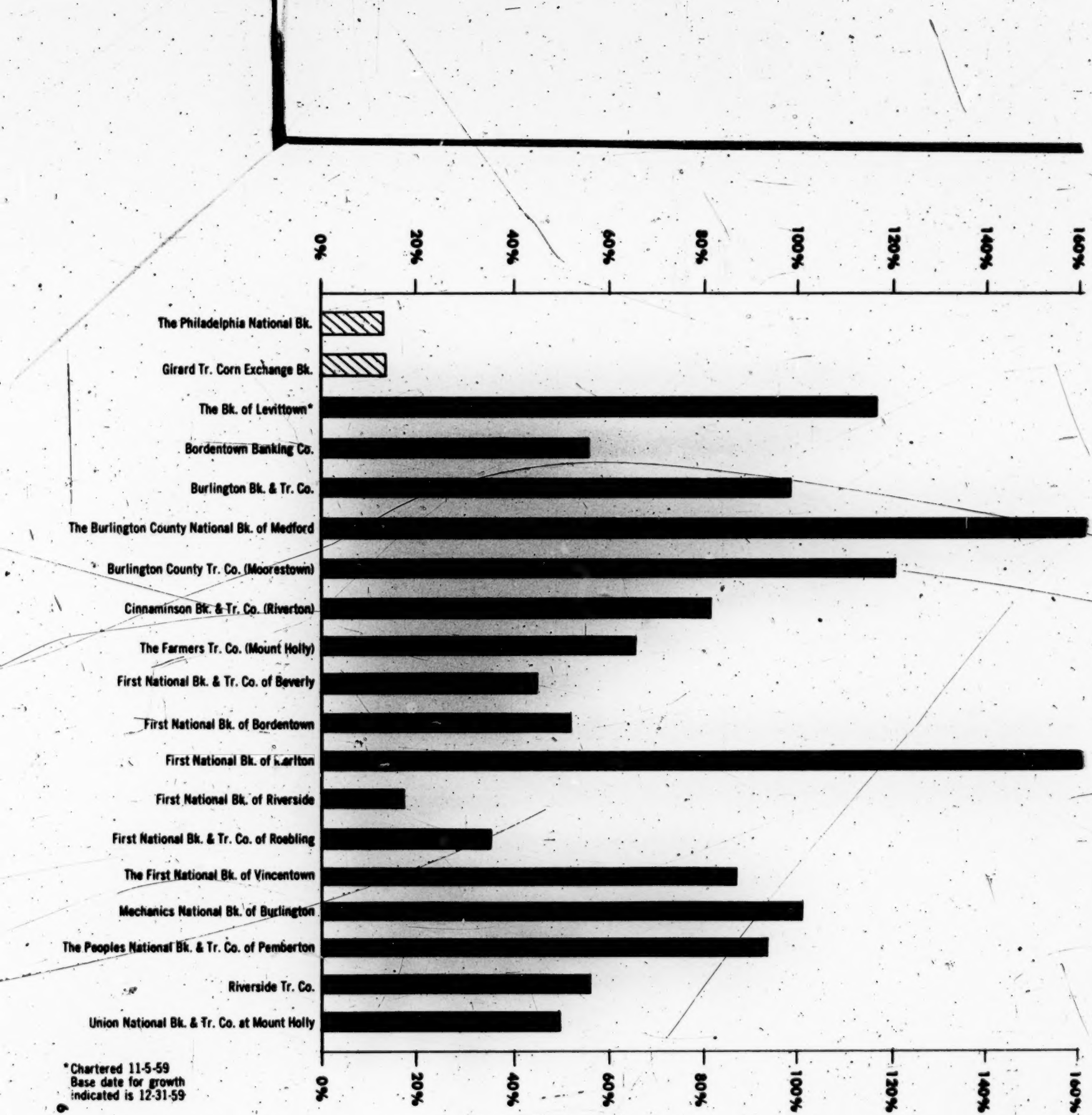
[fol. 6395]


PERCENTAGE GROWTH of DEPOSITS
of BANKS with MAIN OFFICE in
CHESTER COUNTY COMPARED with
GROWTH of PNB and GIRARD
(1951 - 1960)
130%
120%
110%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%


0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
The Philadelphia National Bk.
Girard Tr. Corn Exchange Bk.
Atglen National Bk.
The Downingtown National Bk.
The Elverson National Bk.
Farmers Bk. of Parkesburg
Farmers & Mechanics National Bk. of Phoenixville
The First National Bk. of Honey Brook
First National Bk.—West Chester
The National Bk. of Avondale
National Bk. of Chester County & Tr. Co. (West Chester)
National Bk. of Chester Valley (Coatesville)
National Bk. of Coatesville
National Bk. & Tr. Co., Kennett Square
The National Bk. of Malvern
The National Bk. of Oxford
The National Bk. & Tr. Co. of Spring City
National Bk. & Tr. Co. of West Grove
Peoples Bk. of Oxford
Phoenixville Tr. Co.
Upper Main Line Bk.—(Berwyn)

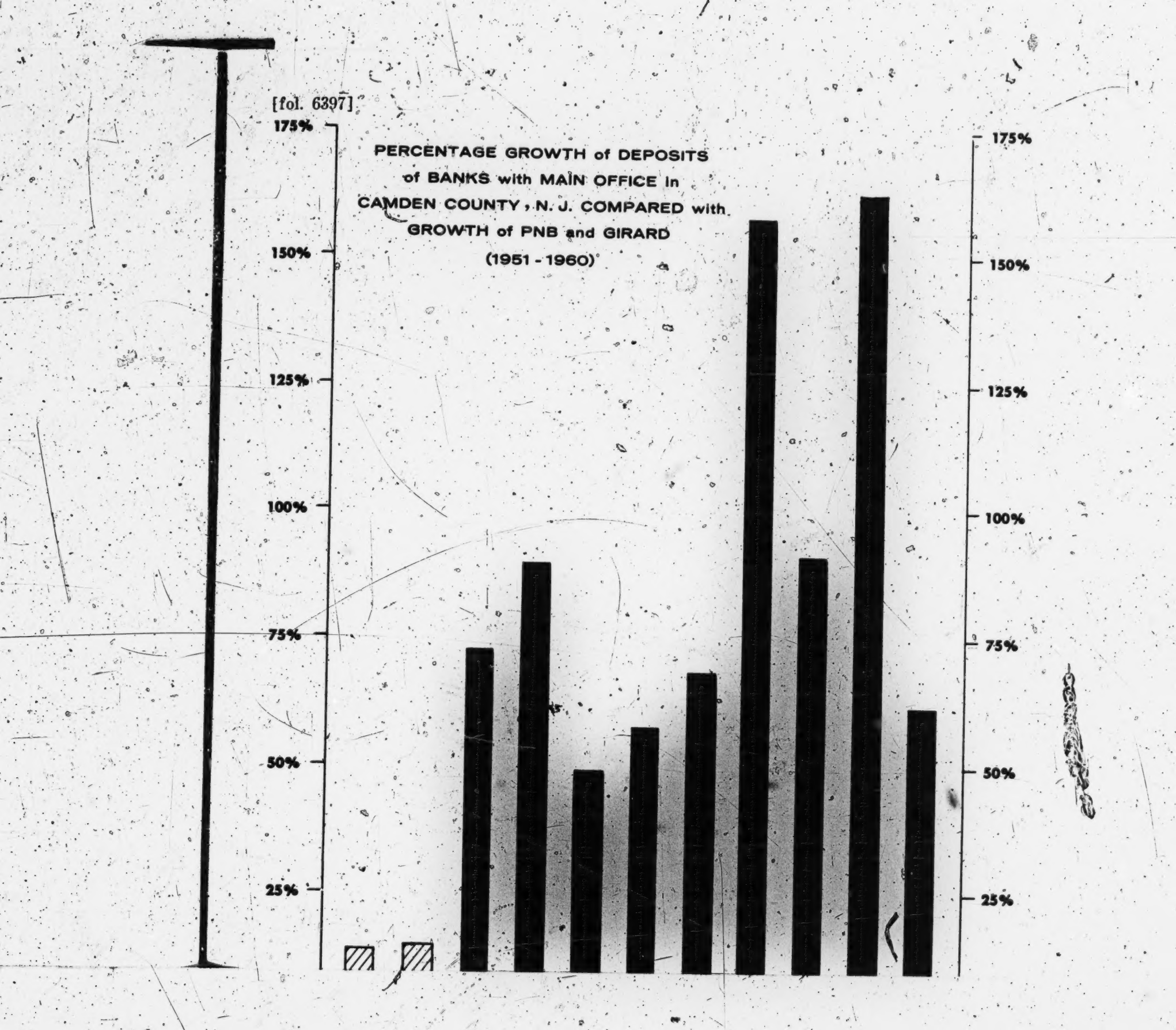
[fol. 6396]

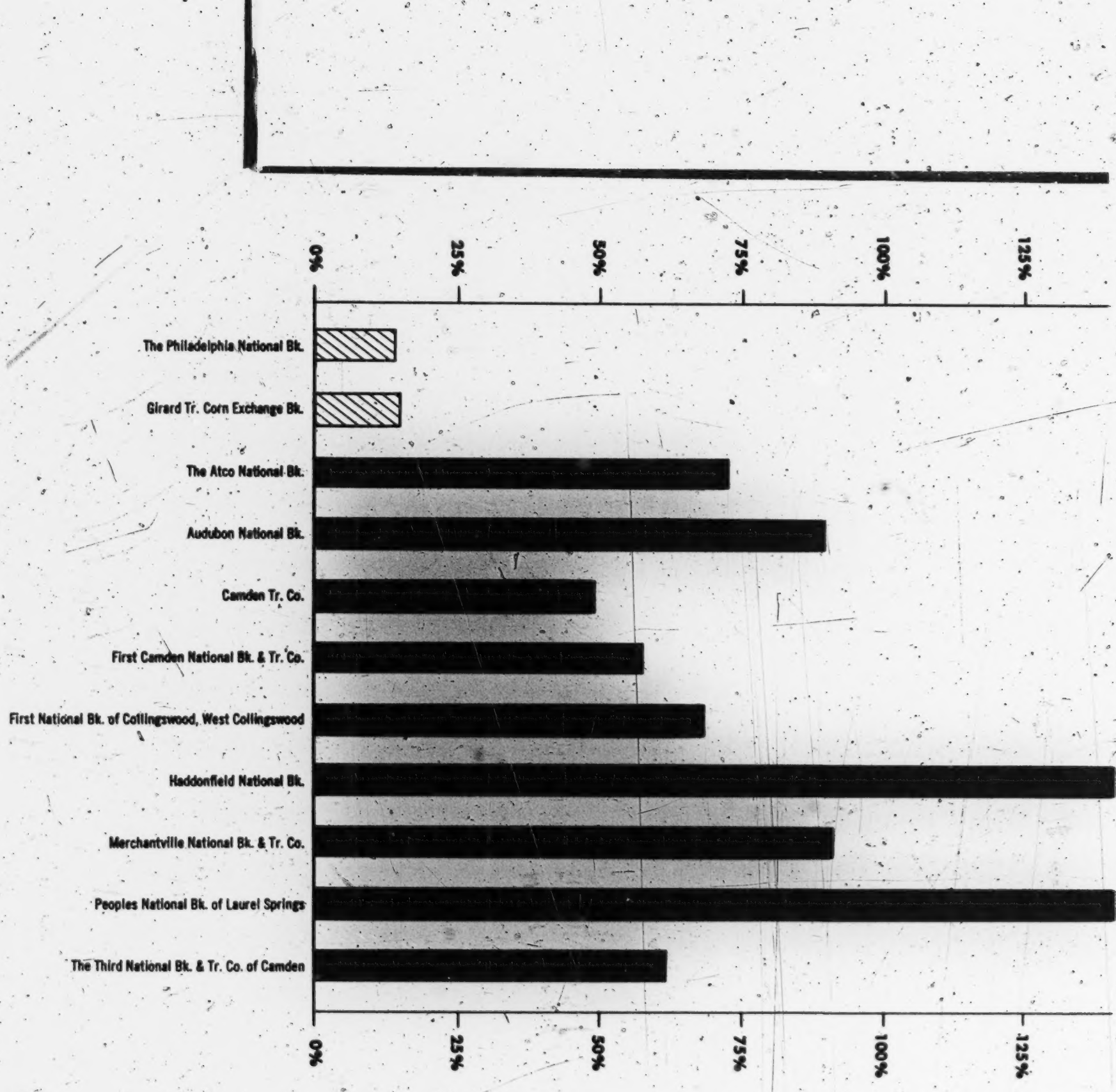

PERCENTAGE GROWTH of DEPOSITS
of BANKS with MAIN OFFICE in
BURLINGTON COUNTY, N. J. COMPARED with
GROWTH of PNB and GIRARD
(1951 - 1960)
200%
180%
160%
140%
120%
100%
80%
60%
40%
20%



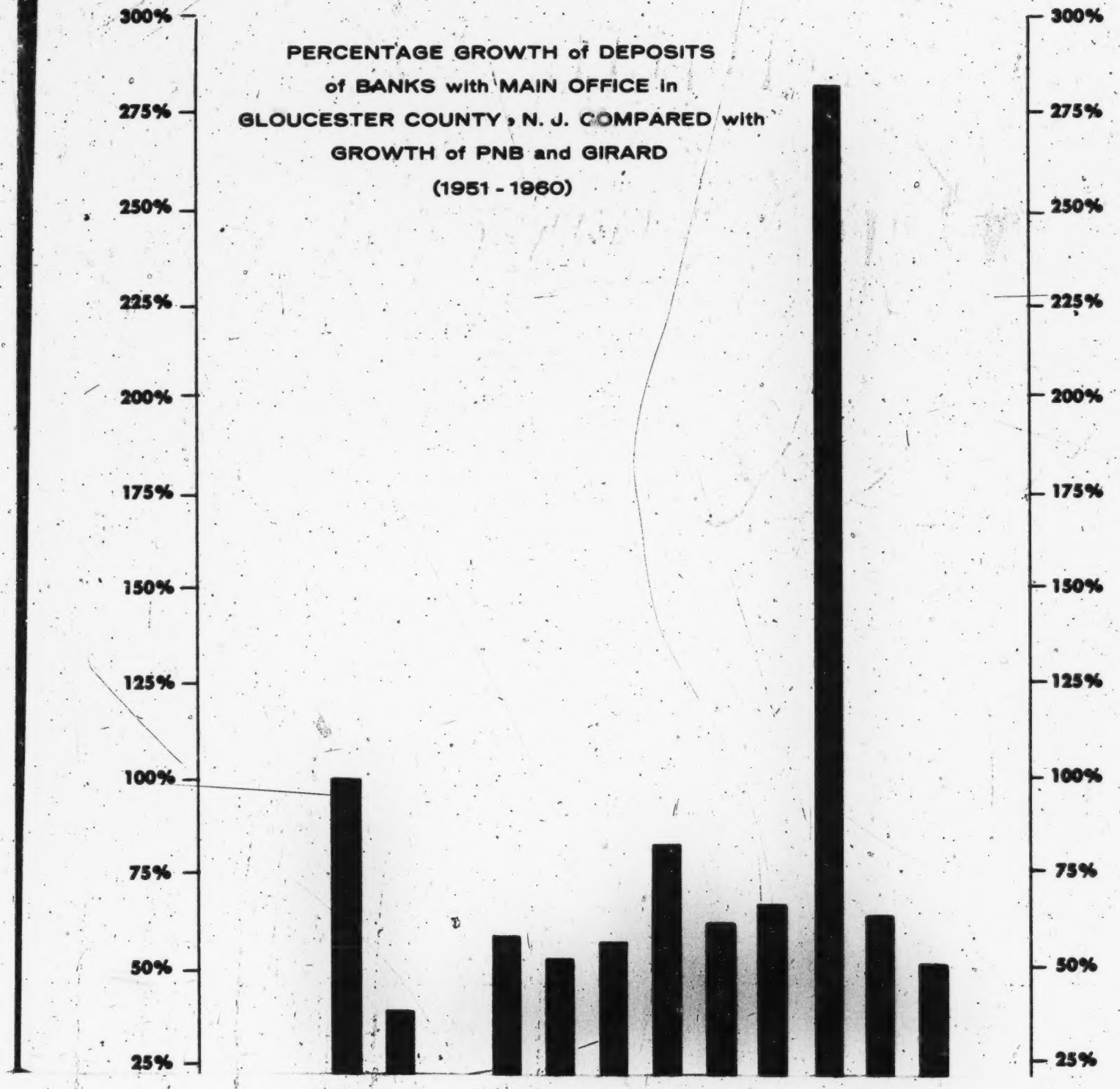
*Chartered 11-5-59
Base date for growth indicated is 12-31-59

[fol. 6397]


PERCENTAGE GROWTH of DEPOSITS
of BANKS with MAIN OFFICE in
CAMDEN COUNTY, N. J. COMPARED with
GROWTH of PNB and GIRARD
(1951 - 1960)
175%
150%
125%
100%
75%
50%
25%
175%
150%
125%
100%
75%
50%
25%

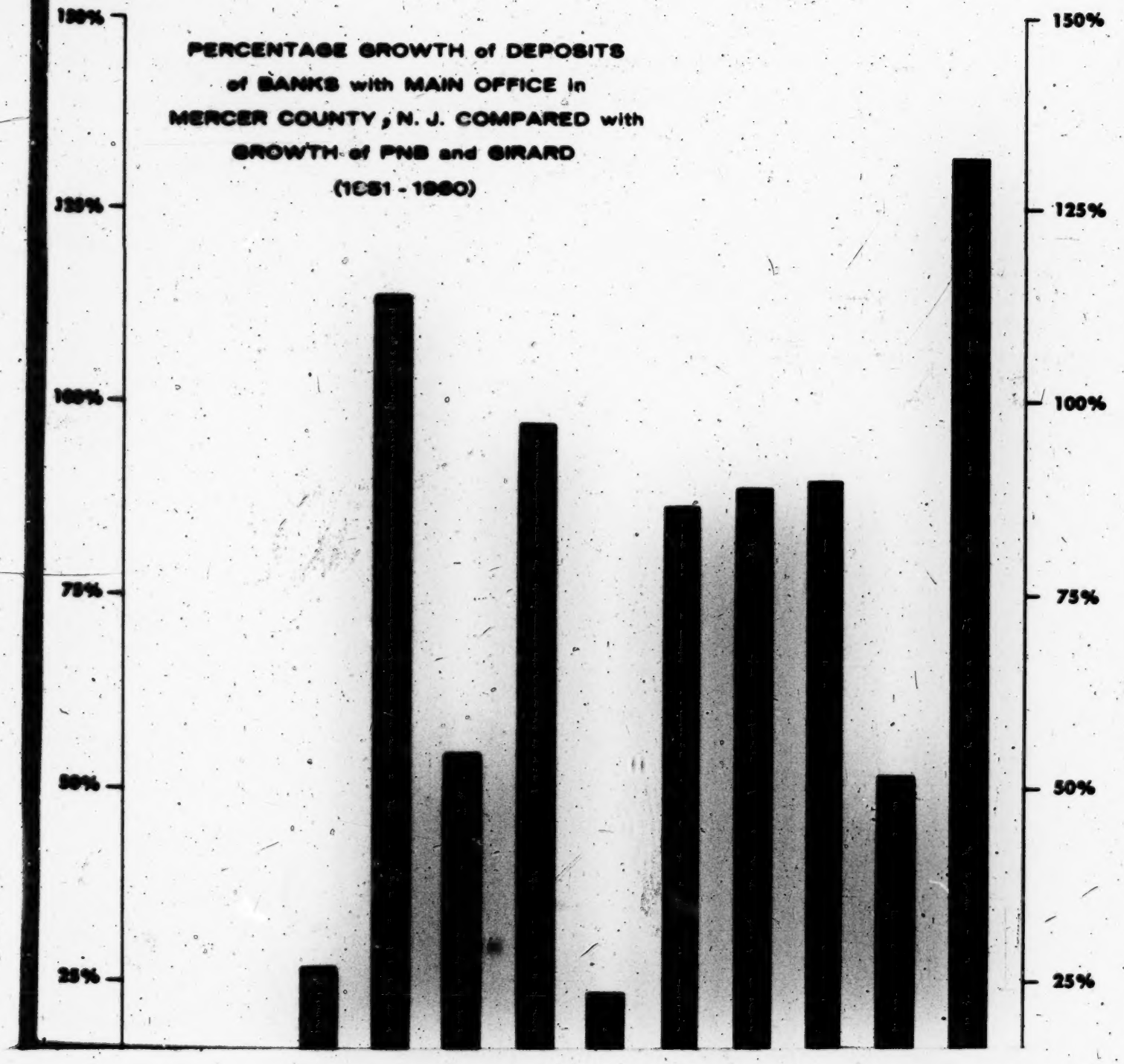

0%
25%
50%
75%
100%
125%
The Philadelphia National Bk.
Girard Tr. Corn Exchange Bk.
The Atco National Bk.
Audubon National Bk.
Camden Tr. Co.
First Camden National Bk. & Tr. Co.
First National Bk. of Collingswood, West Collingswood
Haddonfield National Bk.
Merchantville National Bk. & Tr. Co.
Peoples National Bk. of Laurel Springs
The Third National Bk. & Tr. Co. of Camden
0%
25%
50%
75%
100%
125%

[fol. 6398]


PERCENTAGE GROWTH of DEPOSITS
of BANKS with MAIN OFFICE in
GLOUCESTER COUNTY, N. J. COMPARED with
GROWTH of PNB and GIRARD
(1951 - 1960)
300%
275%
250%
225%
200%
175%
150%
125%
100%
75%
50%
25%

225%
200%
175%
150%
125%
100%
75%
50%
25%
0%
The Philadelphia National Bk.
Girard Tr. Corn Exchange Bk.
The Clayton National Bk.
Farmers & Mechanics National Bk. Wyndley
The Farmers National Bk. of Malvern
The First National Bk. of Glenolden
First National Bk. & Tr. Co. of Paoli
First National Bk. in Riverside
The First National Bk. of Wayne
First County National Bk. & Tr. Co.
The First National Bk. of Williamstown
National Bk. of Chester
Pilgrim National Bk. & Tr. Co.
Pilgrim Title & Tr. Co.
Swedesboro Tr. Co.

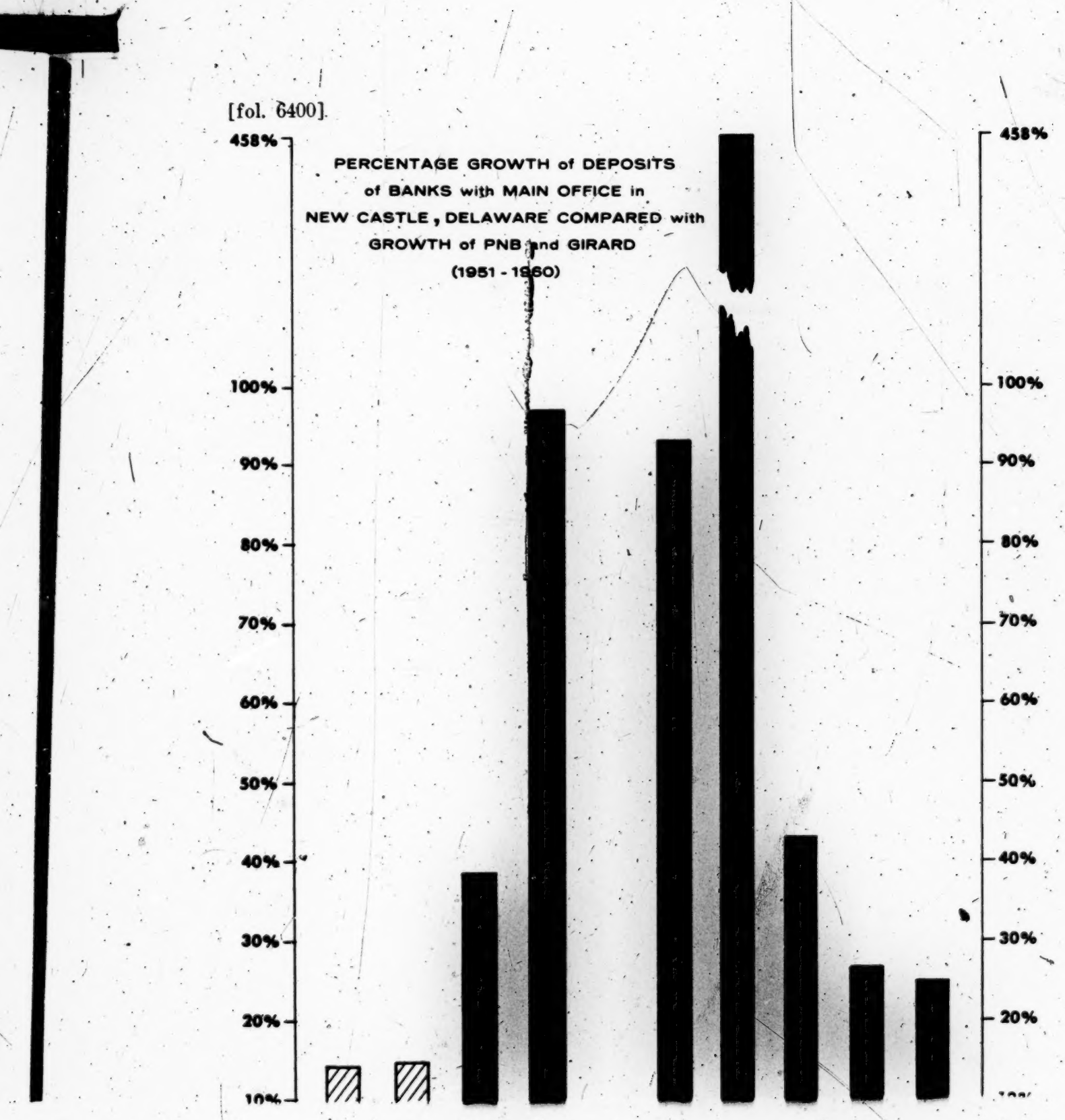
[fol. 6399]

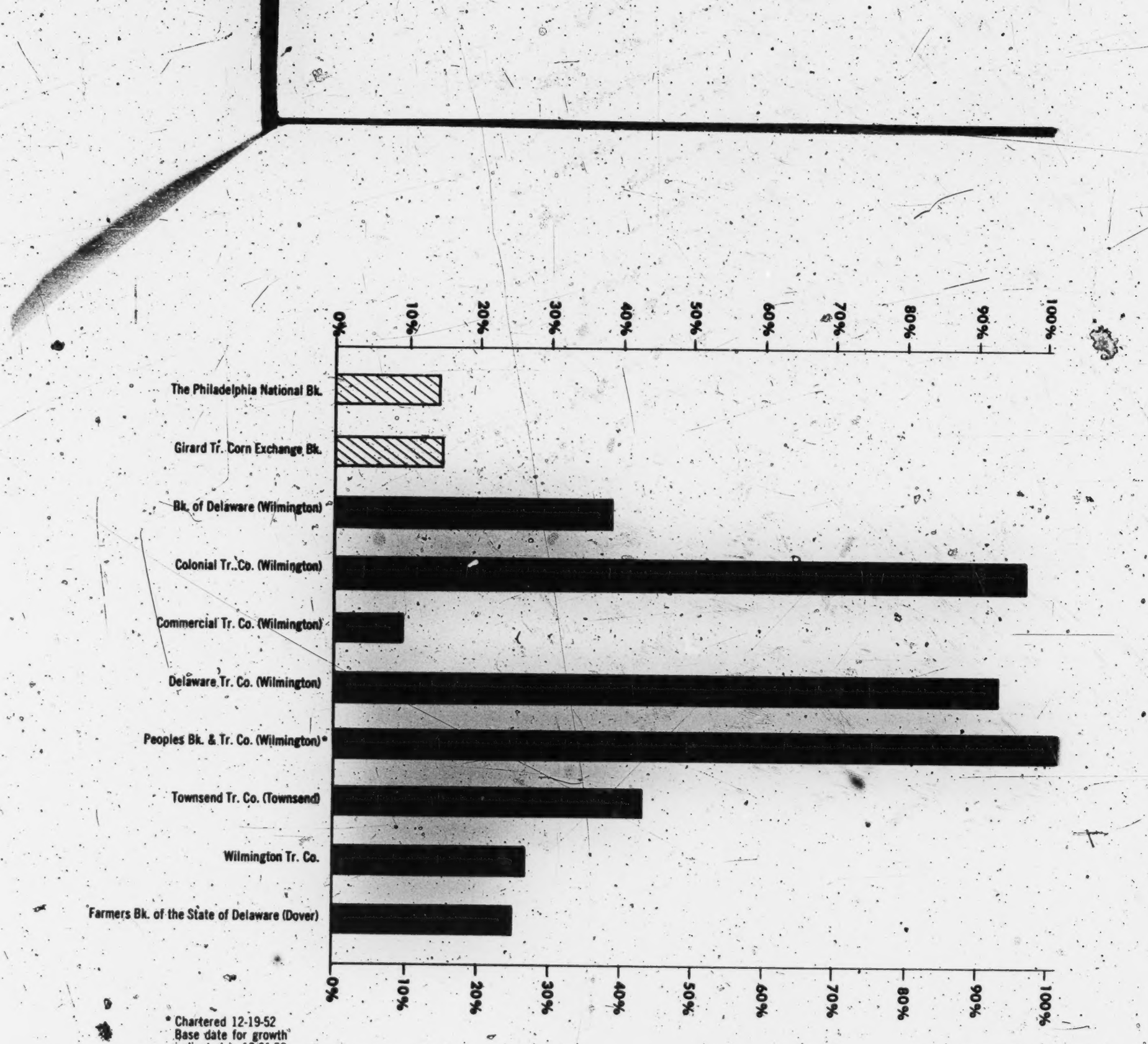

PERCENTAGE GROWTH of DEPOSITS
of BANKS with MAIN OFFICE in
MERCER COUNTY, N. J. COMPARED with
GROWTH of PNB and GIRARD
(1951 - 1960)
150%
125%
100%
75%
50%
25%

(1951 - 1960)

125%
100%
75%
50%
25%
0%
The Philadelphia National Bk.
Girard Tr. Corn Exchange Bk.
Broad Street National Bk. of Trenton
First National Bk. of Hamilton Square
First National Bk. of Hightstown
First National Bk. of Princeton
First Trenton National Bk.
Hightstown Tr. Co.
Princeton Bk. & Tr. Co.
Security National Bk. of Trenton
Trenton Tr. Co.
Yardville National Bk.

[fol. 6400]


PERCENTAGE GROWTH of DEPOSITS
of BANKS with MAIN OFFICE in
NEW CASTLE, DELAWARE COMPARED with
GROWTH of PNB and GIRARD
(1951 - 1960)
458%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%



* Chartered 12-19-52
Base date for growth indicated is 12-31-52

LIBRARY
SUPREME COURT, U.S.

Volume IV

TRANSCRIPT OF RECORD

(Pages [illegible])

SUPREME COURT OF THE UNITED STATES

October Term, 1952

No. [illegible]

UNITED STATES, APPELLANT,

vs.

THE PHILADELPHIA NATIONAL BANK, ET AL.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

FILED [illegible], 1952

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1962

No. 83

UNITED STATES, APPELLANT,

vs.

THE PHILADELPHIA NATIONAL BANK, ET AL.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Volume IV

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20	Chart entitled "Size of Banks Relative to Population, 1959-1960"	6430	3097
21	Series of sheets showing statistical information with regard to banks in reserve cities	6431	3099
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23	Document entitled "Assets of Five Largest Commercial Banks as Per Cent of Total Assets of Commercial Banks in Reserve Cities and Central Reserve Cities"	6488	3153

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27	Document headed "Relative Growth of Assets of Selected Financial Institutions in the United States 1945-1959"	6497	3164
29	Document headed "Ratio of Loans to Assets for Insured Commercial Banks in the U. S., June 10, 1959"	6498	3164
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39	Document entitled "List of Banks with Main Offices in New York City (Five Boroughs) with Lending Limits in Excess of $1,000,000, December 31, 1960"	6514	3179
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		Original	Print
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[fol. 6401]

Deposits—Commercial Banks Located in Ten County Area Reported by Each County, Listing the Banks with Main Offices Now Located Therein Showing a Comparison of the Change in Deposits from 1951 to 1960
(1951 Adjusted for Banks Acquired by Merger or Purchase)

(Dollars in Thousands)

Philadelphia County—Pennsylvania	Date Acquired	12-31-51	12-31-60	Increase Amount	Increase Percent
Broad Street Trust Company		$ 59,108			
North Broad National Bank of Philadelphia (The)	10/24/52	9,205			
Northwestern National Bank	9/10/54	25,293			
Prospect Park State Bank	5/27/55	2,265			
Morton National Bank (The)	10/28/55	1,861			
Interboro Bank & Trust Company (Prospect Park)	2/10/56	8,457			
Total		166,189	$144,786	$ 38,597	36.3
Brown Brothers Harriman		207,565	238,466	30,901	14.9
Central-Penn National Bank of Philadelphia		140,225			
City National Bank of Philadelphia	2/21/52	34,798			
South Philadelphia National Bank of Philadelphia	10/31/52	15,299			
Wyoming Bank & Trust Company	4/ 1/55	11,295			
Newtown Bank & Trust Company (Formerly Newtown Title & Trust Company)	4/25/58	2,794			
Peoples National Bank & Trust Company of Langhorne (The)	9/ 5/58	6,592			
Total		211,003	261,301	50,298	23.8

Philadelphia County—Pennsylvania	Date Acquired	12-31-51	12-31-60	Increase Amount	Increase Percent
Citizens & Southern Bank & Trust Company (Formerly Citizens & Southern Bank)		2,363	4,707	2,344	99.2
Fidelity-Philadelphia Trust Company		207,532			
National Bank of Olney	6/20/52	9,972			
Clifton Heights National Bank	2/ 9/54	8,778			
First National Bank of Chester (The)	2/ 9/54	15,026			
Marcus Hook National Bank (The)	3/31/53	4,874			
Delaware County Trust Company (Chester)	12/ 3/54	5,038			
Ridley Park National Bank (The)	12/ 3/54	3,228			
National Bank of Lansdowne (The)	10/28/55	6,815			
Farmers National Bank of Bucks County (Bristol)	11/ 9/56	11,498			
Roosevelt Bank	11/ 9/56	11,943			
Abington Bank and Trust Company	7/ 3/58	5,368			
Total		290,072	463,732	173,660	59.9
Finance Company of Pennsylvania (The)		1,962	1,371	−591	−30.1
First Pennsylvania Banking & Trust Company					
Pennsylvania Company for Banking & Trusts (The)	9/30/55	$ 684,817			
First National Bank of Philadelphia	9/30/55	194,074			
Wayne Title and Trust Company (The)	3/ 9/56	9,584			
Huntingdon Valley Trust Company	1/ 2/59	4,946			
Total		893,421	$1,119,482	$ 226,061	25.3

[fol. 6402]

Frankford Trust Company		37,454	51,499	14,045	37.5
Girard Trust Corn Exchange Bank		508,212			
National Bank of Germantown & Trust Company	9/11/53	38,481			
North Philadelphia Trust Company	1/25/54	20,050			
National Bank of Narberth (The)	10/11/57	5,495			
Ambler National Bank	10/11/57	5,557			
Upper Darby National Bank	4/25/58	32,695			
Total		610,490	698,563	88,073	14.4
Industrial Trust Company		23,026			
Rzepski Bank (The)	12/ 2/55	2,638			
Perkiomen National Bank of East Greenville	12/30/60	5,856			
Total		31,520	48,175	16,655	52.8
Liberty Real Estate Bank & Trust Company					
Liberty Title & Trust Company	7/31/53	44,650			
Real Estate Trust Company	7/31/53	33,360			
Total		78,010	111,110	33,100	42.4
Marian Bank		532	999	467	87.8
Pennsylvania Warehousing & Deposit Company		1,652	2,161	509	30.9

Philadelphia County—Pennsylvania	Date Acquired	12-31-51	12-31-60	Increase Amount	Increase Percent
Philadelphia National Bank		$ 813,218			
First National Bank of Conshohocken (The)	9/25/53	13,365			
Chester-Cambridge Bank & Trust Company	2/20/54	25,372			
First National Bank of Lansdale (The)	2/20/54	14,732			
Montgomery National Bank of Norristown	2/20/54	9,814			
Citizens National Bank & Trust Company (The) (Pottstown)	12/ 9/55	6,702			
Hatboro National Bank (The)	12/ 9/55	6,862			
Delaware Valley Bank & Trust Company (Bristol)	11/ 9/56				
Southampton State Bank	9/10/54	2,760			
Bristol Trust Company (The)	9/10/54	7,981			
Yardley National Bank	4/10/53	3,460			
Gimbel Brothers Bank & Trust Company	7/11/58	16,446			
Total		920,712	$1,049,005	$ 128,293	13.9
Provident Tradesmens Bank & Trust Company					
Provident Trust Company	4/26/57	141,929			
First National Bank of Delaware County (The) (Media)	10/31/55				
First National Bank of Media (The)	6/30/53	16,722			
Swarthmore National Bank & Trust Company	6/30/53	5,965			
Ambler Trust Company	2/10/56	4,812			
Tradesmens Bank & Trust Company (Formerly Tradesmens Land Title Bank & Trust Company)	4/26/57				
Land Title Bank & Trust Company	6/19/53	80,774			
Tradesmens National Bank & Trust Company	6/19/53	121,970			
Market Street National Bank	12/30/55	58,200			
Merchants National Bank (Quakertown)	12/13/57	6,279			
Sellersville National Bank	10/ 1/54	2,135			
Collegeville National Bank	12/31/60	3,647			
Total		442,433	476,194	33,761	7.6
Second National Bank of Philadelphia		26,166	36,911	10,745	41.1
Sonsitaly Bank & Trust Company		4,293	4,456	163	3.8
Total Philadelphia County		$3,865,837	$4,712,918	$ 847,081	21.9

[fol. 6404]

Bucks County Bank & Trust Company (Perkasie)					
Perkasie Trust Company	4/ 4/55	$ 3,517			
First National Bank of Perkasie (The)	4/ 4/55	3,252			
Dublin National Bank (The)	4/ 4/55	1,382			
Quakertown Trust Company	4/ 4/55	4,087			
Total		12,238	$ 18,407	$ 6,169	50 4
Chalfont National Bank		2,289	3,691	1,402	61 3
Doylestown National Bank & Trust Company		11,578	16,422	4,844	41 8
Doylestown Trust Company		9,121	12,951	3,830	42 0
First National Bank & Trust Company (Newton)		7,010	9,151	2,141	30 5
First National Bank of Riegelsville		2,390	5,079	2,689	112 5
Morrisville Bank		8,911	13,832	4,921	55 2
Quakertown National Bank		4,806	8,476	3,670	76 3
Solebury National Bank of New Hope		3,384	5,847	2,463	72.8
Total Bucks County		$61,727	$93,856	$32,129	52 1
Chester County—Pennsylvania					
Atglen National Bank		$ 1,335	$ 1,914	$ 579	43 3
Downingtown National Bank (The)		7,979	10,119	2,140	26 8
Elverson National Bank (The)		3,226	5,506	2,280	70 7
Farmers Bank of Parkesburg		1,880	3,096	1,216	64 7
Farmers and Mechanics National Bank of Phoenixville		13,716	15,946	2,230	16 3
First National Bank of Honey Brook (The)		2,159	3,648	1,489	69 0
First National Bank (West Chester)		13,105	17,989	4,884	37 3

	Date Acquired	12-31-51	12-31-60	Increase Amount	Increase Percent
National Bank of Avondale (The)		$ 3,931	$ 6,384	$ 2,453	62.4
National Bank of Chester County & Trust Company (West Chester)		13,360	20,828	7,468	55.9
National Bank of Chester Valley (Coatesville)		12,195	13,792	1,597	13.1
National Bank of Coatesville		13,810	15,751	1,941	14.0
National Bank & Trust Company of Kennett Square		8,900	11,530	2,631	29.6
National Bank of Malvern (The)		3,237	4,320	1,083	33.4
National Bank of Oxford (The)		4,613	6,172	1,559	33.8
National Bank & Trust Company of Spring City (The)		4,787	7,200	2,413	50.4
National Bank & Trust Company of West Grove		2,436	4,088	1,652	67.8
Peoples Bank of Oxford		3,787	4,505	718	18.9
Phoenixville Trust Company		4,640	5,950	1,310	28.2
Upper Main Line Bank (Berwyn)					
Berwyn National Bank	6/26/57	3,508			
Paoli Bank	6/26/57	3,438			
Total		6,946	15,846	8,900	128.1
Total Chester County		$126,042	$174,584	$ 48,543	38.5
Delaware County—Pennsylvania					
Delaware County National Bank (Chester)		$36,811	$71,915	$35,104	95.4
Total Delaware County		$36,811	$71,915	$35,104	95.4

Bank of Old York Road (Willow Grove) (Chartered 3/31/52) (a)		-0-	$ 13,925	$ 13,925	
Bridgeport National Bank		$ 6,559	9,040	2,481	37.8
Bryn Mawr Trust Company		18,480			
Bryn Mawr National Bank (The)	12/31/54	7,251			
Total		25,731	37,106	11,369	44.2
Cheltenham National Bank		9,067	19,851	10,784	118.9
Elkins Park National Bank		2,754	3,592	838	30.4
Harleysville National Bank & Trust Company (Formerly Harleysville National Bank)		4,116	5,442	1,326	32.2
Jenkintown Bank & Trust Company		21,469	25,955	4,486	20.9
Montgomery County Bank & Trust Company (Norristown)					
Montgomery Norristown Bank & Trust Company	5/17/57				
Norristown-Penn Trust Company	10/30/53	22,946			
Montgomery Trust Company (Norristown)	10/30/53	15,295			
North Wales National Bank (The)	3/15/52	4,500			
Penn Valley National Bank of Hatfield (Formerly The Hatfield National Bank & Trust Co.)	5/17/57	4,551			
National Bank of Pottstown (The)	10/17/58	10,860			
National Iron Bank of Pottstown (The)	2/29/52	8,000			
Total		66,152	90,677	24,525	37.1
National Bank of Royersford		3,666	4,705	1,039	28.4
National Bank & Trust Company of Schwenksville (The)		4,062	4,390	328	8.1
Peoples National Bank & Trust Company of Norristown		8,847			
Farmers National Bank of Pennsburg	7/29/60	3,263			
Total		12,110	24,626	12,516	103.4
Peoples National Bank of Souderton		2,180	4,315	2,135	97.9
Security Trust Company of Pottstown		11,639	15,751	4,112	35.3

(a) Base date 12/31/52: Percentage Increase 1,116.0%.

Montgomery County—Pennsylvania	Date Acquired	12-31-51	12-31-60	Increase Amount	Increase Percent
Union National Bank & Trust Company (Souderton)		$ 6,726			
Telford National Bank (The)	12/31/54	2,839			
First National Bank of Green Lane (The)	6/29/56	1,357			
Total		10,922	$ 12,962	$ 2,040	18.7
Total Montgomery County		$180,427	$272,331	$ 91,904	50.9
Burlington County—New Jersey					
Bank of Lowittown (The) (Chartered 11/5/59) (b)		-0-	$ 4,319	$ 4,319	
Bordentown Banking Company		$ 3,552	8,640	3,088	55.6
Burlington Bank & Trust Company (Formerly Burlington City Loan and Trust Company)		4,228	8,408	4,180	98.8
Burlington County National Bank of Medford (The)		2,948	8,258	5,310	180.2
Burlington County Trust Company (Moorestown)		10,887	24,024	13,137	120.7
Cinnaminson Bank & Trust Company (Riverton)		5,575	10,126	4,551	81.6
Farmers Trust Company (The) (Mt. Holly)		3,267	5,413	2,146	65.7
First National Bank & Trust Company of Beverly		3,288	4,774	1,487	45.2
First National Bank of Bordentown		3,263	4,964	1,701	52.1
First National Bank of Marlton		1,575	4,655	3,080	195.6
First National Bank of Riverside		6,078	7,148	1,070	17.6
First National Bank & Trust Company of Roebling		3,711	5,027	1,316	35.4
First National Bank of Vincentown (The)		1,375	2,568	1,193	86.8
Mechanics National Bank of Burlington		6,878			
First National Bank of Florence (The)	3/ 4/60	1,736			
Total		8,614	17,354	8,740	101.5

(b) Base date 12/31/59: Percentage Increase 117.1%.

[fol. 6408]

Peoples National Bank & Trust Company of Pemberton (The)		$ 4,339	$ 8,404	$ 4,065	93.7
Riverside Trust Company		4,638	7,246	2,608	56.2
Union National Bank & Trust Company at Mt. Holly		10,049	15,045	4,996	49.7
Total Burlington County		$ 79,387	$146,373	$ 66,987	84.4
Camden County—New Jersey					
Atco National Bank (The)		$ 2,958	$ 5,112	$ 2,154	72.8
Audubon National Bank		5,719	10,856	5,137	89.8
Camden Trust Company		100,869			
Citizens National Bank of Collingswood (The)	9/ 8/52	8,512			
Oaklyn National Bank	8/15/55	5,134			
Total		114,515	170,653	56,138	49.0
First Camden National Bank & Trust Company		70,294			
Pennsauken National Bank	6/30/55	4,348			
Berlin National Bank	9/23/55	4,330			
Total		79,072	124,660	45,588	57.7
First National Bank of Collingswood (West Collingswood)		4,712	7,929	3,217	68.3
Haddonfield National Bank		8,974	23,136	14,162	157.8
Merchantville National Bank & Trust Company		6,880	13,161	6,281	91.3
Peoples National Bank of Laurel Springs					
Laurel Springs National Bank (The)	12/28/56	1,956			
National Bank of Clementon	12/28/56	2,305			
Total		4,261	11,181	6,920	162.4
Third National Bank & Trust Company of Camden (The)		5,134	8,307	3,173	61.8
Total Camden County		$232,225	$374,995	$142,770	61.5

[fol. 6409]

	Date Acquired	12-31-61	12-31-60	Increase Amount	Increase Percent
Gloucester County—New Jersey					
Clayton National Bank (The)		$ 2,643	$ 5,261	$ 2,618	99.1
Farmers & Mechanics National Bank (Woodbury)		8,695	12,020	3,325	38.2
Farmers National Bank of Mullica Hill (The)		1,797	2,134	337	18.8
First National Bank of Glassboro (The)		4,615	7,333	2,718	58.9
First National Bank of Newfield (The)		1,912	2,972	1,060	55.5
First National Bank & Trust Company of Paulsboro		6,995	10,616	3,621	51.8
First National Bank of Westville (The)		5,117	9,281	4,164	81.4
First County National Bank & Trust Company					
First National Bank & Trust Company of Woodbury	11/10/60	8,700			
Woodbury Trust Company	11/10/60	2,796			
Total		11,496	18,546	7,050	61.5
First National Bank of Williamstown (The)		2,743	4,544	1,801	65.6
National Bank of Mantua		2,111	8,081	5,970	282.8
Pitman National Bank & Trust Company		5,335	8,733	3,398	63.7
Pitman Title and Trust Company		2,835	4,287	1,452	51.2
Swedesboro Trust Company		5,009	5,068	59	1.2
Total Gloucester County		$ 61,293	$ 98,876	$ 37,583	61.3
Mercer County—New Jersey					
Broad Street National Bank of Trenton		$ 33,420	$ 42,587	$ 9,167	27.4
First National Bank of Hamilton Square		4,510	9,661	5,151	114.2
First National Bank of Hightstown		6,748	10,447	3,699	54.8
First National Bank of Princeton		18,472	36,427	17,955	97.2

[fol. 6410]

First Trenton National Bank					
First Mechanics National Bank of Trenton	8/29/58	$ 91,880			
Trenton Banking Company	8/29/58	38,370			
First National Bank of Pennington	6/ 1/56	4,990			
Total		135,220	$166,868	$ 31,668	23.4
Hightstown Trust Company		4,034	7,535	3,501	86.8
Princeton Bank & Trust Company		14,823			
Hopewell National Bank	6/29/56	3,448			
Total		18,271	34,516	16,245	88.9
Security National Bank of Trenton		9,739	18,440	8,701	89.3
Trenton Trust Company		57,266			
Prospect National Bank of Trenton	8/29/58	7,595			
Total		64,861	98,635	33,774	52.1
Yardville National Bank		2,618	6,090	3,472	132.6
Total Mercer County		$297,893	$471,226	$133,333	44.8
New Castle County – Delaware					
Bank of Delaware (Wilmington)					
(Formerly Equitable Security Trust Company)					
Equitable Trust Company	11/ 1/52	$ 47,431			
Security Trust Company	11/ 1/52	46,876			
First National Bank of Dover (The)	2/26/54	3,905			
New Castle County National Bank of Odessa (The)	2/10/56	1,447			
National Bank of Smyrna (The)	5/ 6/57	2,557			
First National Bank of Seaford (The)	1/30/59	5,330			
Total		107,546	$149,095	$ 41,550	38.6
Colonial Trust Company (Wilmington)		2,917	5,729	2,812	96.4
Commercial Trust Company (Wilmington)		2,958	3,240	282	9.5
Delaware Trust Company (Wilmington)		37,949	73,163	35,214	92.8

	Date Acquired	12-31-51	12-31-60	Increase Amount	Increase Percent
Peoples Bank & Trust Company (Wilmington) (Chartered 12/19/52) (c)		-0-	$ 8,438	$ 8,438	
Townsend Trust Company		$ 312	446	134	42.7
Wilmington Trust Company		231,548			
Farmers Trust Company of Newark	5/23/52	6,579			
Industrial Trust Company (Wilmington)	2/ 3/55	11,544			
New Castle Trust Company (The)	3/10/55	3,340			
Delaware City National Bank (The)	4/28/55	837			
First National Bank & Trust Company of Milford (The)	1/30/59	5,823			
Seaford Trust Company	2/27/59	2,666			
Georgetown Trust Company	4/10/59	1,759			
Total		264,096	335,235	71,139	26.9
Farmers Bank of the State of Delaware (a)		65,094			
Rehoboth Beach Trust Company	12/31/55	1,744			
Newark Trust Company	10/ 1/56	5,945			
First National Bank of Dagsboro	6/ 1/59	3,782			
Lewes Trust Company	7/20/59	2,635			
Peoples National Bank of Laurel	8/17/59	2,015			
Total		81,215	101,708	20,493	25.2
Total New Castle County		$496,993	$677,054	$180,062	36.2

(a) Deposits of Farmers Bank of State of Delaware included.
Head Office in Kent County, Branches in New Castle County 1951, 4—1960, 7.
(c) Base date 12/31/52: Percentage Increase 459.7%.

[fol. 6412]

Summary by County

County	12-31-51	12-31-60	Increase Amount	Increase Percent
Philadelphia, Pennsylvania	$3,865,837	$4,712,918	$ 847,081	21.9
Bucks, Pennsylvania	61,727	93,856	32,129	52.1
Chester, Pennsylvania	126,042	174,584	48,543	38.5
Delaware, Pennsylvania	36,811	71,915	35,104	95.4
Montgomery, Pennsylvania	180,427	272,331	91,904	50.9
Burlington, New Jersey	79,387	146,373	66,987	84.4
Camden, New Jersey	232,225	374,995	142,770	61.5
Gloucester, New Jersey	61,293	98,876	37,583	61.3
Mercer, New Jersey	297,893	431,226	133,333	44.8
New Castle, Delaware	496,993	677,054	180,062	36.2
Grand Total	$5,438,635	$7,054,129	$1,615,496	29.7

Note: Figures may not add to exact totals due to rounding.

Sources: Polk's Bank Directories, 113th Edition dated March 1952 and 133rd Edition dated March 1961 and information secured from the Federal Reserve Bank of Philadelphia.
6/7/61 Comptroller's Department

[fol. 6413] DEFENDANTS' EXHIBIT 19

Loans, Deposits and Loan-Deposit Ratios, Before and After Merger, for Offices Acquired by the Philadelphia National Bank, 1950-1960

The following graphs represent the ratios of loans to deposits in all offices acquired by The Philadelphia National Bank by merger during the period from December 31, 1950, to December 31, 1960. The upper graph on each page represents loans and deposits in absolute amounts, while the lower graph depicts loans as a percentage of deposits.

In the case of the Chester offices of PNB, the figures include loans and deposits for several branches in the Chester area which were established after the merger but which are administered by the Chester office.

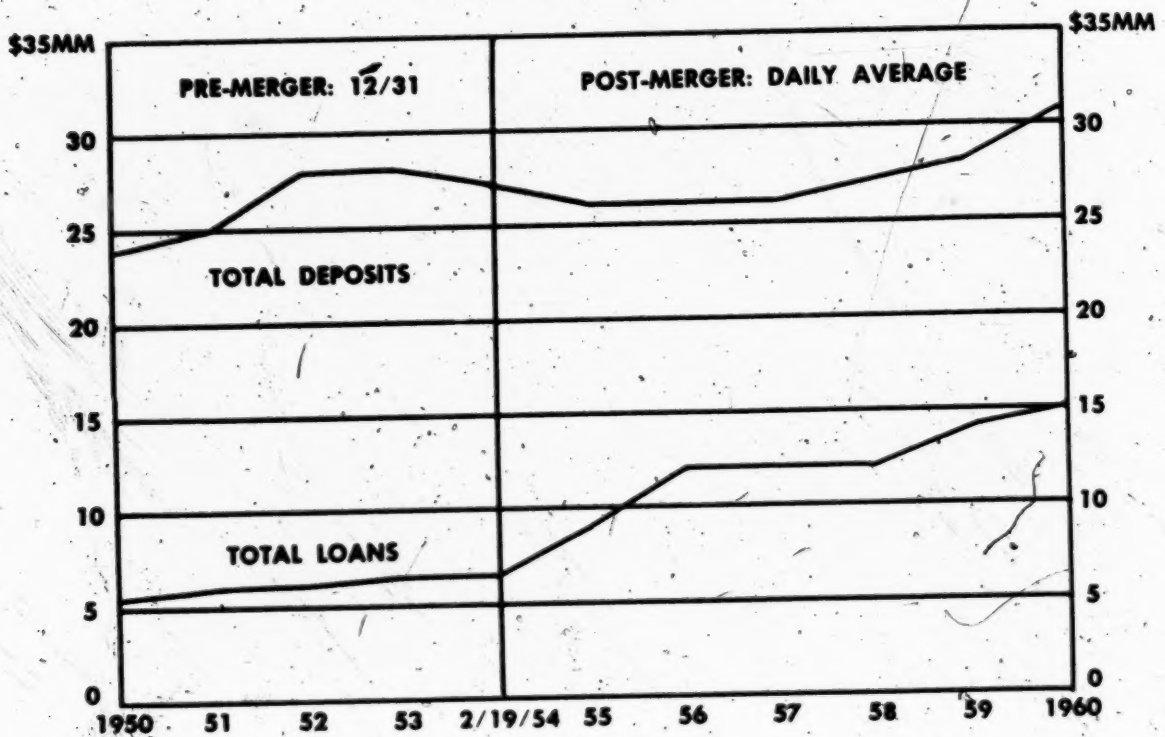
On each graph, the heavy vertical line represents the merger date. Pre-merger figures are derived from year-end call reports and the final call reports of the merged banks; post-merger figures are yearly averages.

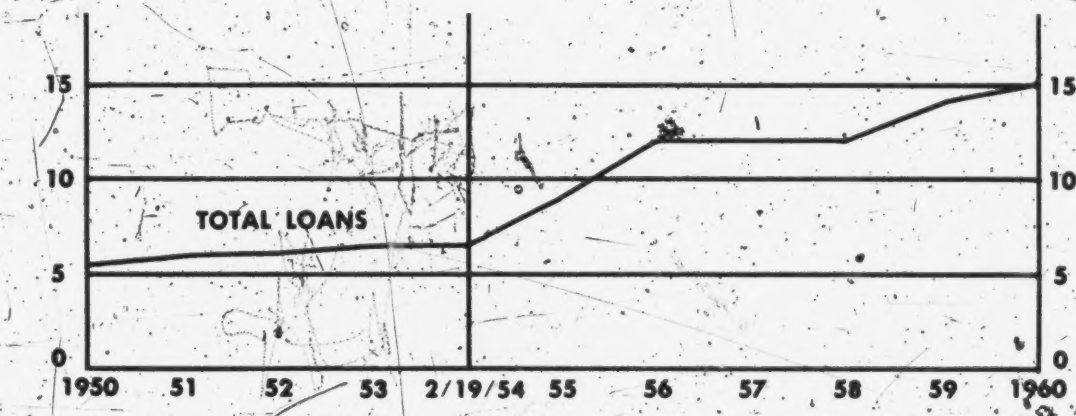
Source: PNB Records

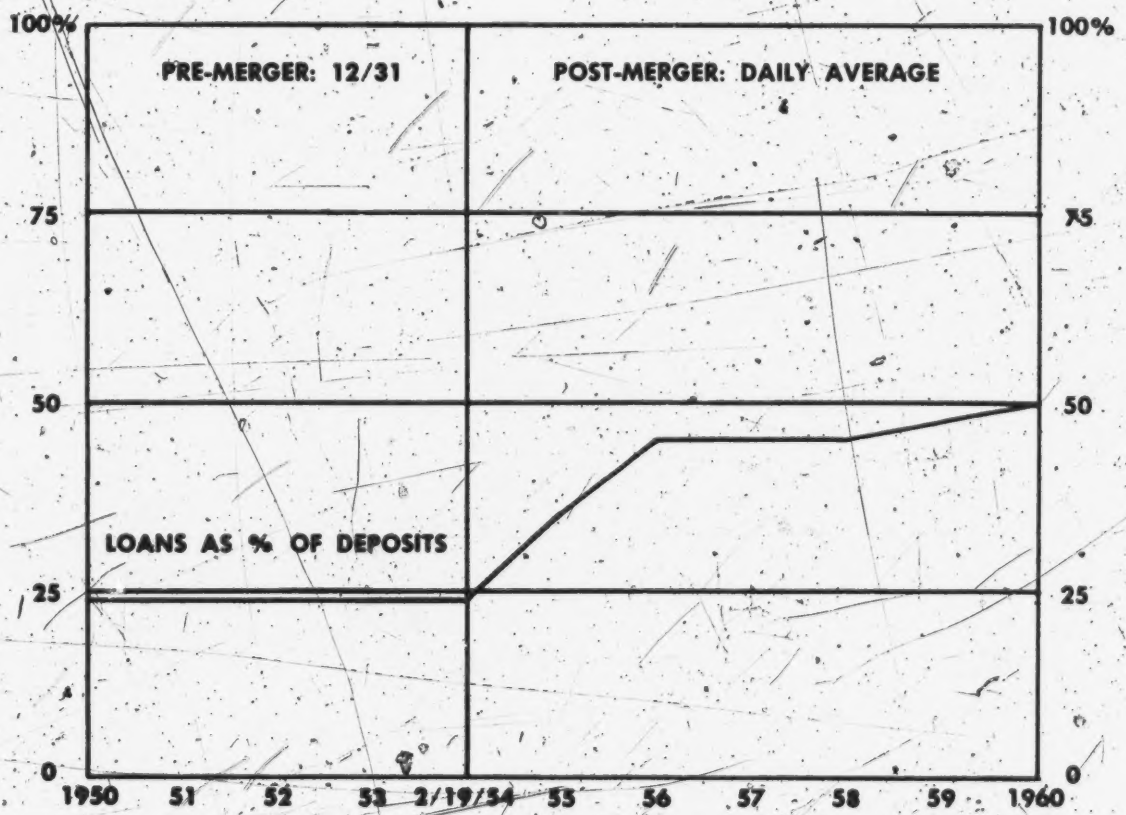
[fol. 6414]

CHESTER AREA OFFICES

MERGED 2/20/54



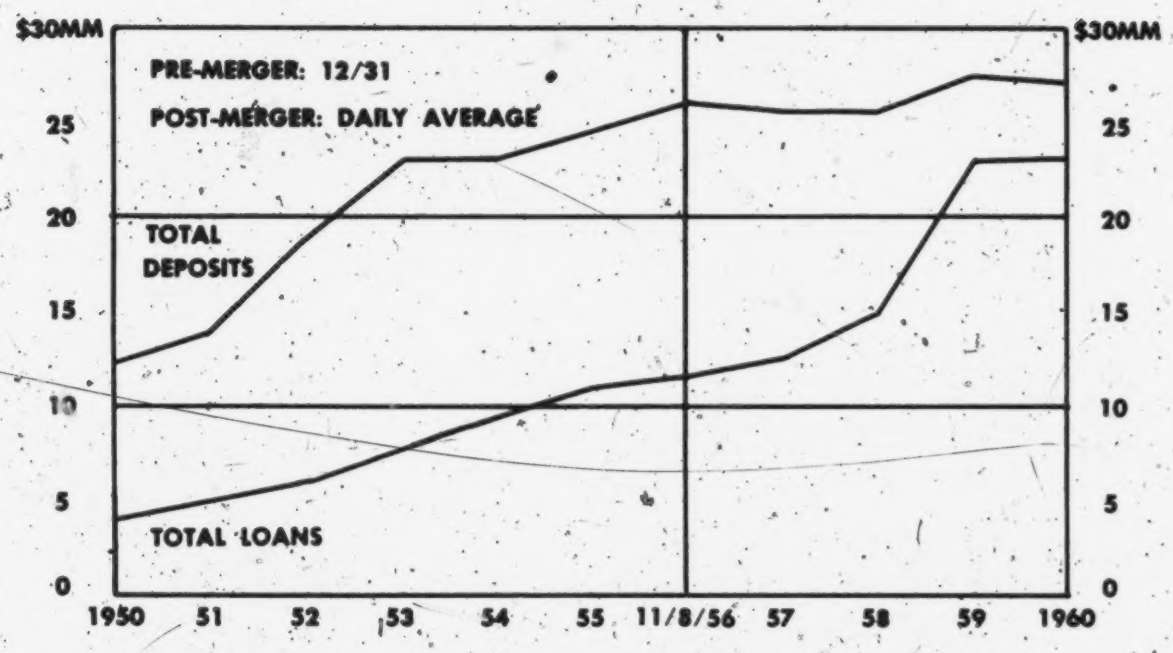

15
10
5
0
TOTAL LOANS
1950
51
52
53
2/19/54
55
56
57
58
59
1960

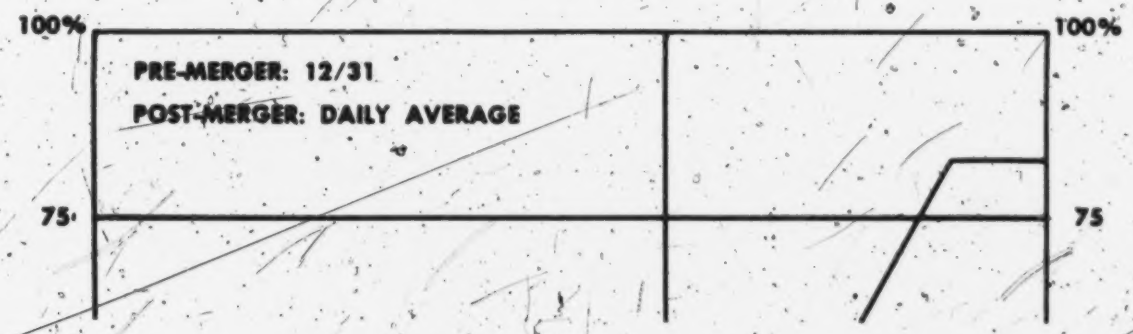

100%
75
50
25
0
PRE-MERGER: 12/31
POST-MERGER: DAILY AVERAGE
LOANS AS % OF DEPOSITS
1950
51
52
53
2/19/54
55
56
57
58
59
1960

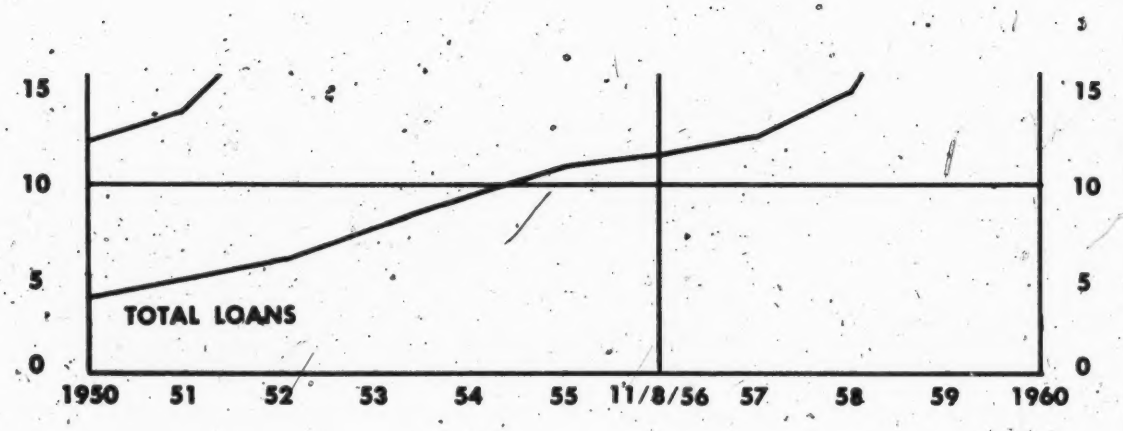
3095

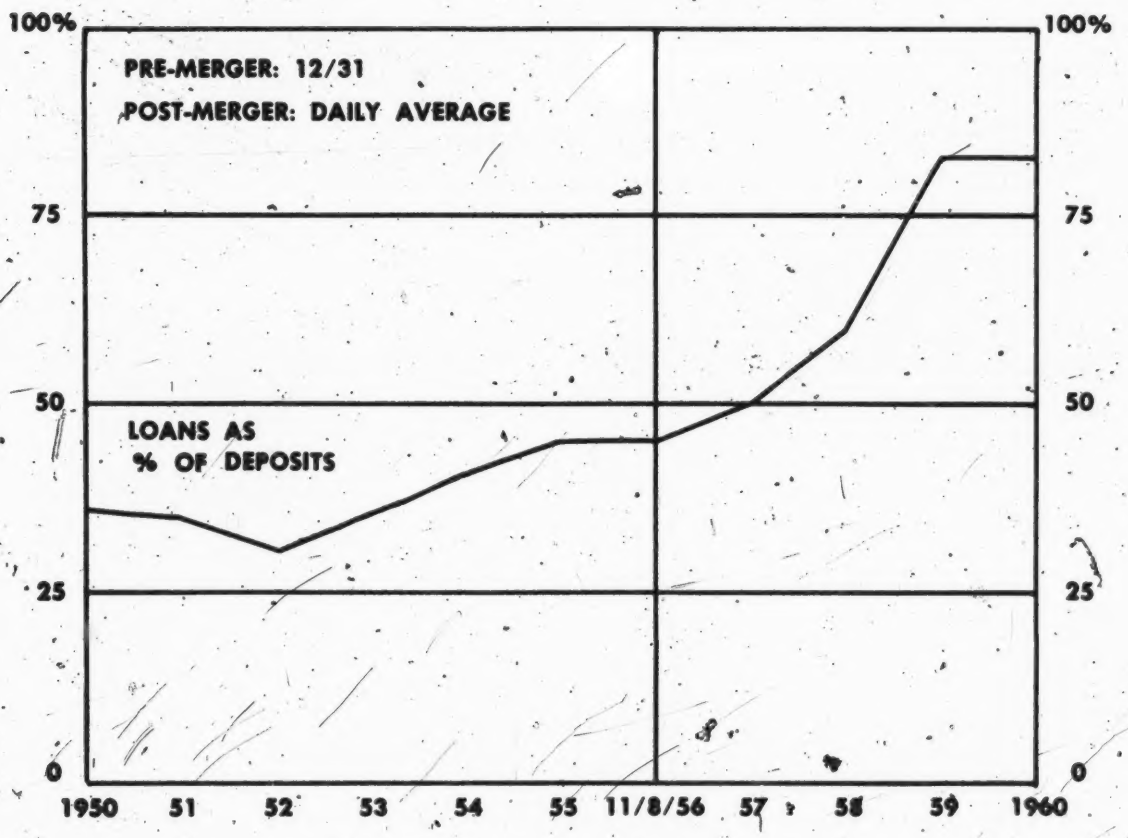
[fol. 6415]

BUCKS COUNTY OFFICES
MERGED 11/9/56



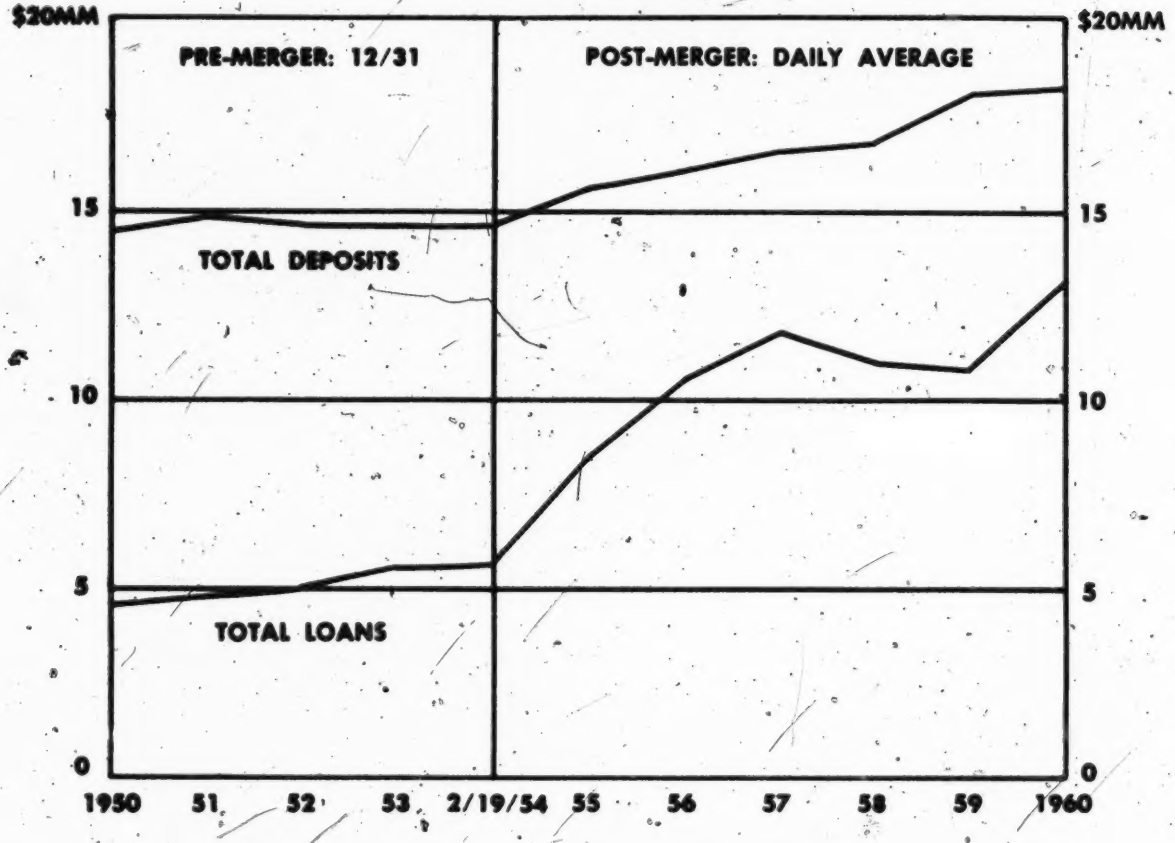


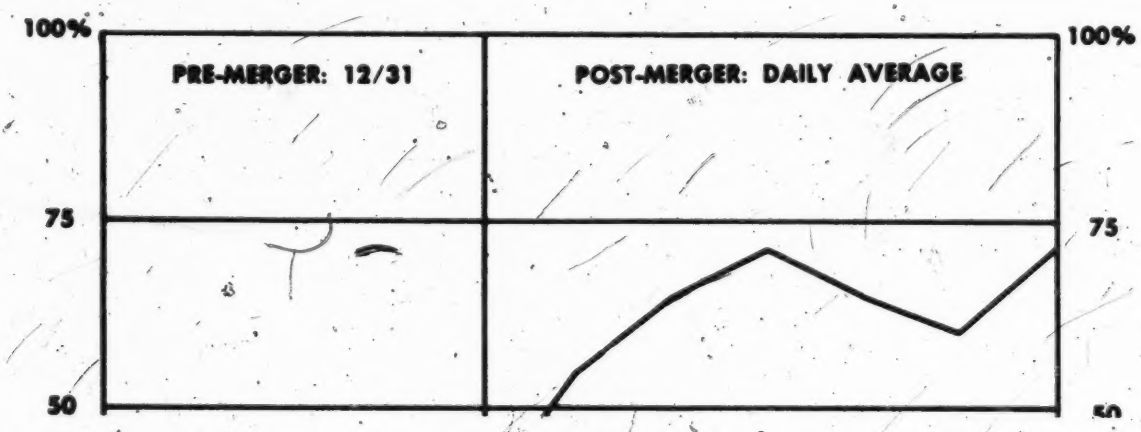

15
10
5
0
TOTAL LOANS
1950
51
52
53
54
55
11/8/56
57
58
59
1960

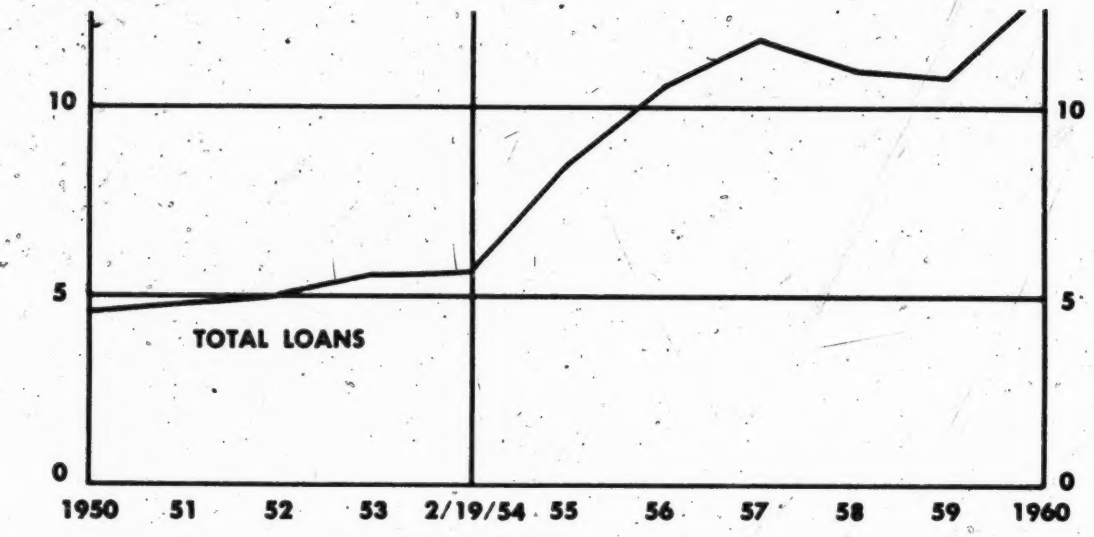

100%
75
50
25
0
PRE-MERGER: 12/31
POST-MERGER: DAILY AVERAGE
LOANS AS
% OF DEPOSITS
1950
51
52
53
54
55
11/8/56
57
58
59
1960

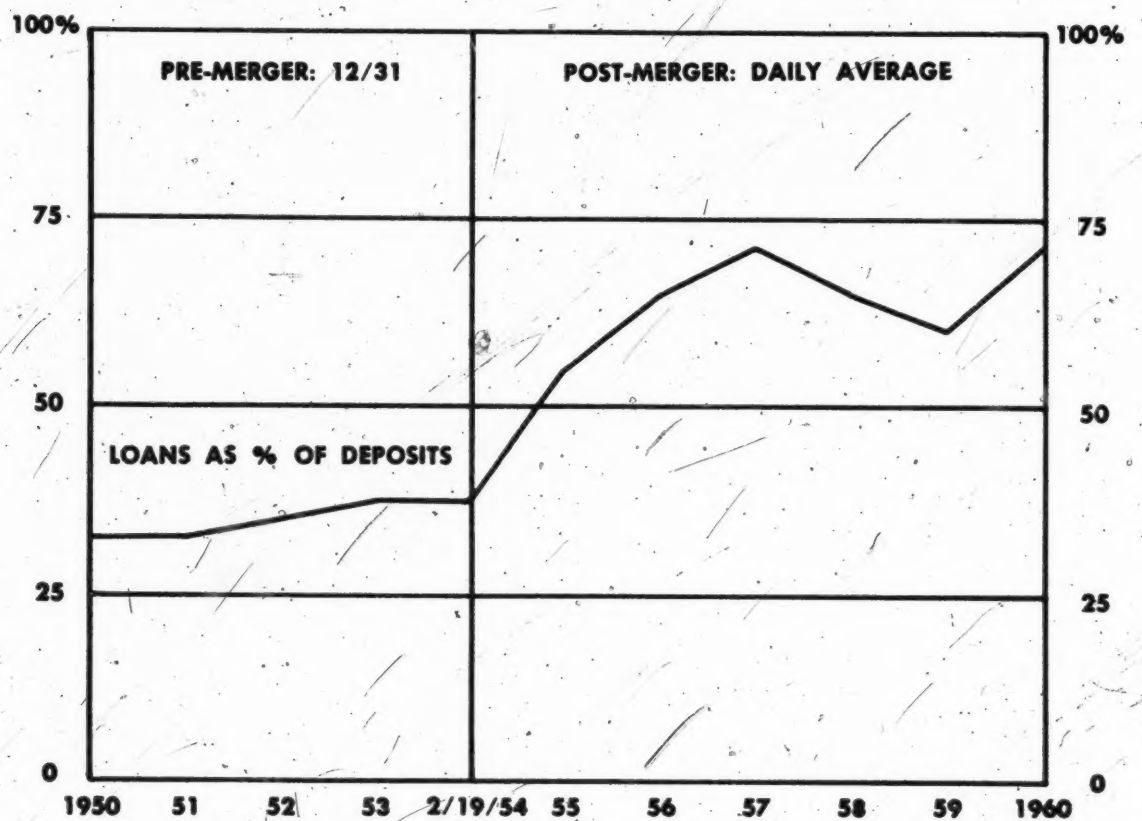
[fol. 6416]

LANSDALE OFFICE
MERGED 2/20/54






10
5
0
TOTAL LOANS
1950
51
52
53
2/19/54
55
56
57
58
59
1960

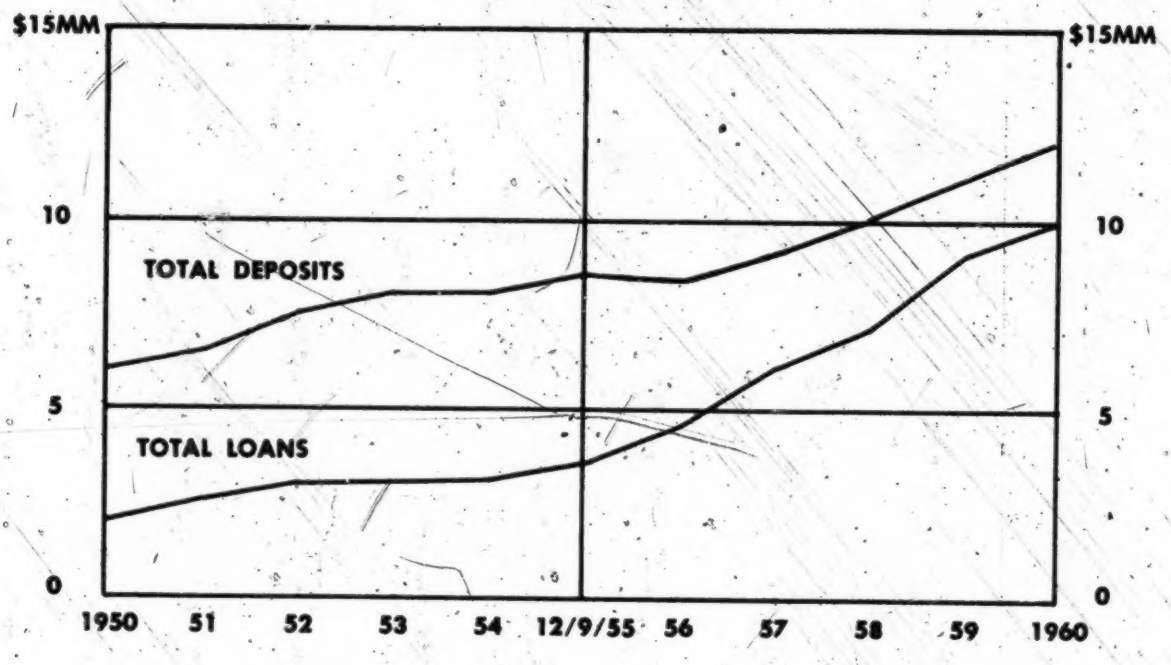

100%
75
50
25
0
PRE-MERGER: 12/31
POST-MERGER: DAILY AVERAGE
LOANS AS % OF DEPOSITS
1950
51
52
53
2/19/54
55
56
57
58
59
1960

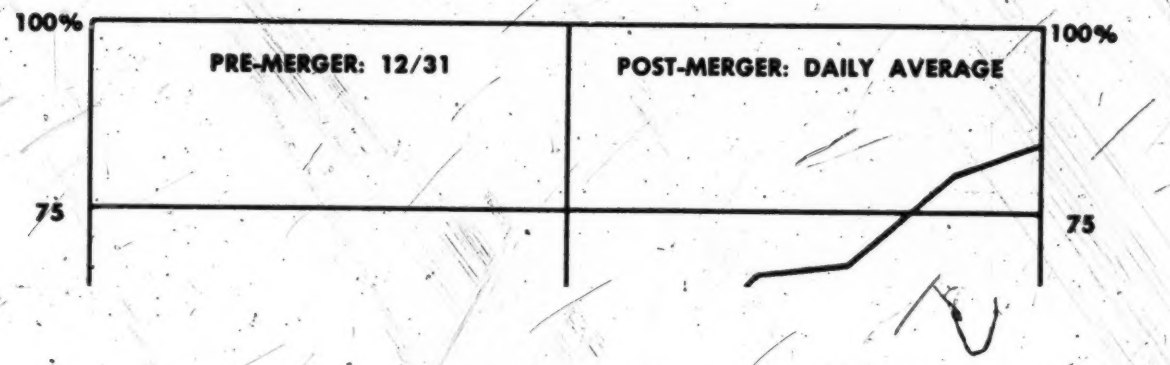
3087

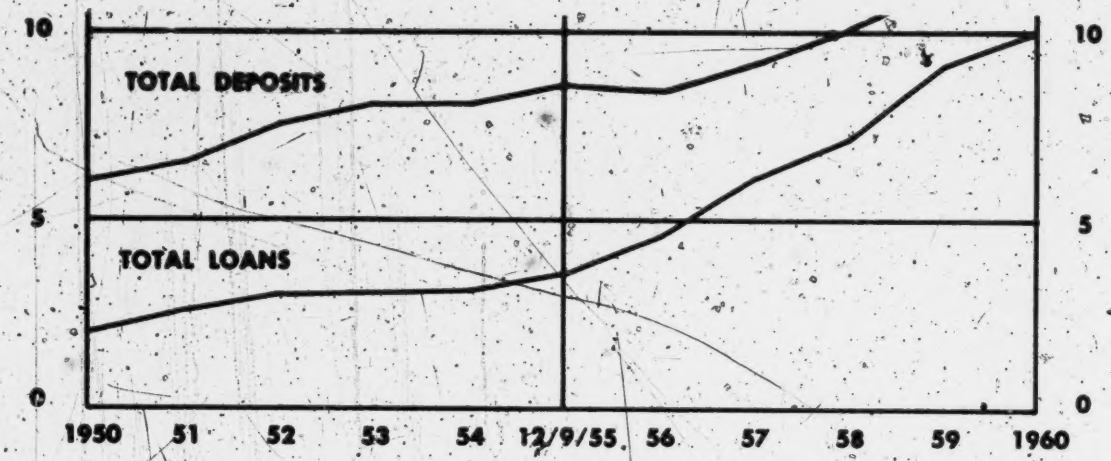
[fol. 6417]

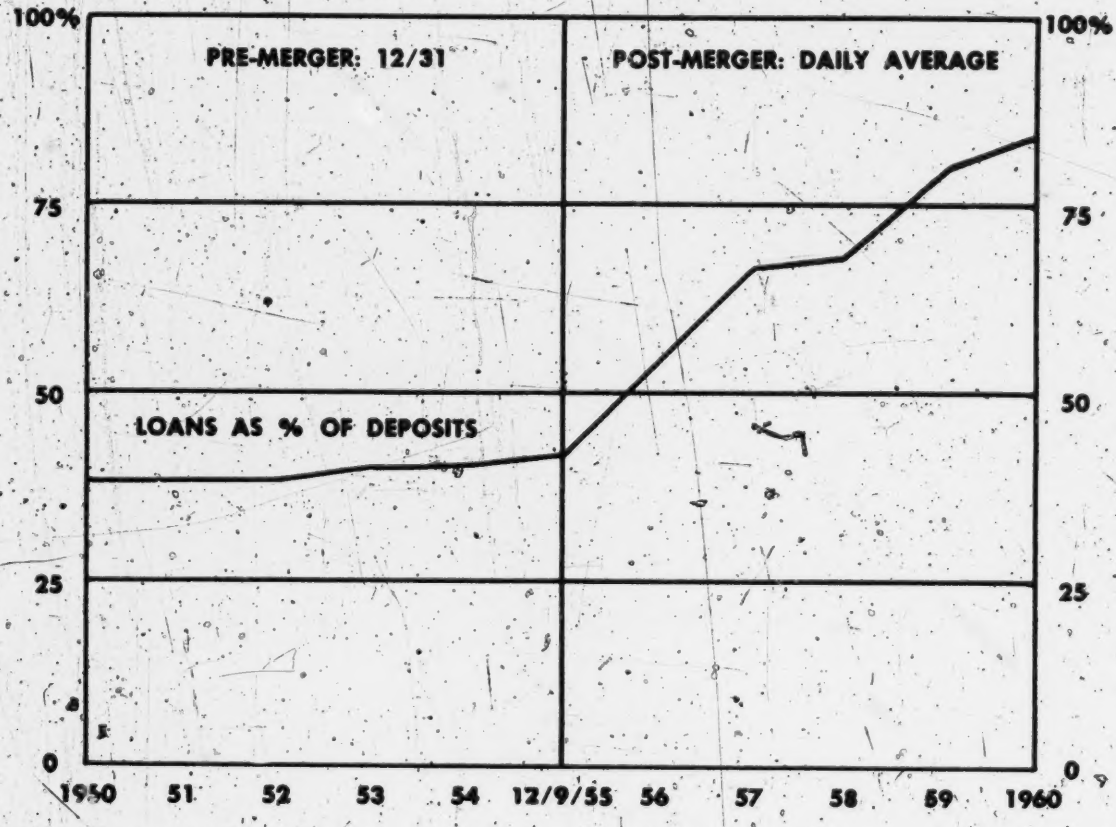
CITIZENS (POTTSTOWN) OFFICE

MERGED 12/9/55

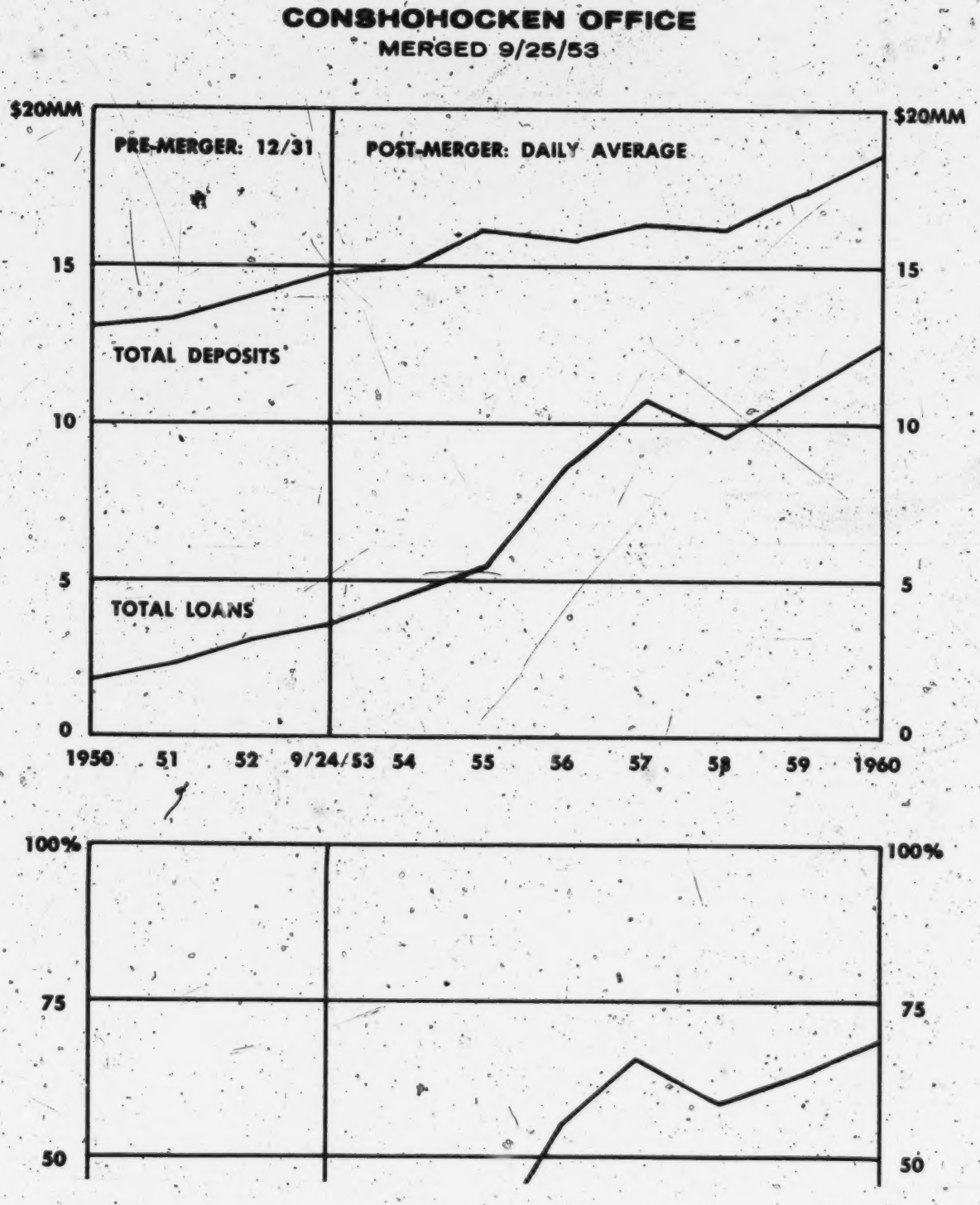


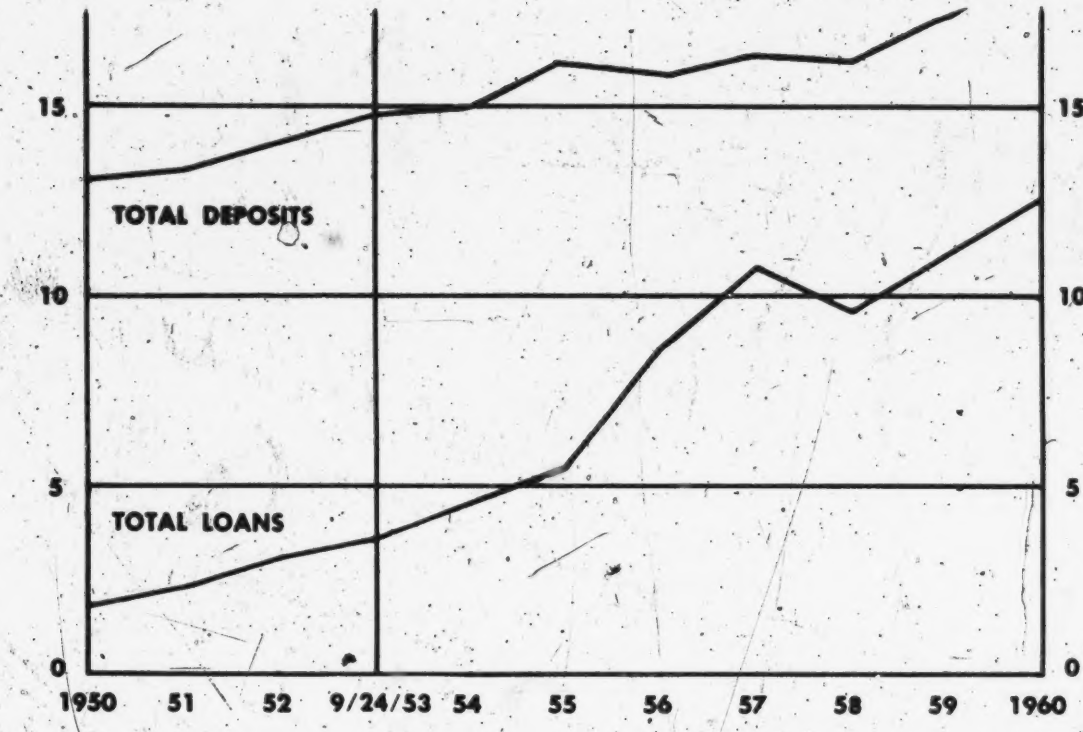


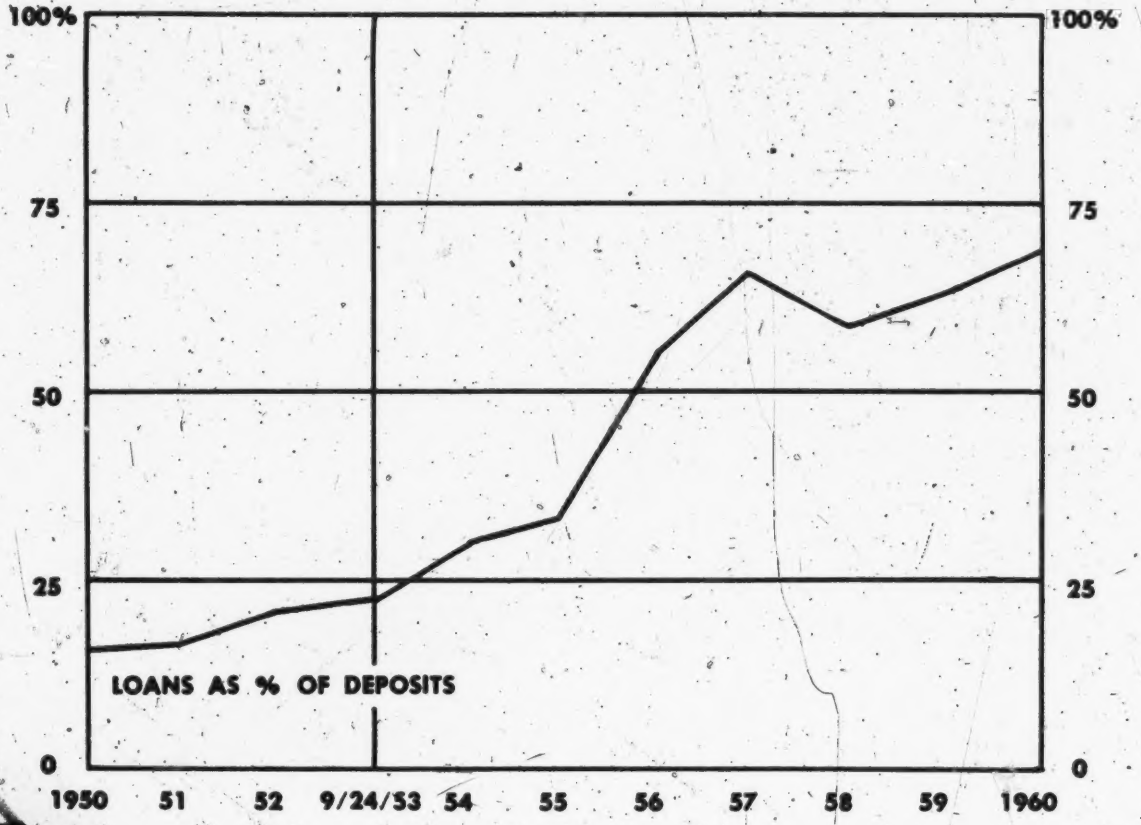

10
TOTAL DEPOSITS
5
TOTAL LOANS
0
10
5
0
1950
51
52
53
54
12/9/55
56
57
58
59
1960


100%
PRE-MERGER: 12/31
POST-MERGER: DAILY AVERAGE
75
50
LOANS AS % OF DEPOSITS
25
0
100%
75
50
25
0
1950
51
52
53
54
12/9/55
56
57
58
59
1960

[fol. 6418]

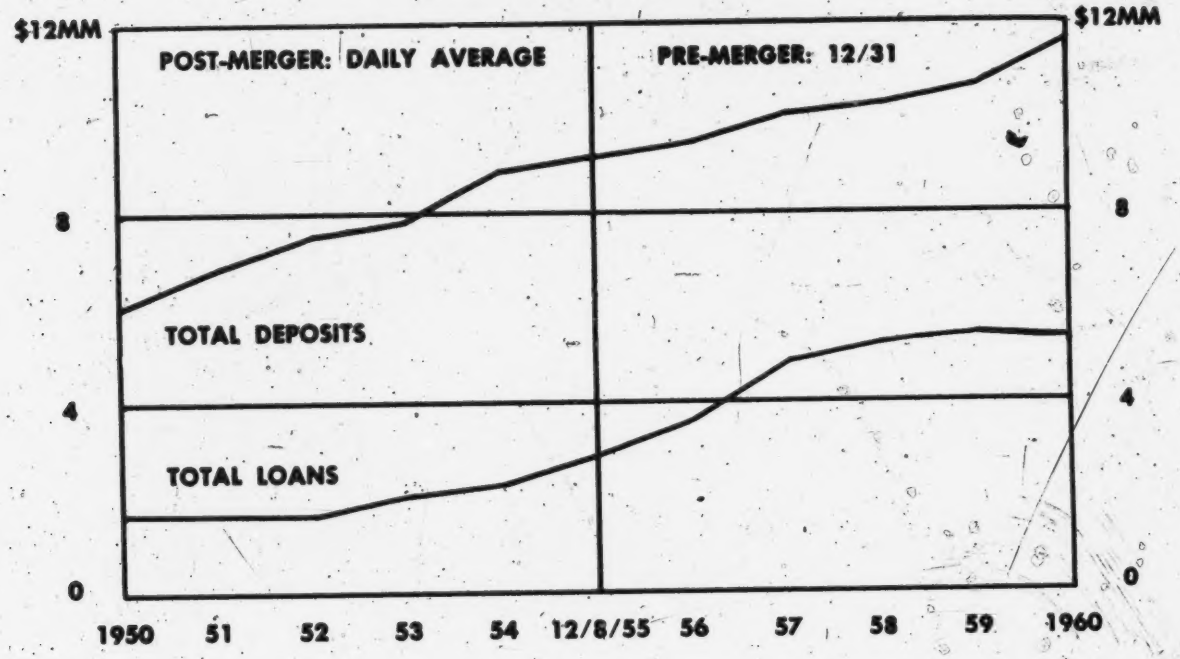

CONSHOHOCKEN OFFICE
MERGED 9/25/53
$20MM
PRE-MERGER: 12/31
POST-MERGER: DAILY AVERAGE
15
TOTAL DEPOSITS
10
5
TOTAL LOANS
0
1950
51
52
9/24/53
54
55
56
57
58
59
1960
100%
75
50

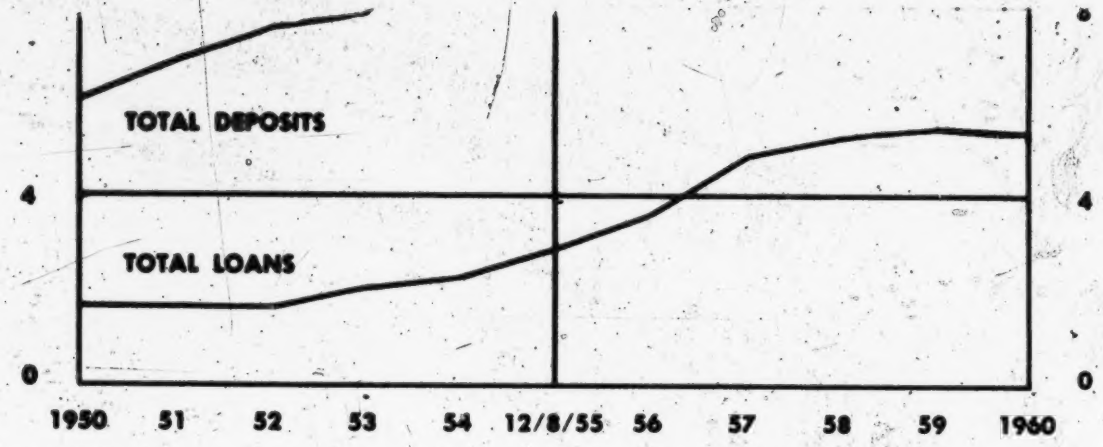

15
10
5
0
TOTAL DEPOSITS
TOTAL LOANS
1950
51
52
9/24/53
54
55
56
57
58
59
1960

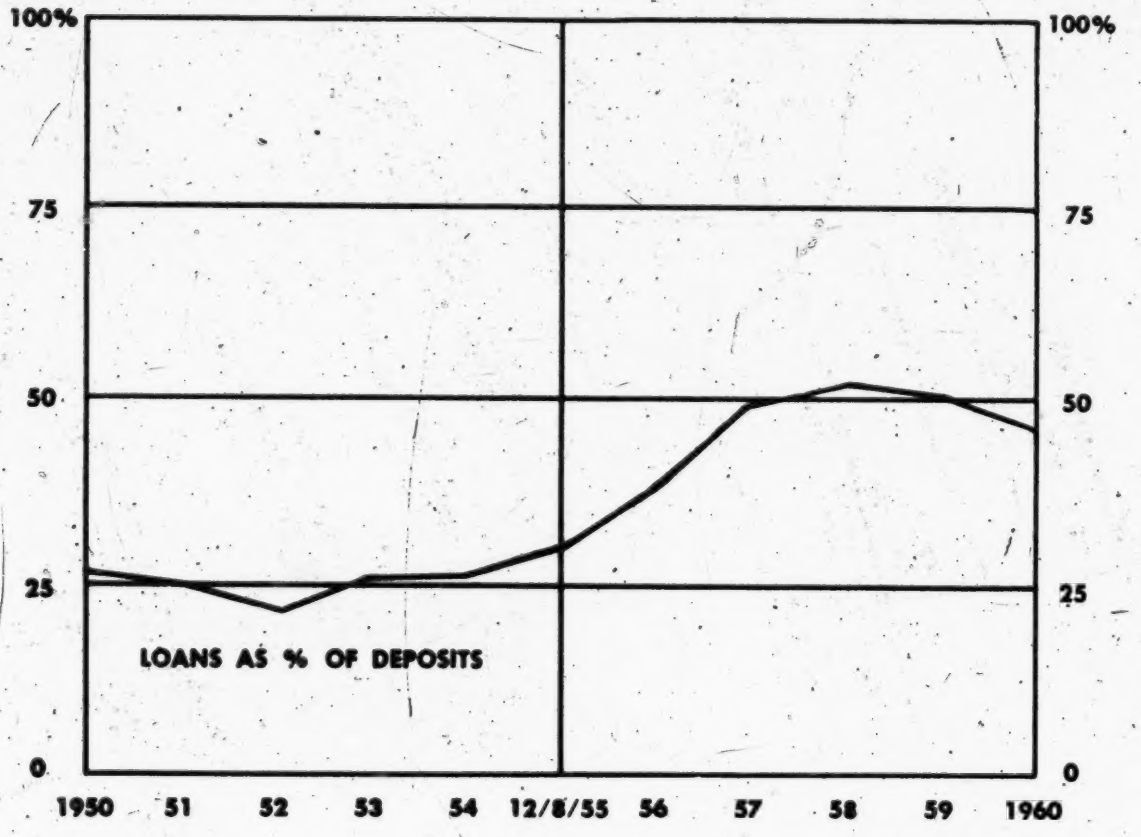

100%
75
50
25
0
LOANS AS % OF DEPOSITS
1950
51
52
9/24/53
54
55
56
57
58
59
1960

[fol. 6419]

HATBORO OFFICE
MERGED 12/9/55



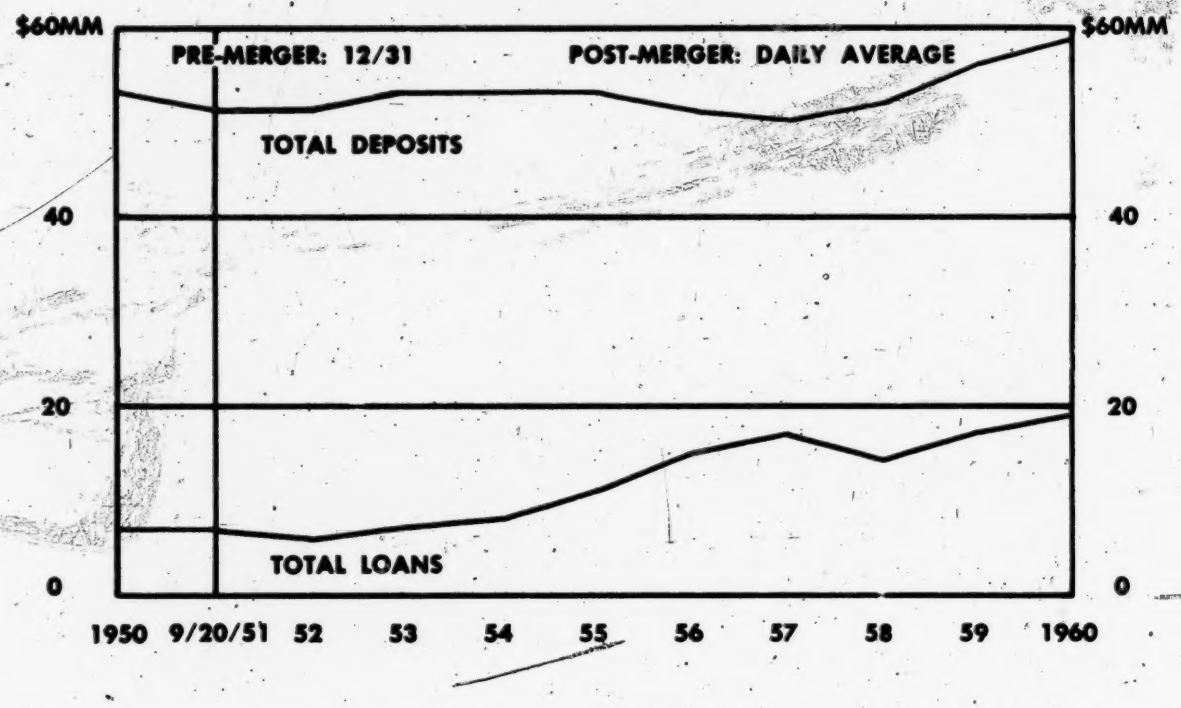

TOTAL DEPOSITS
TOTAL LOANS
4
0
1950
51
52
53
54
12/8/55
56
57
58
59
1960

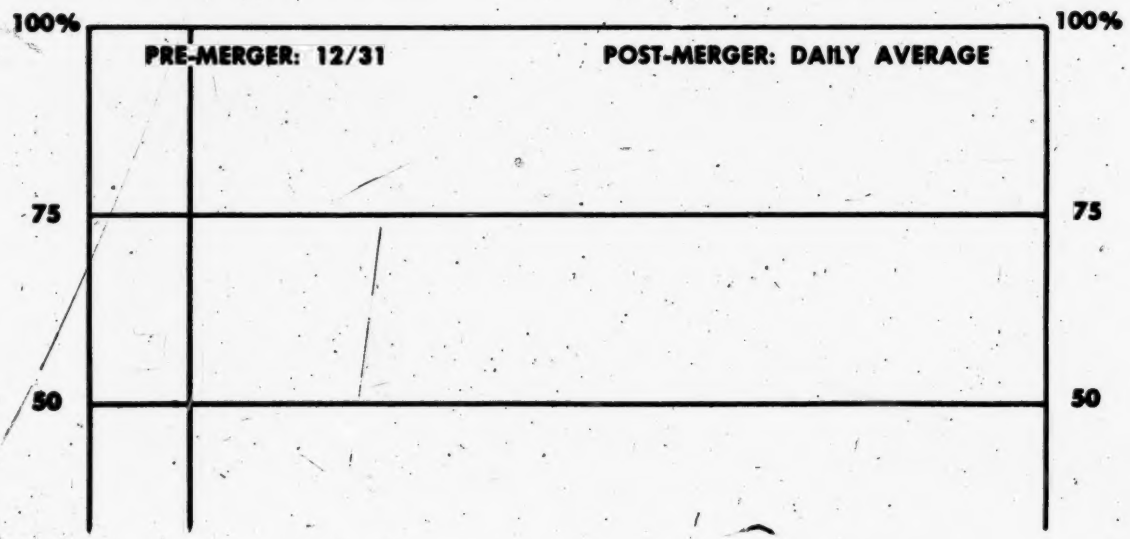

100%
75
50
25
0
LOANS AS % OF DEPOSITS
1950
51
52
53
54
12/8/55
56
57
58
59
1960

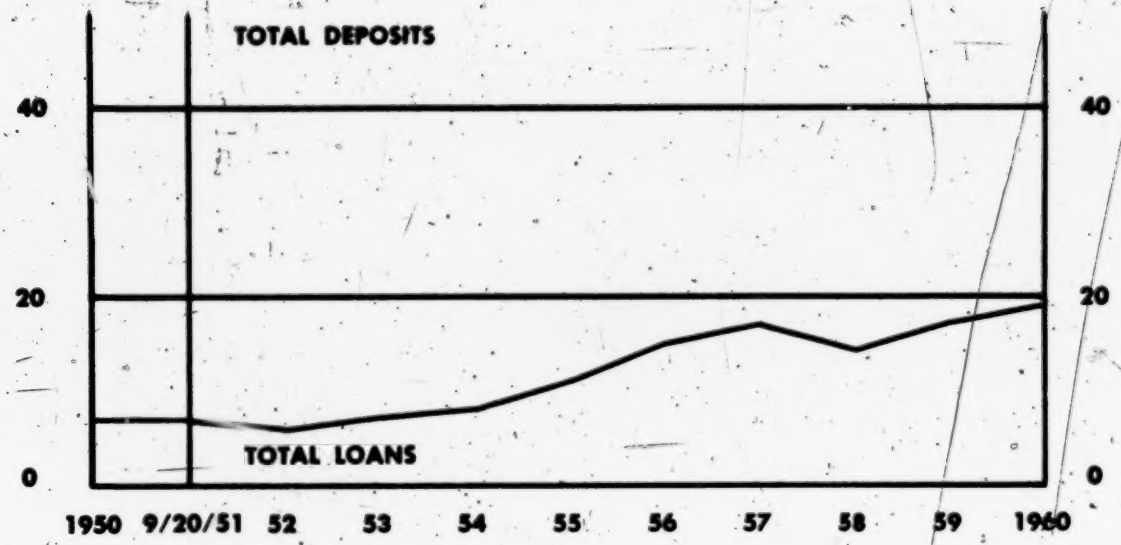
[fol. 6420]

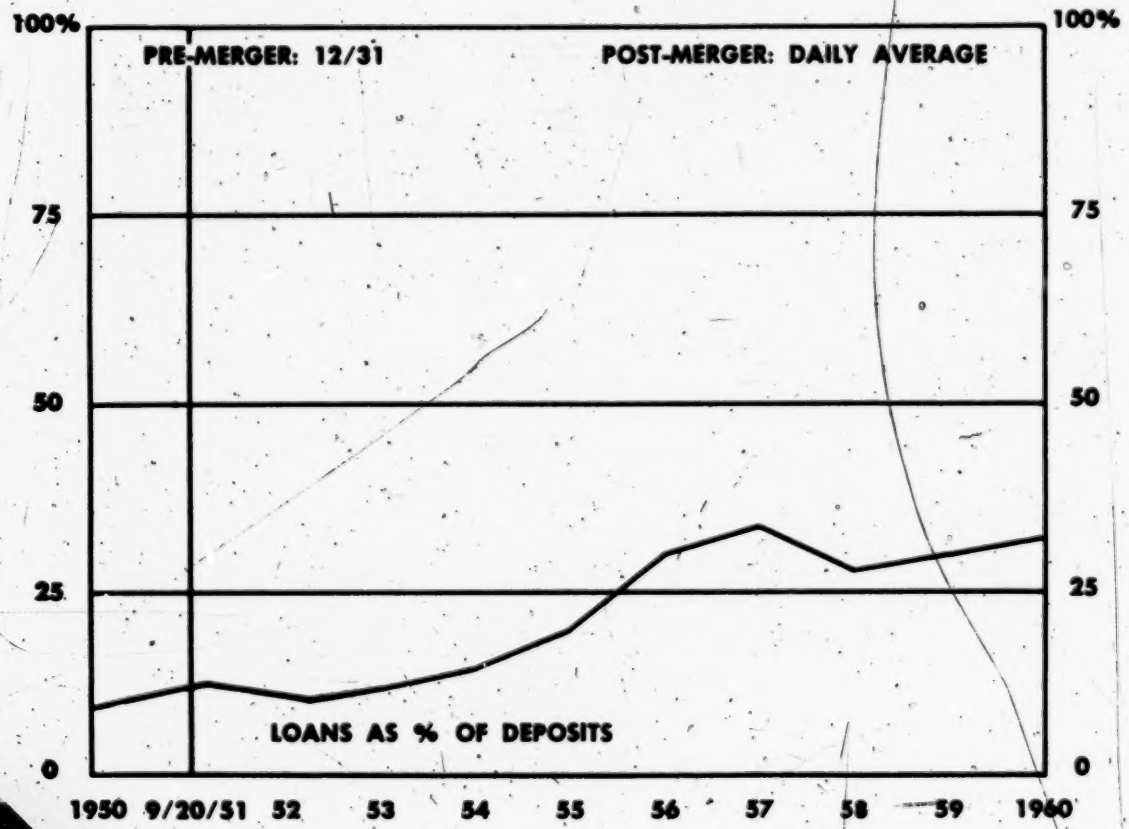
NORTHEAST PHILADELPHIA OFFICES

MERGED 9/21/51





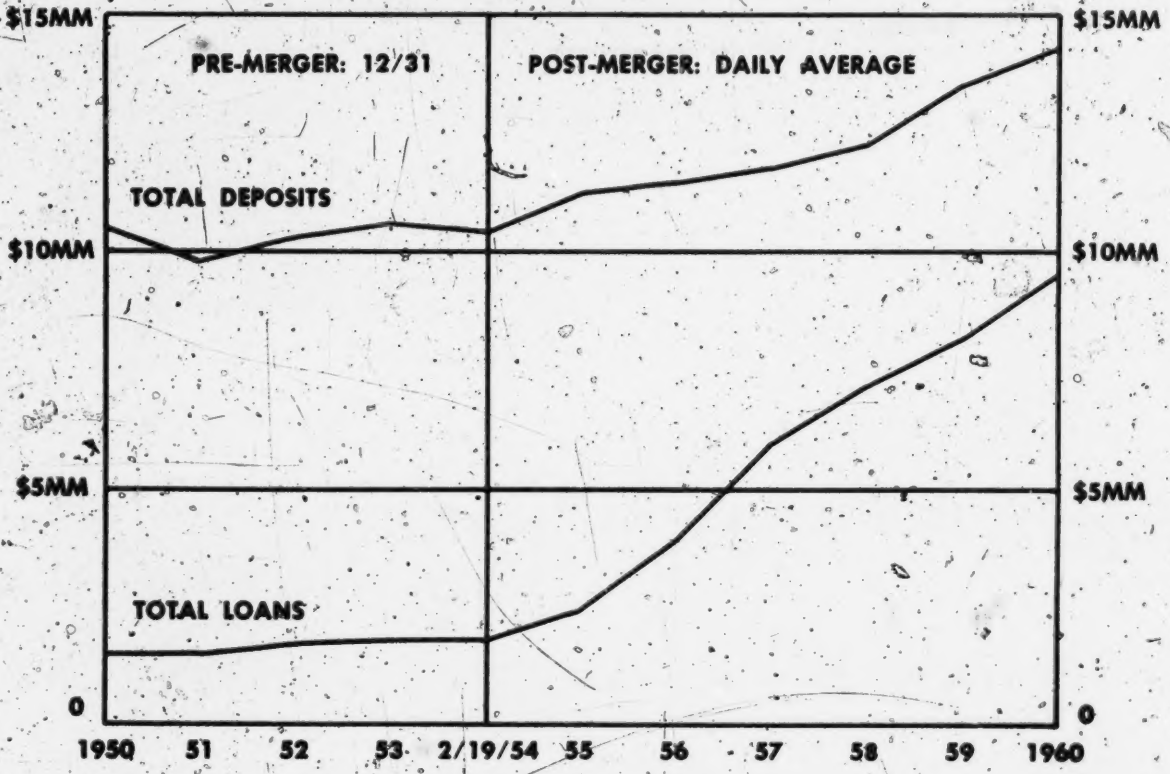

TOTAL DEPOSITS
TOTAL LOANS
40
20
0
1950
9/20/51
52
53
54
55
56
57
58
59
1960

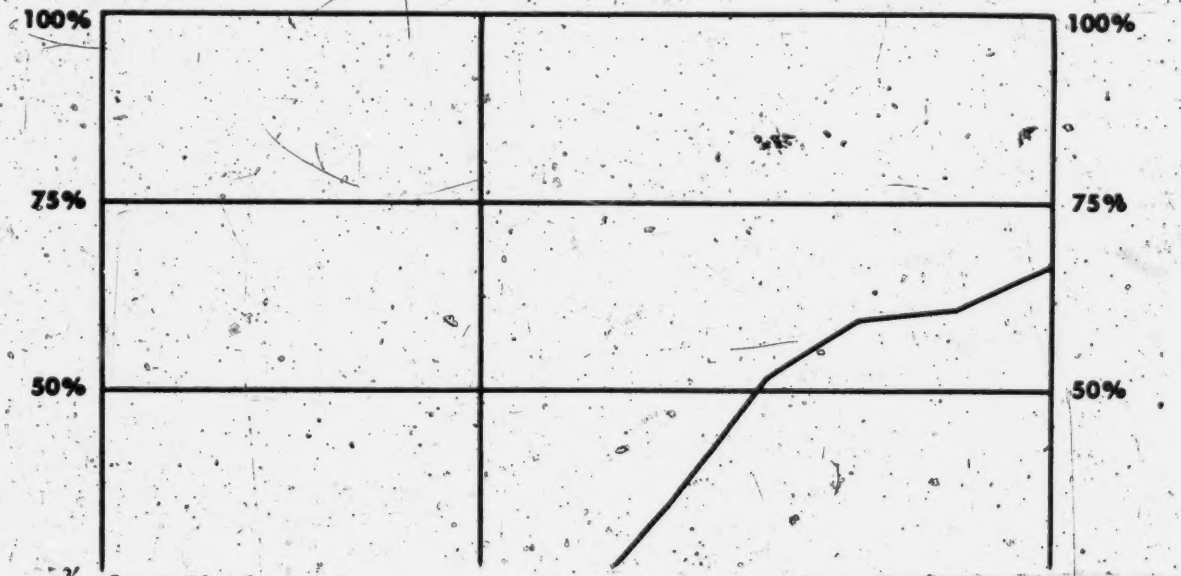

100%
PRE-MERGER: 12/31
POST-MERGER: DAILY AVERAGE
75
50
25
0
LOANS AS % OF DEPOSITS
1950
9/20/51
52
53
54
55
56
57
58
59
1960

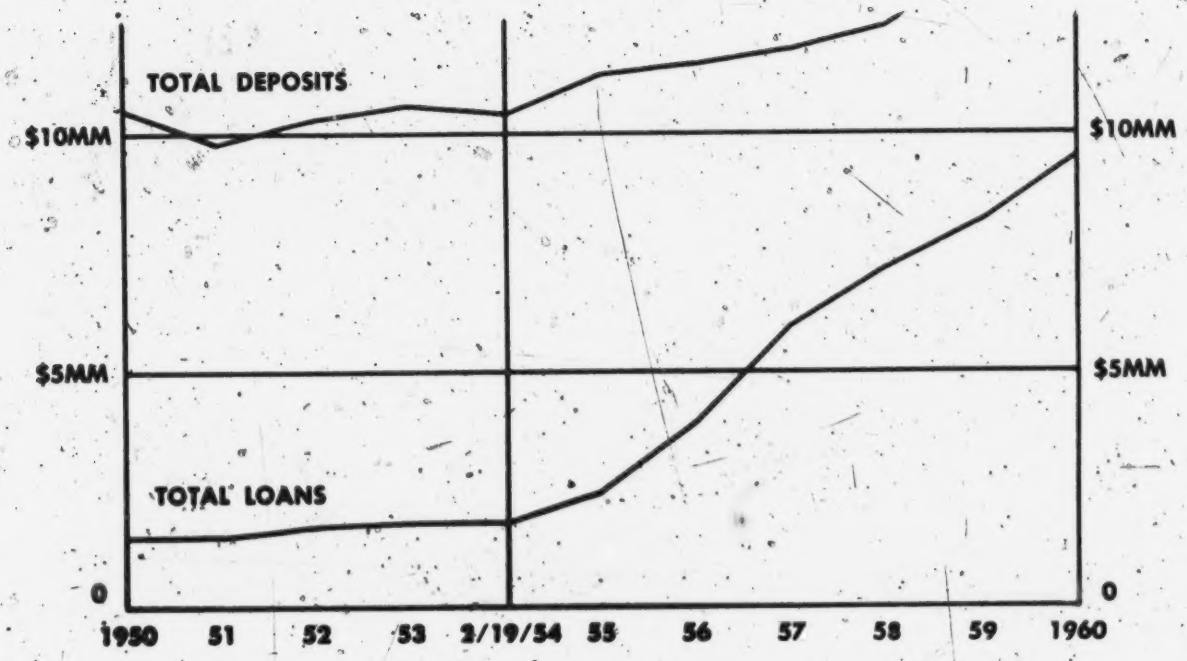
[fol. 6421]

MONTGOMERY (NORRISTOWN) OFFICE

MERGED 5/20/54






TOTAL DEPOSITS
$10MM
$5MM
TOTAL LOANS
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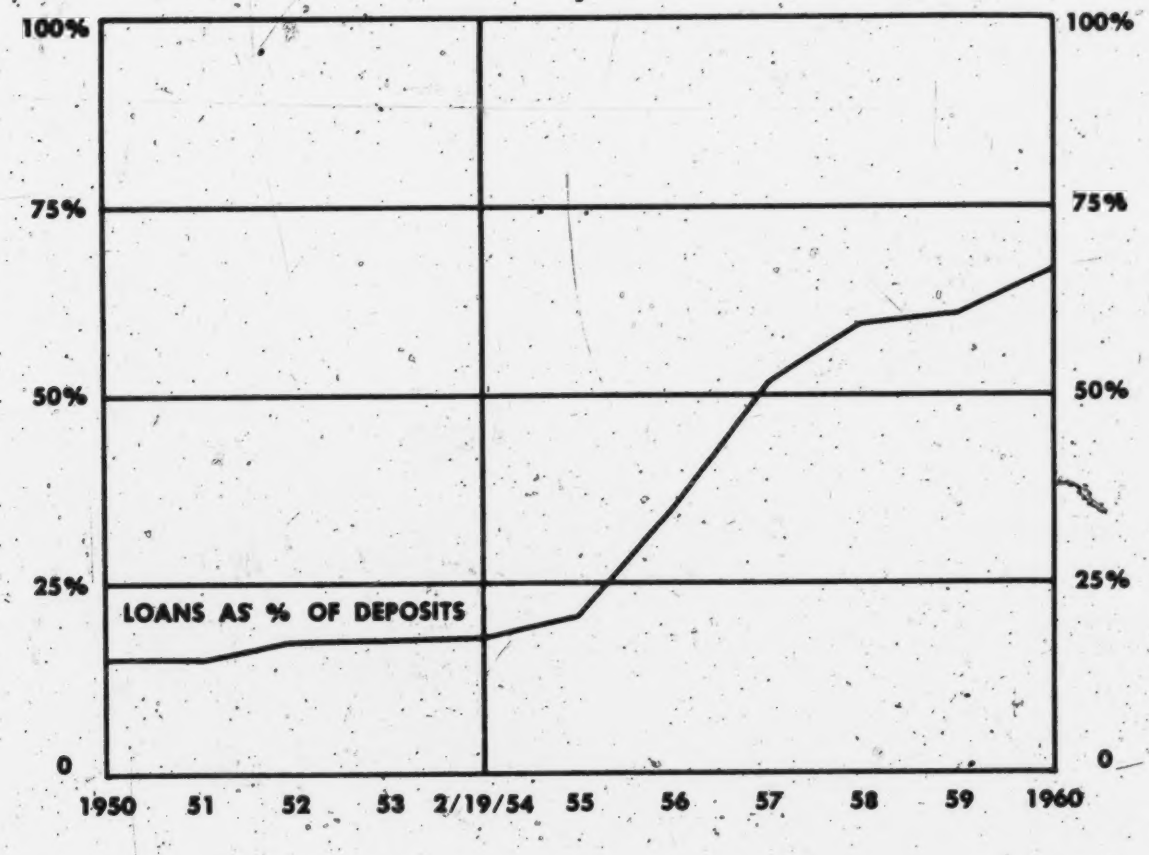
1950
51
52
53
2/19/54
55
56
57
58
59
1960


100%
75%
50%
25%
LOANS AS % OF DEPOSITS
0
1950
51
52
53
2/19/54
55
56
57
58
59
1960

[fol. 6422]

Chester Area Offices
Merged 2/20/54

Date	Total Deposits	Gross Loans	Loans as % of Deposits
12/31/50 [1]	$23,778M	$ 5,657M	23.8%
12/31/51 [1]	25,372	6,078	24.0
12/31/52 [1]	27,531	6,348	23.0
12/31/53 [1]	28,163	6,494	23.0
2/20/54 [1]	26,978	6,662	24.6
Average 1955 [2]	26,063	9,302	35.7
1956 [2]	26,089	11,876	45.5
1957 [2]	26,354	11,981	45.5
1958 [2]	27,139	12,410	45.7
1959 [2]	28,365	13,812	48.7
1960 [2]	30,592	15,032	49.1
Amount Increase 1960 over 1950	$ 6,814M	$ 9,375M	25.3%
% Increase 1960 over 1950	28.7%	165.7%	

[1] Call Data
[2] Defendant's Records

[fol. 6423]

Bucks County Offices
Merged 11/9/56

Date	Total Deposits	Gross Loans	Loans as % of Deposits
12/31/50 [1]	$12,539M	$ 4,508M	36.0%
12/31/51 [1]	14,184	4,995	35.2
12/31/52 [1]	19,257	6,013	31.2
12/31/53 [1]	22,832	8,239	36.1
12/31/54 [1]	22,848	9,604	42.0
12/31/55 [1]	24,680	10,926	44.3
11/ 9/56 [1]	26,124	11,502	44.0
Average 1957 [2]	25,668	12,536	48.8
1958 [2]	25,656	14,997	58.5
1959 [2]	27,554	23,433	85.0
1960 [2]	27,360	23,312	85.2
Amount Increase 1960 over 1950	$14,821M	$18,804M	49.2%
% Increase 1960 over 1950	118.2%	417.1%	

[1] Call Data—adjusted for Southampton and Yardley mergers.
[2] Defendant's Records

[fol. 6424] Lansdale Office

Merged 2/20/54

Date	Total Deposits	Gross Loans	Loans as % of Deposits
12/31/50 [1]	$14,216M	$ 4,642M	32.6%
12/31/51 [1]	14,732	4,805	32.6
12/31/52 [1]	14,492	5,177	35.7
12/31/53 [1]	14,553	5,526	38.0
12/19/54 [1]	14,472	5,627	38.9
Average 1955 [2]	15,558	8,472	54.4
1956 [2]	16,119	10,556	65.4
1957 [2]	16,400	11,879	72.4
1958 [2]	16,704	10,942	65.5
1959 [2]	18,053	10,718	59.4
1960 [2]	18,203	13,206	72.5
Amount Increase 1960 over 1950	$ 3,987M	$ 8,664M	39.9%
% Increase 1960 over 1950	28.1%	184.5%	

[1] Call Data
[2] Defendant's Records

[fol. 6425] Citizens Pottstown Office

Merged 12/9/55

Date	Total Deposits	Gross Loans	Loans as % of Deposits
12/31/50 [1]	$ 5,823M	$ 2,206M	37.9%
12/31/51 [1]	6,702	2,588	38.6
12/31/52 [1]	7,454	2,823	37.9
12/31/53 [1]	7,980	3,199	40.1
12/31/54 [1]	8,142	3,172	39.0
12/ 9/55 [1]	8,478	3,633	42.8
Average 1956 [2]	8,356	4,447	53.2
1957 [2]	8,890	5,998	67.4
1958 [2]	10,290	7,008	68.1
1959 [2]	11,319	8,974	79.2
1960 [2]	12,035	10,038	83.4
Amount Increase 1960 over 1950	$ 6,212M	$ 7,832M	45.5%
% Increase 1960 over 1950	106.7%	355.0%	

[1] Call Data
[2] Defendant's Records

[fol. 6426] Conshohocken Office

Merged 9/25/53

Date	Total Deposits	Gross Loans	Loans as % of Deposits
12/31/50 [1]	$13,168M	$ 1,721M	13.0%
12/31/51 [1]	13,365	2,205	16.5
12/31/52 [1]	14,094	3,013	21.3
9/25/53 [1]	14,890	3,408	22.8
Average 1954 [2]	15,031	4,434	29.5
1955 [2]	16,186	5,440	33.6
1956 [2]	15,806	8,699	55.0
1957 [2]	16,368	10,769	65.8
1958 [2]	16,239	9,515	58.6
1959 [2]	17,363	10,921	62.8
1960 [2]	18,468	12,535	67.9
Amount Increase 1960 over 1950	$ 5,300M	$10,814M	54.9%
% Increase 1960 over 1950	40.2%	628.4%	

[1] Call Data
[2] Defendants Records

[fol. 6427] Hatboro Office

Merged 12/9/55

Date	Total Deposits	Gross Loans	Loans as % of Deposits
12/31/50 [1]	$ 6,112M	$ 1,610M	26.3%
12/31/51 [1]	6,853	1,727	25.2
12/31/52 [1]	7,558	1,644	21.8
12/31/53 [1]	7,851	2,045	26.0
12/31/54 [1]	8,838	2,333	26.4
12/ 9/55 [1]	9,121	2,795	30.6
Average 1956 [2]	9,378	3,541	37.8
1957 [2]	9,998	4,835	48.3
1958 [2]	10,353	5,316	51.3
1959 [2]	10,664	5,362	50.2
1960 [2]	11,474	5,251	45.8
Amount Increase 1960 over 1950	$ 5,362M	$ 3,641M	19.5%
% Increase 1960 over 1950	87.7%	226.1%	

[1] Call Data
[2] Defendant's Records

[fol. 6428]

Northeast Philadelphia Offices

Merged 6/21/51

Date		Total Deposits	Gross Loans	Loans as % of Deposits
12/31/50 [1]		$52,856M	$ 6,404M	12.1%
9/21/51 [1]		50,739	6,543	13.1
Average	1952 [2]	51,769	6,178	11.9
	1953 [2]	52,815	6,943	13.1
	1954 [2]	53,143	7,785	14.6
	1955 [2]	52,935	10,570	20.0
	1956 [2]	50,965	14,615	28.7
	1957 [2]	50,365	17,055	33.8
	1958 [2]	51,651	14,394	27.8
	1959 [2]	55,594	16,885	30.3
	1960 [2]	58,763	18,827	32.0
Amount Increase 1960 over 1950		$ 5,907M	$12,423M	19.9%
% Increase 1960 over 1950		11.2%	194.0%	

[1] Call Data
[2] Defendants Records

[fol. 6429]

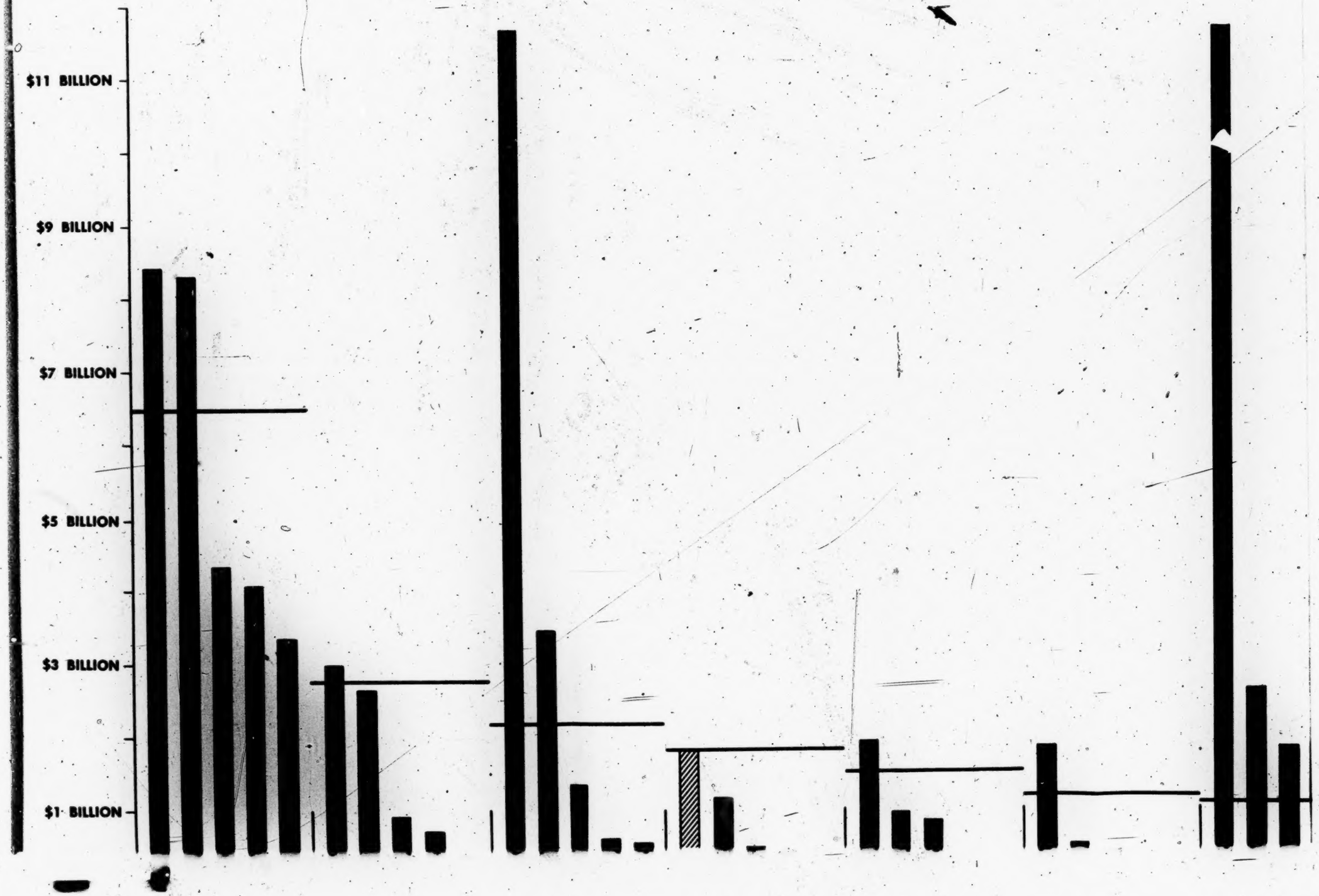
Montgomery Office

Merged 2/20/54

Date		Total Deposits	Gross Loans	Loans as % of Deposits
12/31/50 [1]		$10,477M	$ 1,526M	14.6%
12/31/51 [1]		9,814	1,482	15.1
12/31/52 [1]		10,329	1,742	16.9
12/31/53 [1]		10,628	1,801	16.9
2/19/54 [1]		10,401	1,788	17.2
Average	1955 [2]	11,194	2,387	21.3
	1956 [2]	11,385	3,868	34.6
	1957 [2]	11,691	6,041	51.6
	1958 [2]	12,223	7,174	58.7
	1959 [2]	13,451	8,237	61.2
	1960 [2]	14,165	9,481	66.9
Amount Increase 1960 over 1950		$ 3,688M	$ 7,955M	52.3%
% Increase 1960 over 1950		35.2%	521.3%	

[1] Call Data
[2] Defendant's Records

[fol. 6430]



DEFENDANT'S EXHIBIT 20

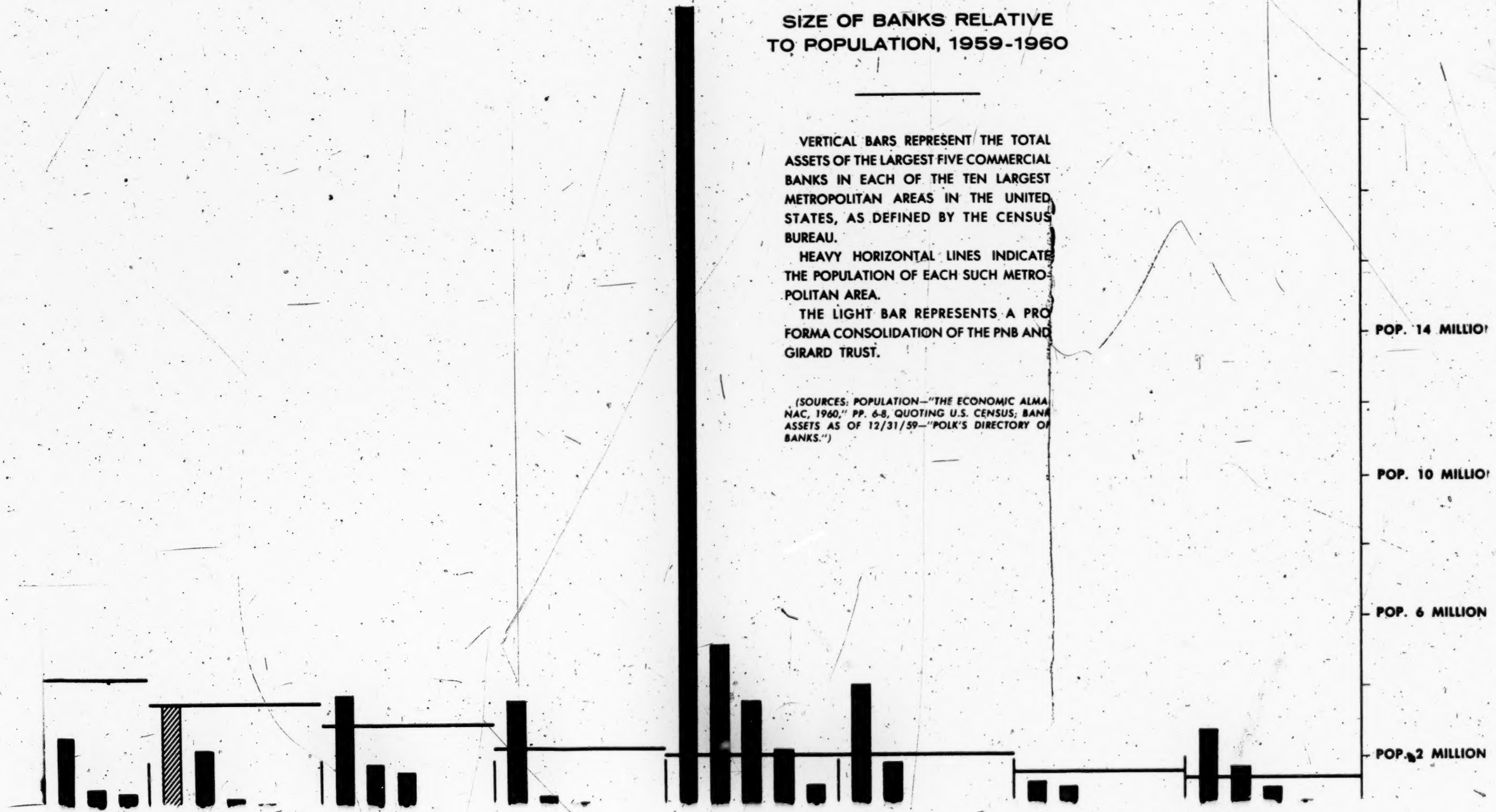
SIZE OF BANKS RELATIVE TO POPULATION, 1959-1960

VERTICAL BARS REPRESENT THE TOTAL ASSETS OF THE LARGEST FIVE COMMERCIAL BANKS IN EACH OF THE TEN LARGEST METROPOLITAN AREAS IN THE UNITED STATES, AS DEFINED BY THE CENSUS BUREAU.

HEAVY HORIZONTAL LINES INDICATE THE POPULATION OF EACH SUCH METROPOLITAN AREA.

THE LIGHT BAR REPRESENTS A PRO FORMA CONSOLIDATION OF THE PNB AND GIRARD TRUST.

(SOURCES: POPULATION—"THE ECONOMIC ALMANAC, 1960," PP. 6-8, QUOTING U.S. CENSUS; BANK ASSETS AS OF 12/31/59—"POLK'S DIRECTORY OF BANKS.")



[fol. 6431] DEFENDANTS' EXHIBIT 21.

Banks in—Reserve City of Birmingham, Alabama

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	333,760	63.78	63.35
Birmingham Trust National Bank[1]	132,046	25.23	25.06
Bank for Savings & Trust	26,915	5.14	5.11
Exchange Bank	18,086	3.46	3.43
Security Commercial Bank	12,528	2.39	2.38
Total 5 largest banks	523,335	100.00	99.33
Total 1 other bank	3,509		.67
Total 6 commercial banks	526,844		100.00

[1] Conversion of Birmingham Trust & Savings Bank, Dec. 20, 1946—assets $109,879,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	237,620	64.43	63.94
Birmingham Trust & Savings Co.	109,879	29.79	29.56
Bank for Savings & Trust	8,884	2.41	2.39
Exchange Bank	8,682	2.35	2.34
Security Savings Bank[1]	3,765	1.02	1.01
Total 5 largest bank	368,830	100.00	99.24
Total 1 other bank[2]	2,819		.76
Total 6 commercial banks	371,649		100.00

[1] Title changed Apr. 1, 1950 to Security Commercial Bank.

[2] A corporation.

[fol. 6432] Banks in—Reserve City of Little Rock, Arkansas

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Union National Bank	73,809	34.13	33.92
Worthen Bank & Trust Company	65,707	30.39	30.20
First National Bank[1]	38,533	17.81	17.71
Commercial National Bank	36,525	16.90	16.79
The Bank of Arkansas[2]	1,665	.77	.76
Total 5 largest banks	216,239	100.00	99.38
Total 1 other bank[2]	1,359		.62
Total 6 commercial banks	217,598		100.00

[1] Formerly The Peoples National Bank.
[2] Both chartered in 1956.

Note:—Excludes Metropolitan Trust Company not engaged in banking.

June 29, 1946

	Total assets	Percent to total
Largest commercial banks:		
W. B. Worthen Co. Bankers[1]	63,725	38.41
Union National Bank	53,537	32.27
Commercial National Bank	32,021	19.30
Peoples National Bank	16,615	10.02
Total 4 commercial banks	165,898	100.00

[1] Title changed Dec. 31, 1946 to Worthen Bank & Trust Company.

[fol. 6433] Banks in—Reserve City of San Francisco, California

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
The Bank of America, Nat'l Tr. & Savs. Assn.*	7,701,486	63.16	58.71
American Trust Company	1,559,585	12.79	11.89
Crocker-Anglo National Bank[1]	1,439,911	11.81	10.98
First Western Bank & Trust Co.[2]	886,882	7.28	6.76
Wells Fargo Bank	605,168	4.96	4.61
Total 5 largest banks	12,193,032	100.00	92.95
Total 10 all other banks	924,258		7.05
Total 15 commercial banks	13,117,290		100.00

[1] Anglo California National Bank, assets $926,721,000, consolidated Feb. 13, 1956 with Crocker-First National Bank under title Crocker-Anglo National Bank.

[2] Formerly San Francisco Bank.

[3] Includes 2 national banks.

Note:—Excludes Western Title Insurance Guarantee Co. (non-deposit) with assets of $300,000.

* Exclusive of $1,331,418 in Los Angeles branches.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
The Bank of America, Nat'l Tr. & Savs. Assn.*	4,473,135	65.41	59.51
American Trust Company	982,024	14.36	13.06
Wells Fargo Bank	556,608	8.14	7.41
Angol-California National Bank	489,746	7.16	6.52
Crocker First National Bank	336,714	4.93	4.48
Total 5 largest banks	6,838,227	100.00	90.98
Total 7 all other banks[1]	678,251		9.02
Total 12 commercial banks	7,516,478		100.00
Total 1 mutual savings bank	156,659		

[1] Includes 2 national banks.

Note:—Excludes Title Insurance & Guarantee Co. (non-deposit) with assets of $276,000.

* Exclusive of $1,014,456 in Los Angeles branches.

[fol.6434] Banks In—Reserve City of Los Angeles, California

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Security-First National Bank	2,184,618	41.94	39.19
Bank of America Nat'l Tr. & Sav. Assn. (Branches)[1]	1,331,418	25.56	23.89
California Bank[2]	868,101	16.67	15.57
Citizens National Trust & Savings Bank	471,208	9.05	8.45
Farmers & Merchants National Bank	353,241	6.78	6.34
Total 5 largest banks	5,208,586	100.00	93.44
Total 7 all other banks[3]	365,429		6.56
Total 12 commercial banks	5,574,015		100.00

[1] Treated as a unit bank for comparative purposes since the head office is in another reserve city.

[2] Took over California Trust Company by merger Mar. 4, 1955—assets $2,250,000.

[3] Includes 1 national bank.

Note:—Excludes 2 non-deposit trust companies with assets aggregating $3,111,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Security-First National Bank	1,732,420	44.75	42.84
Bank of America Nat'l Tr. & Sav. Assn. (Branches)	1,014,456	26.20	25.08
California Bank	468,650	12.11	11.59
Citizens National Trust & Savings Bank	358,715	9.27	8.87
Farmers & Merchants National Bank	296,950	7.67	7.34
Total 5 largest banks	3,871,191	100.00	95.72
Total 4 all other banks	173,100		4.28
Total 9 commercial banks	4,044,291		100.00

Note:—Excludes 2 non-deposit trust companies with assets aggregating $3,562,000.

[fol. 6435] Banks in—Reserve City of Denver, Colorado

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	207,101	29.65	22.48
Denver National Bank	148,463	21.26	16.11
Colorado National Bank	133,858	19.17	14.53
United States National Bank	112,596	16.12	12.22
Central Bank & Trust Co.	96,380	13.80	10.4
Total 5 largest banks	698,398	100.00	75.80
Total 14 all other banks[1]	223,019		24.20
Total 19 commercial banks	921,417		100.00

[1] Includes 3 national banks.

June 29, 1946

	Total assets	Precent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	166,558	32.64	27.24
Denver National Bank	107,414	21.05	17.57
Colorado National Bank	106,663	20.90	17.45
United States National Bank	79,311	15.54	12.97
International Trust Co.	50,394	9.87	8.24
Total 5 largest banks	510,340	100.00	83.47
Total 8 all other banks[1]	101,090		16.53
Total 13 commercial banks	611,430		100.00

[1] Includes 3 national banks.

[fol. 6436] Banks in—Reserve City of Pueblo, Colorado

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to total
Largest commercial banks:		
First National Bank	45,460	50.42
Pueblo Savings & Trust Co.	20,865	23.14
Minnequa Bank	15,585	17.28
Arkansas Valley Bank	8,261	9.16
Total 4 commercial banks	90,171	100.00

June 29, 1946

	Total assets	Precent to total
Largest commercial banks:		
First National Bank	42,004	67.11
Pueblo Savings & Trust Co.	15,034	24.02
Minnequa Bank	5,549	8.87
Total 3 commercial banks	62,587	100.00

[fol. 6437] Banks in—Reserve City of Washington, D. C.

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Riggs National Bank[1]	460,030	41.00	30.51
American Security & Trust Company[2]	259,384	23.11	17.20
The National Bank of Washington[3]	257,274	22.93	17.06
Union Trust Company[4]	76,935	6.86	5.10
The National Metropolitan Bank	68,498	6.10	4.54
Total 5 largest banks	1,122,121	100.00	74.41
Total 12 all other banks[5]	385,984		25.59
Total 17 commercial banks	1,508,105		100.00

[1] Took over Washington Loan & Trust Co. by consolidation Oct. 1, 1954—assets $55,274,000.
[2] Purchased Columbia National Bank Nov. 30, 1946—assets $10,933,000.
[3] Took over Hamilton National Bank by consolidation Oct. 1, 1954—assets $115,540,000.
[4] Purchased Citizens Bank of Washington Jan. 31, 1947—assets $14,775,000.
[5] Includes 5 national banks, 2 of which are county banks.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Riggs National Bank	331,950	47.60	29.94
American Security & Trust Company	137,600	19.73	12.41
Hamilton National Bank	104,976	15.05	9.47
The National Metropolitan Bank	66,074	9.47	5.96
Washington Loan & Trust Company	56,819	8.15	5.13
Total 5 largest banks	697,419	100.00	62.91
Total 16 all other banks[1]	411,175		37.09
Total 21 commercial banks	1,108,594		100.00

[1] Includes 7 national banks, 2 of which are county banks.

[fol. 6438] Banks in—Reserve City of Jacksonville, Florida

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Atlantic National Bank	200,258	36.63	34.76
Florida National Bank	194,523	35.58	33.77
Barnett National Bank	120,264	22.00	20.88
American National Bank	17,177	3.14	2.98
Springfield Atlantic Bank	14,454	2.65	2.51
Total 5 largest banks	546,676	100.00	94.90
Total 6 all other banks[1]	29,355		5.10
Total 11 commercial banks	576,031		100.00

[1] Includes 1 national bank which was a conversion of Central Savings Bank, July 5, 1955—assets $3,737,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Atlantic National Bank	146,527	37.63	37.43
Florida National Bank	136,941	35.16	34.98
Barnett National Bank	91,971	23.62	23.50
Springfield Atlantic Bank	8,030	2.06	2.05
American National Bank	5,964	1.53	1.52
Total 5 largest banks	389,433	100.00	99.48
Total 2 all other banks	2,039		.52
Total 7 commercial banks	391,472		100.00

[fol. 6439] Banks in—Reserve City of Atlanta, Georgia

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	393,290	37.55	35.19
Citizens & Southern Natl. Bank (Branch)[1]	261,347	24.96	23.39
Trust Company of Georgia[2]	194,789	18.60	17.43
Fulton National Bank	170,466	16.28	15.25
The Bank of Georgia	27,328	2.61	2.45
Totsi 5 largest banks	1,047,220	100.00	93.71
Total 7 all other banks[3]	70,270		6.29
Total 12 commercial banks	1,117,490		100.00

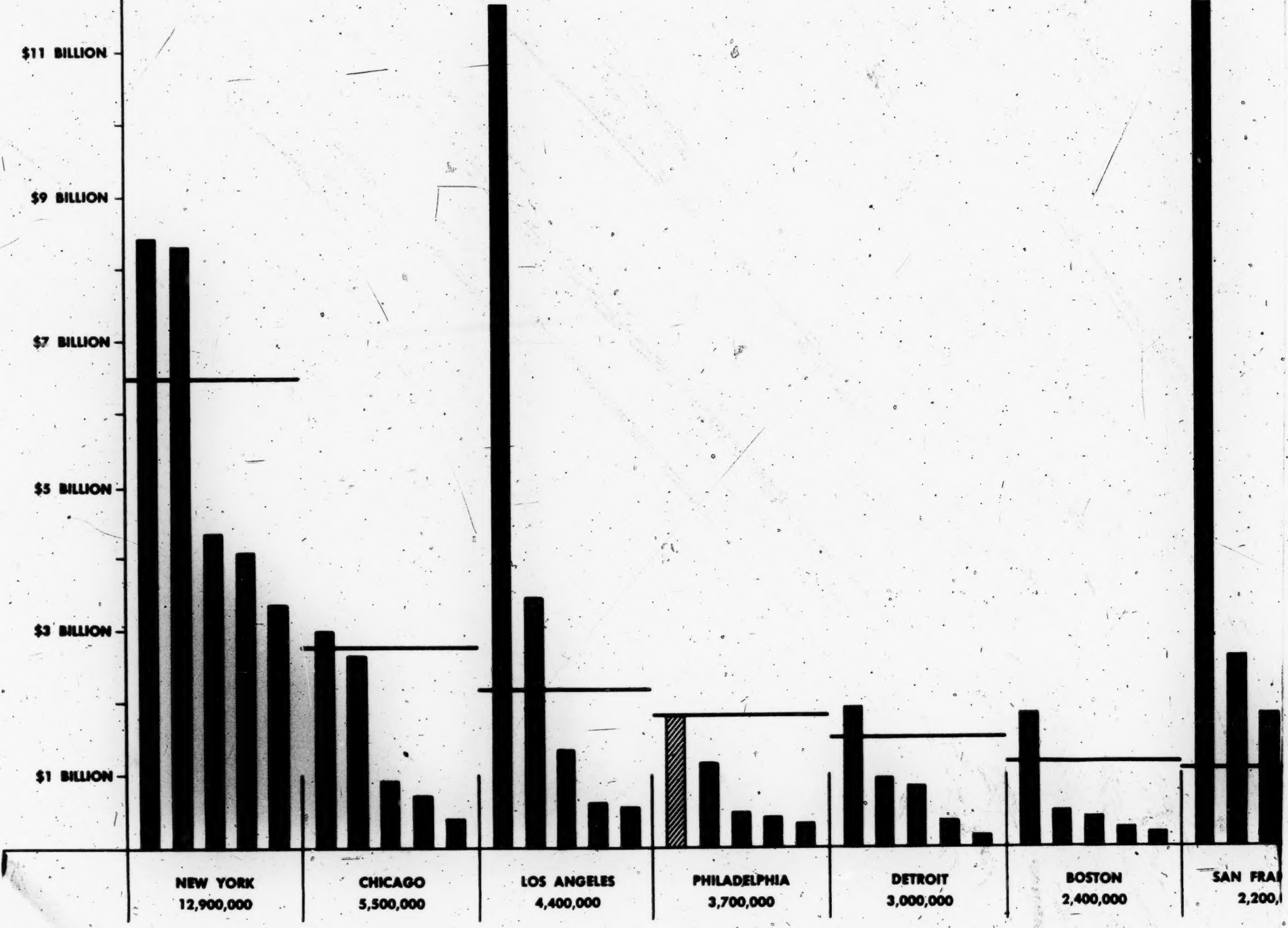
[1] Treated as a unit bank for comparative purposes since the head office is in another reserve city.

[2] Took over the East Atlanta Bank by merger on May 1, 1956—assets $7,683,000.

[3] Includes The Citizens and Southern Bank which took over the American Savings Bank with assets of $6,419,000 on Jan. 3, 1950.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	344,514	44.28	42.03
Citizens & Southern Natl. Bank (Branch)[1]	169,458	21.78	20.67
Fulton National Bank	134,629	17.30	16.42
Trust Company of Georgia	111,454	14.32	13.60
Georgia Savings Bank & Trust Co.	18,068	2.32	2.21
Total 5 largest banks	778,123	100.00	94.93
Total 8 all other banks	41,585		5.07
Total 13 commercial banks	819,708		100.00


$11 BILLION
$9 BILLION
$7 BILLION
$5 BILLION
$3 BILLION
$1 BILLION
NEW YORK
12,900,000
CHICAGO
5,500,000
LOS ANGELES
4,400,000
PHILADELPHIA
3,700,000
DETROIT
3,000,000
BOSTON
2,400,000
SAN FRA
2,200,

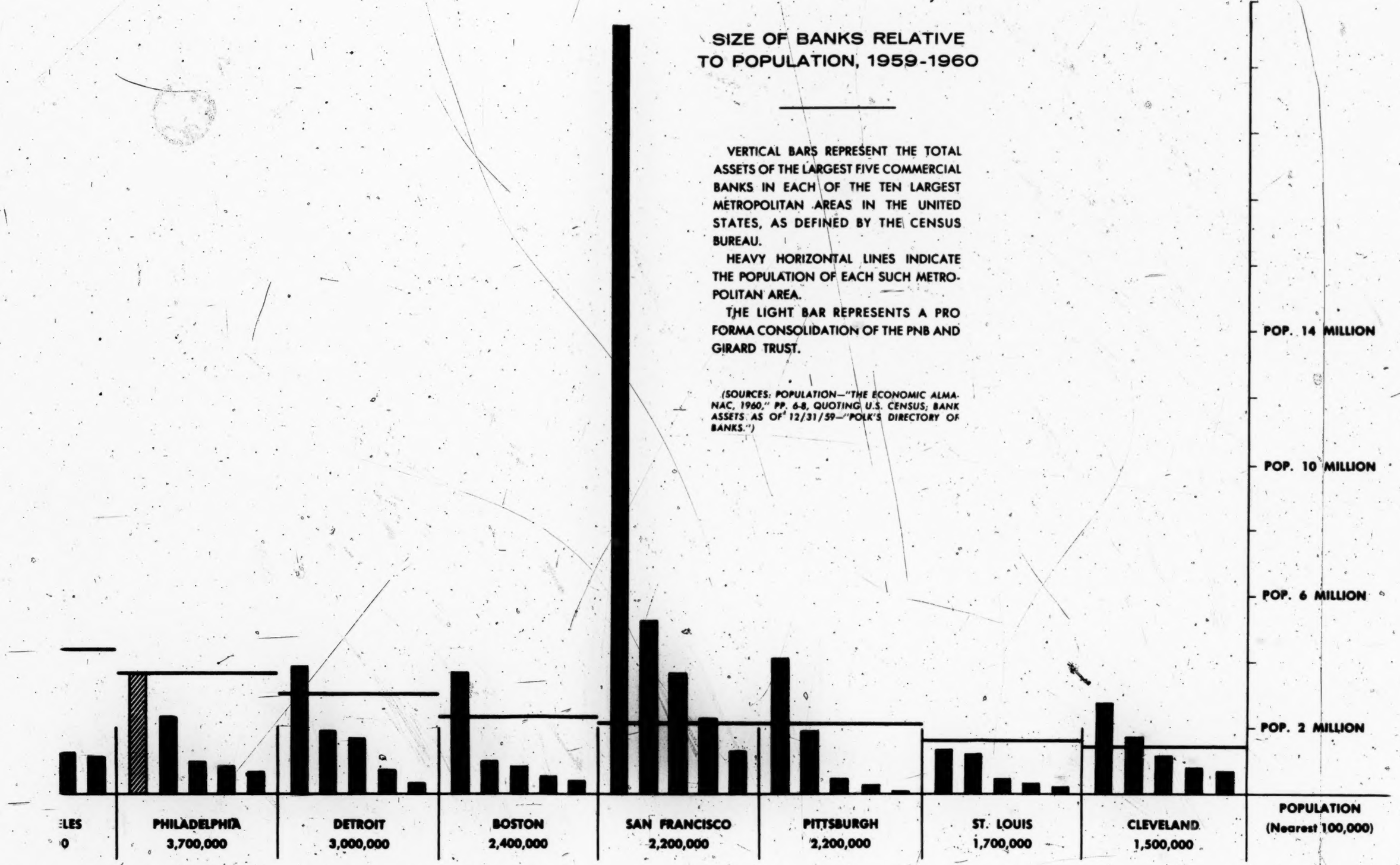
SIZE OF BANKS RELATIVE TO POPULATION, 1959-1960

VERTICAL BARS REPRESENT THE TOTAL ASSETS OF THE LARGEST FIVE COMMERCIAL BANKS IN EACH OF THE TEN LARGEST METROPOLITAN AREAS IN THE UNITED STATES, AS DEFINED BY THE CENSUS BUREAU.

HEAVY HORIZONTAL LINES INDICATE THE POPULATION OF EACH SUCH METROPOLITAN AREA.

THE LIGHT BAR REPRESENTS A PRO FORMA CONSOLIDATION OF THE PNB AND GIRARD TRUST.

(SOURCES: POPULATION—"THE ECONOMIC ALMANAC, 1960," PP. 6-8, QUOTING U.S. CENSUS; BANK ASSETS AS OF 12/31/59—"POLK'S DIRECTORY OF BANKS.")



[fol. 6440] Banks in—ReserveCity of Savannah, Georgia*

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Citizens & Southern National Bank[1]	180,865	71.05	69.15
Savannah Bank & Trust Co.[2]	39,463	15.50	15.09
Liberty National Bank & Trust Co.	22,534	8.85	8.62
Georgia State Savings Bank	7,979	3.14	3.05
Atlanta Savings & Trust Co.	3,713	1.46	1.42
Total 5 largest banks	254,554	100.00	97.33
Total 4 all other banks	6,992		2.67
Total 9 commercial banks	261,546		100.00

* Terminated as a reserve city October 1, 1945. However, for reserve purposes Citizens & Southern National Bank was classified that date as a reserve city bank since it has a branch located in the reserve city of Atlanta.

[1] Exclusive of resources of branches in Atlanta.

[2] Purchased-Citizens Bank & Trust Co., with assets of $5,457,000, Feb. 27, 1950.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Citizens & Southern National Bank	152,094	73.19	70.56
Savannah Bank & Trust Co.	22,153	10.66	10.28
Liberty National Bank & Trust Co.	19,483	9.38	9.04
Citizens Bank & Trust Co.	7,149	3.44	3.32
Georgia State Savings Assn. of Ga.[1]	6,928	3.33	3.21
Total 5 largest banks	207,807	100.00	96.41
Total 5 all other banks	7,738		3.59
Total 10 commercial banks	215,545		100.00

[1] Title changed Sept. 8, 1950 to Georgia State Savings Bank.

[fol. 6441] Banks in—Central Reserve City of Chicago, Illinois

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	2,847,000	38.70	25.78
Continental Illinois Nat'l Bk. & Tr. Co.	2,622,955	35.65	23.75
Harris Trust and Savings Bank	763,814	10.38	6.92
Northern Trust Company	727,077	9.89	6.58
City National Bank & Trust Co.	395,965	5.38	3.58
Total 5 largest banks	7,356,811	100.00	66.61
Total 71 all other banks[1,2]	3,687,000		33.39
Total 76 commercial banks	11,043,811		100.00

[1] Includes 42 national banks, also 1 Title & Trust Company with no deposits.

[2] Includes 2 national banks which took over 3 national banks in Chicago with assets aggregating $96,231,000. Also, includes 1 national bank which is a conversion of a State bank.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Continental Illinois National Bk. & Tr. Co.	2,371,677	39.22	29.06
First National Bank	2,177,319	36.00	26.68
Northern Trust Company	656,493	10.85	8.05
Harris Trust and Savings Bank	524,102	8.67	6.42
City National Bank and Trust Co.	318,303	5.26	3.90
Total 5 largest banks	6,047,894	100.00	74.11
Total 59 all other banks[1]	2,112,851		25.89
Total 64 commercial banks	8,160,745		100.00

[1] Includes 35 national banks, also 2 trust companies with no deposits.

[fol. 6442] Banks in—Reserve City of National City, Illinois

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to total
Commercial Bank:		
National Stock Yards National Bank	111,272	100.00

June 29, 1946[1]

	Total assets	Percent to total
Commercial Bank:		
National Stock Yards National Bank	103,268	100.00

[1] Designated a reserve city March 1, 1948.

[fol. 6443] Banks in—Reserve City of Indianapolis, Indiana

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Indiana National Bank[1]	452,954	42.56	41.09
American Fletcher National Bank & Trust Co.[2]	309,563	29.09	28.08
Merchants National Bank & Trust Co.[3]	205,293	19.29	18.62
Fidelity Trust Co.[4]	61,713	5.80	5.60
Indianapolis Morris Plan Corporation	34,733	3.26	3.15
Total 5 largest banks	1,064,256	100.00	96.54
Total 3 all other banks	38,154		3.46
Total 8 commercial banks	1,102,410		100.00

[1] The Security Trust Company, assets $12,605,000, purchased Nov. 1, 1946 by Union Trust Co., which subsequently, with assets of $46,470,000 consolidated Dec. 30, 1950 with Indiana National Bank; took over Madison Avenue State Bank, assets $5,206,000, on Dec. 29, 1948.

[2] Fletcher Trust Co., assets $156,256,000, consolidated Dec. 13, 1954 with American National Bank at Indianapolis under title American Fletcher National Bank and Trust Company.

[3] Fountain Square State Bank, assets $10,140,000, consolidated Nov. 17, 1948 with The Merchants National Bank of Indianapolis; Indiana Trust Company, assets $38,439,000, Consolidated Sept: 30, 1953 with The Merchants National Bank of Indianapolis and the title Merchants National Bank & Trust Company of Indianapolis.

[4] Took over Central State Bank, assets $3,476,000, and Northwestern State Bank, assets $3,475,000, on Jan. 4, 1954.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Indiana National Bank	286,665	43.06	36.74
Fletcher Trust Company	122,233	18.36	15.66
American National Bank	115,212	17.31	14.77
Merchants National Bank	102,279	15.36	13.11
Indiana Trust Comapny	39,329	5.91	5.04
Total 5 largest banks	665,718	100.00	85.32
Total 11 all other banks	114,549		14.68
Total 16 commercial banks	780,267		100.00

[fol. 6443] Banks in—Reserve City of Des Moines, Iowa

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Iowa-Des Moines National Bank	431,654	34.22	31.17
Central National Bank	116,065	30.17	27.48
Bankers Trust Co.[1]	85,131	22.12	20.15
Valley Bank & Trust Co.	31,205	8.11	7.39
Capital City State Bank	20,695	5.38	4.90
Total 5 largest banks	384,750	100.00	91.09
Total 6 all other banks[2]	37,646		8.91
Total 11 commercial banks	422,396		100.00

[1] Purchased Des Moines Bank & Trust Company Jan. 19, 1953—assets $7,841,000.

[2] Includes 1 national bank.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Iowa-Des Moines National Bank & Trust Co.	115,754	41.10	38.50
Central National Bank & Trust Co.	79,737	28.31	26.52
Bankers Trust Company	59,569	21.15	19.82
Valley Bank & Trust Co.	17,121	6.08	5.70
Capital City State Bank	9,451	3.36	3.14
Total 5 largest banks	281,632	100.00	93.68
Total 4 all other banks	18,992		6.32
Total 9 commercial banks	300,624		100.00

[fol. 6445] Banks in—Reserve City of Cedar Rapids, Iowa

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to total
Largest commercial banks:		
Merchants National Bank	101,283	66.04
Peoples Bank & Trust Co.	26,508	17.29
Guaranty Bank & Trust Co.	13,204	8.61
First Trust & Savings Bank	7,416	4.84
United State Bank	4,946	3.22
Total 5 commercial banks	153,357	100.00

June 29, 1946

	Total assets	Precent to total
Largest commercial banks:		
Merchants National Bank	84,891	70.72
Peoples Savings Bank[1]	17,266	14.38
Guaranty Bank & Trust Co.	9,625	8.02
First Trust & Savings Bank	4,755	3.96
United State Bank	3,504	2.92
Total 5 commercial banks	120,041	100.00

[1] Title changed Jan. 28, 1948 to Peoples Bank & Trust Company.

[fol. 6446] Banks in—Reserve City of Sioux City, Iowa

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Security National Bank	34,185	27.25	25.63
Toy National Bank	29,472	23.49	22.09
First National Bank	25,645	20.44	19.23
Live Stock National Bank	25,164	20.06	18.86
Woodbury County Savings Bank	10,990	8.76	8.24
Total 5 largest banks	125,456	100.00	94.05
Total 3 all other banks	7,942		5.95
Total 8 commercial banks	133,398		100.00

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Toy National Bank	29,131	26.96	25.61
Security National Bank	25,590	23.68	22.49
Live Stock National Bank	23,383	21.64	20.55
First National Bank	20,831	19.28	18.31
Woodbury County Savings Bank	9,126	8.44	8.02
Total 5 largest banks	108,061	100.00	94.98
Total 3 all other banks	5,709		5.02
Total 8 commercial banks	113,770		100.00

[fol. 6447] Banks in—Reserve City of Kansas City, Kansas

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Commercial National Bank[1]	50,038	34.82	24.15
Security National Bank	37,879	26.36	18.28
Riverview State Bank	24,281	16.89	11.72
Brotherhood State Bank	18,091	12.59	8.73
Home State Bank	13,431	9.34	6.49
Total 5 largest banks	143,720	100.00	69.37
Total 11 all other banks	63,468		30.63
Total 16 commercial banks	207,188		100.00

[1] Took over Kansas Trust Company Apr. 30, 1947—assets $444,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Commercial National Bank	36,119	38.29	27.00
Security National Bank	23,169	24.56	17.32
Riverview State Bank	17,392	18.44	13.00
Brotherhood State Bank	10,801	11.45	8.08
Home State Bank	6,847	7.26	5.12
Total 5 largest banks	94,328	100.00	70.52
Total 11 all other banks	39,432		29.48
Tota 16 commercial banks	133,760		100.00

[fol. 6448] Banks in—Reserve City of Topeka, Kansas

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
The National Bank of Topeka	42,022	31.19	28.73
Merchants National Bank[1]	41,413	30.65	28.31
Central National Bank & Trust Co[2]	36,785	27.23	25.15
Fidelity Savings State Bank	8,353	6.18	5.71
Kaw Valley Citizens State Bank[3]	6,539	4.84	4.47
Total 5 largest banks	135,112	100.00	92.37
Total 3 all other banks	11,165		7.63
Total 8 commercial banks	146,277		100.00

[1] Took over Guaranty Trust Company by consolidation Oct. 29, 1954—assets $4,506,000.

[2] Took over Central Trust Company by consolidation June 30, 1950—assets $2,140,000.

[3] Purchased Citizens State Bank June 11, 1953—assets $2,121,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
The National Bank of Topeka	26,193	29.90	25.70
Merchants National Bank	24,738	28.24	24.27
Central National Bank	24,599	28.08	24.14
Fidelity Savings State Bank	7,151	8.17	7.02
Topeka State Bank	4,916	5.61	4.82
Total 5 largest banks	87,597	100.00	85.95
Total 6 all other banks	14,317		14.05
Total 11 commercial banks	101,914		100.00

Note:—Excludes Columbia Title & Trust Company, engaged in trust and title business only.

[fol. 6449] Banks in--Reserve City of Wichita, Kansas

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Fourth National Bank	178,399	50.45	47.60
First National Bank	113,397	32.06	30.26
Union National Bank	27,066	7.65	7.22
Kansas State Bank	20,774	5.87	5.55
Southwest National Bank	14,020	3.97	3.74
Total 5 largest banks	353,656	100.00	94.37
Total 4 all other banks [1]	21,118		5.63
Total 9 commercial banks	374,774		100.00

[1] Includes 1 national bank.

Note.—Excludes Morris Plan Company (non-deposit) with assets of $3,104,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Fourth National Bank	111,400	47.72	46.43
First National Bank	88,065	37.72	36.70
Union National Bank	14,383	6.16	5.99
Southwest National Bank	11,036	4.73	4.60
Kansas State Bank	8,577	3.67	3.58
Total 5 largest banks	233,461	100.00	97.30
Total 2 other banks [1]	6,481		2.70
Total 7 commercial banks	239,942		100.00

[1] Includes 1 national bank.

Note.—Excludes Morris Plan Company of Kansas (non-deposit) with assets of $1,342,000.

[fol. 6450] Banks in—Reserve City of Louisville, Kentucky

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Citizens Fidelity Bank & Trust Co.	226,513	34 52	30 70
First National Bank [1]	160,833	24 51	21 80
Liberty National Bank & Trust Co. [2]	118,457	18 05	16 05
Louisville Trust Co.	79,240	12 08	10 74
Lincoln Bank & Trust Co.	71,161	10 84	9 64
Total 5 largest banks	656,204	100 00	88 93
Total 5 all other banks	81,689		11 07
Total 10 commercial banks	737,893		100 00

[1] Purchased Security Bank Dec. 30, 1950—assets $8,200,000.

[2] Took over United States Trust Co. by consolidation July 22, 1955—assets $6,514,000.

June 29, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Citizens Fidelity Bank & Trust Co.	184,177	37 53	34 61
First National Bank	112,336	22 89	21 10
Liberty National Bank & Trust Co.	85,840	17 49	16 13
Louisville Trust Co.	61,755	12 58	11 60
Lincoln Bank & Trust Co.	46,656	9 51	8 77
Total 5 largest banks	490,764	100 00	92 21
Total 7 all other banks	41,439		7 79
Total 12 commercial banks	532,203		100 00

Note.—Excludes Franklin Title & Trust Co. No banking.

[fol. 6451] Banks in—Reserve City of New Orleans, Louisiana

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to total
Largest commercial banks:		
Whitney National Bank	429,092	39.93
National Bank of Commerce [1]	237,352	22.09
Hibernia National Bank	204,099	19.00
National American Bank	149,272	13.89
Progressive Bank & Trust Co.	54,710	5.09
Total 5 commercial banks	1,074,525	100.00

[1] Louisiana Bank & Trust Co. (formerly Louisiana Savings Bank & Trust Co.) with assets of $36,785,000 consolidated Oct. 3, 1955 with National Bank of Commerce.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Whitney National Bank	350,421	47.89	47.42
National Bank of Commerce	135,773	18.56	18.37
Hibernia National Bank	123,128	16.83	16.66
National American Bank	105,365	14.40	14.26
Louisiana Savings Bank & Trust Co.	16,968	2.32	2.29
Total 5 largest banks	731,655	100.00	99.00
Total 1 other bank	7,375		1.00
Total 6 commercial banks	739,030		100.00

[fol. 6452] Banks in—Reserve City of Baltimore, Maryland

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	287,628	26.74	23.14
Fidelity-Baltimore Natl. Bank & Tr. Co.[1]	266,140	24.75	21.41
Union Trust Co. of Maryland	232,792	21.65	18.73
Equitable Trust Co.	170,722	15.87	13.74
Mercantile Safe Deposit & Trust Co.[2]	118,255	10.99	9.51
Total 5 largest banks	1,075,537	100.00	86.53
Total 5 all other banks[3]	167,377		13.47
Total 10 commercial banks	1,242,914		100.00
Total 7 mutual savings banks	552,036		

[1] Fidelity Trust Co. took over Calvert Bank Feb. 4, 1952—assets $29,773,000; Fidelity Trust Co., assets $123,947,000, consolidated July 16, 1954 with Baltimore National Bank under title "Fidelity-Baltimore National Bank & Trust Co."; and purchased National Marine Bank Nov. 30, 1954—assets $18,138,000.

[2] Formerly Safe Deposit Trust Co. Took over Mercantile Trust Co. Oct. 19, 1953—assets $71,615,000.

[3] Includes 3 national banks.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	305,529	36.48	27.03
Union Trust Co.	192,034	22.93	16.99
Equitable Trust Co.	131,084	15.65	11.60
Baltimore National Bank	110,412	13.19	9.77
Maryland Trust Co.	98,389	11.75	8.70
Total 5 largest banks	837,448	100.00	74.09
Total 10 all other banks[1]	292,908		25.91
Total 15 commercial banks	1,130,356		100.00
Total 8 mutual savings banks	409,908		

[1] Includes 4 national banks. Also includes 1 bank, Title Guarantee & Trust Co., which changed its title Feb. 23, 1948 to The Title Guaranty Co. and surrendered its right to do a banking business.

[fol. 6453] Banks in—Reserve City of Boston, Massachusetts

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank of Boston	1,586,286	59.90	54.03
The National Shawmut Bank [1]	420,460	15.88	14.32
Second Bank-State Street Trust Co.[2]	371,316	14.02	12.65
Merchants National Bank	160,642	6.06	5.47
Rockland-Atlas National Bank [3]	109,665	4.14	3.73
Total 5 largest banks	2,648,369	100.00	90.20
Total 7 all other banks [4]	287,837		9.80
Total 12 commercial banks	2,936,206		100.00
Total 21 mutual savings banks	1,513,525		

[1] Purchased Stabile Bank & Trust Co. June 10, 1949—assets $5,318,000.
[2] Formerly State Street Trust Co. Purchased Second National Bank Feb. 18, 1955—assets $170,696,000.
[3] Webster and Atlas National Bank, assets $33,255,000, consolidated Oct. 15, 1948 with The National Rockland Bank and, under title Rockland-Atlas National Bank.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank of Boston	1,409,373	60.26	51.81
The National Shawmut Bank	428,833	18.33	15.77
State Street Trust Company	181,780	7.77	6.68
Second National Bank	163,469	6.99	6.01
Merchants National Bank	155,527	6.65	5.72
Total 5 largest banks	2,338,982	100.00	85.99
Total 10 all other banks [1]	380,988		14.01
Total 15 commercial banks	2,719,970		100.00
Total 21 mutual savings banks	937,702		

[1] Includes 2 national banks.

[fol. 6454] Banks in—Reserve City of Detroit, Michigan

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
The National Bank of Detroit	1,910,114	47.82	46.23
The Detroit Bank	798,340	19.99	19.32
Manufacturers National Bank [1]	771,931	19.32	18.69
Bank of the Commonwealth	333,427	8.35	8.07
Detroit Wabeek Bank & Trust Co. [2]	180,587	4.52	4.37
Total 5 largest banks	3,994,399	100.00	96.68
Total 2 all other banks [3]	137,001		3.32
Total 7 commercial banks	4,131,400		100.00

[1] Purchased United Savings Bank July 1, 1952—assets $53,355,000. Also, took over Industrial National Bank by consolidation Nov. 18, 1955—assets $173,760,000.

[2] Equitable Trust Co., assets $3,422,000, consolidated Nov. 30, 1948 with Bankers Trust Co. under title Bankers-Equitable Trust Co., which on Oct. 26, 1951 with assets of $4,303,000 was taken over by Detroit Trust Co. The last named bank, with assets of $35,353,000 was taken over Aug. 1, 1955 by the Wabeek State Bank under the title of Detroit Wabeek Bank & Trust Co.

[3] Excludes Merchants Bank (non-deposit industrial bank) with assets June 30, 1946 of $643,000 and June 30, 1956 of $1,553,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
The National Bank of Detroit	1,259,357	50.57	47.46
The Detroit Bank	517,843	20.80	19.51
Manufacturers National Bank	404,017	16.22	15.22
Commonwealth Bank [1]	227,787	9.15	8.58
Industrial National Bank	81,155	3.26	3.06
Total 5 largest banks	2,490,159	100.00	93.83
Total 6 all other banks	163,630		6.17
Total 11 commercial banks	2,653,789		100.00

[1] Title changed Feb. 2, 1953 to Bank of the Commonwealth.

[fol. 6455] Banks in—Reserve City of Minneapolis, Minnesota

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Northwestern National Bank	438,640	43.56	38.31
First National Bank	421,311	41.84	36.80
Midland National Bank	71,314	7.08	6.23
Marquette National Bank	58,455	5.80	5.10
Fidelity State Bank	17,349	1.72	1.51
Total 5 largest banks	1,007,069	100.00	87.95
Total 13 all other banks [1]	137,933		12.05
Total 18 commercial banks	1,145,002		100.00
Total 1 mutual savings bank	357,008		

[1] Includes 8 national banks.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Northwestern National Bank	394,475	44.70	40.56
First National Bank	378,374	42.88	38.90
Midland National Bank	67,293	7.63	6.92
Marquette National Bank	30,572	3.46	3.14
Fourth Northwestern National Bank	11,762	1.33	1.21
Total 5 largest banks	882,476	100.00	90.73
Total 12 all other banks [1]	90,160		9.27
Total 17 commercial banks	972,636		100.00
Total 1 mutual savings bank	144,859		

[1] Includes 7 national banks.

[fol. 6456] Banks in—Reserve City of St. Paul, Minnesota

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	357,358	66.29	55.65
American National Bank	95,852	17.78	14.93
Empire National Bank	41,424	7.69	6.45
Midway National Bank	28,693	5.32	4.47
Commercial State Bank	15,748	2.92	2.45
Total 5 largest banks	539,075	100.00	83.95
Total 15 all other banks	103,077		16.05
Total 20 commercial banks	642,152		100.00

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	309,488	66.27	59.59
American National Bank	95,753	20.50	18.44
Empire National Bank & Trust Company	28,545	6.11	5.50
Midway National Bank	20,228	4.33	3.90
Commercial State Bank	13,007	2.79	2.50
Total 5 largest banks	467,021	100.00	89.93
Total 13 all other banks	52,301		10.07
Total 18 commercial banks	519,322		100.00

[fol. 6457] Banks in—Reserve City of Kansas City, Missouri

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Commerce Trust Co.[1]	485,354	44.15	34.79
First National Bank[2]	302,079	27.48	21.66
City National Bank & Trust Co.	210,312	19.13	15.08
Union National Bank	63,468	5.78	4.55
Mercantile Bank & Trust Co.	37,996	3.46	2.72
Total 5 largest banks	1,099,209	100.00	78.80
Total 25 all other banks[3]	295,798		21.20
Total 30 commercial banks	1,395,007		100.00

[1] Purchased Stock Yards National Bank Oct. 1, 1951—assets $9,268,000.
[2] Took over Inter-State National Bank by merger April 29, 1955—assets $65,784,000.
[3] Includes 4 national banks.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Commerce Trust Co.	425,952	46.08	37.29
First National Bank	239,519	25.91	20.97
City National Bank & Trust Co.	124,381	13.45	10.89
Inter-State National Bank	74,408	8.05	6.51
Union National Bank	60,159	6.51	5.27
Total 5 largest banks	924,419	100.00	80.93
Total 20 all other banks[1]	217,893		19.07
Total 25 commercial banks	1,142,312		100.00

[1] Includes 4 national banks.

[fol. 6458] Banks in—Reserve City of St. Louis, Missouri
(Independent City)

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Mercantile Trust Co.[1]	636,472	37.96	27.79
First National Bank[2]	603,682	36.01	26.36
Boatmens National Bank	221,173	13.19	9.65
The Bank of St. Louis[3]	131,899	7.87	5.76
Tower Grove Bank & Trust Co.	83,259	4.97	3.64
Total 5 largest banks	1,676,485	100.00	73.21
Total 23 all other banks[4]	613,567		26.79
Total 28 commercial banks	2,290,052		100.00

[1] Purchased Mississippi Valley Trust Co. (formerly Mercantile Commerce Bank & Trust Co.) Sept. 4, 1951—assets $250,582,000.
[2] Took over United Bank & Trust Co. by consolidation Dec. 30, 1955—assets $64,533,000.
[3] Formerly Industrial Bank; title changed Jan. 20, 1950.
[4] Includes 4 national banks.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	482,777	36.86	26.69
Mercantile-Commerce Bank & Trust Co.	378,346	28.89	20.91
Mississippi Valley Trust Co.	232,354	17.74	12.84
Boatmens National Bank	143,627	10.96	7.94
Industrial Bank	72,725	5.55	4.02
Total 5 largest banks	1,309,829	100.00	72.40
Total 24 all other banks[1]	499,435		27.60
Total 29 commercial banks	1,809,264		100.00

[1] Includes 5 national banks, one of which with assets of $18,936,000 converted to a State bank Sept. 1, 1952.

[fol. 6459] Banks in—Reserve City of Helena, Montana

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to total
Largest commercial banks:		
First National Bank & Trust Co.	34,369	55.85
Union Bank & Trust Co.	27,166	44.15
Total 2 commercial banks	61,535	100.00

June 29, 1946

	Total assets	Percent to total
Largest commercial banks:		
First National Bank & Trust Co.	28,146	54.04
Union Bank and Trust Co.	23,941	45.96
Total 2 commercial banks	52,087	100.00

[fol. 6460] Banks in—Reserve City of Omaha, Nebraska

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Omaha National Bank [1]	250,045	51.03	47.93
First National Bank	101,375	20.69	19.43
United States National Bank	99,781	20.36	19.12
Stock Yards National Bank of South Omaha	24,276	4.95	4.65
Packers National Bank	14,543	2.97	2.79
Total 5 largest banks	490,020	100.00	93.92
Total 5 all other banks	31,716		6.08
Total 10 commercial banks	521,736		100.00

[1] Purchased Live Stock National Bank Aug. 20, 1954 with assets of $75,082,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Omaha National Bank	164,728	38.60	36.44
First National Bank	90,492	21.20	20.02
United States National Bank	78,934	18.50	17.46
Live Stock National Bank	68,879	16.14	15.24
Stock Yards National Bank of South Omaha	23,708	5.56	5.24
Total 5 largest banks	426,742	100.00	94.40
Total 4 all other banks [1]	25,308		5.60
Total 9 commercial banks	452,050		100.00

[1] Includes 1 national bank.

[fol. 6461] Banks in—Central Reserve City of New York City, N. Y.

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Chase Manhattan Bank [1]	7,092,930	31.88	20.99
First National City Bank [2]	6,371,537	28.64	18.86
Chemical Corn Exchange Bank [3]	3,032,477	13.63	8.97
Manufacturers Trust Company [4]	2,909,961	13.08	8.61
Guaranty Trust Company	2,842,072	12.77	8.41
Total 5 largest banks	22,248,977	100.00	65.84
Total 52 all other banks [5,6]	11,544,074		34.16
Total 57 commercial banks	33,793,051		100.00
Total 53 mutual savings banks [7]	15,216,070		

[1] Bronx County Trust Company with assets of $75,767,000 merged Mar. 21, 1955 with Manhattan Bank; Chase National Bank with assets of $5,731,385,000 merged Mar. 31, 1955 with Manhattan Bank under title Chase Manhattan Bank.

[2] First National Bank of the City of New York with assets of $715,376,000 merged Mar. 30, 1955 with National City Bank of New York under title First National City Bank.

[3] One national bank and 2 State banks in New York City with assets aggregating $1,141,532,000 merged with this bank.

[4] Two national banks and 2 State banks in Greater New York with assets aggregating $319,431,000 were purchased by and merged into this bank.

[5] Includes 7 banks which took over 5 national banks and 9 State banks with assets aggregating $1,172,304,000.

[6] Includes 11 national banks.

[7] Two mutual savings banks with assets aggregating $155,080,000 were merged with other mutual savings banks.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Chase National Bank	5,266,831	29.55	16.48
National City Bank	4,672,348	26.22	14.62
Guaranty Trust Company	3,489,673	19.58	10.92
Manufacturers Trust Company	2,489,525	13.97	7.79
Central Hanover Bank and Trust Company	1,902,366	10.68	5.96
Total 5 largest banks	17,820,743	100.00	55.77
Total 74 all other banks [1]	14,132,440		44.23
Total 79 commercial banks	31,953,183		100.00
Total 55 mutual savings banks	7,732,996		

[1] Includes 20 national banks.

Note.—Excludes 1 private bank, Laidlaw & Company, for which no figures are shown in the banker's directory.

[fol. 6462] Banks in—Reserve City of Buffalo, New York

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to total
Largest commercial banks:		
Marine Trust Co. of Western N. Y.	676,490	52.72
Manufacturers & Traders Trust Co.[1]	424,381	33.07
Liberty Bank of Buffalo	154,414	12.04
Buffalo Industrial Bank	19,950	1.56
Liberty National Bank	7,877	.61
Total 5 commercial banks	1,283,112	100.00
Total 3 mutual savings banks	880,668	

[1] Took over First National Bank, Buffalo, Aug. 8, 1955—assets $41,144,000, and a State bank in Buffalo on Mar. 8, 1956—assets $5,249,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Marine Trust Company of Buffalo	361,536	46.58	45.90
Manufacturers & Traders Trust Co.	253,297	32.64	32.16
Liberty Bank of Buffalo	137,808	17.75	17.49
Niagara National Bank[1]	15,131	1.95	1.92
Buffalo Industrial Bank	8,350	1.08	1.06
Total 5 largest banks	776,122	100.00	98.53
Total 2 all other banks	11,596		1.47
Total 7 commercial banks	787,718		100.00
Total 3 mutual savings banks	389,024		

[1] Title changed June 29, 1950 to First National Bank of Buffalo.

[fol. 6463] Banks in—Reserve City of Charlotte, North Carolina

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Wachovia Bank & Trust Company	446,552	57.77	56.21
American Trust Company	190,105	24.59	23.93
Union National Bank	63,828	8.26	8.04
Commercial National Bank	60,466	7.82	7.61
The Bank of Charlotte	12,033	1.56	1.51
Total 5 largest banks	772,984	100.00	97.30
Total 3 all other banks	21,461		2.70
Total 8 commercial banks	794,445		100.00

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Wachovia Bank & Trust Company	5 93	53.65	53.01
American Trust Company	?,722	31.14	30.76
Commercial National Bank	,831	7.76	7.67
Union National Bank	,937	6.61	6.54
The Bank of Charlotte	4,297	.8	.83
Total 5 largest banks	512,980	100.00	98.81
Total 3 all other banks	6,161		1.19
Total 8 commercial banks	519,141		100.00

[fol. 6446] Banks in—Reserve City of Cincinnati, Ohio

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank [1]	415,876	34.63	33.77
Fifth Third Union Trust Co. [2]	355,094	29.57	28.83
Central Trust Co.	270,040	22.48	21.92
Provident Savings & Trust Co. [3]	136,503	11.37	11.08
Southern Ohio National Bank [4]	23,437	1.95	1.90
Total 5 largest banks	1,200,950	100.00	97.50
Total 2 all other banks	30,825		2.50
Total 7 commercial banks	1,231,775		100.00

[1] On July 3, 1951 purchased Second National Bank with assets of $65,432,000. On Dec. 30, 1954 purchased Atlas National Bank with assets of $50,843,000, which bank on June 23, 1950 had purchased the Peoples Bank & Savings Co. with assets of $12,973,000 and on May 9, 1952 had purchased the Columbia Bank & Savings Co. with assets of $5,979,000.

[2] On March 3, 1952 purchased The Cincinnati Bank & Trust Co. with assets of $7,882,000; Aug. 3, 1953 purchased The Western Bank & Trust Co. with assets of $7,269,000; and, took over Lincoln National Bank, assets $42,872,000, by merger or consolidation on May 13, 1955.

[3] Purchased the Guardian Bank & Savings Co. on May 28, 1949—assets $5,895,000.

[4] Formerly Southern Ohio Savings Bank & Trust Co.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Fifth Third Union Trust Co.	256,161	30.02	25.54
First National Bank	217,378	25.47	21.67
Central Trust Co.	203,133	23.80	20.25
Provident Savings Bank & Trust Co.	116,326	13.63	11.60
Second National Bank	60,443	7.08	6.03
Total 5 largest banks	853,441	100.00	85.09
Total 10 all other banks [1]	149,591		14.91
Total 15 commercial banks	1,003,032		100.00

[1] Includes 2 national banks.

[fol. 6465] Banks in—Reserve City of Cleveland, Ohio

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Cleveland Trust Co.[1]	1,433,273	47 99	46 91
The National City Bank [2]	705,848	23 63	23 10
Central National Bank	535,035	17 92	17 51
Union Bank of Commerce Co.[3]	265,989	8 91	8 71
Society National Bank	46,233	1 55	1 51
Total 5 largest banks	2,986,378	100 00	97 74
Total 4 all other banks	69,209		2 26
Total 9 commercial banks	3,055,587		100 00
Total 1 mutual savings bank [4]	340,549		

[1] Purchased The Lorain Street Bank on Sept. 21, 1946—assets $20,515,000.

[2] Purchased Equity Savings Assn. on Aug. 14, 1953—assets $18,607,000.

[3] On May 16, 1955 took over by merger The American Savings Bank with assets of $21,599,000, and on Sept. 19, 1955 the Commercial & Savings Bank of Berea which had assets of $13,371,000.

[4] On April 30, 1954 purchased The Bank of Ohio Company (formerly the Morris Plan Bank) with assets of $52,360,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Cleveland Trust Co.	1,087,360	52.42	50.85
The National City Bank	472,575	22.78	22.10
Central National Bank	372,510	17.96	17.42
Union Bank of Commerce Co.	114,851	5 54	5 37
Morris Plan Bank	26,878	1 30	1.26
Total 5 largest banks	2,074,174	100 00	97 00
Total 6 all other banks	64,258		3 00
Total 11 commercial banks	2 138,432		100 00
Total 1 mutual savings bank	208,288		

[fol. 6466] Banks in—Reserve City of Columbus, Ohio

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Ohio National Bank[1]	407,857	54.96	53.46
Huntington National Bank	163,087	21.98	21.38
City National Bank & Trust Company	124,768	16.82	16.35
Market Exchange Bank Company	31,676	4.27	4.15
Northern Savings Bank	14,643	1.97	1.92
Total 5 largest banks	742,031	100.00	97.26
Total 2 all other banks	20,877		2.74
Total 7 commercial banks	762,908		100.00

[1] Purchased Fifth Avenue Savings Bank Company with assets of $8,579,000 and State Industrial Bank with assets of $1,875,000, on June 8, 1948.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Ohio National Bank	199,689	44.73	42.63
Huntington National Bank	134,996	30.24	28.82
City National Bank & Trust Company	86,125	19.29	18.39
Market Exchange Bank Company	17,438	3.90	3.73
Fifth Avenue Savings Bank Company	8,206	1.84	1.75
Total 5 largest banks	446,454	100.00	95.32
Total 4 all other banks	21,942		4.68
Total 9 commercial banks	468,396		100.00

[fol. 6467] Banks in—Reserve City of Toledo, Ohio

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commerical banks
Largest commercial banks:			
Toledo Trust Co.	323,842	60.57	59.12
The National Bank of Toledo[1]	91,741	17.16	16.75
Ohio Citizens Trust Co.	84,390	15.79	15.41
Lucas County Bank	21,392	4.00	3.91
State Bank of Toledo	13,265	2.48	2.42
Total 5 largest banks	534,630	100.00	97.61
Total 1 other bank	13,117		2.39
Total 6 commercial banks	547,747		100.00

[1] Formerly Commerce National Bank which was a conversion of The Commerce Guardian Bank, June 2, 1947.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Toledo Trust Comapny	269,044	69.36	58.91
The Commerce Guardian Bank	56,088	14.46	14.37
Ohio Citizens Trust Co.	44,526	11.48	11.40
Spitzer-Rorick Trust & Savings Bank	10,105	2.60	2.59
Lucas County Bank	8,150	2.10	2.09
Total 5 largest banks	387,913	100.00	99.36
Total 1 other bank	2,502		.64
Total 6 commerical banks	390,415		100.00

[fol. 6468] Banks in—Reserve City of Oklahoma City, Oklahoma

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank & Trust Co.[1]	279,343	54.78	48.31
Liberty National Bank & Trust Co.	144,741	28.38	25.03
City National Bank & Trust Co.	37,448	7.34	6.48
Fidelity National Bank & Trust Co.	27,069	5.31	4.68
Citizens State Bank	21,340	4.19	3.69
Total 5 largest banks	509,941	100.00	88.19
Total 8 all other banks[2]	68,272		11.81
Total 13 commercial banks	578,213		100.00

[1] Purchased The Tradesmens National Bank Aug. 17, 1949—$16,137,000.

[2] Includes 3 national banks.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank & Trust Co.	197,597	54.28	50.22
Liberty National Bank	84,518	23.22	21.48
Tradesmens National Bank	30,320	8.33	7.71
City National Bank & Trust Co.	26,104	7.17	6.63
Fidelity National Bank	25,486	7.00	6.48
Total 5 largest banks	364,025	100.00	92.52
Total 5 all other banks[1]	29,424		7.48
Total 10 commercial banks	393,449		100.00

[1] Includes 2 national banks.

[fol. 6469] Banks in—Reserve City of Tulsa, Oklahoma

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank & Trust Co.	276,885	45.85	42.27
The National Bank of Tulsa	248,864	41.21	37.99
Fourth National Bank	40,043	6.63	6.11
Farmers & Merchants State Bank	19,943	3.30	3.05
The National Bank of Commerce	18,204	3.01	2.78
Total 5 largest banks	603,939	100.00	92.20
Total 6 all other banks[1]	51,102		7.80
Total 11 commercial banks	655,04		100.00

[1] Includes 1 national bank.

Note.—Excludes Oklahoma Morris Plan Bank (non-deposit) with assets of $2,274,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
The National Bank of Tulsa	164,266	47.93	46.61
First National Bank & Trust Co.	139,855	40.81	39.68
Fourth National Bank	19,649	5.73	5.58
The National Bank of Commerce	12,352	3.61	3.51
Peoples State Bank	6,503	1.92	1.86
Total 5 largest banks	342,685	100.00	97.24
Total 3 all other banks	9,733		2.76
Total 8 commercial banks	352,418		100.00

Note.—Excludes Oklahoma Morris Plan Bank (non-deposit) with assets of $226,000.

[fol. 6470] Banks in—Reserve City of Portland, Oregon

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	855,331	47.93	47.83
United States National Bank	808,282	45.30	45.20
Bank of California, N. A. (Branch) [2]	88,231	4.94	4.93
Portland Trust Company	25,977	1.46	1.45
Multnomah Bank	6,552	.37	.37
Total 5 largest banks	1,784,373	100.00	99.78
Total 1 other bank	3,869		.22
Total 6 commercial banks	1,788,242		100.00
Total 1 mutual savings bank	31,569		

[1] Purchased First Moreland-Sellwood Bank (Formerly Moreland-Sellwood Bank) Feb. 6, 1954—assets $8,492,000.

[2] Treated as a unit bank for comparative purposes since the head office is in another reserve city.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
United States National Bank	571,068	48.33	48.24
First National Bank	531,039	44.94	44.86
Bank of California, N. A. (Branch)	57,842	4.89	4.89
Portland Trust & Savings Bank	17,356	1.47	1.47
Moreland-Sellwood Bank	4,323	.37	.36
Total 5 largest banks	1,181,628	100.00	99.82
Total 1 other bank	2,133		.18
Total 6 commercial banks	1,183,761		100.00
Total 1 mutual savings bank	10,676		

[fol. 6471] Banks in Reserve City of Philadelphia, Pennsylvania

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First Pa. Banking & Trust Co.[1]	1,064,136	31.67	25.23
Philadelphia National Bank [2]	982,612	29.24	23.29
Girard Tr. Corn Exchange Bank [3]	672,970	20.03	15.95
Fidelity-Phila. Trust Co.[4]	348,617	10.37	8.26
Tradesmen's Bank & Trust Co.[5]	292,112	8.69	6.93
Total 5 largest banks	3,360,447	100.00	79.66
Total 14 all other banks [6]	857,921		20.34
Total 19 commercial banks	4,218,368		100.00
Total 4 mutual savings banks	1,554,208		

See page 2 for footnotes.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Philadelphia National Bank	769,186	37.62	22.21
The Pennsylvania Co.	533,702	26.11	15.41
Corn Exchange N. B. & Tr. Co.	298,679	14.61	8.62
Girard Trust Co.	230,154	11.26	6.65
Fidelity-Phila. Trust Co.	208,911	10.40	6.03
Total 5 largest banks	2,040,632	100.00	58.92
Total 38 all other banks [1]	1,422,533		41.08
Total 43 commercial banks	3,463,165		100.00
Total 4 mutual savings banks	968,419		

[1] Includes 15 national banks and 2 private banks.

[fol. 6472] Reserve City of Philadelphia, Pennsylvania

Footnotes—June 30, 1956

[1] Formerly Pennsylvania Company for Banking and Trusts; also The Pennsylvania Company for Insurance on Lives and Granting Annuities. Took over the following banks:

Nov. 23, 1946	Erie National Bank, by purchase	Assets—	$ 20,974,000
Mar. 15, 1947	Kensington National Bank, by purchase	Assets—	35,544,000
Mar. 29, 1947	Germantown Trust Company, by merger	Assets—	49,415,000
Jan. 21, 1949	Security Bank & Trust Co., by purchase	Assets—	15,421,000
Nov. 9, 1951	Northeast National Bank, by merger	Assets—	20,105,000
Sept. 30, 1955	First National Bank, by merger	Assets—	216,895,000

[2] Took over Ninth Bank and Trust Co., by consolidation, Sept. 21, 1951—assets $54,472,000.

[3] Formerly Girard Trust Company. Took over the following banks:

June 15, 1951	Corn Exchange Natl. Bank, by merger	Assets—	$299,199,000
Sept. 11, 1953	Natl. Bank of Germantown & Tr. Co., by merger	Assets—	39,833,000
Jan. 25, 1954	North Philadelphia Trust Co., by merger	Assets—	22,162,000

[4] Took over National Bank of Olney, by merger, June 20, 1952—Assets $10,349,000.

[5] Formerly Tradesmens Land Title Bank and Trust Co.; also Land Title Bank and Trust Co. Took over the Tradesmens National Bank and Trust Co. by merger, June 19, 1953—assets $139,801,000, and the Market Street National Bank, by merger, Dec. 3, 1955—assets $60,166,000.

[6] Includes 2 national banks and 1 private bank. Excludes 1 non-deposit bank. Banks in this group took over 5 national banks with assets aggregating $97,085,000, 5 State banks with assets of $119,404,000, and 1 private bank with assets of $2,704,000 during the ten year period.

[fol. 6473] Banks in—Reserve City of Pittsburgh, Pennsylvania

(Amounts in thousands of dollars)

June 30, 1056

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Mellon Natl. Bank & Trust Co.[1]	1,943,118	64.43	60.04
Peoples First N. B. & Trust Co.[2]	605,015	20.06	18.69
Fidelity Trust Co. of Pittsburgh[3]	249,518	8.27	7.71
Union National Bank	109,697	3.64	3.39
Commonwealth Trust Co. of Pittsburgh[4]	108,691	3.60	3.36
Total 5 largest banks	3,016,039	100.00	93.19
Total 14 all other banks[5]	220,297		6.81
Total 19 commercial banks	3,236,336		100.00
Total 1 mutual savings bank	140,606		

See Page 2 for Footnotes

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
*Union Trust Co.	596,949	37.41	29.98
*Mellon National Bank	573,902	35.96	28.92
Farmers Deposit Natl. Bank	193,246	12.11	9.70
First National Bank[1]	153,947	9.65	7.73
Union National Bank	77,793	4.87	3.91
Total 5 largest banks	1,595,837	100.00	80.14
Total 29 all other banks[2]	395,595		19.86
Total 34 commercial banks	1,991,432		100.00
Total 1 mutual savings bank	81,866		

[1] Title changed July 1, 1946 to Peoples First National Bank & Trust Co.
[2] Includes 3 national banks.
[*] Controlled by the same shareholders—consolidated in September 1946.

[fol. 6474] Reserve City of Pittsburgh, Pennsylvania

Footnotes—June 30, 1956

[1] Formerly Mellon National Bank. Took over the following banks:

Sept. 23, 1946	Union Trust Company, by consolidation	Assets	$609,915,000
Aug. 29, 1947	Workingmans Savings Bank & Trust Co., by purchase	Assets	19,611,000
Dec. 19, 1947	Forbes National Bank, by purchase	Assets	24,201,000
Dec. 1, 1950	Farmers Deposit National Bank, by purchase	Assets	181,201,000
Apr. 6, 1951	Fourteenth Street Bank, by purchase	Assets	6,383,000
June 22, 1951	Manchester Savings Bk. & Tr. Co., by purchase	Assets	9,816,000
June 20, 1952	Polithania State Bank, by purchase	Assets	4,143,000

[2] Formerly First National Bank of Pittsburgh. Took over Peoples-Pittsburgh Trust Company by consolidation, July 1, 1946—assets $228,351,000.

[3] Purchased the Western Savings and Deposit Bank with assets of $7,424,000. Sept. 15, 1947, and the Colonial Trust Company with assets of $141,144,000, Aug. 6, 1954. The latter bank had previously purchased the following banks:

Sept. 15, 1947	The Carrick Bank	Assets	$6,679,000
May 12, 1950	Keystone National Bank	Assets	14,698,000
Oct. 1, 1951	Bank of Ohio Valley	Assets	3,308,000

[4] Purchased the National Bank of America with assets of $5,296,000, April 29, 1949, and the South Hills Trust Company with assets of $5,291,000, Mar. 16, 1954.

[5] Includes the Potter Bank & Trust Company (formerly Potter Title & Trust Company) which took over the Homewood Bank with assets of $3,842,000 on Oct. 10, 1955.

[fol. 6475] Banks in—Reserve City of Memphis, Tennessee

(Amounts in thousands of dollars)

June 30, 1956

Largest commercial banks:	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Union Planters National Bank	319,200	46.21	45.73
First National Bank	241,268	34.93	34.57
The National Bank of Commerce	103,721	15.01	14.86
Commercial & Industrial Bank	16,959	2.45	2.43
Memphis Bank & Trust Co.	9,674	1.40	1.38
Total 5 largest banks	690,822	100.00	98.97
Total 2 all other banks	7,187		1.03
Total 7 commercial banks	698,009		100.00

June 29, 1946

Largest commercial banks:	Total assets	Percent to total
Union Planters National Bank & Trust Co.	222,173	46.96
First National Bank	157,337	33.26
The National Bank of Commerce	82,297	17.40
Commercial & Industrial Bank	7,909	1.67
State Savings Bank	3,382	.71
Total 5 commercial banks	473,098	100.00

[fol. 6476] Banks in—Reserve City of Nashville, Tennessee

(Amounts in thousands of dollars)

June 30, 1956

Largest commercial banks:	Total assets	Percent to 5 largest banks	Percent to total commercial banks
First American National Bank [1]	232,837	38.72	38.58
Third National Bank	191,061	31.78	31.65
Commerce Union Bank	128,847	21.43	21.35
Nashville Bank & Trust Company	28,844	4.80	4.78
Broadway National Bank	19,683	3.27	3.26
Total 5 largest banks	601,272	100.00	99.62
Total 1 other bank	2,323		.38
Total 6 commercial banks	603,595		100.00

[1] Formerly The American National Bank.

June 29, 1946

Largest commercial banks:	Total assets	Percent to 5 largest banks	Percent to total commercial banks
American National Bank	192,499	47.36	47.18
Third National Bank	94,777	23.32	23.23
Commerce Union Bank	81,611	20.08	20.00
Nashville Trust Company [1]	21,136	5.20	5.18
Broadway National Bank	16,418	4.04	4.02
Total 5 largest banks	406,441	100.00	99.61
Total 1 other bank	1,600		.39
Total 6 commercial banks	408,041		100.00

[1] Title changed May 8, 1956 to Nashville Bank & Trust Company.

[fol. 6477] Banks in—Reserve City of Dallas, Texas

(Amounts in thousands of dollars)

June 30, 1956

Largest commercial banks:	Total assets	Percent to 5 largest banks	Percent to total commercial banks
First National Bank [1]	778,181	39.49	35.84
Republic National Bank [2]	764,549	38.80	35.21
Mercantile National Bank	320,033	16.24	14.74
Texas Bank & Trust Co.	73,026	3.71	3.36
Oak Cliff Bank & Trust Co.	34,733	1.76	1.60
Total 5 largest banks	1,970,522	100.00	90.75
Total 18 all other banks [3]	200,736		9.25
Total 23 commercial banks	2,171,258		100.00

[1] Aug. 7, 1954 took over Dallas National Bank by consolidation—assets $94,409,000.

[2] Dec. 11, 1954 took over National City Bank by consolidation—assets $48,539,000. The latter bank was a conversion of the Liberty State Bank, Dec. 28, 1946.

[3] Includes 3 national banks, 2 of which began business after June 30, 1946; also includes 1 State bank which in 1954 was a conversion of a national bank having assets of $11,906,000. Excludes 1 State bank which became an investment company subsequent to 1951.

June 29, 1946

Largest commercial banks:	Total assets	Percent to 5 largest banks	Percent to total commercial banks
First National Bank	327,944	35.15	31.63
Republic National Bank	280,510	30.07	27.06
Mercantile National Bank	193,173	20.70	18.63
Dallas National Bank	85,269	9.14	8.22
Liberty State Bank	46,099	4.94	4.45
Total 5 largest banks	932,995	100.00	89.99
Total 14 all other banks [1]	103,818		10.01
Total 19 commercial banks	1,036,813		100.00

[1] Includes 2 national banks.

[fol. 6478] Banks in—Reserve City of El Paso, Texas

(Amounts in thousands of dollars)

June 30, 1956

Largest commercial banks:	Total assets	Percent to total
State National Bank	111,699	47.10
El Paso National Bank	102,939	43.41
Southwest National Bank	14,815	6.25
First State Bank	7,695	3.24
Total 4 commercial banks	237,148	100.00

June 29, 1946

Largest commercial banks:	Total assets	Percent to total
State National Bank	76,043	56.37
El Paso National Bank	58,852	43.63
Total 2 commercial banks	134,895	100.00

[Vol. 6479] Banks in—Reserve City of Fort Worth, Texas

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Fort Worth National Bank	276,168	42.33	37.39
First National Bank	261,539	40.09	35.41
Continental National Bank	86,718	13.29	11.74
West Side State Bank	14,314	2.19	1.94
The Bank of Commerce[1]	13,685	2.10	1.85
Total 5 largest banks	652,424	100.00	88.33
Total 10 all other banks[2]	86,228		11.67
Total 15 commercial banks	738,652		100.00

[1] Formerly Trinity State Bank; title changed Feb. 8, 1955.

[2] Includes 1 national bank; excludes Fraternal Bank & Trust Company, an unincorporated private bank for which no figures are available in 1956.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Forth Worth National Bank	178,633	44.43	43.62
First National Bank	142,462	35.44	34.79
Continental National Bank	68,168	16.96	16.64
Union Bank & Trust Company	7,357	1.83	1.80
North Fort Worth State Bank	5,377	1.34	1.31
Total 5 largest banks	401,997	100.00	98.16
Total 3 all other banks[1]	7,525		1.84
Total 8 commercial banks	409,522		100.00

[1] Includes 1 national bank.

[fol. 6480] Banks in—Reserve City of Houston, Texas

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First City National Bank[1]	659,708	39.60	32.90
The National Bank of Commerce	388,880	23.34	19.39
The Bank of the Southwest N. A.[2]	340,565	20.45	16.98
Texas National Bank[3]	220,022	13.21	10.97
Houston National Bank	56,687	3.40	2.83
Total 5 largest banks	1,665,862	100.00	83.07
Total 27 all other bank[4]	339,445		16.93
Total 32 commercial banks	2,005,307		100.00

[1] Formerly The City National Bank which took over the First National Bank by consolidation on Mar. 30, 1956—assets $279,143,000.

[2] Formerly Second National Bank.

[3] Formerly South Texas National Bank which took over the Union National Bank by consolidation May 29, 1953—assets $82,312,000. Prior to Feb. 1, 1949 the title of the bank was South Texas Commercial National Bank.

[4] Includes 5 national banks.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First National Bank	198,681	25.72	20.30
The National Bank of Commerce	173,847	22.50	17.76
Second National Bank	165,274	21.39	16.88
City National Bank	124,563	16.12	12.73
South Texas Commercial National Bank	110,271	14.27	11.27
Total 5 largest banks	772,636	100.00	78.94
Total 11 all other banks[1]	206,176		21.06
Total 16 commercial banks	978,812		100.00

[1] Includes 3 national banks.

[fol. 6481] Banks in—Reserve City of San Antonio, Texas

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
The National Bank of Commerce	161,311	33.84	27.72
Frost National Bank	158,191	33.18	27.18
Alamo National Bank	91,225	19.13	15.67
Groos National Bank	34,519	7.24	5.93
Bexar County National Bank	31,491	6.61	5.41
Total 5 largest banks	476,737	100.00	81.91
Total 11 all other banks[1]	105,266		18.09
Total 16 commercial banks	582,003		100.00

[1] Includes 3 national banks.

Note.—Excludes San Antonio Loan & Trust Company (without banking or discount privileges)—assets $16,068,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Frost National Bank	131,542	36.68	32.84
The National Bank of Commerce	100,249	27.95	25.03
Alamo National Bank	81,316	22.68	20.30
Groos National Bank	24,969	6.96	6.23
Bexar County National Bank	20,561	5.73	5.13
Total 5 largest banks	358,637	100.00	89.53
Total 6 all other banks[1]	41,936		10.47
Total 11 commercial banks	400,573		100.00

[1] Includes 3 national banks.

Note.—Excludes San Antonio Loan and Trust Company (without banking privileges) assets—$10,667,000.

[fol. 6482] Banks in—Reserve City of Ogden, Utah*

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to total
Largest commercial banks:		
First Security Bank of Utah, N. A.	93,896	67.54
Commercial Security Bank	34,807	25.04
Bank of Utah	10,315	7.42
Total 3 commercial banks	139,018	100.00

* Terminated as a reserve city March 1, 1948. However, for reserve purposes First Security Bank of Utah, N. A. was classified April 30, 1948, as a reserve city bank since it has a branch located in the reserve city of Salt Lake City.

June 29, 1946

	Total assets	Percent to total
Largest commercial banks:		
First Security Bank of Utah, N. A.	74,186	74.77
Commercial Security Bank	25,062	25.52
Total 2 commercial banks	99,248	100.00

[fol. 6483] Banks in—Reserve City of Salt Lake City, Utah

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Walker Bank & Trust Company	131,084	26.42	24.47
First Security Bank of Utah, N. A. (Branch) [1]	129,205	26.04	24.12
First National Bank [2]	119,737	24.13	22.36
Continental Bank & Trust Company [2]	71,896	14.49	13.42
Zions Savings Bank & Trust Company	44,275	8.92	8.27
Total 5 largest banks	496,197	100.00	92.64
Total 3 all other banks	39,396		7.36
Total 8 commercial banks	535,593		100.00

[1] Treated as a unit bank for comparative purposes since the head office is in another reserve city.

[2] Formerly Utah State National Bank.

Conversion of Continental National Bank & Trust Co. into State bank Feb. 1, 1952—assets $55,771,000.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Walker Bank & Trust Company	79,072	28.20	24.55
Utah State National Bank	76,078	27.13	23.62
First National Bank [1]	59,308	21.15	18.41
Continental National Bank & Trust Co.	33,553	11.96	10.42
Zions Savings Bank & Trust Co.	32,418	11.56	10.06
Total 5 largest banks	280,429	100.00	87.06
Total 4 all other banks	41,698		12.94
Total 9 commercial banks	322,127		100.00

[1] Consolidated with First Security Bank of Utah, National Association, Ogden, Utah Apr. 30, 1948—assets $57,455,000.

[fol. 6484] Banks in—Reserve City of Richmond, Virginia

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First & Merchants National Bank	208,522	31.95	29.60
State-Planters Bank of Commerce & Trusts [1]	205,262	31.45	29.13
The Bank of Virginia	114,559	17.55	16.26
Central National Bank	92,065	14.10	13.07
Southern Bank & Trust Co.	32,280	4.95	4.58
Total 5 largest banks	652,688	100.00	92.64
Total 5 all other banks	51,871		7.36
Total 10 commercial banks	704,559		100.00

[1] Bank of Commerce and Trusts with assets of $34,840,000 merged Jan. 3, 1956 with State-Planters Bank and Trust Co. under title of State-Planters Bank of Commerce and Trusts.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First & Merchants National Bank	182,353	39.96	35.44
State-Planters Bank and Trust Co.	124,690	27.33	24.24
Central National Bank	65,184	14.29	12.67
The Bank of Virginia	54,914	12.03	10.67
The Bank of Commerce & Trusts	29,176	6.39	5.67
Total 5 largest banks	456,317	100.00	88.69
Total 6 all other banks	58,180		11.31
Total 11 commercial banks	514,497		100.00

[fol. 6485] Banks in—Reserve City of Milwaukee, Wisconsin

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First Wisconsin National Bank	623,828	57.99	48.19
Marshall & Ilsley Bank	226,559	21.06	17.50
Marine Natl. Exchange Bank	146,493	13.62	11.31
Northern Bank	44,268	4.11	3.42
American State Bank	34,672	3.22	2.68
Total 5 largest banks	1,075,820	100.00	83.10
Total 14 all other banks	218,770		16.90
Total 19 commercial banks	1,294,590		100.00
Total 2 mutual savings banks	6,171		

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
First Wisconsin National Bank	619,903	64.74	56.00
Marshall & Ilsley Bank	144,538	15.10	13.06
Marine Natl. Exchange Bank	111,940	11.69	10.11
First-Wisconsin Trust Co.	62,534	6.53	5.65
Wisconsin State Bank	18,564	1.94	1.68
Total 5 largest banks	957,479	100.00	86.50
Total 14 all other banks	149,470		13.50
Total 19 commercial banks	1,106,949		100.00
Total 2 mutual savings banks	4,041		

[fol. 6486] Banks in—Reserve City of Seattle, Washington

(Amounts in thousands of dollars)

June 30, 1956

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Seattle-First National Bank	833,311	49.30	49.14
The National Bank of Commerce[1]	483,940	28.63	28.54
Peoples National Bank[2]	181,512	10.74	10.70
Pacific National Bank[3]	141,772	8.39	8.36
Seattle Trust & Savings Bank	49,712	2.94	2.93
Total 5 largest banks	1,690,247	100.00	99.67
Total 1 other bank[4]	5,664		.33
Total 6 commercial banks	1,695,911		100.00
Total 3 mutual savings banks	301,964		

[1] Purchased the West Seattle National Bank on Jan. 30, 1956—assets $4,557,000.

[2] Purchased the Magnolia State Bank Nov. 30, 1954—assets $2,649,000.

[3] Took over University National Bank by consolidation Feb. 28, 1955—assets $30,225,000.

[4] National bank.

June 29, 1946

	Total assets	Percent to 5 largest banks	Percent to total commercial banks
Largest commercial banks:			
Seattle-First National Bank	656,927	48.95	47.88
The National Bank of Commerce	397,420	29.62	28.97
Peoples National Bank	148,952	11.10	10.86
Pacific National Bank	101,143	7.54	7.37
Seattle Trust & Savings Bank	37,482	2.79	2.73
Total 5 largest banks	1,341,924	100.00	97.81
Total 2 all other banks[1]	30,093		2.19
Total 7 commercial banks	1,372,017		100.00
Total 1 mutual savings bank	166,137		

[1] National banks.

[fol. 6487] DEFENDANTS' EXHIBIT 22

Assets of Largest Commercial Bank as Per Cent of Total Assets of all Commercial Banks in Reserve Cities and Central Reserve Cities

Percentages as of June 30, 1956, except Philadelphia, December 31, 1960, giving pro forma effect to the merger

1. Savannah, Ga.	69.15	28. Los Angeles, Calif.	39.19
2. Ogden, Utah	67.54	29. Nashville, Tenn.	38.58
3. Cedar Rapids, Iowa	66.04	30. Minneapolis, Minn.	38.31
4. Birmingham, Ala.	63.35	31. Fort Worth, Tex.	37.39
5. Pittsburgh, Pa.	60.04	32. Philadelphia	36.16
6. Toledo, Ohio	59.12	33. Dallas, Tex.	35.84
7. San Francisco, Calif.	58.71	34. Atlanta, Ga.	35.19
8. Charlotte, N. C.	56.21	35. Kansas City, Mo.	34.79
9. Helena, Mont.	55.85	36. Jacksonville, Fla.	34.76
10. St. Paul, Minn.	55.65	37. Little Rock, Ark.	33.92
11. Boston, Mass.	54.03	38. Cincinnati, Ohio	33.77
12. Columbus, Ohio	53.46	39. Houston, Tex.	32.90
13. Buffalo, N. Y.	52.72	40. Des Moines, Iowa	31.17
14. Pueblo, Colo.	50.42	41. Louisville, Ky.	30.70
15. Seattle, Wash.	49.14	42. Washington, D. C.	30.51
16. Oklahoma City, Okla.	48.31	43. Richmond, Va.	29.60
17. Milwaukee, Wis.	48.19	44. Topeka, Kans.	28.73
18. Omaha, Nebr.	47.93	45. St. Louis, Mo.	27.79
19. Portland, Oreg.	47.83	46. San Antonio, Tex.	27.72
20. Wichita, Kans.	47.60	47. Chicago, Ill.	25.78
21. El Paso, Tex.	47.10	48. Sioux City, Iowa	25.63
22. Cleveland, Ohio	46.91	49. Salt Lake City, Utah	24.47
23. Detroit, Mich.	46.23	50. Kansas City, Kans.	24.15
24. Memphis, Tenn.	45.73	51. Baltimore, Md.	23.14
25. Tulsa, Okla.	42.27	52. Denver, Colo.	22.48
26. Indianapolis, Ind.	41.09	53. New York, N. Y.	20.99
27. New Orleans, La.	39.93		

Sources: Philadelphia: Defendants' Ex. for identification;
All other: Study by the Comptroller of the Currency of bank concentration in Reserve and Central Reserve cities, provided to Defendants by The Department of Justice.

Note: The Philadelphia percentage shown is based upon a total assets figure which includes all assets of Brown Brothers Harriman & Co. and First Camden Bank & Trust Co., no classification of the assets of these banks into Philadelphia and non-Philadelphia assets being available.

[fol. 6488] DEFENDANTS' EXHIBIT 23

Assets of Five Largest Commercial Banks as Per Cent of Total Assets of Commercial Banks in Reserve Cities and Central Reserve Cities

Percentages as of June 30, 1956, except Philadelphia, December 31, 1960, giving pro forma effect to the merger

1. Pueblo, Colo.	100.00	28. Pittsburgh, Pa.	93.19
2. Cedar Rapids, Iowa	100.00	29. San Francisco, Calif.	92.95
3. New Orleans, La.	100.00	30. Salt Lake City, Utah	92.64
4. Helena, Mont.	100.00	31. Richmond, Va.	92.64
5. Buffalo, N. Y.	100.00	32. Topeka, Kans.	92.37
6. El Paso, Tex.	100.00	33. Tulsa, Okla.	92.20
7. Ogden, Utah	100.00	34. Des Moines, Iowa	91.09
8. Portland, Oreg.	99.78	35. Dallas, Tex.	90.75
9. Seattle, Wash.	99.67	36. Boston, Mass.	90.20
10. Nashville, Tenn.	99.62	37. Louisville, Ky.	88.93
11. Little Rock, Ark.	99.38	38. Fort Worth, Tex.	88.33
12. Birmingham, Ala.	99.33	39. Oklahoma City, Okla.	88.19
13. Memphis, Tenn.	98.97	40. Minneapolis, Minn.	87.95
14. Cleveland, Ohio	97.74	41. Baltimore, Md.	86.53
15. Toledo, Ohio	97.61	42. St. Paul, Minn.	83.95
16. Cincinnati, Ohio	97.50	43. Philadelphia	83.82
17. Savannah, Ga.	97.33	44. Milwaukee, Wis.	83.10
18. Charlotte, N. C.	97.30	45. Houston, Tex.	83.07
19. Columbus, Ohio	97.26	46. San Antonio, Tex.	81.91
20. Detroit, Mich.	96.68	47. Kansas City, Mo.	78.80
21. Indianapolis, Ind.	96.54	48. Denver, Colo.	75.80
22. Jacksonville, Fla.	94.90	49. Washington, D. C.	74.41
23. Wichita, Kans.	94.37	50. St. Louis, Mo.	73.21
24. Sioux City, Iowa	94.05	51. Kansas City, Kans.	69.37
25. Omaha, Nebr.	93.92	52. Chicago, Ill.	66.61
26. Atlanta, Ga.	93.71	53. New York, N. Y.	65.84
27. Los Angeles, Calif.	93.44		

Sources: Philadelphia: Defendants' Ex. 21 for identification;
All other: Study by the Comptroller of the Currency of bank concentration in Reserve and Central Reserve cities, provided to Defendants by The Department of Justice.

Note: The Philadelphia percentage shown is based upon a total assets figure which includes all assets of Brown Brothers Harriman & Co. and First Camden Bank & Trust Co., no classification of the assets of these banks into Philadelphia and non-Philadelphia assets being available.

DEFENDANTS' EXHIBIT 24

Lending Limit Data
12/31/60

National Bank	Name	City	State	Population of City	Lending Limit
Banks with Lending Limits Over $38,097,831					
1	First National City Bank	New York	N.Y.	7,781,984	$62,480,000
2	Chase Manhattan Bank	New York	N.Y.	7,781,984	56,787,925
3	Bank of America N.T. & S.A.	San Francisco	Calif.	742,855	55,000,000
	Bank of America N.T. & S.A.	Los Angeles	Calif.	2,479,015	55,000,000
4	Morgan Guaranty Trust Co.	New York	N.Y.	7,781,984	42,500,000
Banks with Lending Limits Over $35,642,978					
As above					
Banks with Lending Limits Over $15,000,000					
As above plus					
5	Chemical Bank New York Trust Co.	New York	N.Y.	7,781,984	35,000,000
6	Continental Illinois Bank & Trust Co.	Chicago	Ill.	3,550,404	27,500,000
7	First National Bank of Chicago	Chicago	Ill.	3,550,404	27,000,000
8	Mellon National Bank & Trust Co.	Pittsburgh	Pa.	604,332	25,253,328
9	Bankers Trust Co.	New York	N.Y.	7,781,984	24,107,900
10	Manufacturers Trust Co.	New York	N.Y.	7,781,984	20,078,000
11	Security First Natonal Bank	Los Angeles	Calif.	2,479,015	17,000,000
12	First National Bank of Boston	Boston	Mass.	697,197	16,000,000
13	Wells Fargo Bank American Trust Co.	San Francisco	Calif.	742,855	15,081,334
Banks with Lending Limits Over $8,000,000**					
As above plus					
14	Hanover Bank	New York	N.Y.	7,781,984	14,500,000
15	National Bank of Detroit	Detroit	Mich.	1,670,144	14,000,000
16	Irving Trust Co.	New York	N.Y.	7,781,984	11,552,352
17	Cleveland Trust Co.	Cleveland	Ohio	876,050	11,000,000
18	Crocker-Anglo National Bank	San Francisco	Calif.	742,855	10,613,250
19	Republic National	Dallas	Texas	679,684	10,500,000
20	Pittsburgh National Bank	Pittsburgh	Pa.	604,332	8,100,000

Sources: Moody's Bank & Finance Manual 1961, p. a28; Polk's Bank Directory March 1961; Compilation of Capital Funds, Republic National, Dallas.

[fol. 6490]

Philadelphia Banks with Lending Limits Over $1,000,000 National Bank Name	City	State	Population of City	Lending Limit
21 Philadelphia National Bank	Philadelphia	Pa.	2,002,512	$ 8,000,000
22 First Pennsylvania Banking & Trust Co.	Philadelphia	Pa.	2,002,512	7,704,850
25 Girard Trust Corn Exchange Bank	Philadelphia	Pa.	2,002,512	6,000,000
34 Provident Tradesmens Bank & Trust Co.	Philadelphia	Pa.	2,002,512	5,000,000
54 Fidelity-Philadelphia Trust Co.	Philadelphia	Pa.	2,002,512	3,750,000
Over 100 Central-Penn National Bank	Philadelphia	Pa.	2,002,512	2,139,600
Over 100 Brown Brothers, Harriman & Co.	Philadelphia	Pa.	2,002,512	1,888,528*
Over 100 Broad Street Trust Co.	Philadelphai	Pa.	2,002,512	1,160,000
				$35,642,978
Banks with Head Offices or Branches in Philadelphia (excluding First Camden National)				
As above plus:				$35,642,978
Liberty Real Estate Bank & Trust Co.	Philadelphia	Pa.	2,002,512	726,000
Finance Co. of Pennsylvania	Philadelphia	Pa.	2,002,512	457,853
Industrial Trust Co.	Philadelphia	Pa.	2,002,512	417,500
Frankford Trust Co.	Philadelphia	Pa.	2,002,512	330,000
Second National Bank	Philadelphia	Pa.	2,002,512	300,000
Pennsylvania Warehousing & Safe Deposit Co.	Philadelphia	Pa.	2,002,512	150,000
Citizens & Southern Bank	Philadelphia	Pa.	2,002,512	34,500
Sonsitaly Bank & Trust Co.	Philadelphai	Pa.	2,002,512	30,000
Marian Bank	Philadelphia	Pa.	2,002,512	9,000
				$38,097,831
Excluded Banks & Trust Companies Glenmede Trust Co.—Trust Powers Only				

Sources: Polk's Bank Directory March 1961; Moody's Bank & Finance Manual 1961; Compilation of Capital Funds. Republic National, Dallas.

* Additional $193,172 lending limit available per state call reports

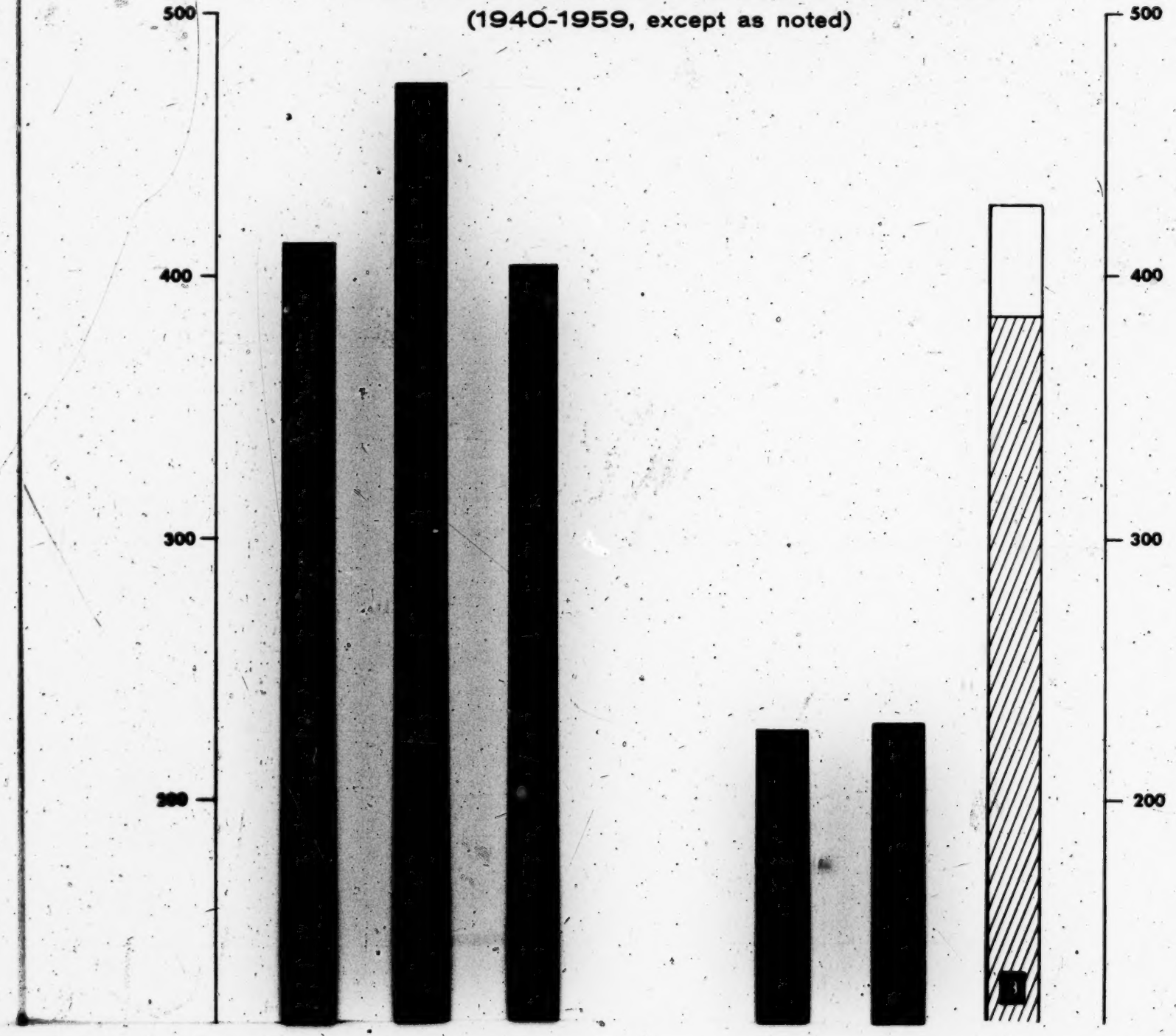
** Note: United California Bank, formed by the merger of California Bank and First Western on 2/24/61, had a lending limit of $12,504,800 as of 2/28/61. As of 12/31/60, California Bank had a limit of $5,500,321 and First Western has a limit of $6,000,000.

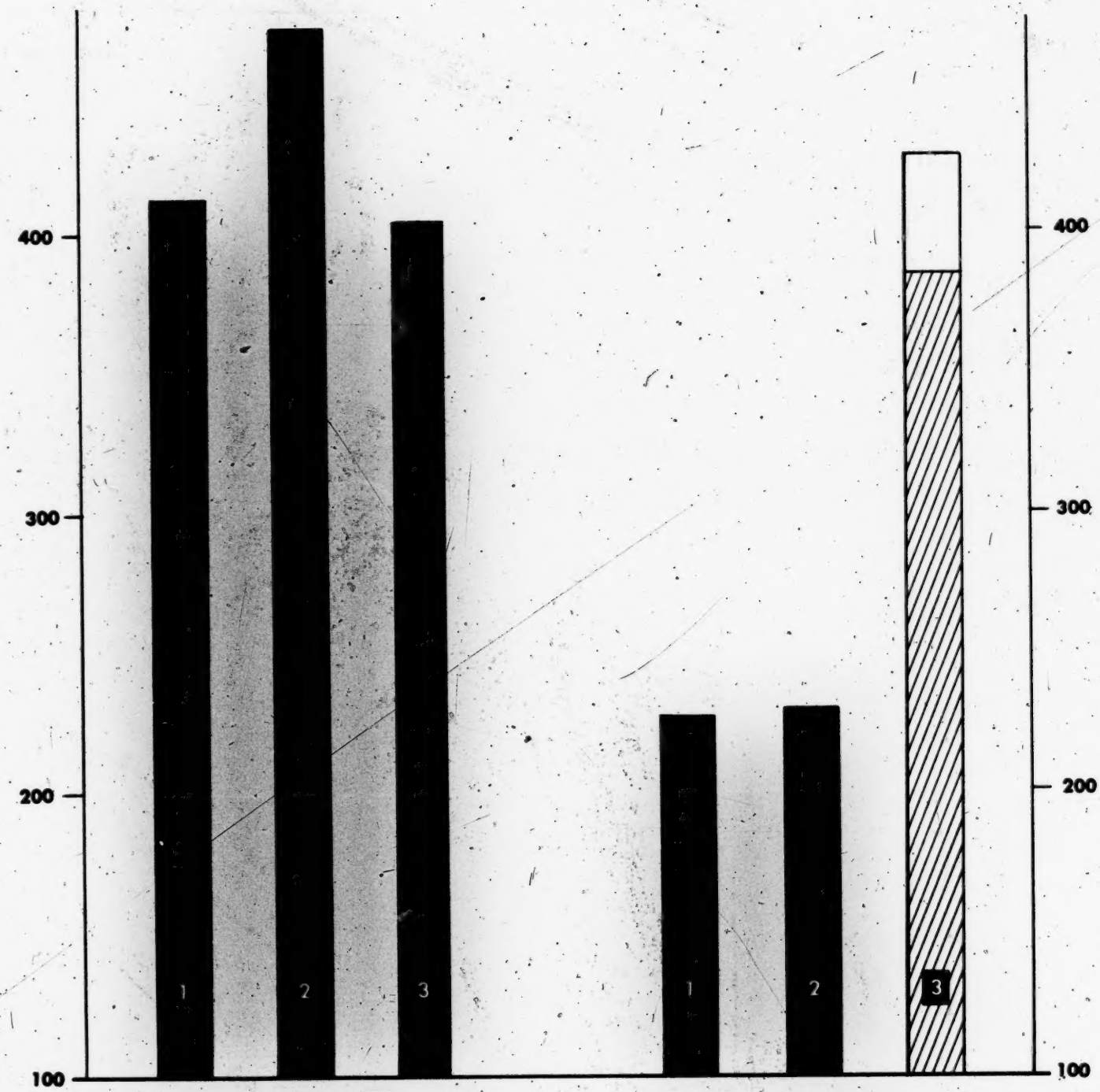
[fol. 6491]

DEFENDANT'S EXHIBIT 25

A COMPARISON OF GENERAL ECONOMIC GROWTH WITH BANK GROWTH IN THE DELAWARE VALLEY

(1940-1959, except as noted)





GENERAL ECONOMIC GROWTH INDICATORS

1. Total sales, large corporations
2. Value added by manufacture (1939-1957)
3. Personal income (1940-1957)

BANK GROWTH INDICATORS

1. Total assets, Phila. commercial banks
2. Lending limit, PNB
3. Lending limit, PNB-GIRARD (pro forma)

[fol. 6492] A Comparison of General Economic Growth with Bank Growth in the Delaware Valley

(1940–1959, except as noted)

I—General Economic Growth Indicators

	Amount (Millions)			Index (1940 = 100)		
	1940	1950	1959	1940	1950	1959
Total Sales of:						
21 Large Industrials	$2,033	$5,870	$8,672	100	289	427
3 Large Merchandising Firms	199	787	1,884	100	395	947
2 Large Utilities	116	212	400	100	183	345
2 Large Transportation Companies	542	1,049	995	100	194	184
	$2,890	$7,918	$11,951	100	274	414

	Amount (Millions)				Index (1939 = 100)			
	1939	1947	1954	1957	1939	1947	1954	1957
Value Added by Manufacture in Phila. Std. Metropolitan Area	$1,037	$2,773	$4,024	$4,891	100	267	388	472

	Amount (Millions)			Index (1940 = 100)		
	1940	1950	1957	1940	1950	1957
Personal Income in Phila. Std. Metropolitan Area						
Manufacturing	$ 691	$1,932	$2,988	100	280	432
Wholesale & retail trade	424	1,117	1,535	100	263	362
All other	878	2,163	3,547	100	246	404
Total	$1,993	$5,212	$8,070	100	262	405

	Amount (Millions)			Index (1950 = 100)		
	1940	1950	1959	1940	1950	1959
II—Bank Growth Indicators						
Total Assets of All Commercial Banks in Phila.	$2,191	$3,890	$4,964	100	178	227
Lending Limits of:						
Philadelphia National	$3.5	$5.0	$8.0	100	143	229
PNB—Girard (Pro forma)			13.5(1)			386
PNB—Girard (Pro forma)			15.0(1)			429

Note (1). $13.5 million represents the combined lending limit of Philadelphia-Girard, had these two banks been consolidated at the end of 1959. The actual proposed lending limit is $15 million, which produces and Index number of 429, considering 1940 as 100.

Sources: See Attached Source Notes.

[fol. 6492] A Comparison of General Economic Growth with Bank Growth in the Delaware Valley

(1940–1959, except as noted)

I—General Economic Growth Indicators

	Amount (Millions)			Index (1940 = 100)		
	1940	1950	1959	1940	1950	1959
Total Sales of:						
21 Large Industrials	$2,033	$5,870	$8,672	100	289	427
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	$2,890	$7,918	$11,951	100	274	414

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	1940	1950	1959	1940	1950	1959
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PNB—Girard (Pro forma)			15.0(1)			429

Note (f). $13.5 million represents the combined lending limit of Philadelphia-Girard, had these two banks been consolidated at the end of 1959. The actual proposed lending limit is $15 million, which produces and Index number of 429, considering 1940 as 100.

Sources: See Attached Source Notes.

[fol. 6493] Source Notes Accompanying Comparison of General Economic Growth in the Delaware Valley with Bank Growth.

The figures for "Value Added by Manufacture" appear in the Economic Almanacs for 1950 and 1960 published by the National Industrial Conference Board. The figures for "Personal Income In The Philadelphia Standard Metropolitan Area" appear in the "Report of the Comprehensive Survey of the Water Resources of the Delaware River Basin, Appendix B, Economic Base Survey", prepared by the United States Department of Commerce, Office of Business Economics, 1958, (p. 91, table 29). The figures for "Total Assets of all Commercial Banks" appear in the "Official Statement to the Controller of the Currency and to the Secretary of Banking, Commonwealth of Pennsylvania" as of December 31, 1940, December 31, 1950 and December [redacted], 1959. These official statements are published by the Legal Intelligencer, Philadelphia, Pa.

The figures for the twenty-one large industrials, the three merchandising firms, the two utilities and the two transportation companies were derived in the following manner:

The names of the companies were selected from "The 1960 Directory of the five hundred largest U. S. Industrial Corporations, and the fifty largest Banks, Merchandising, Transportation, Life Insurance and Utility Companies", published by Fortune Magazine in August 1960. From the list of the companies appearing in this directory all companies whose headquarters are nearer to Philadelphia than any other financial center and for whom published sales figures are available for the years 1940, 1950 and 1959, were selected. The sales figures for each of the selected companies appear in Moody's Manuals for the years 1941, 1951 and 1960.

The sales figures appearing on page one represent the total sales of all of the companies in each of the four groups for each year in question. The names of the individual companies, together with the individual sales figures for each year in question appear on the following pages.

Seven industrial companies whose headquarters are nearer Philadelphia than any other major financial center

and who are among the five hundred largest United States Industrial Corporations were excluded from the list of Industrial Companies because published sales figures were not available for the three years in question. The names of these companies together with the sales figures for them which are published in Moody's Manual also appear in the accompanying pages.

[fol. 6494] Large Industrials with Headquarters Nearer to Philadelphia than to Any Other Major Financial Center (Sales for 1940, 1950 and 1959, and Indices of Growth)

	Sales (Millions)			Index (1940 = 100)		
	1940	1950	1959	1940	1950	1959
21 Industrials						
Alan Wood Steel	$ 24	$ 45	$ 81	100	191	344
American Viscose	63	268	240	100	426	382
Armstrong Cork	57	187	291	100	326	507
Atlantic Refining	134	478	541	100	356	403
Baldwin-Lima-Hamilton	75	94	137	100	125	182
Bethlehem Steel	764	1,440	2,056	100	189	269
Budd Co.	53	290	322	100	545	604
Certain-teed Products	19	56	101	100	301	542
Crown Cork & Seal	34	89	123	100	265	365
Curtis Publishing	48	149	243	100	314	512
Du Pont	359	1,298	2,144	100	361	597
Electric Storage Battery	33	92	145	100	276	436
Harsco	5	9	94	100	185	1,958
Hercules Powder	52	160	284	100	306	541
Hershey Chocolate	44	149	167	100	337	379
Lehigh Portland Cement	17	44	101	100	262	595
Lukens Steel	19	53	83	100	281	442
Pennsalt Chemical	13	40	88	100	320	700
Philco Corp.	52	335	398	100	641	761
Scott Paper	20	98	297	100	479	1,457
Sun Oil	148	496	736	100	336	498
	$2,033	$5,870	$8,672	100	289	427

7 Industrials Not Included Because of Inadequate Sales Data.

	Sales (Millions)		
	1940	1950	1959
Campbell Soup	N.A.	N.A.	$497
I.T.E. Circuit Breaker	N.A.	$ 35	119
James Lees & Sons	N.A.	72	84
Rohm & Haas	N.A.	59	216
Smith Kline & French	N.A.	39	135
Standard Pressed Steel	N.A.	21	89
Thiokol Chemical	N.A.	3	910

[fol. 6495] Large Merchandising Firms, Utilities and Transportation Companies with Headquarters Nearer to Philadelphia than to any Other Major Financial Center

Sales for 1940, 1950 and 1959, and Indices of Growth

	Sales (Millions)			Index (1940 = 100)		
	1940	1950	1959	1940	1950	1959
3 Merchandising Firms						
American Stores	$125	$417	$ 875	100	334	701
City Stores	45	205	275	100	454	608
Food Fair Stores	29	165	734	100	564	2,514
	$199	$787	$1,884	100	395	947
2 Utilities						
Penna. Power & Light	41	78	138	100	191	338
Philadelphia Electric	75	134	262	100	179	347
	$116	$212	$400	100	183	345
2 Transportation Companies						
Pennsylvania Railroad	478	930	888	100	195	186
Reading Company	64	119	107	100	187	168
	$542	$1,049	$995	100	194	184

[fol. 6496] DEFENDANTS' EXHIBIT 26 (Revised)

Excess of Average Deposits Over Average Loans of all PNB Customers with Credit Lines of $8,000M or More

Customer	Amount of Line	Average Deposits 1960	Average Loans 1960	Excess of Deposits Over Loans
1	$ 8,000,000	$ 5,723,000	$ 38,000	$ 5,685,000
2	8,000,000	2,392,000		2,392,000
3	8,000,000	2,041,000		2,041,000
4	8,000,000	986,000	672,000	314,000
5	8,000,000	3,422,000	—	3,422,000
6	8,000,000	838,000	1,669,000	(831,000)
7	8,000,000	1,666,000	—	1,666,000
8	8,000,000	1,671,000	—	1,671,000
9	8,000,000	1,380,000	—	1,380,000
10	8,000,000	200,000	—	200,000
11	8,000,000	1,344,000	2,897,000	(1,553,000)
12	8,000,000	1,199,000	544,000	655,000
13	8,000,000	1,445,000	1,114,000	331,000
14	8,000,000	7,698,000	2,345,000	5,353,000
15	8,000,000	157,000	—	157,000
16	8,000,000	8,559,000	2,542,000	6,017,000
17	9,000,000 (a)	7,023,000	3,388,000	3,635,000
18	9,600,000 (a)	5,599,000	1,167,000	4,432,000
19	23,500,000 (a)	12,348,000	218,000	
			9,951,000 C. P.	2,179,000
20	8,000,000	1,185,000	648,000	537,000
21	8,000,000	118,000	184,000	(66,000)
22	8,000,000	5,932,000 (b)	—	5,932,000
23	8,000,000	4,024,000	—	4,024,000
24	8,000,000	10,508,000	3,250,000	
			2,713,000 C. P.	4,545,000
25	8,000,000	2,306,000	1,385,000	921,000
26	8,000,000	11,665,000	10,838,000	827,000
27	8,000,000	2,078,000	351,000	
			5,884,000 C. P.	(4,157,000)
Total	$234,100,000	$103,507,000	$51,798,000	$51,709,000

Deposits as % of Loans 199.8%

(a) Amount in excess of $8,000,000 is exempted from the requirement of being included within the lending limit by one or more of the exceptions set forth in Revised Statutes of the United States, Section 5200.

(b) Excludes time deposits, averaging $2,164,000 during 1960.

[fol. 6497] DEFENDANTS' EXHIBIT 27

Relative Growth of Assets of Selected Financial Institutions in the United States 1945–1959

(Dollar Amounts in Billions)

	Insured Commercial Banks	Life Insurance Companies	Savings and Loan Associations	Mutual Savings Banks	Credit Unions	Open-End Investment Companies
12/31/45	$157.5	$ 44.8	$ 8.7	$16.9	$0.4	$ 1.3 (a)
12/31/59	242.8	113.6	63.5	38.9	4.9	15.8
% Increase 1945–1959	54.2%	153.6%	629.9%	130.2%	1125.0%	1115.4%

(a) 1946

Sources: *Federal Reserve Bulletin*; Credit Union Yearbook, 1960; Wiesenberger, *Investment Companies*, 1960.

[fol. 6498] DEFENDANTS' EXHIBIT 29

Ratio of Loans to Assets for Insured Commercial Banks in the U. S., June 10, 1959

(Grouped by deposit size)

Size of Bank ($ millions)	Ratio Loans to Assets
All banks	44.4
Less than $1	39.8
$ 1– 2	39.7
$ 2– 5	39.1
$ 5– 10	39.7
$ 10– 25	40.4
$ 25– 50	41.4
$ 50– 100	42.3
$100– 250	44.5
$250– 500	46.1
$500–1,000	46.6
$1,000 or more	49.0

Source: Annual Report of the FDIC for December 31, 1959, Table 21, pp. 54–56.

[fol. 6499]

DEFENDANTS' EXHIBIT 30

Amount of Time and Savings Deposits—Daily Average for June 1960 Distributed According to Location of Customer

Type of Deposit	In 4 County Area (millions)			Outside 4 County Area (millions)			Total (millions)			% Outside 4 County Area		
	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total
1. Savings deposits, individuals												
Under $10,000 each	$87.2	100.4	187.6	5.1	2.7	7.8	92.3	103.1	195.4	5.5	2.6	4.0
$10,000 each & over	3.0	.1	3.1	—	—	—	3.0	.1	3.1	—	—	—
Total	90.2	100.5	190.7	5.1	2.7	7.8	95.3	103.2	198.5	5.3	2.6	3.9
2. Time deposits, partnerships and corporations												
Under $10,000 each	.1	.1	.2	—	—	—	.1	.1	.2	—	—	—
$10,000 and over	6.0	7.0	13.0	4.5	1.8	6.3	10.5	8.8	19.3	42.9	20.5	32.6
Total	6.1	7.1	13.2	4.5	1.8	6.3	10.6	8.9	19.5	42.4	20.2	32.4
3. Time deposits, Foreign Banks (all over $10,000 each)	—	—	—	13.4	1.7	15.1	13.4	1.7	15.1	100.0	100.0	100.0
4. Time deposits, Domestic Banks (all over $10,000 each)	1.0	9.5	10.5	—	1.3	1.3	1.0	10.8	11.8	—	12.0	11.0
5. Time deposits, States and Political Subdivisions (all over $10,000 each)	5.0	3.5	8.5	.3	.2	.5	5.3	3.7	9.0	5.7	5.4	5.6
Total Time & Savings Deposits	102.3	120.6	222.9	23.3	7.7	31.0	125.6	128.3	253.9	18.6	6.0	12.2

[fol. 6500]

Amount of Demand Deposits—Daily Average for June 1960 Distributed According to Location of Customer

DEFENDANTS' EXHIBIT 30

Amount of Time and Savings Deposits—Daily Average for June 1960 Distributed According to Location of Customer

Type of Deposit	In 4 County Area (millions)			Outside 4 County Area (millions)			Total (millions)			% Outside 4 County Area		
	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total
1. Demand deposits, individual												
Under $10,000 each	$47.8	84.9	132.7	.5	9.8	10.3	48.3	94.7	143.0	1.0	10.3	7.2
$10,000 each & over	24.0	45.6	69.6	4.5	9.2	13.7	28.5	54.8	83.3	15.8	16.8	16.4
Total	71.8	130.5	202.3	5.0	19.0	24.0	76.8	149.5	226.3	6.5	12.7	10.6
2. Demand deposits, partnerships and corporations												
Under $10,000 each	28.3	26.1	54.4	.3	3.0	3.3	28.6	29.1	57.7	1.0	10.3	5.7
$10,000 each & over	245.5	177.2	422.7	140.7	53.3	194.0	386.2	230.5	616.7	36.4	23.1	31.5
Total	273.8	203.3	477.1	141.0	56.3	197.3	414.8	259.6	674.4	34.0	21.7	29.3
3. Demand deposits, Foreign Banks	—	—	—	19.0(a)	4.7	23.7	19.0(a)	4.7	23.7	100.0	100.0	100.0
4. Demand deposits, Domestic Banks												
Under $10,000 each	—	.6	.6	.4	--	.4	.4	.6	1.0	100.0	—	40.0
$10,000 or over	14.1	40.5	54.6	154.5	35.8	190.3	168.6	76.3	244.9	91.6	46.9	77.7
Total	14.1	41.1	55.2	154.9	35.8	190.7	169.0	76.9	245.9	91.7	46.6	77.6
5. Demand deposits, U. S. Government	47.0	23.2	70.2	—	—	—	47.0	23.2	70.2	—	—	—
6. Demand deposits, States and Political Subdivisions	26.7	6.2	32.9	23.8	3.4	27.2	50.5	9.6	60.1	47.1	35.4	45.3
Total Demand Deposits	433.4	404.3	837.7	343.7	119.2	462.9	777.1	523.5	1300.6	44.2	22.8	35.6

a. Includes .4 under $10,000.

[fol. 6501]

Amount of Loans—September 21, 1960 Distributed According to Location of Customer

Type of Loan	In 4 County Area (millions)			Outside 4 County Area (millions)			Total (millions)			% Outside 4 County Area		
	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total
1. Real Estate Loans												
Under $50,000 each	$29.8	17.4	47.2	5.2	.5	5.7	35.0	17.9	52.9	14.9	2.8	10.8
$50,000 each & over	17.7	11.1	28.8	11.5	4.8	16.3	29.2	15.9	45.1	39.4	30.2	36.1
Total	47.5	28.5	76.0	16.7	5.3	22.0	64.2	33.8	98.0	26.0	15.7	22.4
2a. Loans to Domestic Banks												
Under $50,000 each	—	—	—	—	—	—	—	—	—	—	—	—
$50,000 & over	1.7	—	1.7	8.1	.3	8.4	9.8	.3	10.1	82.7	100.0	83.2
Total	1.7	—	1.7	8.1	.3	8.4	9.8	.3	10.1	82.7	100.0	83.2
2a. Loans to Foreign Banks												
Under $50,000 each	—	—	—	—	1.8	1.8	—	1.8	1.8	—	100.0	100.0
$50,000 & over	—	—	—	12.7	.5	13.2	12.7	.5	13.2	100.0	100.0	100.0
Total	—	—	—	12.7	2.3	15.0	12.7	2.3	15.0	100.0	100.0	100.0
2b. Loans to Other Financial Institutions												
Under $50,000 each	—	.3	.3	—	2.3	2.3	—	2.6	2.6	—	88.5	88.5
$50,000 & over	7.7	6.4	14.1	44.0	18.5	62.5	51.7	24.9	76.6	85.1	74.3	81.6
Total	7.7	6.7	14.4	44.0	20.8	64.8	51.7	27.5	79.2	85.1	75.6	81.8
3. Loans to Purchase or Carry Securities												
Under $50,000 each	.8	—	.8	—	1.2	1.2	.8	1.2	2.0	—	100.0	60.0
$50,000 & over	.9	4.6	5.5	14.9	11.1	26.0	15.8	15.7	31.5	94.3	70.7	82.5
Total	1.7	4.6	6.3	14.9	12.3	27.2	16.6	16.9	33.5	89.8	72.8	81.2
4. Loans to Farmers												
All Under $50,000 each	.2	—	.2	—	.1	.1	.2	.1	.3	—	100.0	33.3
5. Commercial & Industrial Loans												
Under $50,000 each	16.7	21.2	37.9	5.5	10.5	16.0	22.2	31.7	53.9	24.8	33.1	29.7
$50,000 to $499,999	49.4	51.1	100.5	27.4	22.2	49.6	76.8	73.3	150.1	35.7	30.3	33.0
$500,000 & over	98.7	50.5	149.2	108.6	40.3	148.9	207.3	90.8	298.1	52.4	44.4	49.9
Total	164.8	122.8	287.6	141.5	73.0	214.5	306.3	195.8	502.1	46.2	37.3	42.7
6a-d. Loans to Individuals, Installment												
Under $50,000 each	42.2	29.0	71.2	13.9	23.7	37.6	56.1	52.7	108.8	24.8	45.0	34.6
$50,000 each & over	—	.3	.3	—	2.5	2.5	—	2.8	2.8	—	89.3	89.3
Total	42.2	29.3	71.5	13.9	26.2	40.1	56.1	55.5	111.6	24.8	47.2	35.9
6e. Loans to Individuals—Single Payment												
Under $50,000 each	12.4	30.9	43.3	4.7	4.7	9.4	17.1	35.6	52.7	27.5	13.2	17.8
$50,000 each & over	2.8	24.4	27.2	.1	6.9	7.0	2.9	31.3	34.2	3.4	22.0	20.5
Total	15.2	55.3	70.5	4.8	11.6	16.4	20.0	66.9	86.9	24.0	17.3	18.9
7. All Other Loans												
Under $50,000 each	3.6	.2	3.8	—	.1	.1	3.6	.3	3.9	—	33.3	2.6
$50,000 each & over	6.5	3.4	9.9	12.8	8.2	21.0	19.3	11.6	30.9	66.3	70.7	68.0
Total	10.1	3.6	13.7	12.8	8.3	21.1	22.9	11.9	34.8	55.9	69.7	60.6
Gross Loans 9/21/60	291.1	250.8	541.9	269.4	160.2	429.6	560.5	411.0	971.5	48.1	39.0	44.2

[fol. 6502]

DEFENDANTS' EXHIBIT 32

Time Deposits

Comparison of Defendants with Certain Other Competing Institutions Time (Including Savings) Deposits of Individuals, Partnerships and Corporations

(000 omitted in following $ amounts)

	Philadelphia		Four-County Area		Ten-County Area	
	No.	$ Amount	No.	$ Amount	No.	$ Amount
Commercial Banks with headquarters in:	13[1]	$ 613,694	49[1]	$ 784,138	116[1]	$1,335,048
Mutuals Savings Banks with headquarters in:	4	1,883,345[2]	4	1,883,345[2]	5	1,897,692[2]
Savings and Loan and Building and Loan Associations with headquarters in:	323	900,228	421	1,257,867[3]	615	1,498,413[3]
Credit Unions with headquarters in:	30	5,700	34	6,460[4]	50	10,960[4]
Totals	370	$3,402,967	499	$3,931,810	786	$4,742,113
Philadelphia-Girard deposits, pro forma, and as % of whole		228,068(6.7%)[5]		228,068(5.8%)[5]		228,068(4.8%)[5]

Notes: 1. Source, Reports of Condition of such banks, June 15, 1960, filed with Federal Reserve or state banking authorities. Excluded are Second National Bank of Philadelphia, Brown Brothers Harriman, The Finance Company of Pennsylvania and Pennsylvania Warehousing and Safe Deposit Company because they were not included in the information submitted to defendants by Federal Reserve and other banking authorities.

2. See Schedule A.

3. See Schedule B.

4. See Schedule C. Figures are for state-chartered institutions only.

5. Source, Reports of Condition, June 15, 1960, for defendant banks filed with Federal Reserve.

[fol. 6503] Schedule A

Savings Deposits of Mutual Savings Banks
(000 omitted in following $ amounts)

Philadelphia County	
Philadelphia Saving Fund Society	$1,105,441
Western Saving Fund Society of Philadelphia	403,469
Beneficial Mutual Savings Bank	220,546
Germantown Savings Fund	153,889
Total:	$1,883,345
Chester County	
Dime Savings Bank of Chester County	$ 14,347
Total:	$1,897,692

Source: *Polk's Bank Directory*, March, 1961.

[fol. 6504] Schedule B

Savings Deposits in Savings and Loan and Building and Loan Associations
(000 omitted in following $ amounts)

Institutions with Headquarters in (County)	Number of Institutions	Aggregate Deposits
Philadelphia	323	$ 900,228
Bucks	21	62,901
Delaware	33	118,181
Montgomery	44	176,557
Total:	421	$1,257,867
Chester	23	44,346
Mercer	20	56,537
Camden	82	62,205
Burlington	22	27,464
Gloucester	22	12,779
New Castle	24	37,215
Total:	615	$1,498,413

Sources are: For the 5 counties in Pennsylvania—*Statistical Summary on Savings, Building and Loan Associations in Pennsylvania*, by counties 1950-59, published by the Pennsylvania Saving and Loan League, Harrisburg, Pa. Data are as of 12/31/59 on this Schedule.

For the 4 counties in New Jersey—*Commissioner of Banking and Insurance*, Annual Report, Bureau of Banking, State of New Jersey, 1959. Data are as of 12/31/59 on this Schedule.

For New Castle County, Delaware—*41st Annual Report of the State Banking Commissioner of Delaware*, 1960, for the fiscal year ending June 30, 1960 for all state-chartered institutions, and *Greater Philadelphia Insured Savings, and Loan Associations, 1961 Official Directory*, published by The Evening and Sunday Bulletin, 1961, for one federal-chartered institution. Data are as of 6/30/60 on this Exhibit for state-chartered institutions, and are the average of 12/31/60 data for the one federal-chartered institution.

[fol. 6505]

Schedule C

Credit Unions

Pennsylvania State-Chartered[1]
(000 omitted in following $ amounts)

	No. of Unions (1958)	Capital Shares Due to Members (1958)	
Pennsylvania	125	$23,658	
Philadelphia	30	5,700	(est.)[4]
Bucks, Delaware and Montgomery Counties	4	760	(est.)

New Jersey State-Chartered[2]

	No. of Unions (1959)	Capital Shares Due to Members 1959)
New Jersey	79	$ 13,200
Camden, Mercer, Gloucester and Burlington Counties	16	4,500

Delaware State-Chartered

(None)

Federal Chartered Credit Unions[3]

	No. of Unions (1959)	Capital Shares Due to Members (1959)
Pennsylvania	980	$ 16,622
New Jersey	442	82,895
Delaware	33	3,939
Total:	1,455	$103,456

Notes: 1. Source, Report of the Secretary of Banking, December 31, 1959, pp. 90–95. Dollar figures for counties are estimates based on pro rata division of total figures among the total number of unions in the state.

2. Source, Annual Report, Commissioner of Banking and Insurance, State of New Jersey, 1959, pp. 36–41.

3. Source, "Federal Credit Unions," 1959 Report of Operations, U.S. Department of Health, Education and Welfare, p. 21.

4. Estimates arrived at by taking the same proportion of the dollar total as the number of unions in each county bears to the total number of unions in the state.

[fol. 6506]

DEFENDANTS' EXHIBIT 34

Five Year Rate Survey of Savings Fund Interest Rates

(Dollar Figures in Thousands)

	12/31/56		12/31/57		12/31/58		12/31/59		12/31/60	
	$	Rate	$	Rate	$	Rate	$	Rate	$	Rate
Commercial Banks										
Girard Trust Corn Exchange Bank	$ 70,824	2%	$ 76,617	2½%	$ 89,666	2½%	$ 98,987	3%	$ 109,561	3%
First Pennsylvania Company	70,407	2	72,465	2½	92,837	2½	94,617	3	109,642	3
Philadelphia National Bank	58,585	Various*	63,876	2½	78,005	2½	86,966	3	100,816	3
Provident Tradesmens	36,974	2	40,315	2½	42,392	2½	44,106	3	51,414	3
Fidelity-Philadelphia	53,032	2	58,646	2½	65,796	2½	71,773	3	83,343	3
Central-Penn	36,192	2	37,430	2	39,571	2	41,365	3	44,264	3
Broad Street	24,088	1	23,101	1	21,595	1	19,889	1	20,092	1
Liberty Real Estate	10,719	2	12,273	2½	13,881	2½	15,745	3	18,480	3
Mutual Savings Banks										
Beneficial Mutual Savings Banks	167,495	2¾	180,182	3	199,568	3	211,896	3½	219,934	3½
Saving Fund Society of Germantown	118,922	2¾	124,844	3	135,695	3	144,528	3½	153,300	3½
Philadelphia Saving Fund Society	859,927	2¾	919,757	3	998,929	3	1,056,162	3½	1,103,288	3½
Western Saving Fund Society	300,870	2¾	326,972	3	362,476	3	382,523	3½	401,848	3½
Savings and Loan Associations										
West Philadelphia Federal Savings & Loan Association	41,202	3	45,238	3	55,677	3½	62,818	3½	71,928	4
Home Unity Savings & Loan Assn.	60,484	3½	69,968	3½	63,225	3¾	69,157	3¾	70,159	4
First Federal Savings & Loan Assn.	19,640	3	23,012	3½	30,219	3½	36,440	4	46,437	4
Third Federal Savings & Loan Assn.	19,632	3	21,140	3	22,366	3	24,003	3½	26,423	3¾
Reliance Federal Savings & Loan Assn.	3,425	3	3,539	3	3,408	3¼	3,478	3½	3,514	3¾

* PNB rate information for 1956 was given in the survey as "various".

[fol. 6507] GOVERNMENT'S EXHIBIT 36

Loan Authorities of Banks Merged with Girard Trust Corn Exchange Bank

Upper Darby National Bank—Merger—April 1958

Prior to merger, all unsecured loans over $10,000 had to be approved by the Board of Directors. Loan authorities of officers and branch managers before and after merger are indicated below.

[fol. 6507]

	Uper Darby National		Girard Trust Corn Exchange	
Name of Officer	Unsecured	Secured	Unsecured	Secured
D. L. Heffferich	$ 10,000	$100,000	$100,000	$200,000
W. H. Smock	10,000	100,000	50,000	200,000
G. L. Toole	10,000	50,000	30,000	100,000
T. E. Burns, Jr.	3,500	10,000	.....	.....
D. R. Simpson	3,500	10,000	.....	.....
G. V. Schriefer	2,000	10,000	5,000	10,000
M. D. Pintavalle	1,500	10,000	5,000	10,000
A. J. Grace	1,000	10,000	15,000	50,000
Name of Branch & Manager				
Broomall				
I. C. Holmes, Jr.	$ 750	$ 5,000	.....	.....
R. W. Burke	.....	.....	$ 2,500	$ 5,000
Drexel Hill				
J. W. Alexander	500	5,000	2,500	5,000
Drive-In				
L. D. Beiswanger	500	2,500	2,500	5,000
Havertown				
R. F. Houston	750	10,000	2,500	5,000
Lawrence Park				
E. J. Perna	750	5,000	.....	.....
I. C. Holmes, Jr.	.....	.....	2,500	5,000
Manoa				
R. S. D'Agostino	750	10,000	2,500	5,000
Newtown Square				
R. W. Walsh	750	7,500	2,500	5,000
Penn Oak				
G. E. Moffitt	750	5,000	2,500	5,000
Pilgrim Gardens				
R. D. Rupert	750	5,000	2,500	5,000
Yeadon				
C. C. Schaefer	500	7,500	.....	.....
J. G. Simpson	.....	.....	2,500	5,000

[fol. 6508] Ambler National Bank—Merger—October 1957

Prior to the merger, all loans over $5,000 were submitted to the Board of Directors. Each of the four officers at the Ambler Main Office had unsecured loan authority up to $5,000 to any one person as long as the total loans in any one week did not exceed $25,000. Loan authorities of officers and branch manager before and after merger are indicated below.

	Ambler National		Girard Trust Corn Exchange	
Name of Officer	Unsecured	Secured	Unsecured	Secured
A. Godfrey	$5,000	$50,000	.....	.....
W. Reller	5,000	50,000	$50,000	$200,000
H. B. Cox, Jr.	5,000	50,000	.....	.....
J. G. Klee	5,000	50,000	15,000	50,000
Manager—Flourtown Office	1,000	none	2,500	5,000

The National Bank of Narberth—Merger—October 1957

Carl B. Metzger, Jr., Executive Vice President and Everett C. Gottier, Vice-President, prior to merger, had unsecured loan authority of $5,000 and secured authority up to the bank's legal limit of $60,000. All loans subsequently were approved by the Board of Directors and noted in the minute books. The other officers, including the managers of the two branch offices, had no loan authority and reviewed every credit with Mr. Metzger for his approval.

Since merger, loan authorities have been delegated as follows:

	Unsecured	Secured
Narberth Office		
C. B. Metzger, Jr.	$50,000	$200,000
E. C. Gottier	15,000	50,000
W. H. Dempsey	2,500	5,000
E. P. Caldwell	2,500	5,000
Bala-Cynwyd Office		
S. H. Brown	$ 5,000	$ 10,000
A. J. Putring	2,500	5,000
Wynnewood Office		
A. L. Lambert	$ 5,000	$ 10,000
J. W. Fox	2,500	5,000

[fol. 6509] North Philadelphia Trust Company—Merger —January 1954

Prior to the merger, the president was authorized to grant unsecured loans up to $10,000, loans secured by readily marketable collateral up to statutory limits of the bank, and loans secured by bonds and mortgages up to $15,000. Any two other senior officers acting together were authorized to grant unsecured loans up to $2,500 and loans secured by readily marketable collateral up to $20,000. Any one senior officer acting individually was authorized to grant unsecured loans up to $1,000 and loans secured by readily marketable collateral up to $10,000. All loans were submitted and approved at monthly board meetings. Since merger, loan authorities have been delegated as follows:

	Unsecured	Secured
P. V. Decker	$ 15,000	$ 50,000
W. L. Johnson	5,000	10,000
A. K. Bauer	2,500	5,000

National Bank of Germantown—Merger—September 1953

Prior to the merger, officers could lend up to $10,000 unsecured. The Credit and Advisory Committee approved loans of $10,000 and over, and in special cases, officers made loans over $10,000. All loans, however, were subsequently approved by the Board of Directors. Since merger, loan authorities have been delegated as follows:

	Unsecured	Secured
M. H. Callender	$100,000	$200,000
W. H. Peck	30,000	100,000
N. W. Jones	30,000	100,000
E. W. Newcomb	30,000	100,000
W. A. Collins	15,000	50,000
M. D. Thorn	15,000	50,000
T. F. Morrison	5,000	10,000
G. Simister	2,500	5,000

Note.—Where "secured" loan authority is referred to in the above memorandum, it is defined as loans collateralized by readily marketable securities, cash surrender value of life insurance, and loans secured by pledges of savings fund passbooks.

R. C. Allen, S. S. Gardner 6/26/61.

emc

[fol. 6510] DEFENDANT'S EXHIBIT 38

Banking and Trust Services of Girard Trust Corn Exchange Bank

A. Banking Service for Business and Other Organizations.

I. Deposit Account Services

1. Business Checking Accounts
2. Collection of drafts, notes and acceptances
3. Wire transfer of funds
4. Bulk payroll service
5. Payroll accounting services
6. Supplying coin and currency
7. Cashing pay checks for employees of business customers
8. Depository for tax payments
9. Bank-by-Mail facilities
10. Night depository
11. Time accounts
12. Certificates of deposit

II. Loans to Business

1. Loans for business purposes
2. Construction Loans
3. Auto and truck financing

III. Time Sales Financing For Retailers And Contractors

1. Home modernization financing
2. Retail automobile financing
3. Mobile homes (house trailers) financing
4. Major home appliance financing

IV. Correspondent Banking Services

V. Additional Banking Services for Business

1. Lock Box Banking
2. Charge-Rite—charge account service
3. In-plant services for customers
4. Credit information and reports, both foreign and domestic
5. Brokers security clearance, settlement and delivery services

[fol. 6511] B. Trust Service For Business And Other Organizations

I. Investment Advisory Service For Business and Other Organizations Owning Securities

II. Planning Family Business For The Future. Assistance to owners of family business concerns in working out, during their lives, plans for meeting the problems which such businesses usually present in an estate.

III. Pension and Profit-Sharing

1. Development and supervision of Pension and Profit-Sharing Plans
2. Diversified and Common Stock Funds for the investment of pension plans of which Girard is trustee

IV. Other Trust Services For Business

1. Trustee for Welfare, Savings, and Stock Purchase plans
2. Trustee for charitable foundations
3. Trustee for bond issues
4. Trustee for Equipment Trusts
5. Stock Transfer and Dividend Disbursing Agent
6. Registrar of Stocks and Bonds
7. Mailing, receipt and tabulation of proxies for shareholder meetings
8. Agent for receiving stock subscriptions; for buying and selling fractional scrip and rights; for exchange of bonds, stock, scrip or warrants
9. Paying Agent for redemption of coupons, bonds, stocks and scrip
10. Depository for securities of corporations undergoing reorganization or recapitalization
11. Custodian for Mutual Funds; Pledge agreements; Escrow agreements
12. Trustee and Agency Service for State Governments, Local Governments, Municipal Authorities and commissions

[fol. 6512] C. Personal Banking Service

I. Deposit Accounts

1. Regular Checking Accounts
2. Special Checking Accounts
3. Savings Accounts

II. Loans

1. Loans on Securities
2. Life Insurance Loans
3. Mortgage Loans
4. Personal Loans
5. Tuition Loans
6. Ready-Credit Service—a personal line of monthly-installment credit
7. Life, Fire and Casualty Insurance Premium Loans

III. Other Personal Ba king Service

1. Safe Deposit boxes
2. Silver and storage vaults
3. Travelers cheques
4. Letters of Credit and sale of foreign exchange for travelers' use
5. Securities purchased, sold or exchanged for customers
6. U. S. Savings Bonds issued and redeemed
7. Bank Money Orders
8. Certified checks
9. Treasurer's Checks
10. Personal Banking-by-Mail

D. Personal Trust Services

I. Estate Planning

Assistance to men and women by full-time specialists to study their estates and to help plan their affairs for the future.

II. The Administration Of Estates

1. Executor
2. Administrator
3. Trustee under Will

III. Trust Services for the Living

1. Management of trusts set up by customers for [fol. 6513] themselves or for other beneficiaries
2. Operation of Diversified Trust Funds for investment of Living Trusts
3. Investment Advisory Service
4. Securities Custody Service
5. Guardianship
6. Life Insurance Trusts
7. Special Service Accounts—collection of interest and dividends, accumulation of funds, payment of taxes or expenses, etc.
8. Preparation and filing of tax returns

IV. Services as agent, advisor or custodian for Individual Executors and Trustees

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[fol. 6514] DEFENDANTS' EXHIBIT 39

List of Banks with Main Offices in New York City (Five Boroughs) with Lending Limits in Excess of $1,000,000

December 31, 1960
(In thousands of dollars)

	Assets	Deposits	Loans	Lending Limit
First National City Bank	$8,668,429	$7,641,524	$4,254,930	$62,480
Chase Manhattan Bank	9,260,439	8,443,350	4,558,846	56,788
Morgan Guaranty Trust Company	4,423,948	3,646,025	2,351,907	42,500
Chemical Bank New York Trust Co.	4,539,895	3,898,195	2,234,440	35,000
Bankers Trust Company	3,430,253	3,032,174	1,567,060	24,108
Manufacturers Trust Company	3,973,719	3,464,811	1,586,110	20,078
The Hanover Bank	2,192,266	1,885,721	975,680	14,500
Irving Trust Company	2,254,621	1,998,540	975,472	11,552
Bank of New York	694,891	605,979	295,630	4,700
Marine Midland Trust Company	770,344	678,231	339,778	4,250
United States Trust Company	227,516	188,125	109,744	3,000
The Meadowbrook National Bank	604,030	541,192	360,038	2,300
Brown Brothers, Harriman & Co.	279,413	238,466	87,750	1,889
Federation Bank and Trust Co.	221,189	200,067	99,408	1,355
Grace National Bank	233,275	208,260	106,973	1,300
Empire Trust Company	232,574	197,804	115,464	1,170
Sterling National Bank & Trust Co.	167,393	151,082	99,188	1,109

Sources: Polk's Bank Directory, 133rd Edition, March 1961.

Note: Does not include the following three banks:
(1) First National City Trust Company—generally confines loans by internal policy, to their trust accounts.
(2) Savings Bank Trust Company—business confined to servicing mutual savings banks.
(3) French-American Banking Corporation—limited to foreign business.

[fol. 6516] DEFENDANTS' EXHIBIT 40

Excess of Average Deposits over Average Loans of Girard Trust Customers With 27 Largest Lines Of Credit

Customer	Amount of Line, 1960	Average Deposits 1960	Average Loans, 1960	Excess of Deposits Over Loans
A	$ 6,000,000	$ 4,727,400	$ None	$ 4,727,400
B	6,000,000	2,705,500	500,000	2,205,500
C	6,000,000	1,003,200	2,112,000	(1,108,800)
D	6,000,000	1,588,800	None	1,588,800
E	6,000,000	1,762,500	None	1,762,500
F	5,000,000	488,100	948,547	(460,447)
G	5,000,000	2,179,200	3,571,108	(1,391,908)
H	5,200,000	766,100	3,500,000	(2,733,900)
I	5,500,000	459,000	1,052,980	(593,980)
J	5,500,000	285,000	3,165,898	(2,880,898)
K	5,200,000	405,400	1,170,000	(764,600)
L	5,100,000	345,300	510,288	(164,988)
M	5,000,000	3,391,200	None	3,391,200
N	5,000,000	8,462,100	1,000,000	7,462,100
O	5,000,000	584,500	None	584,500
P	5,150,000	2,053,600	1,941,780	111,820
Q	5,000,000	1,211,700	None	1,211,700
R	5,000,000	4,036,200	None	4,036,200
S	5,000,000	126,900	None	126,900
T	5,000,000	214,900	1,676,174	(881,274)
U	5,000,000	763,600	1,041,884	(278,284)
V	5,000,000	453,600	None	453,600
W	5,000,000	697,400	2,223,000	(1,525,600)
X	4,500,000	337,900	965,714	(627,814)
Y	4,000,000	216,600	559,506	(342,906)
Z	4,000,000	217,300	None	217,300
AA	4,000,000	2,318,200	894,041	1,424,159
	$130,450,000	$41,801,200	$26,233,020	$15,568,180

Deposits as % of Loans: 159.3%

[fol. 6517] DEFENDANTS' EXHIBIT 41

Function, Market Area and Type of Competition of the Philadelphia National Bank and Girard Trust Corn Exchange Bank

[fol. 6518] I. Time and Savings Deposits

A Function	B Market Area*	C Competition
1. Savings Deposits	Philadelphia Metropolitan	Commercial Banks Mutual Savings Banks Savings and Loan Assns. Credit Unions Mutual Funds Annuity Contracts U. S. Government Obligations Life Insurance Policies
2. Time Deposits, Partnerships and Corporations	United States	Commercial Banks U. S. Government Obligations Commercial Paper Repurchase Agreements with Government Bond Dealers Short Tax Free Securities Bankers' Acceptances
3. Time Deposits, Foreign Banks	International	Commercial Banks U. S. Government Obligations Commercial Paper Bankers' Acceptances
4. Time Deposits, Domestic Banks	Philadelphia Metropolitan	Commercial Banks
5. Time Deposits, States and Political Subdivisions	Philadelphia Metropolitan	Commercial Banks U. S. Government Obligations Commercial Paper

* The market area is based on geographical location of alternate choices available to the customer. "Philadelphia Metropolitan" is used to describe the area generally consisting of the Pennsylvania Counties of Philadelphia, Bucks, Delaware and Montgomery, where the banks have branches. "Delaware Valley" is used to describe a larger area surrounding these four Counties and generally consisting of all or parts of Chester County, Pennsylvania, the New Jersey Counties of Mercer, Burlington, Camden and Gloucester, and New Castle County in the State of Delaware.

[fol. 6519]

II. Demand Deposits

A Function	B Market Area*	C Competition
1. Demand Deposits, Individual	Delaware Valley	Commercial Banks U. S. Government Securities Tax Free Securities
2. Demand Deposits, Partnerships and Corporations		
(a) Small and Medium	Delaware Valley	Commercial Banks
(b) Large	United States	Commercial Banks U. S. Government Securities Commercial Paper Tax Free Securities Bankers' Acceptances Repurchase Agreements
3. Demand Deposits, Foreign Banks	International	Commercial Banks U. S. Government Obligations Commercial Paper Bankers' Acceptances
4. Demand Deposits, Domestic Banks	United States	Commercial Banks Federal Reserve Bank U. S. Government Obligations Commercial Paper Bankers' Acceptances
5. Demand Deposits, U. S. Govt.	Not Applicable	
6. Demand Deposits, States and Political Subdivisions	Pennsylvania	Commercial Banks U. S. Government Obligations Commercial Paper

[fol. 6520]

III. Loans

A Function	B Market Area*	C Competition
1. Real Estate Loans	United States	Commercial Banks Mutual Savings Banks Savings and Loan Assns. Insurance Companies Pension and Welfare Funds
2a. Loans to Domestic Banks	Northeast U. S.	Commercial Banks Federal Reserve Bank Federal Funds Repurchase Agreements
2a. Loans to Foreign Banks	International	Commercial Banks U. S. Government Agencies International Lending Agencies
2b. Loans to Other Financial Institutions	United States	Commercial Banks Insurance Companies Pension Trusts, etc. Commercial Paper
3. Loans for Purchasing Securities	United States	Commercial Banks
4. Loans to Farmers	Delaware Valley	Commercial Banks U. S. Government Agencies

[fol. 6521]

III Loans

A Function	B Market Area	C Competition
5. Commercial and Industrial Loans (a) Small and Medium	Delaware Valley	Trade Credit Commercial Banks Commercial Finance Companies Factors
(b) Large	United States	Commercial Banks Commercial Finance Companies Insurance Companies Pension Trusts Factors
6a-d. Loans to Individuals, Instalment	Delaware Valley	Commercial Banks Finance Companies Retail Outlets Credit Unions Small Loan Companies Consumer Discount Companies Mutual Savings Banks Savings & Loan Associations
6e. Loans to Individuals— Single Payment	Delaware Valley	Commercial Banks Insurance Companies
7. All Other Loans	United States	Commercial Banks Mutual Savings Banks Insurance Companies

[fol. 6522]

DEFENDANTS' EXHIBIT 43

Analysis of Defendants' Partnership and Corporation Customers Whose Choices Include Banks Outside Delaware Valley

	The Philadelphia National Bank		Girard Trust Corn Exchange Bank		Total	
	Demand deposits of Partnerships and Corporations	Commercial and Industrial Loans	Demand deposits of Partnerships and Corporations	Commercial and Industrial Loans	Demand deposits of Partnerships and Corporations	Commercial and Industrial Loans
	(000 omitted in following $ amounts)					
Customers located outside the four-county area*	$140,977	$141,547	$ 56,295	$ 72,921	$197,272	$214,468
Customers located inside the four-county area but who are not limited to a choice of banks in the four or ten county area	149,805	84,594	86,893	42,067	236,698	126,661
Total	290,782	226,141	143,188	114,988	433,970	341,129
% total bears to total demand deposits or commercial and industrial loans	70%	74%	55%	59%	64%	68%
(Latter totals in parentheses)*	($414,785)	($306,329)	($259,570)	($195,746)	($674,355)	($502,075)

Source: Defendants' records. Deposits are averages for June, 1960. Loans are as of September 21, 1960. To determine customers with choices outside the four counties only customers with deposit accounts exceeding $100,000 were analyzed. Of these, customers were selected as having choices outside the four-county area who either (a) also had (as of Sept. 21, 1960) a loan or line of credit exceeding $500,000, (b) has known banking connections outside the ten-county area, (c) has its headquarters, a major branch or subsidiary outside the ten-county area, or (d) is a subsidiary of a company located outside the ten-county area.

* Figures correspond with those in Exhibit D-30. See page 2, line 2 of that Exhibit for demand deposits of partnerships and corporations, and page 3, line 5 of that Exhibit for commercial and industrial loans.

[fol. 6523] DEFENDANTS' EXHIBIT 44

BROAD STREET TRUST COMPANY
Philadelphia

January 20, 1961 A.

Honorable Ray M. Gidney,
Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

MY DEAR MR. GIDNEY:

Broad Street Trust Company is of the opinion that it is to the best interests of the City of Philadelphia that the proposed merger of Philadelphia National Bank and Girard Trust Corn Exchange Bank & Trust Company should be approved.

Boston, Cleveland, Pittsburgh and San Francisco, all smaller than Philadelphia, have banks that are very much larger than our largest bank.

In Chicago there are two banks, each of which are twice the size of First Pennsylvania Banking & Trust Company.

Philadelphia is handicapped because very large borrowers have to go to New York or elsewhere to obtain loans.

The proposed merger will not hurt other Philadelphia banks.

In San Francisco is located the largest bank in the world and there are any number of banks there, of considerable size, all of which are doing a good job.

From past experience I think it would be helpful to a bank with the resources of Broad Street Trust Company and to banks with less resources if the merger were approved.

The merged bank would seek "wholesale" business and middle size business would gravitate toward banks of our size.

[fol. 6524] I have seen this happen after other mergers were approved.

Smaller corporations or individuals get overwhelmed by a huge bank and come to a bank like ours.

That this statement is correct is shown by the fact that in December 1950 Broad Street Trust had Capital, Surplus and Undivided Profits of $3,000,000 and in December 1960

had Capital, Surplus and Undivided Profits of $12,500,000 and the deposits in the same period have grown from $54,-473,000 to $144,786,000.

If the merger is approved, there will be in Philadelphia thirteen corporations and two partnerships engaged in the banking business.

Brown Brothers Harriman Company have resources as of June 1960 of $237,000,000.

The Corporations engaged in banking as of the same date range in size from the Sonsitaly Bank & Trust Company and Citizens & Southern Bank, each of which has resources of approximately four and three quarter million dollars, to the First Pennsylvania Banking & Trust with resources of $1,149,000,000.

In between these two extremes are Provident Tradesmens with resources in excess of $522,000,000 and Fidelity Philadelphia Trust Company with resources of over $472,-000,000.

We also have the branch of a New Jersey bank operating in Philadelphia that has resources in excess of $128,-000,000.

These banking institutions are highly competitive and the merger would not, in our opinion, create a monoply or anything approaching the same.

I am enclosing herewith a copy of Broad Street Trust Company's report to shareholders as of December 31, 1960.

Yours sincerely, ——, ——, Chairman of the Board and Chief Executive Officer.

[fol. 6525] GOVERNMENT'S EXHIBIT 45

In my opinion the proposed merger will *not* have an adverse effect on the competitive position of our bank.

In making this statement I feel that it is necessary to examine the nature of competition between banks. In the first place, banking is a controlled business. Banks are controlled by both Federal and State governments in the interest rates they may pay and charge. They are regulated in the location of their offices, and in the number of their offices, and in the way they may employ their funds.

These and many other regulations all have a bearing on competition between banks.

Most industries operate without restrictions on the location of their facilities or the product lines they may offer to the consumer, and they have available to them the protection of patents on new products which may be developed. Banks, on the other hand, sell only money and services under rigid regulation. The services offered by banks are not patented and any bank can offer any service which is legal if it generates a demand for the service and puts it on an economic basis.

With the products which banks, both large and small, can offer practically identical and the price of money generally determined by economic factors common to all banks, the area of competition ultimately rests in the field of intangibles. In any particular area, banks large and small compete on the basis of convenience of location, [fol. 6526] the quality and variety of routine services offered, atmosphere, "personality", imagination and aggressive selling. These areas of competition are not subject to monopoly and are available to those banks who desire to exploit them.

The vast majority of bank customers can be served just as well by a 10 million dollar bank as by a 10 billion dollar bank. These are the people who use a bank for their personal requirements of savings, checking accounts, safe deposit boxes, and occasional loans or mortgages. In these areas, convenience and quality of service are the controlling factors.

There is another highly competitive area in which the smaller community and area banks do not generally engage. This is the competition for deposit relationships from large national companies (with headquarters located in the bank's area or outside of it throughout the country). The larger banks in the important financial centers aggressively solicit this deposit business, frequently on the basis of offering substantial lines of credit and other highly specialized services. For the most part, deposits from these sources would not be available to smaller banks because of the limited credit facilities they could offer.

The numerically small number of large corporate customers who need access to large sums of money are sophisticated customers who are not bound by geographical con-

venience but are able to seek out their requirements in the [fol. 6527] money markets of the land, and, in so doing, are able to devlop the utmost of competition in satisfying their requirements.

We must not overlook the aggressive and substantial competition from non-banking sources. The competition for the depositor's dollar is intense from savings and loan associations, savings banks, credit unions, life insurance companies, as well as the stock and bond markets. The potential borrower for various types of credit finds that in addition to the banking system he may turn to finance companies, small loan companies, automobile dealers, mortgage brokers, life and casualty insurance companies, savings and loans, savings banks, and credit unions. These competitors have a very real impact on the business of large banks as well as small banks.

In the light of this discussion as to the nature of competition between banks I would like to amplify my statement as to the effect of the merger on our bank.

Our bank is unique in the sense that it is one of two banks in the country that operates across state lines. While our major business is in Camden, N. J., we have an office located at 223 Market Street, Philadelphia, which has been in existence since 1813. In fact, I believe that our office in Philadelphia is the third oldest bank in Philadelphia.

Our ability to compete in Philadelphia has been limited by the fact that we cannot establish any other branches nor [fol. 6528] may we relocate our existing office. Accordingly, we are limited to the progress made by business in the area which we serve and by our ability to attract as new customers businesses formerly served by other banks.

Despite the fact that we are one of the smaller banks operating in Philadelphia, we have been able to compete on a satisfactory basis for almost one hundred and fifty years with the larger banks of Philadelphia for business in our geographical area. We have done this on the basis of convenience and service. During this long period of years there have been many mergers by Philadelphia banks but such mergers have not adversely affected our growth in our area.

In New Jersey our bank competes primarily with other Camden County banks. However, because of our proximity

to Philadelphia and because of the industrial nature of our area we also face substantial competition from Philadelphia as well as New York banks. The aggressiveness or the effectiveness of this competition from Philadelphia banks is not dependent on the size of the bank.

Our bank, in its long history, has had mergers but the last one took place in 1955. Since that time we have had substantial growth without merger. Our total assets have increased from 108 million to 140 million; our deposits from 101 million to 125 million; and our loans from 44 million to 72 million. At the same time our net operating earnings have increased from $612,000 to $1,517,000.

[fol. 6529] Our net profits as a percentage of total capital accounts in 1960 was 18.2% compared with 8.8% representing the average of all banks in the Third Federal Reserve District having total assets in excess of $100,000,000. Our net profits as a percentage of total assets was 1.10% compared with .76% for the same group of banks. The source of these figures is a report prepared by the Department of Research, Federal Reserve Bank of Philadelphia.

This record of growth has been achieved in the face of competition from banks many times our size and from banks smaller than ours. It has been achieved due to growth in our area and to our ability to participate in the banking requirements of that growth.

In my opinion there would have been no adverse effect on this growth if Philadelphia National and Girard had been merged in 1955. On the other hand there is some reason to believe that if these two banks are merged we may, as a direct result of such merger, gain some new accounts in the area which we serve in Philadelphia. Our new business solicitors have advised me that some companies who now do business with both banks have stated that when the merger takes place they will consider transferring one of the accounts to us.

In my opinion the proposed merger would not affect competition in the Philadelphia area. Each of the banks involved is presently allocating a certain percentage of [fol. 6530] its assets to commercial loans, mortgages and to consumer credit. The merger would not have the effect of increasing the combined assets of the two banks so the new bank would have practically the same percentage of

its assets invested in these categories as the two banks had prior to the merger. In other words the act of merging would have no effect on the amount of business in these areas done by the other banks in the area.

However, the effect of merger would be to increase substantially the amount of money that could be loaned to one customer over the amount either of the merging institutions could lend. This would enable the merged bank to compete more effectively for loan and deposit business that now goes out of our area to the larger New York banks, and also compete to attract deposit and loan business from large national companies not located in our area at this time. The establishment of lines of credit to such companies should bring compensating balances to the merged bank. Since these balances might not be offset at all times by actual loans under the credit lines, a portion of the deposits could be available for local needs for mortgages, consumer credit, business loans, etc. However, these additional loans could only be obtained by the merged bank on a competitive basis with the other banks in the area. A person seeking a personal loan or a mortgage does not gravitate to the largest bank in the are but to the bank that is convenient or one where he is known and feels at home.

[fol. 6531] In a very real sense, a large bank offering a lending limit attractive to large national companies can acquire prestige for the area in which the bank is located. The salesmen for this bank, traveling and soliciting business throughout the country, are salesmen for the area to a large extent. Even a bank of our size spends a considerable amount of money and salesman time in promoting the area in which we are located. The success of this sales effort can reflect in the location of new plant facilities here by companies located elsewhere, with the resultant benefits in employment and to the general economic welfare of the area, including the banks. When such new businesses are attracted to the area the factors of convenience and service frequently enter into the decision as to a local bank account, and the usual competitive factors come into play.

Just as our bank has experienced a fine growth in the last five years as stated, so I would expect it to continue such growth if there is a corresponding growth in our area.

One of the factors of area growth is the availability of capital. If the merger helps bring additional capital to the area all of the banks will participate in the growth that results from the utilization of such capital, and we have complete confidence in our competitive ability to capture our share of this growth.

In my opinion the merger would have no effect on interest rates in the area. The prime rate for commercial loans is [fol. 6532] almost always set by the New York banks and is responsive to a large degree to the rediscount rate established by the Federal Reserve. The interest rates on other types of loans generally bear a relationship to the prime rate. In my opinion the merged bank could not initiate a change in the prime rate unless conditions were satisfactory for such change in the large money centers and particularly New York.

Interest rates paid on time deposits and savings are regulated on the top side by Regulation Q of the Federal Reserve and on the down side by competition not only among banks but from Savings Banks, Savings and Loans, etc. Accordingly I would anticipate that the merged bank would not be able to compete any more or any less effectively in this area than the two banks would if there were no merger.

As a competitor of both banks our bank will welcome the merger for the opportunity that it affords to create a larger bank in the Philadelphia area that can be more competitive with the larger banks in the major money centers.

April 10, 1961.

[fol. 3533] DEFENDANTS' EXHIBIT 46

Recapitulation

	Largest Bank	
	1946	1956
	Number of banks	
50 M to 100 M Population		
Percentage under 25%	3	2
" 25% to 34%	11	9
" 35% to 50%	43	47
" Over 50%	65	66
	122	124
100 M to 150 M Population		
Percentage under 25%	0	1
" 25% to 34%	5	4
" 35% to 50%	17	18
" Over 50%	16	15
	38	38
150 M to 200 M Population		
Percentage under 25%	1	1
" 25% to 34%	3	1
" 35% to 50%	8	8
" Over 50%	1	3
	13	13
200 M to 250 M Population		
Percentage under 25%	0	0
" 25% to 34%	0	2
" 35% to 50%	5	3
" Over 50%	4	4
	9	9
250 M to 300 M Population		
Percentage under 25%	0	0
" 25% to 34%	2	2
" 35% to 50%	4	4
" Over 50%	0	0
	6	6
300 M to 350 M Population		
Percentage under 25%	0	0
" 25% to 34%	0	0
" 35% to 50%	2	2
" Over 50%	3	3
	5	5

[fol. 6534]

	Largest Bank	
	1946	1956
	Number of banks	
350 M to 400 M Population		
Percentage under 25%	0	0
" 25% to 34%	1	1
" 35% to 50%	3	2
" Over 50%	0	1
	4	4
400 M to 500 M Population		
Percentage under 25%	0	1
" 25% to 34%	3	2
" 35% to 50%	4	4
" Over 50%	0	0
	7	7
Population 500 M and over		
Percentage under 25%	3	2
" 25% to 34%	6	6
" 35% to 50%	6	6
" Over 50%	3	4
	18	18
Grand Recapitulation		
Percentage under 25%	7	7
" 25% to 34%	31	27
" 35% to 50%	92	94
" Over 50%	92	96
	222	224

[fol. 6535]

Cities with 50,000 to 100,000 Population

City	Pop.	Number of Banks 1946	Number of Banks 1956	% Held by Largest Bank 1946	% Held by Largest Bank 1956	% Held by 2 Largest Banks 1946	% Held by 2 Largest Banks 1956	Resources % Held by Remaining Banks 1946	Resources % Held by Remaining Banks 1956	Total All Commercial Banks 1946 (Millions)	Total All Commercial Banks 1956 (Millions)
Gadsden, Ala.	55.7	4	4	47.2	48.3	84.	80.4	16.	19.6	29.9	42.7
Fort Smith, Ark.	56.3	3	3	43.9	45.8	85.6	86.3	14.4	13.7	65.6	70.5
Alameda, Calif.	x 64.4										
Alhambra, Calif.	x 51.3										
Burbank, Calif.	x 78.5										
Inglewood, Calif.	x 57.4										
Richmond, Calif.	x 99.5										
Riverside, Calif.	x 56.6										
San Jose, Calif.	x 95.3										
San Pedro, Calif.	x 60.										
Santa Barbara, Calif.	x 50.8										
Santa Monica, Calif.	x 78.2										
South Gate, Calif.	x 51.1										
Stockton, Calif.	x 70.9										
Pueblo, Colo.	63.7	3	4	67.1	50.4	91.1	73.6	8.9	26.4	62.6	90.2
Norwalk, Conn.	72.	2	2	56.4	64.4	100.	100.	—	—	8.3	25.1
Stamford, Conn.	74.3	6	6	36.4	41.8	69.8	70.5	30.2	29.5	74.3	153.6
Orlando, Fla.	52.4	2	5	60.8	41.7	100.	66.8	—	33.2	66.6	132.7
St. Petersburg, Fla.	96.7	3	6	38.3	31.4	72.7	62.2	27.3	37.8	87.3	181.3
Augusta, Ga.	71.5	4	6	40.8	47.2	77.9	78.7	22.1	21.3	69.6	103.8
Columbus, Ga.	79.6	5	4	40.2	39.	62.7	76.8	37.3	23.2	68.9	91.7
Macon, Ga.	70.3	4	4	45.2	46.9	88.3	90.7	11.7	9.3	65.0	86.5
Boise, Idaho	34.4	3	3	54.7	48.4	99.8	95.4	.2	4.6	229.7	387.6
Aurora, Ill.	50.6	3	3	39.3	39.3	69.8	72.2	30.2	27.8	54.9	86.5
Berwyn, Ill.	51.3	1	2	100.	67.5	100.	100.	—	—	10.4	25.8
Cicero, Ill.	68.0	3	3	44.7	39.0	75.2	71.2	24.8	28.8	49.0	67.2
Evanston, Ill.	75.	3	3	50.9	45.5	83.3	87.1	16.7	12.9	80.8	149.3
Joliet, Ill.	51.6	2	3	68.4	55.8	100.	86.7	—	13.3	45.3	84.4

Cities with 50,000 to 100,000 Population

City	Pop.	Number of Banks		Resources % Held by Largest Bank		% Held by 2 Largest Banks		% Held by Remaining Banks		Total All Commercial Banks	
		1946	1956	1946	1956	1946	1956	1946	1956	1946	1956
										(Millions)	
National City, Ill.	.2	1	1	100.	100.	100.	100.	—	—	103 3	111 3
Oak Park, Ill.	63.5	4	4	39.2	39.6	62.3	66.	37.7	34.	87 5	150 2
Springfield, Ill.	81.6	3	4	43.6	40.4	82.4	75.3	17.6	24.7	91 0	145 2
East Chicago, Ind.	54.3	2	2	54.3	56.6	100.	100.	—	—	35 7	58 1
Hammond, Ind.	87.6	3	3	53.	45.5	90.8	83.8	9.2	16.2	38 8	79 4
Muncie, Ind.	58.5	3	3	68.2	62.3	92.9	86.7	7.1	13.3	78 9	57 8
Terre Haute, Ind.	64.2	5	5	60.5	58.5	81.5	81.3	18.5	18.7	87.3	130 7
Davenport, Iowa	74.5	3	3	85.7	77.2	95.5	88.7	4.5	11.3	89 5	122 8
Cedar Rapids, Iowa	72.3	5	5	70.7	66.0	85.1	83.3	14.9	16.7	120 0	153 4
Sioux City, Iowa	84.0	8	8	25.6	25.6	48.1	47.7	51.9	52.3	113 8	133 4
Waterloo, Iowa	65.2	3	3	50.	50.7	93.6	88.9	6.4	11.1	46.6	66 8
[fol. 6536]											
Topeka, Kan.	78.8	11	8	25.7	28.7	50.	57.0	50.0	43.0	101 9	146 3
Covington, Ky.	64.5	6	6	32.0	34.6	63.1	61.2	36.9	38.8	41.4	44 5
Lexington, Ky.	55.5	7	7	43.3	41.4	57.4	61.3	42.6	38.7	80 4	107 5
Portland, Maine	77.6	5	5	32.6	30.4	57.3	59.9	42.7	40.1	95 8	135 9
Silver Spring, Md.	65.	1	2	100.	86.8	100.	100.	—	—	22 8	125 5
Brockton, Mass.	62.6	3	2	55.6	50.4	98.4	100.	1.6	—	45.	50 9
Brookline, Mass.	56.9	2	2	67.0	77.1	100.	100.	—	—	90 1	115 7
Chicopee, Mass.	54.1	1	1	100.	100.	100.	100.	—	—	4 5	6 4
Holyoke, Mass.	52.2	4	3	51.2	56.5	86.3	86.7	13.7	13.3	59 4	63 2
Lawrence, Mass.	76.1	3	3	53.3	56.5	98.8	99.1	1.2	.9	42 1	51 3
Lowell, Mass.	93.9	3	2	77.1	82.3	99.2	100.	.8	—	45 5	56 7
Lynn, Mass.	99.0	5	5	36.	35.3	63.3	64.6	36.7	35.4	66 6	75 1
Malden, Mass.	59.5	3	3	48.1	47.	92.8	78.7	7.2	21.3	40 2	80
Medford, Mass.	65.4	1	2	100.	64.9	100.	100.	—	—	15 7	7 1
Newton, Mass.	86.5	2	2	85.4	71.2	100.	100.	—	—	40 5	45 7

Pittsfield, Mass.	55.3	3	3	52.2	52.9	81.4	82.8	18.6	17.2	41.5	46.2
Quincy, Mass.	84.5	3	3	62.6	56.0	90.9	88.	9.1	12.0	68.2	67.8
Somerville, Mass.	97.0	2	2	53.5	80.1	100.	100.	—	—	27.8	22.6
Waltham, Mass.	50.1	2	4	98.7	67.1	100.	82.4	—	17.6	30.	42.3
Bay City, Mich.	52.5	4	3	49.7	75.5	80.9	98.2	19.1	1.8	59.4	75.9
Dearborn, Mich.	95.	1	2	100.	82.2	100.	100.	—	—	37.8	71.
Jackson, Mich.	51.1	2	2	61.6	58.2	100.	100.	—	—	60.4	113.0
Kalamazoo, Mich.	57.7	4	4	52.5	48.1	84.3	78.1	15.7	21.9	89.8	153.8
Pontiac, Mich.	73.7	2	2	88.4	76.8	100.	100.	—	—	54.9	109.8
Saginaw, Mich.	92.9	2	2	77.6	67.0	100.	100.	—	—	98.7	160.0
Jackson, Miss.	98.3	4	3	36.4	55.0	64.8	97.2	35.2	2.8	142.6	202.4
St. Joseph, Mo.	78.6	11	11	29.0	24.5	50.	45.6	50.	54.4	107.0	137.
Springfield, Mo.	66.7	4	5	55.0	49.2	78.1	78.4	21.9	21.6	66.4	81.6
Helena, Mont.	17.6	2	2	54.0	55.8	100.	100.	—	—	52.1	61.5
Lincoln, Nebr.	98.9	6	6	39.1	39.2	71.6	71.4	28.4	28.6	140.6	169.5
Manchester, N. H.	82.7	7	7	43.8	40.5	66.7	66.6	33.3	33.4	41.8	57.7
Atlantic City, N. J.	61.7	3	3	52.1	61.9	85.7	89.1	14.3	10.9	79.9	115.3
Bayonne, N. J.	77.2	3	3	45.2	44.1	82.0	78.5	18.0	21.5	51.2	56.8
East Orange, N. J.	79.3	3	2	57.6	57.4	87.9	100.	12.1	—	73.2	77.6
Hoboken, N. J.	50.7	5	5	45.5	45.5	72.2	67.7	27.8	32.3	45.4	29.9
Irvington, N. J.	59.2	4	2	49.4	64.2	71.4	100.	28.6	—	46.2	56.9
Union City, N. J.	55.5	5	4	31.7	45.2	61.1	76.7	38.9	23.3	128.1	155.7
Albuquerque, N. M.	96.8	3	3	55.3	47.4	94.7	85.6	5.3	14.4	86.9	186.5
*Santa Fe, N. M.	28.0	2	2	98.6	56.5	100.	100.	—	—	26.8	73.9
Binghampton, N. Y.	80.7	4	3	39.7	69.9	70.8	95.5	29.2	4.5	77.3	101.9
Levittown, N. Y.	60.	0	2	—	91.6	—	100.	—	—	—	27.6
Mount Vernon, N. Y.	71.9	3	2	46.0	54.8	83.2	100.	16.8	—	59.2	66.9
[fol. 6537]											
New Rochelle, N. Y.	59.7	3	2	49.1	53.8	87.5	100.	12.5	—	55.3	84.4
Niagara Falls, N. Y.	90.9	2	3	93.	79.2	100.	92.5	—	7.5	91.3	117.2
Schenectady, N. Y.	91.8	5	4	44.0	54.6	63.6	75.9	36.4	24.1	108.8	149.3
Troy, N. Y.	72.3	3	3	49.5	41.4	82.9	80.9	17.1	19.1	88.2	127.6
*Reno, Nevada	47.7	3	3	93.3	80.5	100.	95.9	—	4.1	128.2	257.5
Asheville, N. C.	53.0	4	4	56.7	50.7	87.1	84.7	12.9	15.3	50.2	73.0

6518

Cities with 50,000 to 100,000 Population

City	Pop.	Number of Banks		% Held by Largest Bank		% Held by 2 Largest Banks		Resources % Held by Remaining Banks		Total All Commercial Banks	
		1946	1956	1946	1956	1946	1956	1946	1956	1946	1956
										(Millions)	
Durham, N. C.	71.3	8	7	37.9	32.4	62.8	64.0	37.2	36.	82	97.7
Greensboro, N. C.	74.4	4	4	64.6	69.4	93.9	90.1	6.1	9.9	92.3	180.8
Raleigh, N. C.	65.7	5	6	56.3	60.9	94.4	91.7	5.6	8.3	212.7	352.5
*Fargo, North Dakota	38.3	4	4	43.6	38.0	65.8	63.5	34.2	36.5	50.1	69.9
Cleveland Heights, O.	59.1	3	3	77.4	78.8	94.3	95.3	5.7	4.7	33.6	41.6
Hamilton, Ohio	70.	3	3	55.0	50.5	83.6	79.5	16.4	20.5	61.3	78.6
Lakewood, Ohio	75.	2	3	82.1	96.1	100.	98.7	—	1.3	43.0	53.7
Lima, Ohio	50.2	2	2	51.2	50.6	100.	100.	—	—	41.2	57.6
Lorain, Ohio	51.2	5	5	32.5	29.3	61.3	52.5	38.7	47.5	43.7	73.9
Mansfield, Ohio	50.	4	3	43.8	60.7	70.9	83.3	29.1	16.7	60.6	107.5
Springfield, Ohio	80.	3	4	51.4	47.6	96.5	83.2	3.5	16.8	49.0	69.0
Eugene, Oregon	x										
Salem, Oregon	x										
Bethlehem, Penn.	66.3	4	4	48.8	44.9	71.8	74.5	28.2	25.5	54.1	96.
Chester, Penn.	66.0	4	3	46.7	46.5	80.5	73.4	19.5	26.6	75.7	100.1
Harrisburg, Penn.	89.5	10	9	26.8	33.7	46.2	49.0	53.8	51.0	133.0	190.
Johnstown, Penn.	63.2	4	4	51.6	51.6	77.4	79.6	22.6	20.4	52.3	85.3
Lancaster, Penn.	63.8	5	4	28.8	32.6	54.7	58.9	45.3	41.1	96.8	138.6
McKeesport, Penn.	51.5	4	3	46.3	55.4	76.3	96.0	23.7	4.0	63.	192.4
Wilkes-Barre, Penn.	76.8	7	7	35.3	38.2	57.2	57.7	42.8	42.3	128.4	172.9
York, Penn.	59.6	7	7	22.8	22.5	44.8	42.2	55.2	57.8	137.1	182.3
Cranston, R. I.	55.1	2	4	75.2	56.0	100.	72.9	—	27.1	7.2	17.9
Pawtucket, R. I.	81.4	6	6	75.1	48.9	92.7	85.	7.3	15.0	55.6	72.5
Woonsocket, R. I.	50.2	5	4	33.3	42.9	65.2	84.2	34.8	15.8	36.9	46.5
Charleston, S. C.	x										
Greenville, S. C.	58.2	3	3	36.9	35.4	70.4	67.8	29.6	32.2	72.5	93.7
Sioux Falls, S. D.	52.7	5	5	47.5	43.3	72.6	68.0	27.4	32.0	83.9	126.2
Amarillo, Texas	100.	3	4	51.8	42.9	85.1	83.9	14.9	16.1	91.9	164.6

Galveston, Texas	71.6	5	5	24.2	48.7	47.9	65.2	52.1	34.8	114.2	202.9
Laredo, Texas	51.9	2	2	68.9	63.7	100.	100.	—	—	25.4	31.7
Lubbock, Texas	71.7	3	5	40.0	35.	78.2	68.1	21.8	31.9	69.6	172.7
Port Arthur, Texas	57.5	2	2	59.	53.9	100.	100.	—	—	42.3	58.8
San Angelo, Texas	62.1	3	3	44.1	44.6	74.2	72.6	25.8	27.4	46.	58.2
Waco, Texas	84.7	3	5	49.8	43.6	94.8	82.7	5.2	17.3	73.6	114.2
Wichita Falls	68.0	3	4	44.7	41.0	79.9	80.9	20.1	19.1	87.	152.1
Ogden, Utah	57.1	2	3	74.7	67.5	100.	92.6	—	7.4	99.2	139.0
[fol. 6538]		x									
*Burlington, Vermont	33.2	4	3	23.3	45.4	57.1	92.2	42.9	7.8	40.6	59.1
Alexandria, Va.	61.8	4	4	34.9	52.7	68.7	82.4	31.3	17.6	39.6	87.7
Hampton, Va.	61.0	4	4	41.1	39.6	69.7	67.0	30.3	33.	21.7	31.5
Portsmouth, Va.	80.0	4	4	53.9	45.6	75.6	71.8	24.4	28.2	48.3	56.2
Roanoke, Va.	91.9	5	4	60.3	54.6	75.7	77.5	24.3	22.5	112.9	169.5
Warwick, Va.	50.0	0	1	—	100.	—	100.	—	—	—	8.7
Charleston, W. Va.	73.5	4	5	44.8	38.9	78.8	76.4	21.2	23.6	172.8	218.3
Huntington, W. Va.	86.4	4	5	71.9	62.5	84.8	78.2	15.2	21.8	66.5	116.2
Wheeling, W. Va.	58.8	10	8	41.4	42.5	54.9	57.1	45.1	42.9	104.8	123.5
Green Bay, Wisc.	52.7	5	5	51.2	48.2	67.5	63.8	32.5	36.2	62.3	89.5
Kenosha, Wisc.	54.4	4	3	77.9	69.0	93.6	87.0	6.4	13.0	49.9	72.2
Madison, Wisc.	96.1	8	7	63.1	55.5	72.3	67.8	27.7	32.2	117.9	153.8
Racine, Wisc.	71.2	5	5	55.5	50.0	81.7	75.5	18.3	24.5	84.7	116.3
Wauwatosa, Wisc.	53.0	2	2	50.0	60.7	100.	100.	—	—	15.5	33.4
*Casper, Wyo.	23.7	2	2	50.3	52.4	100.	100.	—	—	28	76.3
*Cheyenne, Wyo.	31.9	2	2	51.5	53.3	100.	100.	—	—	39.8	55.6

* Population less than 50,000. Included to provide coverage of all states.
x Figures omitted because city served in a substantial way or entirely by branch banks.

[fol. 6539]

Cities with 100,000 to 150,000 Population

City	Pop.	Number of Banks 1946	Number of Banks 1956	Resources: % Held by Largest Bank 1946	% Held by Largest Bank 1956	% Held by 2 Largest Banks 1946	% Held by 2 Largest Banks 1956	% Held by Remaining Banks 1946	% Held by Remaining Banks 1956	Total All Commercial Banks 1946 (Millions)	Total All Commercial Banks 1956 (Millions)
Mobile, Ala.	129	3	4	50.1	47.7	92.2	87.6	7.8	12.4	195.	252.
Montgomery, Ala.	106	3	3	62.4	59.3	85.1	80.7	14.9	19.3	93.	119.
Little Rock, Ark.	102	4	6	38.4	33.9	70.6	64.1	29.4	35.9	166.	217.
Berkley, Calif.	x 114										
Fresno, Calif.	x 113										
Glendale, Calif.	x 111										
Pasadena, Calif.	x 118										
Sacramento, Calif.	x 137										
Waterbury, Conn.	104	5	4	35.0	37.7	65.2	65.4	34.8	34.6	88.	123.
Wilmington, Del.	110	9	7	51.2	47.9	64.3	70.9	35.7	29.1	388.	559.
Savannah, Ga.	119	10	9	70.6	69.1	80.8	84.2	19.2	15.8	216.	262.
Peoria, Ill.	111	5	8	40.8	37.2	62.7	57.2	37.3	42.8	162.	217.
Rockford, Ill.	105	5	5	40.2	38.4	72.0	66.2	28.0	33.8	108.	206.
Evansville, Ind.	128	9	6	29.1	38.3	55.9	65.9	44.1	34.1	147.	199.
Fort Wayne, Ind.	133	5	5	42.1	45.5	70.5	75.3	29.5	24.7	176.	298.
Gary, Ind.	134	3	2	84.1	88.4	99.1	100	.9	—	70.	148.
South Bend, Ind.	116	5	5	40.7	45.5	65.5	69.4	34.5	30.6	114.	186.
Kansas City, Kan.	129	16	16	27.0	24.1	44.3	42.4	55.7	57.6	134.	207.
Baton Rouge, La.	125	4	5	39.2	27.8	70.0	51.2	30.0	48.8	94.	240.
Shreveport, La.	127	4	5	50.1	45.4	85.5	85.7	14.5	14.3	186.	306.
Cambridge, Mass.	106	5	4	63.	73.1	78.3	87.6	21.7	12.4	98.	126.
Fall River, Mass.	105	3	3	38.4	37.0	75.2	71.1	24.8	28.9	59.	75.
New Bedford, Mass.	105	4	3	48.9	49.7	75.3	97.4	24.6	2.7	76.	77.
Duluth, Minn.	104	10	9	45.4	44.7	74.4	72.6	25.6	27.4	164.	195.
Camden, New Jersey	124	3	3	57.5	56.6	96.5	97.1	3.5	2.9	167.	249.
Clifton-Passaic, N. J.	132	4	6	52.8	54.7	66.2	73.7	33.8	26.3	162.	271.

Elizabeth, N. J.	113	5	4	30.6	35.8	60.9	70.2	39.1	29.8	125	184
Paterson, N. J.	139	8	4	29.8	61.9	49.2	87.4	50.8	12.6	274	332
Trenton, N. J.	128	6	6	41.7	37.8	65.8	60.6	34.2	39.4	257	305
Albany, N. Y.	135	5	5	50.	54.0	84.9	88.9	15.1	11.1	431	646
Utica, N. Y.	101	3	3	58.8	47.6	96.8	94.9	3.2	5.1	109	152
Charlotte, N. C.	134	8	8	53.0	56.2	83.8	80.1	16.2	19.9	519	791
Allentown, Penn.	107	5	4	37.7	48.3	65.1	75.9	34.9	24.1	111	175
Erie, Penn.	131	6	5	31.6	39.6	59.9	72.9	40.1	27.1	159	199
Reading, Penn.	109	4	4	49.3	56.3	87.5	83.7	12.5	16.3	134	187
Scranton, Penn.	126	9	8	59.1	56.6	77.3	74.5	22.7	25.5	176	209
Chattanooga, Tenn.	131	4	4	63.8	54.0	93.5	89.2	6.5	10.8	208	272
Knoxville, Tenn.	125	5	4	53.6	55.6	81.1	86.2	18.9	13.8	186	234
Austin, Texas	132	5	5	43.8	34.7	75.9	64.0	24.1	36.0	122	202
Corpus Christi, Texas	108	6	6	41.8	60.4	69.0	80.9	31.0	19.1	82	149
El Paso, Texas	130	2	4	56.4	47.1	100.	90.5	—	9.5	135	237
[fol. 6540]											
Arlington, Va.	135	3	5	53.0	32.4	79.4	64.1	20.6	35.9	28	103
Tacoma, Wash.	144	6	6	48.4	50.5	71.9	73.8	28.1	26.2	231	319

x Figures omitted because city served in a substantial way or entirely by branch banks.

[fol. 6541]

Cities with 150,000 to 200,000 Population

City	Pop.	Number of Banks		Resources: % Held by Largest Bank		% Held by 2 Largest Banks		% Held by Remaining Banks		Total All Commercial Banks	
		1946	1956	1946	1956	1946	1956	1946	1956	1946	1956
										(Millions)	
Phoenix, Arizona	155	6	6	70.5	56.5	92.8	84.6	7.2	15.4	314	731
Bridgeport, Conn.	158	7	6	44.5	52.3	85.2	88.7	14.8	11.3	190	276
Hartford, Conn.	177	11	5	33.4	49.2	59.7	95.5	40.3	4.5	467	804
New Haven, Conn.	164	9	8	33.6	35.6	54.1	56.6	45.9	43.4	227	317
Des Moines, Iowa	178	9	11	38.5	31.2	65.0	58.7	35.0	41.3	301	422
Wichita, Kansas	168	7	9	46.4	47.6	83.1	77.9	16.9	22.1	240	375
Springfield, Mass.	166	5	5	41.0	38.2	65.4	62.1	34.6	37.9	212	249
Flint, Michigan*	163										
Grand Rapids, Mich.*	177										
Yonkers, New York	153	4	3	40.5	62.2	77.8	98.6	22.2	1.4	80	153
Youngstown, Ohio	168	5	4	34.1	37.1	60.4	70.9	39.6	29.1	184	284
Tulsa, Oklahoma	183	8	11	46.6	42.3	86.3	80.3	13.7	19.7	352	655
Nashville, Tenn.	174	6	6	47.2	38.6	70.4	70.2	29.6	29.8	408	604
Salt Lake City, Utah	182	9	8	24.6	24.5	48.2	48.6	51.8	51.4	322	536
Spokane, Washington	162	4	5	39.9	45.8	77.4	77.6	22.6	22.4	243	301

* Figures omitted because city served in a substantial way or entirely by branch banks.

[fol. 6542]

Cities with 200,000 to 250,000 Population

City	Pop.	Number of Banks		Resources: % Held by Largest Bank		% Held by 2 Largest Banks		% Held by Remaining Banks		Total All Commercial Banks	
		1946	1956	1946	1956	1946	1956	1946	1956	1946	1956
										(Millions)	
Jacksonville, Florida	205	7	11	37 4	34 8	72 4	68 5	27 6	31 5	391	576
Tampa, Florida	221	7	12	44 0	36 2	82 5	67 6	17 5	32 4	171	272
Worchester, Mass	203	4	5	54 7	56 0	83 0	76 0	17 0	24 0	155	228
Syracuse, New York	221	5	4	42 6	35 2	67 1	62 4	32 9	37 6	261	435
Dayton, Ohio	244	4	4	61 5	61 5	88 4	84 6	11 6	15 4	240	375
Oklahoma City, Okla	244	10	13	50 2	48 3	71 7	73 3	28 3	26 7	393	578
Providence, R. I.	249	11	5	40 1	57 9	59 8	93 0	40 2	7 0	754	738
Norfolk, Virginia	214	5	6	55 0	55 1	83 2	78 2	16 8	21 8	234	304
Richmond, Virginia	230	11	10	36 5	31 0	61 5	61 5	38 5	38 5	499	672

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[fol. 6543]

Cities with 250,000 to 300,000 Population

City	Pop.	Number of Banks 1946	Number of Banks 1956	Resources: % Held by Largest Bank 1946	% Held by Largest Bank 1956	% Held by 2 Largest Banks 1946	% Held by 2 Largest Banks 1956	% Held by Remaining Banks 1946	% Held by Remaining Banks 1956	Total All Commercial Banks 1946	Total All Commercial Banks 1956
										(Millions)	
Miami, Fla.	259	10	14	38.0	40.9	63.2	55.2	36.8	44.8	280	595
Omaha, Nebr.	251	9	10	36.4	47.9	56.6	67.4	43.5	32.6	452	522
Jersey City, N.J.	299	8	7	30.8	26.8	55.6	52.0	44.4	48	406	467
Akron, Ohio	275	5	5	38.7	46.7	67.9	68.1	32.1	31.9	331	476
Canton, Ohio	275	5	5	33.1	32.0	65.1	62.5	34.9	37.5	136	195
Fort Worth, Texas	279	8	15	43.6	37.4	78.4	72.8	21.6	27.2	410	739

[fol. 6544]

Cities with 300,000 to 350,000 Population

City	Pop.	Number of Banks 1946	Number of Banks 1956	Resources: % Held by Largest Bank 1946	% Held by Largest Bank 1956	% Held by 2 Largest Banks 1946	% Held by 2 Largest Banks 1956	% Held by Remaining Banks 1946	% Held by Remaining Banks 1956	Total All Commercial Banks 1946	Total All Commercial Banks 1956
										(Millions)	
Birmingham, Ala.	326	6	6	63.9	63.3	93.5	88.4	6.5	11.6	372	527
Long Beach, Calif.*	320										
San Diego, Calif.*	334										
Atlanta, Ga.	331	13	12	42.0	35.2	62.7	58.6	37.3	41.4	820	1,117
St. Paul, Minn.	311	18	20	59.6	55.6	78.0	70.6	22.0	29.4	519	642
Rochester, N.Y.	332	5	4	47.2	44.9	67.8	71.4	32.2	28.6	495	738
Toledo, Ohio	304	6	6	68.9	59.1	83.3	75.9	16.7	24.1	380	548

* Figures omitted because city served in a substantial way or entirely by branch banks.

[fol. 6545]

Cities with 350,000 to 400,000 Population

City	Pop.	Number of Banks		Resources: % Held by Largest Bank		% Held by 2 Largest Banks		% Held by Remaining Banks		Total All Commercial Banks	
		1946	1956	1946	1956	1946	1956	1946	1955	1946	1956
										(Millions)	
Oakland, Calif.*	384										
San Bernardino, Calif.*	362										
Louisville, Ky.	369	12	10	34.6	30.7	55.7	52.5	44.3	47.5	532	738
Columbus, Ohio	376	9	7	42.6	53.5	71.4	74.8	28.6	25.2	468	763
Portland, Oregon	374	6	6	45.4	47.9	92.8	92.3	7.2	7.7	1,117	1,613
Memphis, Tenn.	396	5	7	47.	45.7	80.2	80.3	19.8	19.7	473	698

* Figures omitted because city served in a substantial way or entirely by branch banks.

[fol. 6546]

Cities with 400,000 to 450,000 Population

City	Pop.	Number of Banks		Resources: % Held by Largest Bank		% Held by 2 Largest Banks		% Held by Remaining Banks		Total All Commercial Banks	
		1946	1956	1946	1956	1946	1956	1946	1956	1946	1956
										(Millions)	
Denver, Colorado	416	13	19	27.2	22.5	44.8	38.6	55.2	61.4	611	921
Indianapolis, Ind.	427	16	8	36.7	41.1	52.4	69.2	47.6	30.8	780	1,102
Newark, N.J.	439	13	8	40.7	35.9	55.4	61.1	44.6	38.9	864	1,027
Dallas, Texas	434	19	18	31.6	35.8	58.7	71.0	41.3	29.	1,037	2,171
San Antonio, Texas	408	11	16	32.8	27.7	57.9	54.9	42.1	45.1	401	582

[fol. 6547]

Cities with 450,000 to 500,000 Population

City	Pop.	Number of Banks		Resources: % Held by Largest Bank		% Held by 2 Largest Banks		% Held by Remaining Banks		Total All Commercial Banks	
		1946	1956	1946	1956	1946	1956	1946	1956	1946	1956
										(Millions)	
Kansas City, Mo.	456	25	30	37.3	34.8	58.3	56.4	41.7	43.6	1,142	1,395
Seattle, Washington	467	7	6	44.1	46.1	75.2	76.3	24.8	23.7	1,280	1,600

fol. 6548]

Cities with 500,000 to 750,000 Population

City	Pop.	Number of Banks		Resources: % Held by Largest Bank		% Held by 2 Largest Banks		% Held by Remaining Banks		Total All Commercial Banks	
		1946	1956	1946	1956	1946	1956	1946	1956	1946	1956
										(Millions)	
Buffalo, New York	580	7	5	45.9	52.7	78.1	85.8	21.9	14.2	788	1,283
Cincinnati, Ohio	504	15	7	25.5	33.8	47.2	62.6	52.8	37.4	1,003	1,232
Houston, Texas	596	16	32	20.3	32.9	38.1	52.3	61.9	47.7	979	2,005
Milwaukee, Wisc.	637	19	19	56.0	48.2	69.1	65.7	30.9	34.3	1,107	1,295
Minneapolis, Minn.	521	17	18	40.6	38.3	79.5	75.1	20.5	24.9	972	1,145
New Orleans, La.	570	6	5	47.4	39.9	65.8	62.0	34.2	38	739	1,074
Pittsburgh, Penn.	677	34	19	30	60.0	58.8	78.7	41.2	21.3	3,991	3,236

[fol. 6549]

Cities with 750,000 to 1,000,000 Population

City	Pop.	Number of Banks 1946	Number of Banks 1956	Resources: % Held by Largest Bank 1946	% Held by Largest Bank 1956	% Held by 2 Largest Banks 1946	% Held by 2 Largest Banks 1956	% Held by Remaining Banks 1946	% Held by Remaining Banks 1956	Total All Commercial Banks 1946	Total All Commercial Banks 1956
										(Millions)	
Baltimore, Md.	950	15	10	27.0	23.1	44.0	44.5	56	55.5	1,130	1,243
Boston, Mass.	801	15	12	51.8	54.0	67.6	68.3	32.4	31.7	2,720	2,936
Cleveland, Ohio	915	11	9	49.2	45.2	72.2	69.2	27.8	30.8	2,055	2,946
San Francisco, Calif.	775	12	15	59.5	58.7	72.5	70.6	27.5	29.4	7,516	13,117
St. Louis, Mo.	857	29	28	26.7	27.8	47.6	44.1	52.4	45.9	1,809	2,290
Washington, D.C.	802	21	17	29.9	30.5	42.3	47.7	57.7	52.3	1,109	1,508

[fol. 6550]

Cities with Over 1,000,000 Population

City	Pop.	Number of Banks 1946	Number of Banks 1956	Resources: % Held by Largest Largest 1946	% Held by Largest Largest 1956	% Held by 2 Largest Banks 1946	% Held by 2 Largest Banks 1956	% Held by Remaining Banks 1946	% Held by Remaining Banks 1956	Total All Commercial Banks 1946	Total All Commercial Banks 1956
										(Millions)	
Chicago, Ill.	3,621	64	76	29.1	25.8	55.7	49.5	44.3	50.5	8,161	11,044
Detroit, Mich.	1,849	11	7	48.2	46.9	67.9	66.5	32.1	33.5	2,616	4,073
Los Angeles, Calif.	1,907	9	12	42.8	39.1	67.9	63.0	32.1	37.0	4,044	5,574
New York, N.Y.	7,892	79	57	16.5	21.	31.1	39.8	68.9	60.2	31,953	33,793
Philadelphia, Penn.	2,072	43	19	22.2	25.2	37.6	48.5	62.4	51.5	3,463	4,218

[fol. 6551] DEFENDANTS' EXHIBIT 47

Assets of the Largest Commercial Bank as Per Cent of Total Assets of all Commercial Banks in Cities with Population Over 100,000

Percentages as of June 30, 1956, except Philadelphia, December 31, 1960, giving pro forma effect to the merger

1. Gary, Ind.	88.4	56. Cleveland, Ohio	45.2
2. Dearborn, Mich.	82.2	57. Rochester, N. Y.	44.3
3. Niagara Falls, N. Y.	79.2	58. Duluth, Minn.	44.7
4. Cambridge, Mass.	73.1	59. Amarillo, Texas	42.9
5. Greensboro, N. C.	69.4	60. Tulsa, Okla.	42.3
6. Savannah, Ga.	69.1	61. Indianapolis, Ind.	41.1
7. Birmingham, Ala.	63.3	62. Wichita Falls, Texas	41.0
8. Yonkers, N. Y.	62.2	63. Miami, Fla.	40.9
9. Paterson, N. J.	61.9	64. New Orleans, La.	39.9
10. Dayton, Ohio	61.5	65. Erie, Pa.	39.6
11. Corpus Christi, Texas	60.4	66. Lincoln, Nebr.	39.2
12. Pittsburgh, Pa.	60.0	67. Los Angeles, Calif.	39.1
13. Montgomery, Ala.	59.3	68. Columbus, Ga.	39.0
14. Toledo, Ohio	59.1	69. Nashville, Tenn.	38.6
15. San Francisco, Calif.	58.7	70. Rockford, Ill.	38.4
16. Providence, R. I.	57.9	71. Minneapolis, Minn.	38.3
17. Camden, N. J.	56.6	72. Evansville, Ind.	38.3
18. Scranton, Pa.	56.6	73. Springfield, Mass.	38.2
19. Phoenix, Ariz.	56.5	74. Trenton, N. J.	37.8
20. Charlotte, N. C.	56.2	75. Waterbury, Conn.	37.7
21. Worcester, Mass.	56.0	76. Fort Worth, Texas	37.4
22. Knoxville, Tenn.	55.6	77. Peoria, Ill.	37.2
23. St. Paul, Minn.	55.6	78. Youngstown, Ohio	37.1
24. Madison, Wis.	55.5	79. Philadelphia, Pa.	36.2
25. Norfolk, Va.	55.1	80. Tampa, Fla.	36.2
26. Jackson, Miss.	55.0	81. Newark, N. J.	35.9
27. Chattanooga, Tenn.	54.0	82. Elizabeth, N. J.	35.8
28. Boston, Mass.	54.0	83. Dallas, Texas	35.8
29. Albany, N. Y.	54.0	84. New Haven, Conn.	35.6
30. Columbus, Ohio	53.5	85. Syracuse, N. Y.	35.2
31. Buffalo, N. Y.	52.7	86. Atlanta, Ga.	35.2
32. Bridgeport, Conn.	52.3	87. Lubbock, Texas	35.0
33. Tacoma, Wash.	50.5	88. Kansas City, Mo.	34.8
34. New Bedford, Mass.	49.7	89. Jacksonville, Fla.	34.8
35. Hartford, Conn.	49.2	90. Austin, Texas	34.7
36. Oklahoma City, Okla.	48.3	91. Little Rock, Ark.	33.9
37. Allentown, Pa.	48.3	92. Cincinnati, Ohio	33.8
38. Milwaukee, Wis.	48.2	93. Houston, Texas	32.9
39. Portland, Oreg.	47.9	94. Canton, Ohio	32.0
40. Omaha, Nebr.	47.9	95. St. Petersburg, Fla.	31.4
41. Mobile, Ala.	47.7	96. Des Moines, Iowa	31.2
42. Utica, N. Y.	47.6	97. Richmond, Va.	31.0
43. Wichita, Kans.	47.6	98. Louisville, Ky.	30.7
44. Albuquerque, N. M.	47.4	99. Washington, D. C.	30.5
45. El Paso, Texas	47.1	100. Topeka, Kans.	28.7
46. Detroit, Mich.	46.9	101. St. Louis, Mo.	27.8
47. Akron, Ohio	46.7	102. Baton Rouge, La.	27.8
48. Seattle, Wash.	46.1	103. San Antonio, Texas	27.7
49. Spokane, Wash.	45.8	104. Jersey City, N. J.	26.8
50. Memphis, Tenn.	45.7	105. Chicago, Ill.	25.8
51. Portsmouth, Va.	45.6	106. Salt Lake City, Utah	24.5
52. Hammond, Ind.	45.5	107. Kansas City, Kans.	24.1
53. South Bend, Ind.	45.5	108. Baltimore, Md.	23.1
54. Fort Wayne, Ind.	45.5	109. Denver, Colo.	22.5
55. Shreveport, La.	45.4	110. New York, N. Y.	21.0

[fol. 6552]

Sources: Philadelphia: Defendants' Ex. 15, for identification; All Other: Polk's Directory; Comptroller of the Currency; The World Almanac, 1961 Page 82.

Notes: The Philadelphia percentage shown is based upon a total assets figure which includes all assets of Brown Brothers Harriman & Co. and First Camden Bank & Trust Co., no classification of the assets of these banks into Philadelphia and non-Philadelphia assets being available.

The above list includes all U. S. cities with populations in excess of 100,000 by the 1960 census, except for twenty cities, twelve of them being in California, which on June 30, 1956, were served to a major degree by branches of banks with Main Offices in other cities, or for which data were otherwise not available.

[fol. 6553] DEFENDANT'S EXHIBIT 48

Annual Report of the Federal Deposit Insurance Corporation for the Year Ended, December 31, 1960

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[fol. 6554] Part Two—Changes in the Number of Banking Offices, 1859-1959, and in the Relative Position of Banks, 1921-1958.

[fol. 6555] Changes in the Number of Banking Offices, 1859-1959, and in the Relative Position of Banks, 1921-1958

During the four decades since 1920 there have been fundamental and far-reaching changes in the number of operating banks and branches in the United States. In 1921, approximately 31,000 banks were in operation, the largest number in the nation's history. From that peak the number of banks has declined to about 14,000. Branches, on the other hand, numbered fewer than 1,500, or less than five percent of all banking offices, in 1921; but there are now nearly 11,000 branches, comprising more than 40 percent of all banking offices.

These changes in the numbers of banks and branches have given rise to diverse reactions. Some people view the decline in number of banks and the rise in number of branches with alarm; others see the same developments as beneficial, or at least as natural and reasonable adjustments to more fundamental changes in our economic system. An analysis is given here of changes in the number of banks

and branches, with comments regarding their effect on the competitive character of the banking system.[1]

Changes in Number of Banks and Banking Offices in the United States, 1859-1959

Because of the peak in the number of banks in 1921, the magnitude of the subsequent decline, and the lack of annual data on the character of bank changes prior to 1921, that year has become the bench-mark from which changes in the banking structure are usually measured. Use of 1921 as the starting point in analyses of bank changes carries a connotation of normality in the banking structure of that year. Such an implication is unwarranted; in fact the banking structure in 1921 appears to have been inherently unstable. Many sections of the country were undoubtedly "over-banked" in the sense that they could not support for long the number of banks attempting to do business. Accordingly, bank changes since 1920 should be viewed in the perspective of such changes over a longer period of time.

Changes in number of banks, 1859-1959. The past 100 years of American banking have been characterized by periods of remarkably rapid change, intermixed with periods of minor change. For approximately six decades, from 1859 to 1921, the number of banks moved almost continuously upward—sometimes slowly or with interruptions as in the 1870's and 1890's, and sometimes very rapidly, as during the early 1900's. The decline which began in 1921, like the rise that preceded it, has been virtually continuous [fol. 6556] and also at an uneven pace. There was a precipitous fall in the number of banks during the 12 years after 1921, and during the quarter of a century subsequent to 1933 a slow downward drift. Annual data are given in Tables 15 and 16.

Although the growth in number of banks during the six decades from 1860 to 1920 did not proceed at an even pace, in all but a few years that growth exceeded the rate of population increase. By 1920 the average bank in the United States depended for its potential business on a smaller number of people than ever before or since in the nation's history. A century ago there were about 3,000 banks in

[1] Changes in the number of banks and branches during 1960 are described in Part Four of this report.

the nation; and about 11,000 people for each bank. By 1880 the number of persons per bank had declined to about 8,000, by 1890 to 6,000, and by 1920 to fewer than 3,500.

The instability of the 1921 banking structure was demonstrated by the fact that the number of banks fell by half in the next 12 years. About one third of this great reduction occurred during the predominantly prosperous period of the 1920's, and two-thirds during the depression years, 1930-1933. The decline in number of banks from 1920 to 1933, when adjusted for those that reopened after the banking holiday of 1933, was enough to offset the increase, relative to population, of the 40 years prior to 1920, so that the population per bank was again about 8,000.

During 1934 there was a significant increase in the number of banks, due almost entirely to reopening of banks previously closed. From 1934 to 1959 there was a slow decline in the number of banks, at an average rate of about one-half of 1 percent per year. However, the growth of population during this time resulted in a rise in population per bank to nearly 13,000.

Changes in number of branches and total banking offices, 1900-1959. Changes in the number of banks do not, of course, accurately reflect changes in the availability of banking services. Because of the increase in the number of branches, particularly in most of the large cities and throughout several States, the population per banking office is now much smaller than the population per bank. Annual data since 1920, and by 5-year periods from 1900 to 1920, are given in Tables 15 and 16.

The earliest year for which a tabulation of branches is available is 1900, when about a hundred branches were being operated by incorporated commercial banks.[1] During the next twenty years, when there was an increase of about 18,000 in the number of banks, the increase in number of branches was about 1,200. From 1920 to 1934, when the

[1] Information regarding the number of branches of private banks and of mutual savings banks prior to 1934 is not available, but the number is believed to have been small.

[fol. 6557]

Table 15. Number of Banks and Population Per Bank, 1859–1934, and Number of Branches and Offices and Population Per Office, 1900–1934, Continental United States

1859–1896			1896–1934					
Year	Number of banks [1]	Population per bank [2]	Year	Total offices	Number of banks (midyear) [3]	Number of branches [4]	Population per office [2]	Population per bank [2]
1859	2,829	10,847	1896		12,112			5,852
			1897		12,079			5,976
1860	3,051	10,329	1898		12,163			6,042
1861	2,905	11,136	1899		12,459			6,004
1862	2,778	11,947						
1863	2,853	11,926	1900	13,172	13,053	119	5,777	5,830
1864	3,016	11,589	1901		14,054			5,520
			1902		15,112			5,238
1865	3,696	9,659	1903		16,433			4,907
1866	4,013	9,105	1904		17,659			4,653
1867	4,183	8,935						
1868	4,308	8,870	1905	19,117	18,767	350	4,385	4,466
1869	4,258	9,171	1906		20,407			4,187
			1907		21,986			3,957
1870	4,491	8,686	1908		23,161			3,830
1871	5,069	8,044	1909		23,734			3,813
1872	5,374	7,810						
1873	5,680	7,571	1910	25,609	25,151	548	3,596	3,674
1874	5,994	7,347	1911		25,815			3,636
			1912		26,472			3,601
1875	6,087	7,405	1913		27,285			3,563
1876	6,125	7,528	1914		27,864			3,557
1877	6,256	7,535						
1878	6,136	7,851	1915	28,802	28,017	785	3,491	3,589
1879	6,074	8,101	1916		28,362			3,595
			1917		28,919			3,576
1880	6,110	8,226	1918		29,480			3,546
1881	6,377	8,082	1919		29,767			3,530
1882	6,825	7,739						
1883	7,304	7,407	1920	32,190	30,909	1,281	3,307	3,444
1884	7,757	7,139	1921	32,531	31,076	1,455	3,337	3,493
			1922	32,537	30,736	1,801	3,382	3,581
1885	7,939	7,137	1923	32,498	30,444	2,054	3,445	3,677
1886	8,366	6,925	1924	31,898	29,601	2,297	3,577	3,855
1887	9,171	6,457						
1888	9,606	6,298	1925	31,577	29,052	2,525	3,668	3,987
1889	10,236	6,035	1926	31,053	28,350	2,703	3,781	4,141
			1927	30,169	27,255	2,914	3,946	4,368
1890	11,055	5,704	1928	29,539	26,401	3,138	4,079	4,564
1891	11,738	5,483	1929	28,921	25,568	3,353	4,210	4,763
1892	12,006	5,469						
1893	12,393	5,404	1930	27,795	24,273	3,522	4,428	5,071
1894	12,196	5,598	1931	25,709	22,242	3,467	4,825	5,577
			1932	22,512	19,317	3,195	5,545	6,463
1895	12,347	5,635	1933	17,555	14,771	2,784	7,153	8,502
1896	12,324	5,752	1934	18,918	15,913	3,005	6,680	7,942

[1] 1859–1877: banks other than national and mutual savings compiled from listings for those operating at end of year in Homan's Bankers Almanacs and (for a few States) histories of banking and other sources, omitting agencies and brokers listed among private bankers and including institutions listed as branches because many of these were more closely akin to present-day independent banks (particularly in Indiana, Iowa, and Ohio prior to 1855), or to chain banks, than to branches; national banks, number at call date nearest end of year, annual report of Federal

Deposit Insurance Corporation for 1934, p. 107 (original data from annual reports of Comptroller of the Currency); mutual savings banks, 1859–1864, Emerson W. Keyes, *A History of Savings Banks in the United States* (New York, 1878), vol. II, p. 532, and 1865–1877, annual report of Federal Deposit Insurance Corporation for 1934, p. 112. 1878–1896: State banks, trust companies, and private banks, George E. Barnett, *State Banks and Trust Companies*, publication of National Monetary Commission, Senate Document No. 659, 61st Congress, 3d Session, 1911, pp. 248–50 (original data from State reports and Homan's Bankers Almanacs); national banks, number at call date nearest June 30, annual report of Federal Deposit Insurance Corporation for 1934, pp. 107–08 (original data from annual reports of Comptroller of the Currency); mutual savings banks, annual report of Federal Deposit Insurance Corporation 1934, pp. 112–13 (original data from various sources).

[3] Computed from number of banks or offices and population as of July 1 as estimated by Bureau of the Census and published in *Historical Statistics of the United States, 1789–1945*.

[4] Board of Governors of the Federal Reserve System, *All-Bank Statistics, United States, 1896–1955* (1959), p. 33. Number of banks in territories and possessions, not included, ranged from none in 1896 and 1 in 1897 to 60 in 1929 and 44 in 1934 (*ibid.* p. 1153).

[5] Branches of incorporated commercial banks, Board of Governors of the Federal Reserve System, *Banking and Monetary Statistics*, p. 297. For years prior to 1924 the figures are not for any uniform month; for 1924 and 1927–1931 they are as of June; for 1925–1926 and 1932–1934, as of December. Branches of private banks and mutual savings banks, for which data are not available prior to 1934 and numbered about 125 in that year, are omitted.

[fol. 6558] number of banks was reduced by about 15,000, there was an increase of about 1,700 in the number of branches; and from 1934 to 1959, when there was a slow downward trend in number of banks with a total reduction of about 2,000, there was a relatively large growth, about 7,000 in number of branches.

Table 16. Number of Banks and Branches in the United States (Continental U. S. and Other Areas), 1933–1959

December 31	Total banking offices [1]	Number of banks [1]	Number of branches [1]	Population per office [2]	Population per bank [2]
1933 [3]	18,402	15,363	3,039	6,943	8,316
1934	19,360	16,128	3,232	6,643	7,974
1935	19,395	16,023	3,372	6,677	8,083
1936	19,298	15,809	3,489	6,755	8,246
1937	19,162	15,556	3,606	6,845	8,432
1938	19,018	15,370	3,648	6,952	8,602
1939	18,889	15,196	3,693	7,058	8,773
1940	18,791	15,063	3,728	7,154	8,925
1941	18,757	14,988	3,769	7,234	9,054
1942	18,650	14,837	3,813	7,330	9,213
1943	18,740	14,740	4,000	7,323	9,310
1944	18,841	14,700	4,141	7,222	9,256
1945	18,881	14,713	4,168	7,185	9,220
1946	18,967	14,747	4,220	7,535	9,691
1947	19,171	14,763	4,408	7,635	9,914
1948	19,363	14,750	4,613	7,697	10,105
1949	19,594	14,730	4,864	7,739	10,295
1950	19,851	14,693	5,158	7,769	10,496
1951	20,156	14,662	5,494	7,762	10,670
1952	20,449	14,616	5,833	7,769	10,869
1953	20,780	14,553	6,227	7,768	11,092
1954	21,160	14,409	6,751	7,765	11,404
1955	21,676	14,285	7,391	7,728	11,726
1956	22,315	14,209	8,106	7,640	11,999
1957	22,907	14,130	8,777	7,579	12,287
1958	23,553	14,060	9,493	7,498	12,560
1959	24,242	14,004	10,238	7,407	12,823

[1] Tabulations of the Federal Deposit Insurance Corporation. Data have been revised and for most years differ slightly from those published in the respective annual reports of the Corporation. For 1933 and 1934 numbers exceed those in Table 15 by the number of mutual savings branches in continental United States plus the number of commercial and mutual savings banks and branches in other areas (Alaska, American Samoa, Hawaii, Mariana Islands, Panama Canal Zone, Puerto Rico, and Virgin Islands).

[2] Population data used are Bureau of the Census estimates for July 1, as published in *Historical Statistics of the United States, 1789–1945*, and various issues of the *Statistical Abstract of the United States*.

[3] As of January 1, 1934. Figures differ from those for December 30, 1933, because of banks absorbed or otherwise ceasing operations after the close of business on December 30, and because of those unlicensed on that date but approved for insurance or licensed in time to reopen on the morning of January 2, 1934.

The consequences of these changes was a growing divergence between the population per bank and the population per banking office. Both in 1900 and in 1920 the population per banking office was only a little smaller than the population per bank. By 1934 there was a greater difference, with about 8,000 persons per bank and 6,000 per banking office. But at the end of 1959, when the population per bank was nearly 13,000, the population per office was about 7,400. The latter figure was smaller than in 1880, when the population per bank was over 8,000 and there were relatively few branches. This seems remarkable in view of the much [fol. 6559] greater accessibility of banking offices today because of urbanization and transportation developments and the consequent ability of a banking office to serve conveniently a larger number of persons.

Character of Bank and Branch Changes

Character of bank changes, 1859-1920. Detailed statistics regarding the character of bank changes prior to 1921 are not available. However, there was a remarkable increase in number of banks during the twenty years preceding 1921, with a consequent decline in population per bank.

Character of bank changes, 1921-1934. From 1920 to 1959 the number of banks going out of business exceeded the number opened in all years except 1934 and 1945-1947. However, the changes from 1920 to 1934 were of a different order of magnitude, largely different in character, and the available statistics are somewhat different, than for the period after 1934. It is accordingly convenient to present separately, in Tables 17 and 18, the pertinent data for these two periods.

In the years 1921-1933, the number of banks going out of business was far greater than the number opened. Annual data for each year of this period and for 1934 are shown in Table 17, with the closings classified into those suspended, those absorbed, and those placed in voluntary liquidation, and the openings divided between new banks and reopenings of suspended banks. The data pertain to incorporated commercial banks in continental United States. Most of the changes occurred among those banks, the net decrease in the number of incorporated commercial banks for 1920 to 1934 being approximately 14,000, compared with about 900

for unincorporated commercial banks and about 50 for mutual savings banks.

The decline of 14,000 in the number of incorporated commercial banks during the years 1921-1934 represented the difference between the closing of 22,000 banks and the opening of about 8,000 banks, with the latter figure including reopenings of suspended banks and the chartering of previously unincorporated banks. About half of the openings were new banks, and nearly half reopenings of suspended banks.

Bank suspensions from 1921 to 1934 accounted for nearly two-thirds of the 22,000 banks that ceased business during that period. Suspensions were numerous during the prosperous years of the 1920's. In each year from 1923 through 1929 the number of banks ceasing operation because of financial difficulties substantially exceeded the number of newly organized banks, the typical ratio being about two failed banks for each new bank. In all, over 5,400 banks suspended during the nine years, 1921-1929, or an average of about 600 per year during one of the most prosperous decades in the nation's history. These failures represented,

[fol. 6560] Table 17. Analysis of Changes in Number of Incorporated Commercial Banks in Continental United States, 1921–1934

Year	Number at end of preceding year[1]	Net change during period	Began operations			Ceased operations				
			Total	New banks[2]	Reopenings of suspended banks[3]	Total	Absorbed[4]	Suspended[5]	Voluntary liquidations	Other changes—net[6]
Total 1921–1934		−13,963	7,473	4,438	3,035	21,777	6,516	14,267	994	+341
1921	29,206	−188	565	472	93	814	305	461	48	−61
1922	29,018	−198	527	409	118	772	394	343	35	+47
1923	28,820	−424	526	458	68	1,003	329	623	51	+53
1924	28,396	−672	491	383	108	1,191	373	738	80	+28
1925	27,724	−501	484	403	81	1,001	363	579	59	+16
1926	27,223	−943	505	345	160	1,461	462	924	75	+13
1927	26,280	−812	423	296	127	1,260	567	636	57	+25
1928	25,468	−765	305	252	53	1,084	534	479	71	+14
1929	24,703	−1,008	304	235	69	1,321	636	628	57	+9
1930	23,695	−1,818	308	153	155	2,129	769	1,292	68	+3
1931	21,877	−2,728	380	105	275	3,110	798	2,213	99	+2
1932	19,149	−1,571	372	93	279	1,950	433	1,416	101	+7
1933	17,578	−3,226	1,020	323	697	4,302	322	3,891	89	+56
1934[7]	14,352	+891	1,263	511	752	375	231	44	104	+7

[1] *Federal Reserve Bulletin*, November 1937, p. 1087. Excludes mutual savings banks and private banks.

[2] Excludes new banks organized to succeed operating banks, but for 1933 and 1934 includes new banks organized to succeed national and State banks unlicensed after the banking holiday.

[3] For 1921–32 includes reopenings accompanied by a change of name and issuance of a new charter. For 1933–34 includes banks closed during the banking holiday in March 1933 which were licensed subsequent to June 30, 1933. Banks licensed between March 15 and June 30, 1933, are not included in this table (either as suspensions or reopenings.)

[4] Decrease in number resulting from consolidations, mergers, and absorptions of going banks. Does not include suspended banks that were taken over by other banks.

[5] Includes banks which reopened in the same or a subsequent year.

[6] Chiefly conversions from private banks, but including some unclassified changes, particularly in 1933.

[7] Changes in 1934 include banks that had been closed at the time of the banking holiday and were unlicensed as of December 30, 1933, but were approved for deposit insurance or licensed in time to reopen on January 2, 1934, and other changes between those dates.

[fol. 6561]

Table 18. Analysis of Changes in the Number of Banks and Branches in the United States (Continental U.S. and Other Areas), 1934–1959

Year	Total Banking offices—net change	Banks							Branches				
		Net change	Began operations		Ceased operations			Other or unclassified changes net	Net change	Opened for business			
			New banks[1]	Reopenings of suspended banks[2]	Absorbed[3]	Suspended[4]	Other liquidations			Succeeded absorbed banks	Other new branches[5]	Discontinued[6]	Other or unclassified changes—net[7]
Total 1934–1959	+5,840	−1,359	2,070	1,224	3,177	561	915		+7,199	2,130	6,375	1,385	+79
1934[8]	+958	+765	130	1,042	212	62	131	−2	+193	75	186	100	+32
1935	+35	−105	97	110	170	32	109	−1	+140	87	138	86	+1
1936	−97	−214	61	22	161	72	65	+1	+117	73	100	56	
1937	−136	−253	63	12	177	83	68		+117	90	96	69	
1938	−144	−186	44	2	87	80	65		+42	43	51	52	
1939	−129	−174	34	9	100	72	45		+45	43	52	50	
1940	−68	−133	41	6	78	48	54		+25	41	51	57	
1941	−34	−75	48	3	59	16	51		+41	19	59	39	+2
1942	−107	−151	22	2	81	23	71		+44	28	68	52	
1943	+90	−97	52		82	5	62		+187	23	212	48	
1944	+101	−40	69	1	74	2	34		+141	36	138	33	
1945	+40	+13	118	1	77	1	28		+27	40	133	146	
1946	+86	+34	144	3	93	2	18		+52	55	171	174	
1947	+204	+16	114	2	82	6	12		+188	55	165	31	−1
1948	+102	−13	79	1	77	3	13		+205	59	162	20	+4
1949	+231	−20	78	1	76	9	14		+251	61	201	11	
1950	+257	−37	68		89	5	11		+294	73	231	22	+12
1951	+305	−31	65		79	5	12		+336	59	298	24	+3
1952	+293	−46	69	1	99	4	13		+339	84	278	21	−2
1953	+331	−63	65	3	115	5	11		+394	97	323	29	+3
1954	+380	−144	72	1	207	4	6		+524	181	378	37	+2
1955	+516	−124	117		231	5	5		+640	206	483	50	+1
1956	+639	−76	122	1	189	3	7		+715	168	582	39	+4
1957	+592	−79	87	1	161	3	3		+671	145	555	33	+4
1958	+646	−70	96		152	9	5		+716	135	615	37	+3
1959	+689	−56	115	1	169	3	2	+2	+745	154	649	69	+11

[1] Mostly new banks, but includes previously operating financial institutions which became banks of deposit.
[2] Reopenings of or successors to suspended banks, including banks previously in conservatorship, operating under restrictions, or in receivership or liquidation.
[3] Net decrease as a consequence of absorptions, consolidations, and mergers (excluding cases involving financial aid by the Federal Deposit Insurance Corporation).
[4] Banks closed because of financial difficulties, including banks the deposits of which were assumed by other insured banks with the financial assistance of the Federal Deposit Insurance Corporation.
[5] Includes a small number of branches replacing banks relocated or placed in liquidation or receivership, and facilities established in or near military or other Federal government installations.
[6] Includes facilities discontinued at military or other Federal government installations.
[7] For 1934, includes branches of banks reopened or previously operating under restrictions.
[8] Changes in 1934 exclude banks approved for insurance or licensed to reopen on January 2, 1934, and other changes between the close of business on December 30, 1933, and the opening of business on January 2, 1934.

[fol. 6562] primarily, the inability of banks in the agricultural regions of the nation to adjust themselves to the impact of a set of economic circumstances having an adverse effect on agriculture and on the trading centers of agricultural areas, even though business throughout the nation was generally prosperous. The depression of the early 1930's saw a catastrophic rise in bank suspensions, as approximately 9,000 banks failed during four years. This depression, which was nation-wide, together with the financial panic of 1933, was primarily responsible for the extraordinarily large number of failures during those years.

Bank absorptions, using that term to include consolidations, mergers, and assumption of deposit liabilities of one bank by another, were of significant importance in the decline in the number of banks between 1920 and 1934, although they ranked well below bank suspensions as a cause of the decline in number of banks. Absorptions accounted for about three out of every ten banks ceasing business during this period, whereas suspensions were responsible for approximately six out of every ten banks that closed.

Expansion of branch banking systems was not a primary force in these bank absorptions. The number of banks absorbed was much larger than the increase in the number of branches operated and a relatively small proportion of the absorptions occurred in the same States as most of the increase in branches. Moreover, during most of the period from 1920 to 1934, the number of absorptions appears to have been related to the number of suspensions. Both tended to rise during the 1920's and both increased with the onset of the depression, though absorptions dropped back to earlier levels as the depression continued. Also, the majority of the absorptions occurred in the same States as the majority of suspensions. Many, if not most, of the absorption transactions of that period appear to have been alternatives either to failure or to voluntary liquidation. To the extent that this was true, bank absorptions were not a direct cause of decline in the number of banks but, instead, only the means by which many banks, which would have ceased business in any event, happen to have left the banking scene.

Of the banks that suspended during the years 1921-1930, more than 200 were taken over, after suspension, by another bank. Thus whether a distressed bank was deleted

from the count because it suspended or because it was absorbed apparently depended to a great extent on whether it was able to find a purchaser; i.e., another bank, prior to suspension; if it was successful it appears in tabulations as an absorption; if not immediately successful it appears in such tabulations as a suspension. It is noteworthy that with the precipitous decline in number of bank failures after 1933 and the consequent stabilization of the banking system [fol. 6563] there occurred a decline of similar proportions in the number of bank absorptions.[1]

Voluntary liquidations accounted for less than 5 percent of the banks ceasing operations during the period from 1920 to 1934. Little specific information is available regarding the reasons for these liquidations, but it is highly likely that the motivation in most of them was unprofitability.

In summary, the character of bank changes from 1920 to 1934 indicates that most of those changes were a consequence of a previous uneconomic and hence undesirable expansion in the number of banks, or of an inevitable adjustment to changes in communications and transportation facilities that brought more competition into banking and made survival of many of the smaller banks impossible, or were due to the impact of the forces that produced the deep depression of the early 1930's. Consequently, the great reduction in number of banks that resulted from the changes of the 1920-1934 period has no significant relevance to bank absorptions today.

Character of bank changes, 1934-1959. Both the number of banks beginning operations and the number ceasing operations were much smaller during the 25 years from 1934 to 1959 than during the preceding thirteen years. However, the number of branches experienced far more change in the recent period than in the earlier one. Table 18 shows for

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[1] The probability that many absorptions during the 1920's and early 1930's were "forced lifesaving jobs . . . to prevent failure" was noted in *Concentration of Banking in the United States*, a Staff Report of the Board of Governors of the Federal Reserve System submitted to the Subcommittee on Monopoly of the Select Committee on Small Business, U. S. Senate, September 10, 1952, p. 6.

all banks in the entire United States the character of changes occurring each year from 1934 to 1959, inclusive, with a classification similar to that for changes among incorporated commercial banks in continental United States in the preceding table; and also shows the character of changes among branches each year. The figures in this table are more inclusive than those in the preceding table, because they include not only commercial banks in continental United States, but also private banks, mutual savings banks, and banks in Alaska, Hawaii, Puerto Rico, and other noncontiguous parts of the nation. The figures are also compiled from different sources and by somewhat different methods than the preceding table. The difference in method of compilation is especially important for 1934, which is covered in both tables, because in this table newly chartered banks that succeeded banks "unlicensed" after the banking holiday (that is, remaining in conservatorship, operating under restrictions, or otherwise in a state of suspended animation without formal placement in receivership or liquidation) are classified with reopenings of suspended banks instead of with new banks as in the preceding table.

[fol. 6564] Of the approximately 3,300 banks beginning operations in the entire United States from 1934 to 1959, inclusive, about 1,200 were reopened suspended banks. Most of the reopenings were in 1934; after 1935 the number of suspended banks reopened became almost negligible. For the 26-year period new banks organized averaged 80 per year, ranging from a low of 22 in 1942, during World War II, to a high of 144 in 1946, the first post-war year. During recent years the number of new banks opened has averaged about 100 per year.

Various reasons account for the fact that since 1934 the rate of opening of new banks has been much smaller than prior to 1920 or during the decade of the 1920's. A survey made by the Joint Economic Committee and published in February 1952 reveals that State bank supervisors, except for those in States in the rapidly growing Southwest, reported receiving relatively few bank applications. Generally speaking, the reasons given were the adequacy of existing banking facilities and the low level of bank profits

relative to other industries.[1] During the past few years the number of applications for new bank charters has increased somewhat because of the high level of economic activity and larger bank profits, but the number is still much lower than in the 1920's. The growth in branch banking is undoubtedly an important factor helping to explain the reduced demand for new banks, particularly in those States which in the 1930's changed their banking codes to permit more expansive or statewide branch banking.

Another factor has been the attitude of bank chartering authorities. With the experience of thousands of bank failures between 1920 and 1934, attributed in many instances to weak or under-capitalized banks in population centers unable to support them, bank chartering authorities were alert to prevent a repetition of the over-banked situation of the early 1920's. While it may to some persons now seem a desirable situation to have, as in 1921, more than 30,000 banks with "open doors for borrowers and depositors throughout the United States,"[2] bank supervisors and chartering authorities of the 1930's and 1940's knew that many of those banks closed their doors with great losses and hardships to their depositors and were determined that this should not happen again. The Federal Deposit Insurance Corporation has particularly stressed capital adequacy as a requirement for insurance.

The closing of banks because of financial difficulties has been of small importance in accounting for changes in the number of banks since 1933. During the entire period from that year to 1959 the net decline in number of banks attrib- [fol. 6565] utable to bank suspensions, including absorptions with Corporation aid, was only 561, less than the number closed because of financial difficulties during a typical

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[1] *Monetary Policy and the Management of the Public Debt*, Replies to questions and other material for use of Subcommittee on General Credit Control and Public Debt Management, Joint Committee on the Economic Report (1952), Part 2, pp. 995-97.

[2] *Bank Mergers and Concentration of Banking Facilities*, a Staff Report to Subcommittee No. 5 of the Committee on the Judiciary, United States House of Representatives, 82d Congress, 2d Session, September 17, 1952, p. 6.

year in the 1920's.[1] The principal causes of the failures that have occurred since 1934 have been: (1) the weakened condition of banks as a consequence of the depression of 1930-1933, which accounted for a substantial percentage of those during the early years of Federal deposit insurance; (2) the inability of small and uneconomic banking units to continue operations; and (3) financial irregularities in banks. The latter factor has accounted for about one-fourth of the banks in financial difficulties handled by the Federal Deposit Insurance Corporation since January 1, 1934.

The fact that bank failures have been relatively infrequent since 1933 of course accounts for the fact that most of the decline in number of banks since 1920 occurred between 1921 and 1934. With the drop in number of bank failures, the precipitous decline in the number of banks which was so apparent during the 1920's, and particularly during the early 1930's, also ceased.

Since 1933 absorptions have been the leading cause of banks ceasing operations, and thus have been largely responsible for the slow downward drift in number of banks during the past 25 years. However, the annual number of absorptions was only about one-fourth of that prior to the depression of the 1930's, and from 1938 to 1952 did not exceed 100 in any one year. The year 1952 appears to mark the beginning of an upturn in bank absorptions, although after reaching a high of 231 cases in 1955 the number declined to 152 in 1958 and 169 in 1959.

Over 900 banks ceased business by voluntary liquidation during the 26 years from 1933 to 1959, accounting for about one-fifth of all banks ceasing business. This is about the same number as during the preceding 13 years. Though the average annual number since 1933 is only about half that of the earlier period, the rate of closing for this reason relative to the number of banks in operation is about the same.

No recent tabulation of the reasons for voluntary liquidations of banks is available, but it appears that in most cases

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[1] Absorptions facilitated by financial aid of the Federal Deposit Insurance Corporation are included with suspensions, and excluded from the figures for absorptions, consolidations, and mergers in Table 18.

such liquidations reflect unprofitability, or a management succession problem, combined with inability to find a purchaser. A tabulation of reasons for voluntary liquidations of national banks from 1941 through 1950 supports this conclusion.[2]

In summary, an analysis of bank changes after 1920 shows a much higher degree of stability since 1933 than during the preceding 13-year period. The rapid decline in number of banks ceased abruptly in 1934 as many banks closed during the depression were reopened. Since that time all ele- [fol. 6566] ments affecting bank changes have been of lesser magnitude than during the 1920's and early 1930's, with the greatest difference being that between bank suspensions during the two periods. The organization of new banks has substantially exceeded the number of banks placed in voluntary liquidation or closed because of financial difficulties. The banking facilities which were not uneconomic but were lost in the depression have been replaced. Nevertheless, there was a slow and small decline in the total number of banks, attributable to bank absorptions.

Character of changes in number of branches, 1921-1959. Changes in number of branches have been different from changes in number of banks. In 1921 there were about 32,500 banking offices, including both commercial and mutual savings banks, in the entire United States, of which about 1,500 were branches. At the end of 1959 there were about 24,200 banking offices, including over 10,200 branches.

Except for a relatively small decline during the early 1930's the number of branches has grown in each year of the period, 1921-1959. Since World War II there has been a noticeable acceleration in this growth, reflected in the fact that in recent years the number of branches has been increasing at between 8 and 9 percent per year, compared to an increase of about 4 percent per year during the immediate post-war years.

From 1933 to 1959 growth in number of branches more than offset the decline in number of banks, so that the total number of banking offices increased by more than 30 percent. Though the number of banking offices increased by nearly

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[2] *Bank Mergers and Concentration of Banking Facilities*, a Staff Report to House Committee on the Judiciary, *op. cit.*, p. 18.

6,000 during that period, the total at the end of 1959 was less than three-fourths of the number in 1921. However, in recent years the growth in banking offices has been keeping pace with, or exceeding, the growth in population.

Growth in number of branches is due principally to the opening of new offices. For the entire period, 1934-1959, six times as many branches were opened as were discontinued. Within recent years the number of branches opened has approached 800 per year. Approximately three-fourths of all branches opened during the years, 1934-1959, were new offices, and one-fourth were at the locations of absorbed banks. For that period as a whole approximately two-thirds of the absorbed banks were continued in operation as branches of the absorbing bank, though in recent years this proportion has been about nine out of ten. Thus bank absorptions now have comparatively little effect on changes in the number of banking offices, a different situation than prior to 1934, when only a few of the absorbed banks were continued as branches.

Much of this growth in the number of branches would not have been possible without changes in legislation regarding establishment of branches. Since 1920 many of the States have enlarged the areas within branches which are per- [fol. 6567] mitted, and a few abolished laws prohibiting branhe banking. The pressure for changed banking laws and the actual growth in the number of branches are both traceable to the same set of forces.

The most important underlying reason for the expansion in the number of branches has been a need for additional banking facilities. Whereas many parts of the nation were doubtless over-banked in 1921, by the end of 1933 an under-banked situation existed in many places as a consequence of the disappearance during the preceding four years of about 40 percent of the nation's banks. Some of the States in which bank suspensions had left many communities without adequate banking facilities and which had previously prohibited branch banking changed their banking codes to permit branches, at least for limited types of business. With the continued [illegible] much slower, decline in the number of banks after [illegible] additional branch offices were opened. However, at the end of World War II there were fewer banking offices in the United States than in 1934. During the intervening years there had been substantial increases

in both population and national output, so that the accelerated growth in the number of branches since the end of World War II may be viewed as representing primarily a response to a need for banking facilities that had been accumulating since the depression of the 1930's.

An additional aspect of population growth which in recent years has been of particular importance to branch banking has been the great development of suburbs and expansion of metropolitan areas in many parts of the country. Except in States where branch banking is prohibited, this has led to the development of suburban business centers in which banks have found it advantageous to operate branches. Existing banks are usually desirous of opening branches in such areas prior to the time when an independent bank would appear to be profitable enough to stimulate its promotion. In addition, city banks have found that they need branches with parking facilities and drive-in windows that cannot be provided at their head office locations.

To some extent the increase in demand for banking facilities has been met by the organization of new banks. However, many places which are unable to support an independent bank can support a branch, sometimes doing only a limited business. More strict requirements of banking legislation and chartering authorities, in comparison with the period before 1920, make establishment of new banks more difficult in many instances.

In States permitting Statewide branch banking and to some degree in those permitting branches in limited areas, the growth in number of branches may also reflect intense competition between two or more large branch banking systems. This has led to aggressive drives for branch locations, including absorptions of unit banks. In such situa- [fol. 6568] tions competition may lead to establishment of a branch in an area of potential economic growth, thereby reducing the need for and making more difficult the establishment of a unit bank when the community achieves the size needed for profitable operation.

Bank Changes by State

Table 19 shows for selected years—1880, 1900, 1920, 1934, and 1958—the number of banks in each State, and for the latter three of these years the number of banking offices.

Table 20 shows for the same years the population per bank and per banking office in each State. Table 21 gives for each State the change in number of banks for three periods —1900 to 1920, 1920 to 1934, and 1934 to 1958—and in number of branches for the last two of these periods. Table 22 shows percentage changes in number of banks and number of banking offices in each State for the same periods.

Changes in number of banks by State, 1880-1958. When the growth in the number of banks prior to 1929 is looked at by State, it becomes evident that this growth was largely concentrated in the agricultural States of the Great Plains. Nine States of this area accounted for 45 percent of the net increase in number of banks between 1900 and 1920 in the entire United States. The extent to which rapid increase in number of banks reduced the potential clientele of individual banks is indicated by the population per bank. In 1880 there was one State and in 1900 four States with fewer than 2,500 persons per bank. By 1920 there were thirteen States with less than 2,500 people per bank, all of them in the Great Plains and Rocky Mountain areas. The State with the lowest figure was North Dakota, with a bank for every 720 persons.

To a considerable degree the decline in number of banks between 1920 and 1934 was also concentrated in the agricultural States of the Great Plains, with the largest reductions in the nine States having the largest increases of the preceding twenty years. These States—Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma, and Texas—accounted for 50 percent of the net decrease in number of banks in the entire United States from 1920 to 1934.

The tremendous reduction in the number of banks between 1920 and 1934 reversed the trend toward more and more States with a small number of persons per bank, and raised the population per bank in almost every State. However, the data by States do not indicate that the consequence was an unduly small number of banks in any part of the country in comparison with the situation prior to 1900. In 1934, as in 1900, there were three States with a popula-

Table 19. Number of Banks and Banking Offices, Selected Years, by State

State	Number of banks [1]					Number of banking offices [1]		
	1880	1900	1920	1934	1958	1920	1934	1958
Entire United States [2]	6,110	13,067	30,962	16,128	14,060	32,282	19,360	23,553
Continental United States	6,110	13,053	30,909	16,084	14,018	32,190	19,262	23,305
Alabama	39	107	352	221	239	372	237	301
Arizona	2	21	87	19	8	108	37	151
Arkansas	14	125	487	241	237	493	248	272
California	107	287	717	272	124	896	1,078	1,590
Colorado	45	118	403	165	181	403	165	187
Connecticut	199	205	237	199	151	251	209	353
Delaware	24	25	41	49	29	57	62	75
District of Columbia	7	20	45	22	13	49	52	73
Florida	8	38	263	150	280	265	150	293
Georgia	81	223	779	342	410	804	369	486
Idaho	6	40	222	63	28	222	89	109
Illinois	489	990	1,969	891	946	1,969	891	950
Indiana	239	489	1,057	548	463	1,060	587	711
Iowa	370	1,140	1,922	663	670	1,922	759	833
Kansas	153	487	1,349	741	593	1,349	741	607
Kentucky	134	314	584	441	360	585	466	476
Louisiana	25	78	267	149	186	347	203	342
Maine	136	150	162	105	87	194	164	210
Maryland	77	141	260	201	149	319	298	390
Massachusetts	482	468	526	404	356	526	548	777
Michigan	245	521	851	479	393	1,069	621	886
Minnesota	114	519	1,515	686	687	1,515	692	693
Mississippi	31	113	332	213	194	356	248	318
Missouri	212	676	1,652	703	613	1,652	703	617

Montana	10	56	431	120	115	431	120	116
Nebraska	78	516	1,225	447	423	1,227	450	425
Nevada	16	10	33	10	6	33	15	39
New Hampshire	117	116	126	113	109	127	114	113
New Jersey	112	190	402	426	283	423	543	670
New Mexico	11	14	123	42	53	128	44	96
New York	742	907	1,125	934	561	1,354	1,615	1,935
North Carolina	29	118	578	246	203	624	317	615
North Dakota	16	153	899	207	155	899	209	182
Ohio	426	721	1,145	707	609	1,251	876	1,174
Oklahoma		156	960	414	387	960	414	402
Oregon	9	78	277	106	56	278	136	221
Pennsylvania	623	795	1,482	1,133	750	1,518	1,242	1,465
Rhode Island	115	90	48	33	17	93	74	124
South Carolina	34	137	461	133	144	476	159	272
South Dakota	(3)	205	679	212	172	679	215	226
Tennessee	54	183	548	334	298	579	383	481
Texas	111	410	1,681	947	971	1,681	947	994
Utah	10	39	133	58	49	133	68	117
Vermont	70	89	108	96	64	108	108	95
Virginia	94	159	496	328	312	516	398	546
Washington	3	107	394	204	93	404	235	353
West Virginia	39	127	340	180	183	340	181	183
Wisconsin	145	349	976	627	556	985	722	708
Wyoming	7	33	160	60	52	160	60	53

[1] For 1880, 1900, and 1920, call dates nearest June 30, from sources described in Table 15; for 1934 and 1958, end-of-year call dates, from sources described in Table 16.
[2] Including territories and other areas (except the Philippines).
[3] Included with North Dakota.

tion per bank above 15,000, but in 1880 there had been fourteen States in this category. In 1934, as in 1900, there was no State with more than 25,000 persons per bank, though in 1880 there had been nine such States.[1]

[fol. 6570] From 1934 to 1958 the changes in number of banks by State were of great diversity. In twelve States the number of banks increased. In only one State was there a reduction in the population per bank. In the remaining [fol. 6571] States there was a wide variation in the proportionate change in number of banks, and considerable differences in the rate of growth of population. As a consequence, by 1958 population per bank ranged from about 3,400 in Nebraska to 142,000 in Arizona.

[fol. 6572] Changes in number of banking offices by State. Both in 1934 and in 1958 there was a narrower range in the population per banking office than in population per bank. In 1958, population per office ranged from about 3,100 in South Dakota to 15,100 in Florida. In 1934, the [fol. 6573] range was rather similar, from 2,500 in Kansas to 12,500 in Arizona. These differences between the changes in population per bank, on the one hand, and population per office, on the other, are, of course, the result of rapid expansion of branch banking in some States and its absence or limited development in other States.

The differences among the States in the development of branch banking have been decisively influenced by State legislation. Statewide branch banking has become prevalent in nearly a third of the States; limited area branch banking, largely within county limits, has become prevalent in a third of the States; and unit banking remains predominant in more than a third of the States. Table 23 shows the States in each of these categories at the end of 1958, together with a sub-classification and with notes regarding variations among State laws respecting places in which branches may be located.

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[1] In these comparisons the District of Columbia has been omitted because of its greater comparability with metropolitan areas than with the States.

Table 20. Population Per Bank and Per Banking Office, Selected Years, by State

State	Population per bank [1]					Population per banking office [1]		
	1880	1900	1920	1934	1958	1920	1934	1958
Entire United States	8,214	5,914	3,472	7,974	12,561	3,330	6,643	7,498
Continental United States	8,208	5,822	3,420	7,857	12,360	3,284	6,561	7,434
Alabama	32,371	17,091	6,671	12,353	13,435	6,312	11,519	10,668
Arizona	20,220	5,854	3,841	24,368	142,500	3,094	12,514	7,550
Arkansas	57,323	10,493	3,598	7,876	7,451	3,554	7,653	6,493
California	8,081	5,174	4,779	22,831	115,621	3,825	5,761	9,017
Colorado	4,318	4,574	2,332	6,515	9,453	2,332	6,515	9,190
Connecticut	3,129	4,431	5,825	8,307	15,338	5,501	7,909	6,561
Delaware	6,108	7,389	5,439	5,122	15,655	3,912	4,048	6,053
District of Columbia	25,374	13,936	9,724	25,591	63,462	8,930	10,827	11,301
Florida	33,686	13,909	3,682	10,573	15,864	3,655	10,434	15,160
Georgia	19,039	9,512	3,717	8,787	9,312	3,602	8,144	7,856
Idaho	5,435	4,044	1,945	7,619	23,643	1,945	5,393	6,073
Illinois	6,294	4,870	3,294	8,705	10,453	3,294	8,705	10,409
Indiana	8,277	5,146	2,772	6,066	9,894	2,765	5,663	6,443
Iowa	4,390	1,958	1,251	3,775	4,212	1,251	3,298	3,388
Kansas	6,510	3,019	1,312	2,483	3,568	1,312	2,483	3,486
Kentucky	12,303	6,838	4,138	6,161	8,556	4,131	5,830	6,471
Louisiana	37,597	17,713	6,736	14,872	16,720	5,183	10,916	9,094
Maine	4,771	4,630	4,741	7,810	10,943	3,959	5,000	4,533
Maryland	12,142	8,426	5,576	8,532	19,839	4,544	5,755	7,579
Massachusetts	3,699	5,994	7,324	10,743	13,657	7,324	7,920	6,257
Michigan	6,681	4,647	4,311	9,775	20,015	3,432	7,539	8,878
Minnesota	6,848	3,375	1,576	3,885	4,913	1,576	3,851	4,870
Mississippi	36,503	13,728	5,393	9,798	11,268	5,030	8,415	6,874
Missouri	10,228	4,596	2,061	5,265	6,967	2,061	5,265	6,922
Montana	3,915	4,345	1,274	4,567	5,983	1,272	4,567	5,931

Table 20. Population Per Bank and Per Banking Office, Selected Years, by State

State	Population per bank [1]					Population per banking office [1]		
	1880	1900	1920	1934	1958	1920	1934	1958
Nebraska	5,800	2,066	1,058	3,029	3,444	1,057	3,009	3,428
Nevada	3,891	4,234	2,346	9,900	44,500	2,346	6,600	6,846
New Hampshire	2,965	3,548	3,517	4,221	5,358	3,489	4,184	5,168
New Jersey	10,099	9,914	7,850	9,620	20,314	7,461	7,547	8,581
New Mexico	10,869	13,951	2,930	11,190	15,887	2,815	10,682	8,771
New York	6,850	8,014	9,231	13,905	28,929	7,670	8,041	8,387
North Carolina	48,267	16,049	4,428	13,602	22,409	4,101	10,555	7,397
North Dakota	8,448	2,086	720	3,213	4,194	720	3,182	3,571
Ohio	7,507	5,766	5,030	9,573	15,345	4,604	7,726	7,960
Oklahoma	.....	5,067	2,113	5,734	5,904	2,113	5,734	5,684
Oregon	19,418	5,382	2,828	9,557	31,661	2,818	7,449	8,023
Pennsylvania	6,874	7,927	5,884	8,615	14,801	5,744	7,859	7,577
Rhode Island	2,404	4,762	12,592	20,667	51,471	6,499	9,246	7,056
South Carolina	29,281	9,783	3,652	13,609	16,694	3,537	11,384	8,838
South Dakota	(*)	1,959	937	3,198	4,064	938	3,153	3,093
Tennessee	28,562	11,042	4,266	8,228	11,641	4,038	7,175	7,212
Texas	14,340	7,436	2,774	6,426	9,657	2,774	6,426	9,434
Utah	14,396	7,096	3,379	9,086	17,653	3,379	7,750	7,393
Vermont	4,746	3,861	3,263	3,750	5,813	3,263	3,333	3,916
Virginia	16,091	11,662	4,656	7,729	12,612	4,475	6,369	7,207
Washington	25,038	4,842	3,443	8,034	29,774	3,358	6,974	7,844
West Virginia	15,857	7,550	4,305	10,028	10,760	4,305	9,972	10,760
Wisconsin	9,072	5,928	2,697	4,829	7,083	2,672	4,194	5,562
Wyoming	2,969	2,804	1,215	3,950	6,154	1,215	3,950	6,038

[1] For 1880, 1900, and 1920 computed from number of banks and offices at call dates nearest June 30 and population at census dates; for 1934 and 1958 from number of banks and offices at end of year and population estimates for July 1. Data for number of banks and offices from Table 19; for population, from various issues of *Statistical Abstract of the United States*.

[2] Included with North Dakota.

Table 21. Change in Number of Banks and Branches, Selected Periods, by State

State	Change in number of banks[1]			Change[1] in number of branches[2]	
	1900 to 1920	1920 to 1934	1934 to 1958	1920 to 1934	1934 to 1958
Entire United States	17,895	−14,834	−2,068	1,912	6,261
Continental United States	17,856	−14,825	−2,066	1,897	6,109
Alabama	245	−134	18	−4	46
Arizona	66	−68	−11	−3	125
Arkansas	362	−246	−4	1	28
California	430	−445	−148	627	600
Colorado	285	−238	16		6
Connecticut	32	−38	−48	−4	192
Delaware	16	8	−20	−3	33
District of Columbia	25	−23	−9	26	30
Florida	225	−113	130	−2	13
Georgia	556	−457	68	2	40
Idaho	182	−159	−35	26	55
Illinois	959	−1,078	55		4
Indiana	568	−509	−85	30	209
Iowa	782	−1,259	7	96	67
Kansas	862	−608	−148		14
Kentucky	270	−143	−81	24	91
Louisiana	189	−118	37	−26	102
Maine	12	−57	−18	27	64
Maryland	119	−59	−52	38	144
Massachusetts	58	−122	−48	144	277
Michigan	330	−372	−86	−76	351
Minnesota	996	−829	1	6	
Mississippi	219	−119	−19	11	89
Missouri	876	−949	−90		4
Montana	375	−311	−5		1
Nebraska	709	−778	−24	1	−1
Nevada	23	−23	−4	5	28
New Hampshire	10	−13	−4		3
New Jersey	212	24	−143	96	270
New Mexico	109	−81	11	−3	41
New York	218	−191	−373	452	693
North Carolina	460	−332	−43	25	341
North Dakota	746	−692	−52	2	25
Ohio	424	−438	−98	63	396
Oklahoma	804	−546	−27		15
Oregon	199	−171	−50	29	135
Pennsylvania	687	−349	−383	73	606
Rhode Island	−42	−15	−16	−4	66
South Carolina	324	−328	11	11	102
South Dakota	474	−467	−40	3	51
Tennessee	365	−214	−36	18	134
Texas	1,271	−734	24		23
Utah	94	−75	−9	10	58
Vermont	19	−12	−32	12	19
Virginia	337	−168	−16	50	164
Washington	287	−190	−111	21	229
West Virginia	213	−160	3	1	−1
Wisconsin	627	−349	−71	86	57
Wyoming	127	−100	−8		1

[1] Computed from number of banks in Table 19, for dates near June 30, 1900 and 1920, and at end of year, 1934 and 1958; changes in number of branches computed from data for the same dates.

Branches include facilities established in or near military or other Federal Government installations at request of the Treasury or Commanding Officer of the installation.

Table 22. Percentage Change in Number of Banks and Banking Offices, Selected Periods, by State

State	Percentage change in number of banks[1]			Percentage change in number of banking offices[1]	
	1900 to 1920	1920 to 1934	1934 to 1958	1920 to 1934	1934 to 1958
Entire United States	136.9	−47.9	−12.8	−40.0	21.7
Continental United States	136.8	−48.0	−12.8	−40.2	21.0
Alabama	229.0	−37.2	8.1	−36.3	27.0
Arizona	314.3	−78.2	−57.9	−65.7	308.1
Arkansas	289.6	−50.5	−1.7	−49.7	9.7
California	149.8	−62.1	−54.4	20.3	47.5
Colorado	241.5	−59.1	9.7	−59.1	13.3
Connecticut	15.6	−16.0	−24.1	−16.7	68.9
Delaware	64.0	19.5	−40.8	8.8	21.0
District of Columbia	125.0	−51.1	−40.9	6.1	40.4
Florida	592.1	−43.0	86.7	−42.6	92.8
Georgia	249.3	−56.1	19.9	−54.1	31.7
Idaho	455.0	−71.6	−55.6	−59.9	22.5
Illinois	98.9	−54.7	6.2	−54.7	6.6
Indiana	116.2	−48.2	−15.5	−44.6	21.1
Iowa	68.6	−65.5	1.1	−60.5	9.7
Kansas	177.0	−45.1	−20.0	−45.1	−18.1
Kentucky	86.0	−24.5	−18.4	−20.3	2.1
Louisiana	242.3	−44.2	24.8	−43.5	68.5
Maine	5.0	−35.2	−17.1	−15.5	28.0
Maryland	84.4	−22.7	−25.9	−6.6	30.9
Massachusetts	12.4	−32.2	−11.9	4.2	41.8
Michigan	63.3	−43.7	−18.0	−41.9	42.7
Minnesota	191.9	−54.7	.1	−54.3	.1
Mississippi	103.8	−35.8	−8.9	−30.3	28.2
Missouri	144.4	−57.4	−12.8	−57.4	−12.2
Montana	669.6	−72.2	−4.2	−72.2	−3.3
Nebraska	137.4	−63.5	−5.4	−63.3	−5.6
Nevada	230.0	−69.7	−40.0	−51.5	160.0
New Hampshire	8.6	−10.3	−3.5	−10.2	−.9
New Jersey	111.6	.6.0	−33.6	28.4	23.4
New Mexico	778.6	−65.9	26.2	−65.6	118.2
New York	24.0	−17.0	−39.9	19.3	19.8
North Carolina	389.8	−57.4	−17.5	−49.2	94.0
North Dakota	487.6	−77.0	−25.1	−76.8	−12.9
Ohio	58.8	−38.2	−13.9	−30.0	34.0
Oklahoma	515.4	−56.9	−6.5	−56.9	−2.9
Oregon	255.1	−61.7	−47.2	−51.1	62.5
Pennsylvania	86.4	−23.5	−33.8	−18.2	18.0
Rhode Island	−46.7	−31.3	−48.5	−20.4	67.6
South Carolina	236.5	−71.1	8.3	−66.6	71.1
South Dakota	231.2	−68.8	−18.9	−68.3	5.1
Tennessee	199.5	−39.1	−10.8	−33.9	25.6
Texas	310.0	−43.7	2.5	−43.7	5.0
Utah	241.0	−56.4	−15.5	−48.9	72.1
Vermont	21.3	−11.1	−33.3		−12.0
Virginia	211.9	−33.9	−4.9	−22.9	37.2
Washington	268.2	−48.2	−54.4	−41.8	50.2
West Virginia	167.7	−47.1	1.7	−46.8	1.1
Wisconsin	179.7	−35.8	−11.3	−26.7	−1.9
Wyoming	384.8	−62.5	−13.3	−62.5	−11.7

[1] Computed from number of banks and offices in Table 19, for dates near June 30, 1900 and 1920, and at end of year, 1934 and 1958.

Table 23. Classification of States According to Status of Branch Banking and Locational Requirements for Branches, December 31, 1958 [1]

Statewide branch banking prevalent [2]		Limited area branch banking prevalent		Unit banking prevalent throughout the State	
Without locational limitations [3]	With some locational conditions [4]	County-wide [5]	Other [6]	With limited branch banking [7]	Without branch banking [8]
Arizona	Connecticut	Indiana	Alabama	Arkansas	Colorado
California	Idaho	Kentucky	District of Columbia	Iowa	Florida
Delaware	Oregon	Louisiana	Georgia	Kansas	Illinois
Maryland	Utah	Massachusetts	Maine	North Dakota	Minnesota
Nevada	Washington	Michigan	Mississippi	Oklahoma	Missouri
North Carolina		New Jersey	New York	South Dakota	Montana
Rhode Island		New Mexico	Pennsylvania	Wisconsin	Nebraska
South Carolina		Ohio	Virginia		New Hampshire
Vermont		Tennessee			Texas
					West Virginia
					Wyoming

[1] Capital requirements, and those pertaining to approval by the supervisory authority, are not considered in this classification. Minor locational requirements in a few States, such as a requirement that any branch established shall be within the limits of a city or incorporated town, are also neglected. For the most part, the classification is also applicable to the major part of period since Dec. 31, 1920.

[2] Several of these States did not permit branches prior to 1933.

[3] Capital requirements according to location of branch are not included here as locational requirements.

[4] The locational conditions in these States are each different, but all follow the principle that a branch can be established in a place outside of the head office town or county which has an operating bank only by absorption of an existing bank.

[5] In Kentucky, Massachusetts, and New Jersey establishment of a branch outside of the parent bank's head office town or municipality is limited to specified conditions, such as through absorption or in a place with no bank or with one under liquidation. In Louisiana, Michigan, and New Mexico, a branch may be established in an adjoining county or within a certain distance from the parent bank, under specified similar conditions.

[6] Alabama: within the head office county in eleven counties and within the head office city in two other counties. District of Columbia: throughout the District (classified in this category because District-wide branch banking is more comparable to countywide or citywide branch banking than to state-wide branch banking). Georgia: within head office city in the two largest cities, and throughout the State if established prior to 1927. Maine: within head office county or contiguous county. Mississippi: limited function offices within head office county or contiguous county, but not in a place under 3,500 population with an existing office; other branches under more stringent restrictions. New York: within head office city or district (each district consisting of 3 to 15 counties), but in a city or village with an operating bank only through absorption of a bank. Pennsylvania: within head office county or contiguous county or by absorption of an existing bank. Virginia: within head office city or county.

[7] Limited function offices permitted within specified distance from head office or in a place with no operating bank within the head office county or contiguous county, to be closed (in most cases) upon establishment of a bank; and in Wisconsin, only if established prior to 1947. In South Dakota, other branches upon absorption of a bank, without locational restrictions.

[8] The few branches in these States were established prior to existing prohibitory legislation or under unusual circumstances.

[fol. 0574]

Table 24. Commercial Banks and Branches, 1920 and 1958, in States Grouped According to the Status of Branch Banking at the End of 1958, by Metropolitan and Other Areas

Status of branch banking and type of area	Number of banks		Number of branches		Change from 1920 to 1958	
	Dec. 31, 1920	June 30, 1958	Dec. 31, 1920	June 30, 1958 [1]	Banks	Branches
Continental United States—total	30,434	13,483	1,252	8,253	−16,951	7,001
Metropolitan area counties [2]	6,329	3,201	847	5,476	−3,128	4,629
Other counties	24,105	10,282	405	2,777	−13,823	2,372
States with statewide branch banking: [3]						
9 States without locational limitations:						
Metropolitan area counties	734	202	168	1,547	−532	1,379
Other counties	1,598	523	174	821	−1,075	647
5 States with some locational limitations:						
Metropolitan area counties	289	120	4	315	−169	311
Other counties	888	182	8	379	−706	371
States with limited area branch banking prevalent: [3]						
9 States with countywide branch banking prevalent:						
Metropolitan area counties	1,494	796	408	1,742	−698	1,334
Other counties	3,802	1,993	97	579	−1,809	482

7 States and D.C. with other limited area branch banking prevalent: [4]						
Metropolitan area counties	1,711	762	258	1,801	−949	1,543
Other counties	2,911	1,666	114	617	−1,245	503
States with unit banking prevalent throughout the State: [5]						
7 States with limited branch banking: [5]						
Metropolitan area counties	610	320	8	61	−290	53
Other area counties	6,723	2,441	8	377	−4,282	369
11 States without branch banking: [6]						
Metropolitan area counties	1,491	1,001	1	10	−490	9
Other area counties	8,183	3,477	4	4	−4,706	

[1] Excluding trust companies not regularly engaged in deposit banking and "facilities" at Federal Government establishments.

[2] Includes all metropolitan areas in continental United States as defined by the Bureau of the Budget, January 15, 1957, except that in States where metropolitan areas are defined in terms of cities and towns (Connecticut, Maine, Massachusetts, New Hampshire, and Rhode Island) counties with the majority of their population in the metropolitan portions are included in lieu of the specified cities and towns. Metropolitan area counties include the District of Columbia and 295 counties and independent cities out of 3,102 counties and independent cities in continental United States.

[3] For the States in each group see Table 23.

[4] For the branch banking areas see note 6 to Table 23.

[5] For the type of branches permitted see note 7 to Table 23.

[6] See note 8 to Table 23.

The growth of branch banking during the past quarter of a century should not be regarded as a sequel to the great decline in number of banks subsequent to 1920. The development of branch banking has occurred, for the most part, in different States and in different areas within States from those in which the decrease in number of banks was concentrated. Only 3 percent of the increase in number of branches from 1920 to 1958 was in the nine States which accounted for 50 percent of the great reduction in number of banks from 1920 to 1934. The increase in branches occurred chiefly in metropolitan areas; the decrease in banks in other areas. This is indicated in Table 24, which compares the number of commercial banks and branches in [fol. 6575] 1920 and 1958 in metropolitan and other counties in States grouped according to the status of branch banking as shown in the preceding table. Of the total reduction of nearly 17,000 in number of commercial banks between the end of 1920 and the middle of 1958, nearly 14,000 were in counties not classified as metropolitan in 1958. In these counties the increase in numberof branches during the same period was less than 2,400. In contrast, the metropolitan counties, with a decrease of about 3,100 in the number of banks from the end of 1920 to midyear 1958, showed an increase during the same period of about 4,600 in the number of branches.

Between 1920 and 1958, the total number of commercial banking offices in non-metropolitan counties declined by nearly 11,500; those in metropolitan areas increased by 1,500. In 1920, 79 percent of all commercial banks and 77 percent of all commercial banking offices were in the non-metropolitan counties; in 1958, 76 percent of all commercial banks but only 60 percent of all commercial banking offices were in the non-metropolitan counties. That is, in 1920, 21 percent of the commercial banks and 23 percent of commercial banking offices were in counties that in 1958 were classified as metropolitan; while in the latter year, 24 percent of the commercial banks and 40 percent of their offices were in the metropolitan areas.

Accessibility of Banking Offices

Location of banking offices by size of center. The number of localities in which there is only a single banking office is

sometimes cited as evidence of lack of competition. In using such figures careful attention must be given to the ability of such places to support more than one banking office. Table 25 gives a distribution of banking offices on June 30, 1958, according to the number of offices in the centers in which they were located and the population of those centers. This table differs from previous tabulations of this sort by treating each metropolitan area, rather than each city or town in such metropolitan areas, as a single center. In earlier tabulations, including those published in the annual reports of the Federal Deposit Insurance Corporation, numerous banking offices located in metropolitan areas, but not within the limits of the principal city therein, were classified as located in a place with only one or two banking offices, although in fact the patrons of such offices had convenient access to other offices within the metropolitan area. Those tabulations therefore gave an erroneous impression of the number of places served by only one or two banking offices.

It will be noted from this table that on June 30, 1958, 7,703 of the 21,736 commercial banking offices in the continental United States, excluding "facilities" at Federal Government establishments, were located in population centers with only one banking office. Put another way, [fol. 6576] there were 7,703 population centers with only one banking office each. However, almost all of these centers had a population of less than 5,000 and three-fifths of such centers had a population of less than 1,000; some of them had less than 250 people. Thus although it is statistically correct to say that in each of these centers there was only one office available to provide banking services, this fact must be tempered by the realization that in most communities of this size it is probably impracticable, because unprofitable, for more than one banking office to operate successfully. Nevertheless, the figures do suggest that some population centers may be "underbanked" in the sense that an increase in banking facilities could be supported and would be advantageous to the communities. However, no final conclusion can be drawn with respect to the need for additional facilities in any particular case without going beyond the data available in this table to consider such questions as the existing availability of banking facilities in nearby communities.

Table 25. Number of Operating Offices of Commercial Banks in the Continental United States, June 30, 1958
Grouped by Number of Commercial Banking Offices and Population of Center in Which Located

Population of center or metropolitan area	All offices[1]	Offices in centers or metropolitan areas with— 1 office	2 offices	3 offices	4 offices	5 offices	6 offices	7 or 8 offices	9 to 19 offices	20 or more offices
All banking offices	21,736	7,703	3,412	921	472	220	204	217	872	7,715
In centers or metropolitan areas with population of—										
Less than 250	644	642	2	...	...	...	...	...	...	...
250 to 1,000	4,116	3,950	160	6	...	...	...	...	...	...
1,000 to 5,000	4,843	2,919	1,788	120	16	...	...	...	...	...
5,000 to 25,000	2,848	192	1,422	675	308	135	66	50	...	...
25,000 to 100,000	860	.....	40	120	148	80	132	132	208	...
100,000 to 500,000	3,024	.....	.....	..	...	5	6	35	664	2,314
500,000 to 2,500,000	2,723	.....	.....	..	...	...	...	...	...	2,723
2,500,000 or more	2,678	.....	.....	..	...	...	...	...	...	2,678

[1] Excludes trust companies not regularly engaged in deposit banking and "facilities" at military or other Federal Government establishments.

Counties without banking facilities. The importance of considering the availability of banking facilities in nearby communities, when examining the need for such facilities in a place with only one banking office or none, may be illustrated by some of the counties in the nation with no banking office. In June 1958, there were 62 such counties, ranging in population in 1950 from 241 to over 17,000. The five with the largest populatons in 1950 were as follows:

Alleghany County, Virginia, with a population of 17,000, is served by banks in an independent city (Covington) almost in its center, and another (Clifton Forge) at its border.[1]

[fol. 6577] Sandoval County, New Mexico, with a population of 12,000, is situated north of Albuquerque and west of Santa Fe, both of which are in adjoining counties near the borders of Sandoval County, with the most populous portion of Sandoval in its south-eastern corner directly between those two cities.

Spotsylvania County, Virginia, with a population of 12,000, has the independent city of Fredericksburg on its northeastern border.[1]

Torrance County, New Mexico, with a population of 8,000, has its populous portion in its western side, which adjoins Bernalillo County in which Alburquerque is located.

Oconee County, Georgia, with a population of 7,000, is a small county not far from Athens, located in an adjoining county.

In all these cases, it is apparent that the size of population of the county cannot be used as a criterion for concluding that banking services are inadequate, though the availability of banking services in nearby cities also cannot be taken as conclusive evidence that banking services are reasonably available and adequate.

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[1] In Virginia, counties and independent cities are mutually exclusive areas, and county tabulations therefore exclude data for cities which are adjacent to or surrounded by a county.

Relative Position of Banks

The concern which has been expressed over the decline in number of banks has been accompanied by anxiety about concentration of banking services, for the nation as a whole or in various sections or localities, in the hands of a relatively small number of banks. To understand what changes have occurred, it is necessary to distinguish between various aspects of concentration and to make use of tabulations not hitherto available.

Increasing size of banks. The generally larger size of banks in recent years as compared with that of a quarter of a century ago, and the accompanying greater numbers and percentages of the banks in the upper categories and the reduced numbers and percentages in the smaller categories of standardized size groups, have been cited as an indication of increasing concentration in banking.[2] Such data, however, may reflect normal growth or wartime expansion, without indicating any change in concentration. In a growing economy banks furnish the largest part of the money supply and therefore should be expected to grow in size, and in wartime the government may pursue financial policies resulting in an abnormal rate of expansion of bank assets and deposits. The growth in average size of banks in the United States has been due primarily to these factors. For example, the average commercial bank increased in size from $2.6 million deposits in 1934 to $16.0 million in deposits at the end of 1958. If there had been no change in number of banks during this period the average size of a commercial bank would have increased to $13.9 million, [fol. 6578] or more than five times as large as in 1934. The growth in average size of banks has therefore been dependent to only a minor extent upon the decrease in number of banks. As an indicator, therefore, banks with, say, $100 million of deposits in 1934 should be compared with banks of more than $500 million of deposits in 1958.

It is possible, of course, for concentration to increase even though the average size of banks merely keeps pace with the expansion of the banking system as a whole. That

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[2] *Bank Mergers and Concentration of Banking Facilities*, Staff report to House Committee on the Judiciary, *op. cit.*, pp. 25-26.

is, banks toward the lower end of the size scale may be smaller relative to the average, and those toward the upper end of the size scale larger relative to the average, than at some former time.

The hundred and the ten largest banks. A measure of change in the relative position of banks frequently used is the change in the proportion of total commercial bank deposits held by a selected number, such as 100 or 10, of the largest commercial banks. This avoids the use of banks in standardized size groups. Use of this measure indicates that concentration increased during the 1920's and 1930's, decreased during the 1940's, and was approximately unchanged during the 1950's. This is shown by Table 26 which gives for selected years from 1920 to 1958 the percentage of deposits of all commercial banks in continental United States held by the largest 100 and the largest 10 banks.[1] At the end of 1958, by number, the 100 largest banks comprised 0.74 percent, and the 10 largest 0.074 percent of all commercial banks in continental United States. The 100 largest held 46 percent and the 10 largest 20 percent of the deposits of all commercial banks. These ratios are slightly higher than in 1949, but substantially below those in 1934 and 1940.

Data for a given number of the largest banks do not give as accurate a measure of concentration as those for a selected percentage of the banks. The lower part of Table 26, therefore, gives the proportion of deposits of all commercial banks held by the largest one-half of 1 percent, and by the largest one-tenth of 1 percent, of such banks. These figures substantiate the conclusion that there was less concentration of the banking business in the largest banks in 1958 than in 1929 or 1940.

Group banking. The degree of concentrated control of banking in the United States is somewhat greater than the figures in the preceding table indicate. This is because of

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[1] It is also supported by annual tabulations based on deposits of large banks as published in *The American Banker*, though such tabulations, because of the inclusion of deposits of foreign branches, exaggerate by about one percentage point the proportion of deposits of all commercial banks held by the largest banks.

the development, over a period of sev ral decades, of group and chain banking. Group banking refers to control through stock ownership by a corporation, trust, or similar organization; chain banking to ownership of stock in a number of banks by one individual, or one family, or by a small [fol. 6579] group of persons.[2] Data for banking chains are not available for recent years, and those for earlier years are not as satisfactory as for groups.

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[2] Federal Reserve Committee on Branch, Group and Chain Banking, *Banking Groups and Chains* (mimeographed, 1932); and *Federal Reserve Bulletin*, February 1938, p. 92.

Table 26. Relative Importance of the Largest Commercial Banks in Continental United States, December 31, Selected Years, 1920–1958

Bank group	1920	1929	1934	1940	1949	1958
All commercial banks						
Number	30,444	21,287	15,518	14,477	14,156	13,499
Deposits (millions)	$35,947	$51,282	$40,060	$65,431	$145,174	$215,995
Largest 100 banks						
Percent of number of all commercial banks	0.33%	0.41%	0.64%	0.69%	0.71%	0.74%
Deposits (millions)	(1)	$21,506	$21,462	$37,081	$61,611	$98,731
Percent of deposits of all commercial banks	(1)	41.9%	53.6%	56.7%	44.5%	45.7%
Largest 10 banks						
Deposits (millions)	$3,481	$8,400	$9,169	$17,244	$27,505	$42,939
Percent of deposits of all commercial banks	9.7%	16.4%	22.9%	26.4%	18.9%	19.9%
Largest bank						
Deposits (millions)	$699	$1,314	$1,629	$3,466	$5,656	$9,928
Percent of deposits of all commercial banks	1.9%	2.6%	4.1%	5.3%	3.9%	4.6%
Largest ½ of 1 percent of the banks						
Number of banks	152	121	78	72	71	67
Deposits (millions)	(1)	$22,555	$20,135	$34,159	$58,519	$87,333
Percent of deposits of all commercial banks	(1)	44.0%	50.3%	52.2%	40.3%	40.4%
Largest 1/10 of 1 percent of the banks						
Number of banks	30	24	16	14	14	13
Deposits (millions)	(1)	$13,315	$11,897	$20,360	$32,607	$48,305
Percent of deposits of all commercial banks	(1)	26.0%	29.7%	31.1%	22.5%	22.4%

(1) Not available.

Table 27. Relative Importance of the Largest Commercial Banks or Bank Groups, Continental United States, December 31, 1934, 1940 and 1958

Bank group	1934	1940	1958
All commercial banks or bank groups			
Number	15,006	14,099	13,097
Deposits (millions)	$40,060	$65,431	$215,995
Largest 100 banks or bank groups			
Percent of all commercial banks or bank groups	0.67%	0.71%	0.76%
Deposits (millions)	$22,718	$38,843	$105,961
Percent of deposits of all commercial banks	56.7%	59.4%	49.1%
Largest 10 banks or bank groups			
Deposits (million)	$9,504	$17,577	$44,708
Percent of deposits of all commercial banks	23.7%	26.9%	20.7%
Largest ½ of 1 percent of the banks or bank groups			
Number of banks or groups	75	70	65
Deposits (millions)	$21,253	$35,800	$93,509
Percent of deposits of all commercial banks	53.1%	54.7%	43.3%
Largest 1/10 of 1 percent of the banks or bank groups			
Number of banks or groups	15	14	13
Deposits (millions)	$11,959	$20,996	$51,159
Percent of deposits of all commercial banks	29.9%	32.1%	23.7%

[fol. 6580] Table 27 shows for 1934, 1940, and 1958 measures of bank concentration similar to those in the preceding table, except that the deposits of banks that were members of a group have been tabulated as though they were branches of the leading bank in the group.[1] Tabulation of the data in this way shows that at the end of 1958 one-half of 1 per cent of the banks or groups held 43 percent of the deposits of all commercial banks, compared with 40 percent held by the same percentage of the banks. Similarly, one-tenth of 1 percent of the banks and groups held 24 percent of the deposits of all commercial banks, compared with 22 percent held by the same percentage of the banks. The data available for chains indicate that these percentages would be increased very little by treating chains also as though they were branch systems.[2] The data for banks and groups, like those for banks, show considerably less concentration in 1958 than in 1934 or 1940.

Relative position of banks by States. It is well known that banking concentration in the United States is far below that in other countries, such as Canada, Great Britain, and Germany, were nationwide branch banking is permitted. In the United States; similarly, there is a tendency for the greatest concentration to occur in the States with statewide branch banking. This is illustrated by Table 28, which shows for four dates the percentages of deposits in the largest bank and the largest five banks in each State, with the States grouped in three categories: those in which statewide branch banking is prevalent; those in which limited area branch banking is prevalent, and those in which unit banking is prevalent throughout the State.

In the statewide branch banking States the largest five banks in 1958 held from 35 percent to 99 percent of the total

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[1] Tabulations by the Federal Deposit Insurance Corporation, with banks members of groups identified from Federal Reserve records and other sources.

[2] In 1939 and 1941 the deposits of chains for which information was available were 12 and 11 percent, respectively, of the deposits of groups, though the number of chains was more than twice the number of groups. *Banking and Monetary Statistics* (Board of Governors of the Federal Reserve System, 1943), pp. 317-325.

deposits of all commercial banks in the State. In States with limited area branch banking the corresponding range was from 25 percent to 52 percent and in the States with unit banking predominant from 18 percent to 44 percent. In the majority of the States with statewide branch banking the largest bank alone held more than 30 percent of the total deposits of all commercial banks in the State. In the States with limited area branch banking or unit banking no bank held so large a proportion.

In all of the States except Florida, Louisiana, and New Hampshire, there was a greater concentration of deposits in the largest bank, and in the largest five banks, in 1958 than in 1920. However, most of this increase occurred between 1920 and 1934, and almost all of it between 1920 and 1940. From 1940 to 1958 the percentage of all com-[fol. 6581] mercial bank deposits in the largest bank declined in 31 States, remained the same in 1 State, and increased in 16 States. During the same period the percentage of all commercial bank deposits in the largest five banks declined in 30 States, and increased in 18 States. Of the States with an increased concentration, whether measured by the largest bank or the largest five banks, the majority were in the group with statewide branch banking prevalent.

Figures are also given in Table 28 to show for 1934, 1940, and 1958 bank concentration in each State if the members of any bank group in a State are tabulated as a bank and branches in that State.[1] These data differ in one important respect from the tabulations by banks without regard to group banking: they show much more concentration in some of the States in which unit banking is predominant throughout the State. However, they show the same results with respect to changes over time, namely, that in most of the States the largest bank or bank group, and the largest five banks or bank groups, held in 1958 smaller proportions than in 1940 of the deposits of all commercial banks in the State.

Relative position of banks in leading cities or metropolitan areas. Another frequently used method of indicating

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[1] Data are not available for making this kind of tabulation for 1920.

bank concentration pertains to the proportion of all bank assets or deposits in a given city held by the largest bank, or by a few of the largest banks. A tabulation of this kind was presented in a statement before the Senate Banking and Currency Committee considering bank merger legislation.[2] Such a tabulation spotlights those cities in which the degree of bank concentration may seem excessive. However, such figures may be misleading because they do not take into account banking facilities in the full metropolitan areas of the respective cities.

In many cities, as in the majority of the States, there has been a decrease in banking concentration in recent years, even if no allowance is made for the inclusion of metropolitan areas. Of the 53 cities included in the tabulation as of June 30, 1956, presented to the Senate Banking and Currency Committee, two-fifths had less bank concentration than on June 30, 1936, whether the concentration is measured by the proportion of assets held by the largest bank or by the largest five banks in the city. If only the proportion of assets held by the largest bank is considered, in over three-fifths of the cities the largest bank owned a smaller percentage of the assets in 1956 than in 1936. These findings have no bearing, of course, on the question of whether there was an excessive degree of concentration on either date in many cities; the point is simply that measurements of this type for a single recent date may lead to the inference that concentration in major cities is increasing, whereas the facts do not warrant such a conclusion.

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[2] *Regulation of Bank Mergers*, Hearings before the Committee on Banking and Currency, United States Senate, 86th Congress, 1st session, on S. 1062, p. 88.

[fol. 6582]

Table 28. Deposits in the Largest Commercial Bank, and in the Largest Five Commercial Banks, in Each State, 1920, 1934, 1940 and 1958

State	Percentage of all deposits in the largest bank or bank group[1]				Percentage of all deposits in the largest five banks or bank group[1]			
	Dec. 31, 1920	Dec. 31, 1934	Dec. 31, 1940	Dec. 31, 1958	Dec. 31, 1920	Dec. 31, 1934	Dec. 31, 1940	Dec. 31, 1958
14 States with statewide branch banking prevalent								
Nevada	12.5	52.9	77.1 (80.8)	65.9 (75.4)	49.4	83.7	91.3 (94.8)	98.5 (100.0)
Rhode Island	30.7	38.9 (41.6)	35.7 (38.0)	53.9	71.9	81.5 (84.1)	79.6 (81.9)	96.2
Arizona	6.4	25.8	46.1	47.5	26.7	68.2	85.3 (89.2)	98.8 (99.4)
California	6.9	29.9 (30.6)	34.3 (35.5)	43.6	23.4	63.1 (63.9)	65.2 (66.4)	75.9 (80.2)
Oregon	11.9	40.6	45.6	43.4	42.0	73.2	87.3 (87.7)	89.1
Delaware	23.6	35.2	52.0	38.0	63.4	73.3	81.3	86.1
Idaho	4.9	29.7	27.5	36.8	18.7	57.4 (60.2)	68.0	85.9
Washington	5.5	24.9	35.2	33.3	22.4	53.8 (55.6)	69.1	72.3 (73.1)
Utah	8.3	19.1 (26.1)	19.2 (25.6)	31.9 (32.9)	32.6	65.4 (79.3)	61.6 (77.8)	77.6 (78.6)
South Carolina	5.0	14.2	25.2	25.3	12.6	46.0	51.3	51.1
North Carolina	5.8	19.2	20.5	20.6	13.9	43.9	48.4	47.1
Connecticut	4.6	11.8	12.6	18.0	21.7	35.6 (37.3)	38.7	53.5
Maryland	4.9	30.7	29.5	12.7	20.3	52.5	55.3	48.4
Vermont	4.7	5.8	6.2	10.2	18.8	21.9	22.6	35.4
16 States with limited area branch banking prevalent								
Massachusetts	11.2	32.3 (37.4)	33.6 (38.6)	28.7	35.5	55.6 (61.4)	57.7 (63.5)	50.4 (60.8)
Michigan	8.5	30.2	30.6	21.6	26.2	55.1	57.7	51.0
Alabama	13.5	20.1 (21.1)	21.4	18.2	34.4	51.0 (51.9)	54.5	40.8
Georgia	10.2	26.7	24.1	17.3 (21.1)	26.4	60.7 (67.3)	61.7 (67.6)	48.1 (56.7)
New Mexico	10.6	14.4	17.4	17.1	27.3	55.8	54.3	46.3 (55.5)
New York	8.6	13.4	16.0	16.3	28.5	46.0	51.7	52.1
Louisiana	16.3	30.2	26.1	15.2	47.1	63.2	59.1	39.6
Pennsylvania	3.1	9.0 (17.7)	11.4 (18.5)	13.4	12.4	30.0 (39.0)	32.9 (42.0)	37.3
Maine	6.3	7.4	8.4	12.9	23.1	29.2 (30.4)	29.3 (29.9)	40.5

Table 28. Deposits in the Largest Commercial Bank, and in the Largest Five Commercial Banks, in Each State, 1920, 1934, 1940 and 1958 —continued

State	Percentage of all deposits in the largest bank or bank group[1]				Percentage of all deposits in the largest five banks or bank group[1]			
	Dec. 31, 1920	Dec. 31, 1934	Dec. 31, 1940	Dec. 31, 1958	Dec. 31, 1920	Dec. 31, 1934	Dec. 31, 1940	Dec. 31, 1958
Ohio	12.0	16.0	15.8	12.7	25.5	38.1 (39.2)	38.3 (38.9)	32.9 (35.1)
Mississippi	3.2	4.5	6.9	11.8	13.8	19.7	22.2	28.3
Kentucky	9.8	13.3	14.7	11.7	21.9	32.9 (35.8)	36.6 (39.6)	32.2 (32.8)
Tennessee	6.0	11.0 (15.9)	13.8 (14.5)	11.2	24.7	46.3 (56.1)	48.7 (55.4)	40.3
Indiana	3.6	12.6	14.2	10.3	11.8	27.3	29.5	27.4
Virginia	6.3	11.9	12.1	7.5	20.0	34.4	35.2	27.5
New Jersey	4.9	8.7	8.8	6.8	16.3	21.6 (21.8)	21.9	24.6
[fol. 6583]								
18 States with unit banking prevalent								
Nebraska	4.5	13.2 (15.9)	14.4	16.5	15.2	40.5 (47.6)	41.7 (45.6)	36.6 (39.9)
Wisconsin	10.7	24.9 (34.5)	24.8 (31.4)	16.3 (20.2)	20.6	38.5 (46.9)	38.7 (44.0)	29.3 (32.9)
Illinois	10.5	27.5	28.0	16.1	25.9	70.1	66.5	42.2
Colorado	9.8	19.0	18.2	15.7	33.4	57.7	54.7	44.1
North Dakota	5.9	28.0	21.5	15.3	11.7	44.0 (67.2)	37.5 (58.5)	27.8 (56.8)
Oklahoma	5.7	12.9	13.7	13.5	15.4	42.1	44.5	43.5
Minnesota	6.6	17.1 (38.4)	15.5 (35.9)	12.1 (29.7)	30.0	53.9 (70.4)	51.4 (67.8)	35.8 (63.8)
Wyoming	8.1	9.6	12.3	11.9 (16.8)	25.0	38.1	40.6	41.2 (46.0)
Missouri	9.4	16.5	16.9	9.9	25.4	55.3 (56.1)	53.4	36.6 (37.3)
South Dakota	2.1	6.0 (29.4)	10.5 (28.6)	8.8 (24.1)	6.9	21.6 (49.5)	36.1 (48.7)	30.3 (42.3)
Kansas	1.5	6.5	7.3	7.8 (8.4)	5.8	21.6	22.2	18.8 (19.4)
Texas	2.7	8.6	7.7	7.7	11.0	25.4 (26.8)	23.3 (24.6)	27.7
Arkansas	4.1	8.1	10.7	7.0	14.0	31.8	36.7	24.1
Florida	9.7	14.9 (18.9)	14.0 (17.9)	6.8 (13.4)	28.0	46.7 (59.4)	42.6 (58.3)	21.0 (34.1)
West Virginia	3.2	8.5	7.7	6.5	12.7	31.0	30.0	24.3
New Hampshire	7.5	6.9 (7.6)	5.9 (8.5)	6.1 (10.8)	23.9	29.2 (31.4)	26.2 (29.3)	25.3 (31.4)
Montana	4.1	9.2 (38.0)	8.6 (37.0)	5.6 (30.6)	15.4	38.3 (69.3)	36.4 (63.9)	24.5 (57.3)
Iowa	1.6	7.8 (10.7)	6.3 (8.7)	4.6 (6.7)	6.0	23.6 (26.6)	22.6 (25.0)	17.6 (19.6)

[1] Figures in parentheses indicate percentages if banks in a group are tabulated as a bank and branches in the State.

[fol. 6584] Table 29. Deposits in the Largest Commercial Bank, and in the Largest Five Commercial Banks, in the Principal County (or Counties) in 48 Metropolitan Areas, 1920, 1934, and 1958 [1]

Metropolitan area	Percentage of all deposits in the largest bank or bank group [2]			Percentage of all deposits in the largest five banks or bank group [2]		
	Dec. 31, 1920	Dec. 31, 1934	Dec. 31, 1958	Dec. 31, 1920	Dec. 31, 1934	Dec. 31, 1958
31 metropolitan areas in States with limited area branch banking prevalent:						
Birmingham: Jefferson County, Alabama	43.8	64.0 (66.9)	62.1	89.9	96.7 (99.2)	98.8
Norfolk-Portsmouth: Norfolk County and Norfolk and Portsmouth Cities, Virginia	22.1	48.8	56.3	61.7	92.3	97.2
Toledo: Lucas County, Ohio	19.9	71.3	54.9	64.9	97.3	93.6
Dayton: Montgomery County, Ohio	33.1	54.4	54.6	69.1	94.3	93.5
Pittsburgh: Allegheny County, Pennsylvania	11.9	24.3 (62.6)	53.1	39.6	70.5 (84.6)	85.8
Boston: Suffolk County, Massachusetts	18.1	50.3 (50.4)	52.2	57.5	86.3 (86.4)	91.6
Knoxville: Knox County, Tennessee	24.9	64.1	50.4	82.6	99.4	100.0
Columbus: Franklin County, Ohio	13.2	40.1 (41.8)	49.6 (52.1)	56.7	95.0 (96.6)	92.8 (95.3)
Buffalo: Erie and Niagara Counties, New York	31.4	41.6 (52.2)	48.8	64.7	86.6 (91.3)	95.2
Akron: Summit County, Ohio	25.1	32.1	46.4	68.2	96.1	96.8
Rochester: Monroe County, New York [3]	22.6	27.3	46.0	73.2	86.8	99.6
Memphis: Shelby County, Tennessee	25.5	40.4	45.5	65.9	99.3	97.2 (97.4)
Atlanta: DeKalb and Fulton Counties, Georgia	26.2	65.5	44.6	86.7	98.9	89.7 (92.5)
Cleveland: Cuyahoga County, Ohio	39.5	52.0	44.4	80.2	98.2	97.3
Indianapolis: Marion County, Indiana	20.7	39.6	41.7	65.8	86.0	99.5
New Orleans: Orleans County, Louisiana	30.9	52.9	41.6	89.2	100.0	99.7
Detroit: Wayne County, Michigan	19.3	53.8	41.2	59.4	95.5	89.4
Nashville: Davidson County, Tennessee	35.3	48.8 (49.0)	39.8	84.5	99.3 (99.7)	98.9
Syracuse: Onondaga County, New York	37.8	46.0 (48.9)	33.6	90.7	92.4	97.6
Albany-Schenectady-Troy: Albany, Rensselaer and Schenectady Counties, New York	20.7	29.4	33.3	61.4	76.6	81.2
Cincinnati: Hamilton County, Ohio	18.2	26.0	33.0	56.8	80.0	94.9
Louisville: Jefferson County, Kentucky	35.9	35.2	32.5	79.9	85.9 (89.5)	89.7 (91.4)

Metropolitan area	Percentage of all deposits in the largest bank or bank group[2]			Percentage of all deposits in the largest five banks or bank group[2]		
	Dec. 31, 1920	Dec. 31, 1934	Dec. 31, 1958	Dec. 31, 1920	Dec. 31, 1934	Dec. 31, 1958
Washington: District of Columbia	13.7	29.4	32.4	45.8	68.1	85.0
Richmond: Richmond City and Henrico County, Virginia	24.5	39.5	31.3 (35.3)	75.4	91.6	94.9
Springfield-Holyoke: Hampden County, Massachusetts	15.4	29.0 (29.1)	29.0	61.7	80.6	85.7
Youngstown: Mahoning and Trumball Counties, Ohio	23.6	26.2	25.5	65.1	80.4	84.4
Philadelphia: Philadelphia County, Pennsylvania	10.3	26.7	25.1	31.6	65.4	85.1
New York City: Bronx, Kings, New York, Queens, and Richmond Counties, New York	10.6	15.9	20.5	34.9	54.8	65.8
Wilkesbarre-Hazleton: Luzerne County, Pennsylvania	9.8	15.4	20.4	31.2	43.6	55.1
Allentown-Bethlehem-Easton: Lehigh and Northampton Counties, Pennsylvania	6.8	10.3	16.9	30.5	41.3	49.9
Northeastern New Jersey: Essex, Hudson, and Passaic Counties, New Jersey	8.9	15.3	16.0	29.7	37.9 (38.3)	58.1
[fol. 6585]						
17 metropolitan areas in States with unit banking prevalent						
Omaha: Douglas County, Nebraska	21.0	34.1	47.4	71.6	95.5 (98.4)	91.2 (94.5)
Oklahoma City: Oklahoma County, Oklahoma	26.1	51.3	44.5	68.6	95.6	83.3
Milwaukee: Milwaukee County, Wisconsin	38.3	64.8 (67.7)	43.3 (43.5)	73.5	92.9 (94.9)	74.8 (77.0)
Wheeling-Steubenville: Ohio County, West Virginia	23.9	44.3	41.0	64.0	88.0	91.0
Fort Worth: Tarrant County, Texas	23.6	46.0	36.9	77.4	98.4	83.8 (87.3)
Dallas: Dallas County, Texas	27.1	45.7	34.8	84.3	96.5 (99.0)	87.8
Charleston: Kanawha County, West Virginia	27.2	43.2	32.9	76.2	97.7	88.3
Jacksonville: Duval County, Florida	40.7	46.0	31.9 (34.9)	93.0	100.0	89.5 (95.4)
Houston: Harris County, Texas	24.1	21.7	30.8	83.0	79.7	75.6
Kansas City: Clay and Jackson Counties, Missouri	13.8	35.5 (39.1)	29.7	53.7	82.8 (85.4)	71.5 (73.9)
Denver: Denver County, Colorado	20.5	31.6	28.8	70.0	93.3	80.9
San Antonio: Bexar County, Texas	15.5	39.1	28.5	63.2	94.8	78.7
Miami: Dade County, Florida	32.0	59.8 (65.1)	27.5	90.7	94.1 (99.3)	53.3 (55.1)

Minneapolis-St. Paul: Hennepin and Ramsey Counties, Minnesota	18.7	29.6 (59.1)	24.2 (45.3)	60.0	90.8 (97.7)	71.3 (92.2)
Chicago: Cook County, Illinois	16.2	34.3	22.5	39.9	87.3	59.1
St. Louis: St. Louis City and St. Louis County, Missouri	23.7	34.0	22.1	59.2	80.1	60.7 (63.6)
Tampa-St. Petersburg: Hillsborough and Pinellas Counties, Florida	20.8	33.4	15.6	66.0	86.9	57.8

[1] Principal counties in 47 of the 57 most populous metropolitan areas in continental United States, as defined by the Bureau of the Budget, January 15, 1957. The metropolitan areas to which the table pertains are those with a population in 1950 of over 300,000, excluding 10 which are in States with statewide branch banking prevalent. For this table the New York-Northeastern New Jersey metropolitan area is divided between the New York and the New Jersey portions, so that 48 areas are listed. In these areas, as defined by the Bureau of the Budget, there are 139 counties and independent cities and the District of Columbia. Of these, 66 counties and independent cities and the District of Columbia are included in this tabluation as principal c[illegible]ies. For treatment of counties in New England States (where metropolitan areas are defined in terms of cities and towns) see no[illegible] Table 24.

[2] Figures in parentheses indicate percentages if banks in a group a[illegible]t [illegible]ulated as a bank and branches in the area.

[fol. 6586] A more comprehensive tabulation relating to banking concentration by cities is given in Table 29, which shows for 48 metropolitan areas the percentage of all commercial bank deposits in the principal counties of the area that were held by the largest bank, and by the largest five banks, in 1920, 1934, and 1958.[1] The 48 metropolitan areas are in States in which limited area branch banking, or unit banking throughout the State, is prevalent. Similar tabulations from available data for ten metropolitan areas in the States in which statewide branch banking is prevalent are not presented because they would be meaningless.[2]

At the end of 1958 the percentage of the deposits of the banks in the principal metropolitan area counties held by the largest bank ranged from 16 percent to 62 percent in the 48 metropolitan areas; the corresponding range in 1934 was from 10 percent to 71 percent, and in 1920 from 7 percent to 44 percent. The percentage of deposits held by the largest five banks in the respective areas ranged from 50 percent to 100 percent in 1958, from 38 percent to 100 percent in 1934, and from 30 percent to 93 percent in 1920. These ranges indicate a tendency for an increasing concentration from 1920 to 1934 and suggest that there may have been a similar tendency from 1934 to 1958. But when the data for the individual metropolitan areas are examined, it is clear that there was considerable difference between the two periods. In all but two of the 48 areas the largest bank held a larger proportion of the deposits of all the

[1] Tabulations for 1940, included in the preceding table by States, are not given because tabulations pertaining to all banks by county are not available. The State data suggest that the bank concentration in metropolitan areas was higher in 1940 than in 1934.

[2] This is because they would pertain to the deposits in branches throughout the State, with the banks grouped according to the head office county. Tabulations of commercial bank deposits in offices located in each county are available for some recent years, but the data for individual banks from which the county tabulations are derived are not available at the Federal Deposit Insurance Corporation, and comparable data were not reported for any pre-World War II date.

banks in 1934 than in 1920, and in all but one the proportion held by the largest five banks also increased. But in 29 of the areas, the largest bank in 1958 held a smaller proportion than in 1934 of the deposits of all the banks; and in 25 of the areas, the largest five banks in 1958 held a smaller proportion than in 1934 of the deposits of all the banks. Evidently, in the majority of these metropolitan areas, any increased concentration since 1934 consequent upon bank mergers has been more than offset by expansion of the smaller banks of the area.

In 19 of the 48 metropolitan areas tabulation of the banks in a group as though they were a bank and branches yields higher figures for percentages of the deposits of the area held by the largest bank or bank group, or by the largest five banks or bank groups, or both, for 1934 or 1958, or both of these years, than for the largest bank or the largest five banks. However, as in the case of the data by States, these do not affect the conclusion that in a majority of the metropolitan areas the degree of concentration of deposits in one or in five banks or bank groups was less in 1958 than in 1934.

[fol. 6587] Some Observations on Bank Competition

A general analysis of changes in bank competition during the last several decades is beyond the scope of this report on changes in number of banking offices and the relative position of banks. Nevertheless, the two subjects are related, since data on changes in the number and distribution of banks and branches are essential, though not sufficient, for an appraisal of changes in competition among banks. It has been asserted in recent years that there has been a marked decrease in bank competition as a direct result of the decline in number of banks since 1920. Information collected for this report does not support such an assumption.

The decline in number of banks during the 1920's and early 1930's is largely attributable to the elimination of uneconomic units which could not survive economic changes and excessive competition of too many banks. The significant question is whether there has been a decline in competition over and above that attributable to the elimination of uneconomic units in that period.

The three measures of concentration used above—pro-

portion of deposits held by a specific number or percentage of banks in the nation, the proportion of deposits in each State held by the largest bank and the largest five banks in the State, and the proportion of deposits in the leading counties in each of 48 metropolitan areas held by the largest bank and the largest five banks in the area—all point toward the conclusion that there has been no general increase in bank concentration during the past twenty or twenty-five years. If increasing concentration is taken as evidence of declining competition, the data suggest that the banking system of the nation in the late 1950's, though less competitive than in 1920, was more competitive than in the middle 1930's or early 1940's.

However, it should be kept in mind that there is no fixed relationship between changes in concentration and changes in competition. Other developments in the economy also have an impact on the degree of competition. To what extent, for example, has the quite remarkable change in transportation and communication facilities since 1921 altered the competitive picture? Is the banking situation in a town which had three banks in 1921 less competitive today with only one bank, but with two banks within easy driving distance? Banks in neighboring towns, in neighboring counties, and in neighboring States often compete with the local bank in today's market, at least for certain types of business, but there is no way of measuring the extent of this competition, nor is it possible to compare the degree of such competition with that which may have existed in 1921.

[fol. 6588] Quite apart from the possibility of competition from banks located near a particular community, a reduction in number of banks within a community will not, by itself, justify a conclusion that competition has been diminished. For example, when the number of banks is reduced from five to three, is competition increased or decreased thereby if the result is three strong banks rather than five weak banks? Or if a community had two banks in 1921 and now has in their places two branches, each of a different bank, is competition for the banking business in the community likely to be any less between the two branches than it was between the two banks? Still another element in the competitive picture is the continuing growth of metropolitan areas. Many local communities which have

undergone a reduction in the number of banks during the past forty years have, during the same period, become a part of a metropolitan area, and now have more ready access than formerly to a broad range of banking services.

From the point of view of an individual bank customer, the decline in number of banks since 1921 may or may not have altered the competitive picture, the answer depending in part on the magnitude of the customer's own business. For large business concerns it seems quite probable that there has been an increase during the past 40 years in the competition among banks for their business. That is to say, the larger banks, mostly located in large cities, compete with each other for the patronage of concerns doing a nationwide business. With the greatly increased facilities of transportation and communication of recent years, there is more competition of this sort now than formerly, regardless of the changes which have occurred in the number of banks or the number and location of banking offices.

However defined, the banking "giants" competing on a nationwide basis appear to be sufficiently numerous to maintain active competition among themselves. Banking is perhaps the only industry in which attempts to demonstrate a decline in competition invoke the size of the 100 largest—or 50 or 25 or 10 largest—units in the industry in the nation. In any other industry—say automobile, steel, or electronics—this many "giants" would be taken as *prima facie* evidence of a high degree of competition.

Of course, not all bank customers have access to the nation's large banks; the majority depend upon banks in their own area for such facilities and services as they require. For an individual or a small firm, a reduction in the number of banks operating in a community from two to one may effectively remove the only nearby alternative source of bank credit. On the other hand, some of the requirements of such bank customers can be handled by other financial institutions, which have grown in considerable importance in many areas of the country, or by banks [fol. 6589] at a greater distance away than would have been feasible a few decades ago.

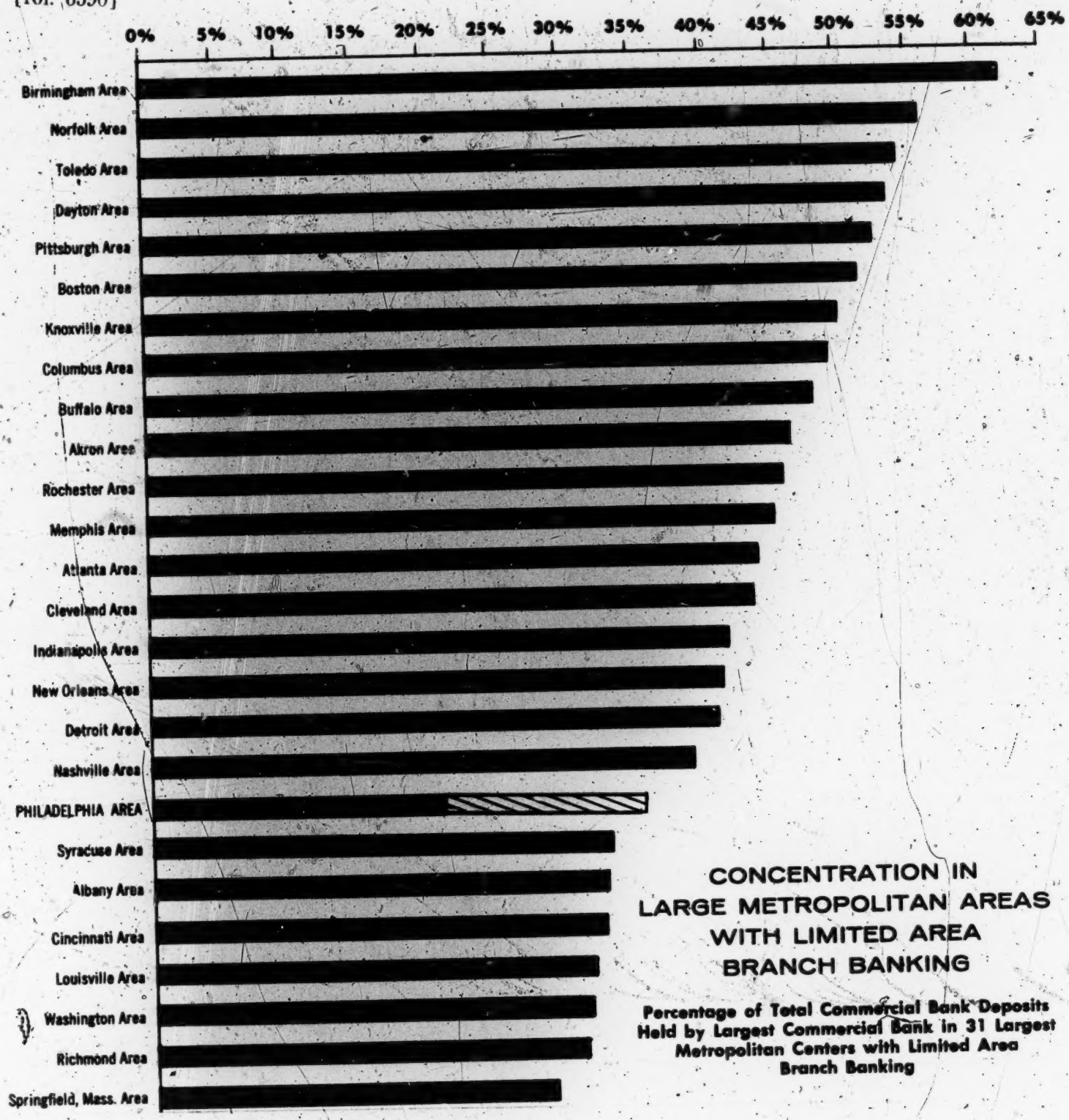
It must also be recognized that though we have a changing economy that increases the need for banking services in most parts of the nation, some localities are adversely

affected and as a consequence some independent banks are destined to disappear. New highways, particularly those with limited access, may divert the patronage of some local banks to other places because of changes in the flow and routing of traffic. Working forces of an industrial establishment that formed a significant part of the clientele of a local bank may be curtailed because of technical developments, or disappear entirely with the closing of a plant. Absorption of the remaining business of a local bank caught in such a situation may by the only reasonable solution to its difficulties.

No easy or simple answer can be given to the question of the extent to which bank competition has been affected by changes in the number of banks and in the relative position of banks since 1921. If there have been significant changes in the nature of competition among banks, or an appreciable reduction in the intensity of competition among them; the evidence of such changes must come from something other than an examination of changes in the number of banks and in their relative position.

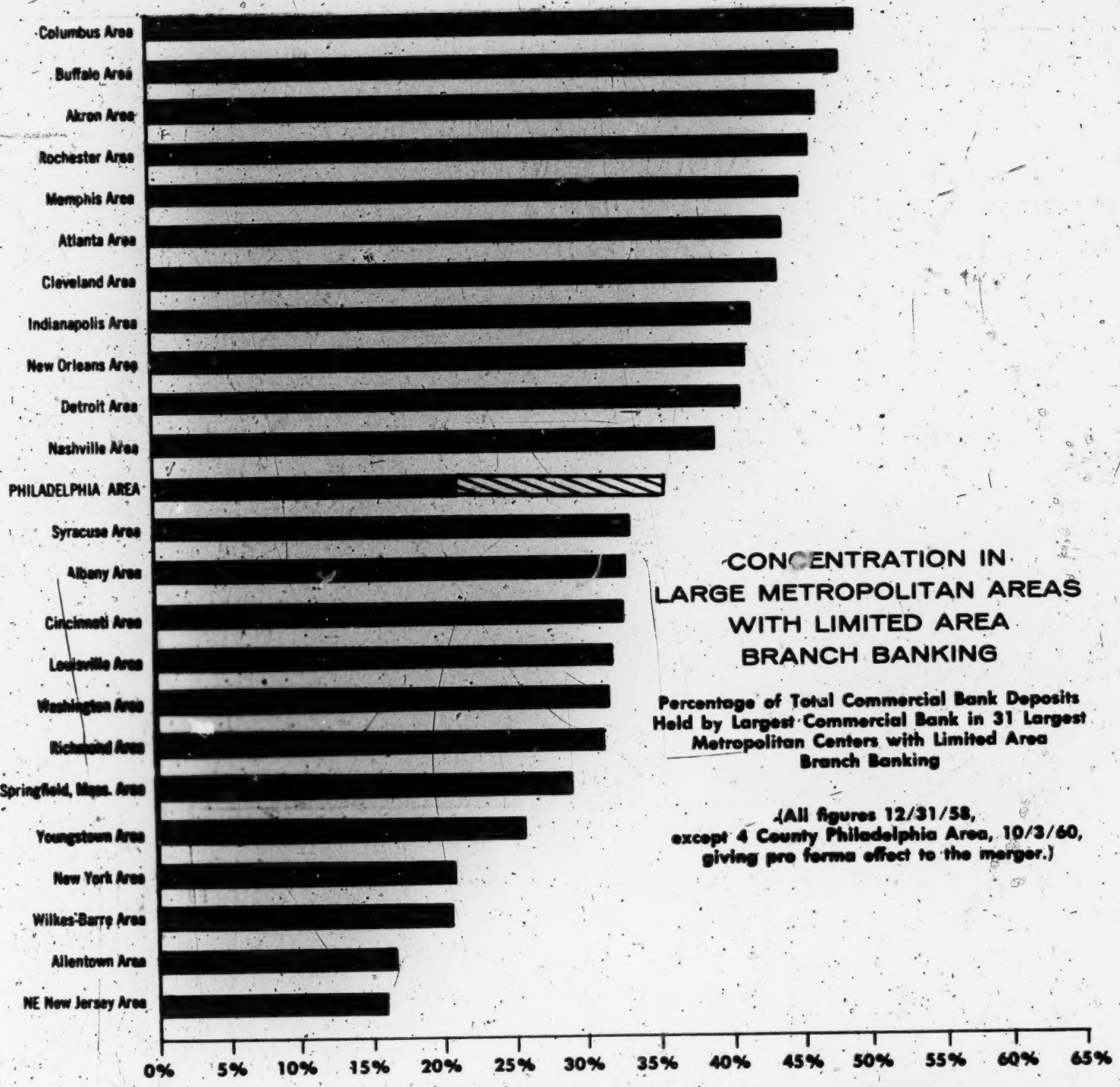
[fol. 6590]

DEFENDANT'S EXHIBIT 52



CONCENTRATION IN LARGE METROPOLITAN AREAS WITH LIMITED AREA BRANCH BANKING

Percentage of Total Commercial Bank Deposits Held by Largest Commercial Bank in 31 Largest Metropolitan Centers with Limited Area Branch Banking



CONCENTRATION IN LARGE METROPOLITAN AREAS WITH LIMITED AREA BRANCH BANKING

Percentage of Total Commercial Bank Deposits Held by Largest Commercial Bank in 31 Largest Metropolitan Centers with Limited Area Branch Banking

(All figures 12/31/58, except 4 County Philadelphia Area, 10/3/60, giving pro forma effect to the merger.)

SOURCES:
Philadelphia, Government Exhibit G2 for Identification
All other: FDIC

1967

[fol. 6591] DEFENDANTS' EXHIBIT 53

Table 38. Relative Importance of the Largest Commercial Banks in the United States, December 31, 1960

Bank group	Entire United States	50 States and D. C.	48 States and D. C.
All commercial banks			
Number	13,484	13,471	13,446
Deposits (millions)	$230,532	$229,824	$228,888
Largest 100 banks			
Percent of number of all commercial banks	0.74%	0.74%	0.74%
Deposits (millions)	$105,838	$105,838	$105,837
Percent of deposits of all commercial banks	45.9%	46.1%	46.2%
Largest 10 banks			
Deposits (millions)	$46,436	$46,436	$46,436
Percent of deposits of all commercial banks	20.1%	20.2%	20.3%
Largest bank			
Deposits (millions)	$10,285	$10,285	$10,285
Percent of deposits of all commercial banks	4.5%	4.5%	4.5%
Largest 1 percent of the banks			
Number of banks	135	135	134
Deposits (millions)	$115,032	$115,032	$114,657
Percent of deposits of all commercial banks	49.9%	50.1%	50.1%
Largest ½ of 1 percent of the banks			
Number of banks	67	67	67
Deposits (millions)	$93,522	$93,522	$93,522
Percent of deposits of all commercial banks	40.6%	40.7%	40.9%
Largest 1/10 of 1 percent of the banks			
Number of banks	13	13	13
Deposits (millions)	$52,783	$52,783	$52,783
Percent of deposits of all commercial banks	22.9%	23.0%	23.1%

Source: Page 100 of the Annual Report of the FDIC for 1960.

Table 39. Commercial Banking Offices and Percentage of Deposits in the Largest Banks in Each State, December 31, 1960

	Number of commercial banks and trust companies	Number of offices operated	Population per bank [1]	Population per office [1]	Percentage of deposits of all commercial banks in— Largest bank	Largest three banks	Largest five banks
16 States with Statewide branch banking prevalent [2]							
Nevada	7	44	40,754	6,484	63.1%	86.4%	97.2%
Rhode Island	17	135	50,558	6,367	52.6	89.9	95.9
Arizona	10	189	130,216	6,890	47.2	86.1	96.9
Delaware	22	80	20,286	5,579	44.8	79.2	91.5
Oregon	52	247	34,013	7,161	43.7	86.3	88.4
Hawaii	12	98	52,731	6,457	43.0	87.9	95.7
California	117	1,793	134,335	8,766	42.3	65.7	77.7
Idaho	32	115	20,850	5,802	36.0	74.5	83.8
Washington	91	391	31,354	7,297	33.4	60.7	72.2
Utah	50	124	17,813	7,182	30.3	64.4	76.5
Alaska	13	46	17,397	4,917	29.4	62.2	79.1
South Carolina	145	292	16,432	8,160	24.7	42.2	51.3
North Carolina	183	691	24,897	6,594	23.3	46.2	56.1
Connecticut	141	396	17,980	6,402	18.0	42.1	55.6
Maryland	139	422	22,307	7,348	16.2	40.3	55.1
Vermont	62	96	6,288	4,061	9.4	25.6	35.2
16 States with limited area branch banking prevalent [2]							
Massachusetts	356	852	14,462	6,043	27.5	42.9	53.4
Michigan	380	958	20,587	8,166	21.5	40.7	50.1
Alabama	238	328	13,726	9,960	17.8	31.3	40.6
Georgia	421	527	9,366	7,482	17.2	40.0	48.2
New York	529	2,066	31,725	8,123	16.6	39.6	54.8
New Mexico	55	111	17,291	8,568	16.5	37.1	45.4
Louisiana	190	366	17,142	8,899	14.3	29.3	38.7

Maine	79	218	12,269	4,446	13.2	32.9	46.5
Pennsylvania	710	1,552	15,943	7,293	12.9	27.8	38.7
Ohio	587	1,228	16,536	7,904	11.8	23.4	30.9
Mississippi	193	329	11,286	6,620	11.7	24.7	28.7
Tennessee	297	513	12,010	6,953	11.5	28.6	40.8
Kentucky	355	501	8,558	6,064	11.2	27.0	33.5
Indiana	447	758	10,431	6,151	9.8	23.8	29.3
Virginia	305	589	13,006	6,735	7.7	20.2	27.7
New Jersey	274	731	22,142	8,299	6.3	16.8	23.5
18 States with unit banking prevalent[2]							
Illinois	966	970	10,436	10,393	15.9	35.4	42.1
Colorado	192	199	9,135	8,814	15.8	37.5	47.0
Wisconsin	563	721	7,019	5,481	15.4	24.9	28.6
Nebraska	426	438	3,313	3,222	14.8	27.9	37.6
North Dakota	156	185	4,054	3,419	14.0	21.2	27.4
Oklahoma	389	412	5,985	5,651	12.3	32.6	32.1
Minnesota	690	696	4,948	4,905	12.0	31.1	35.6
Wyoming	55	56	6,001	5,894	11.2	28.7	38.8
Missouri	626	651	6,901	6,636	9.5	26.5	35.7
South Dakota	174	233	3,911	2,921	8.8	22.4	31.2
Texas	1,011	1,039	9,475	9,220	8.2	21.0	27.8
Florida	309	323	16,024	15,330	7.0	15.0	20.3
Arkansas	237	283	7,537	6,312	6.8	17.2	23.3
Kansas	587	612	3,711	3,560	6.8	14.3	18.7
West Virginia	182	182	10,222	10,222	6.1	17.2	22.6
Montana	121	122	5,577	5,531	5.7	15.8	24.4
New Hampshire	107	113	5,672	5,371	5.7	16.3	25.5
Iowa	673	856	4,097	3,221	4.7	11.9	17.4

[1] Computed from population, April 1, 1960.

[2] Classification of States by prevalent type of bank organization as of December 31, 1958, described in Table 23 of this Report, p. 45.

Source: Page 101 of the Annual Report of the FDIC for 1960.

Giving effect to the merger, the Percentage of deposits of all commercial banks in the Largest bank, the Largest three banks and the Largest five banks in Pennsylvania would be, respectively, 12.9%, 32.6%, and 42.0%.

Sources: Directory of Philadelphia Banks and Trust Companies; John F. Hyle, Assistant Comptroller, Mellon National Bank; page 137 of the Annual Report of the FDIC for 1960.

DEFENDANTS' EXHIBIT 55

Table 40. Commercial Banking Offices and Percentage of Deposits in the Largest Banks in the Principal County (or Counties) in 65 Metropolitan Areas, June 15, 1960[1]

Metropolitan area	Number of commercial banks and trust companies operating in county (or counties)[1]	Number of offices operated	Population per office[2]	Percentage of deposits of all commerical banks in—[3]		
				Largest bank	Largest three banks	Largest five banks
13 metropolitan areas in States with Statewide branch banking prevalent[4]						
Sacramento: Sacramento County, California	10	46	10,930	51.1%	91.8%	96.2%
Phoenix: Maricopa County, Arizona	6	82	8,092	50.8	96.9	99.2
Providence: Bristol, Kent and Providence Counties, Rhode Island	7	77	9,332	47.8	86.7	93.2
San Jose: Santa Clara County, California	8	71	9,047	44.7	79.6	96.3
Honolulu: Honolulu County, Hawaii	10	61	8,203	42.6	87.1	96.7
San Diego: San Diego County, California	7	97	10,650	42.0	87.3	98.5
Hartford: Hartford County, Connecticut	18	62	11,122	40.1	81.7	87.9
Portland: Clackamas and Multnomah Counties, Oregon	11	62	10,256	39.3	86.5	91.4
Los Angeles: Los Angeles County, California	47	566	10,669	38.4	77.9	90.3
Seattle: King County, Washington	15	99	9,445	31.9	67.9	88.0
San Bernardino: Riverside and San Bernardino Counties, California	13	90	8,998	29.1	67.7	88.7
San Francisco: Alameda and San Francisco Counties, California	18	224	7,359	28.1	59.6	76.4
Baltimore: Baltimore City and Baltimore County, Maryland	13	116	12,340	23.0	58.7	79.1
34 metropolitan areas in States with limited area branch banking prevalent[4]						
Birmingham: Jefferson County, Alabama	7	36	17,635	60.9	92.8	99.3
Toledo: Lucas County, Ohio	7	39	11,716	53.5	90.1	97.5
Dayton: Montgomery County, Ohio	12	33	15,972	52.4	82.2	92.5
Pittsburgh: Allegheny County, Pennsylvania	33	141	11,550	51.7	82.2	89.4
Boston: Suffolk County, Massachusetts	15	93	8,509	51.5	78.3	90.5

Knoxville: Knox County, Tennessee	6	21	11,930	49.1	88.2	100 0
Columbus: Franklin County, Ohio	16	49	13,938	47.6	87.6	91.5
Norfolk: Norfolk City, Portsmouth City and Norfolk County, Virginia	8	48	9,818	47.5	76.1	88.2
Akron: Summit County, Ohio	7	30	17,119	45.1	83.6	96.3
Memphis: Shelby County, Tennessee	9	51	12,294	43.9	92.6	97.0
Rochester: Monroe County, New York	6	52	11,276	43.7	87.5	99.5
Detroit: Wayne County, Michigan	24	240	11,110	42.6	78.1	89.2
New Orleans: Orleans County, Louisiana	6	39	16,090	41.8	84.8	99.3
Nashville: Davidson County, Tennessee	9	43	9,296	41.4	89.4	98.4
Indianapolis: Marion County, Indiana	6	82	8,507	41.1	96.8	99.6
Cleveland: Cuyahoga County, Ohio	8	148	11,134	38.1	78.1	97.9
Buffalo: Erie and Niagara Counties, New York	15	129	10,131	37.4	76.7	91.2
Gary: Lake County, Indiana	15	37	13,872	35.3	62.5	77.8
Washington: District of Columbia	12	77	9,922	34.9	74.4	87.0
Syracuse: Onondaga County, New York	8	47	9,001	34.8	77.0	97.2
Richmond: Richmond City and Henrico County, Virginia	10	43	7,844	34.7	79.5	95.3
Albany: Albany, Rensselaer and Schenectady Counties, New York	15	57	9,972	34.2	67.7	76.0
Cincinnati: Hamilton County, Ohio	11	95	9,096	33.4	81.7	95.2
Springfield: Hampden County, Massachusetts	9	45	9,541	32.3	71.6	88.1
Atlanta: Fulton and DeKalb Counties, Georgia	28	69	11,784	30.9	71.8	87.1
Louisville: Jefferson County, Kentucky	11	69	8,854	30.1	67.5	88.0
Jersey City: Hudson County, New Jersey	14	61	10,012	27.6	60.0	87.4
Philadelphia: Philadelphia County, Pennsylvania	21	143	14,004	26.1	63.7	83.6
Youngstown: Mahoning and Trumbull Counties, Ohio	15	47	10,830	23.0	58.5	82.1
Newark: Essex and Union Counties, New Jersey	33	137	10,422	21.8	56.0	65.9
New York: Bronx, Kings, New York, Queens and Richmond Counties, New York	51	630	12,352	20.3	49.0	67.5
Wilkesbarre: Luzerne County, Pennsylvania	32	52	6,672	19.1	40.6	51.6
Paterson: Bergen and Passaic Counties, New Jersey	42	119	9,974	17.9	37.1	43.1
Allentown: Lehigh and Northampton Counties, Pennsylvania	31	52	8,249	17.3	39.2	56.7
18 metropolitan areas in States with unit banking prevalent:						
Omaha: Douglas County, Nebraska	15	18	19,083	45.7	82.0	89.2
Milwaukee: Milwaukee County, Wisconsin	32	46	22,523	42.2	68.4	74.4
Wheeling: Ohio County, West Virginia	7	7	9,777	41.4	70.4	90.7

Table 40. Commercial Banking Offices and Percentage of Deposits in the Largest Banks in the Principal County (or Counties) in 65 Metropolitan Areas, June 15, 1960[1]

Metropolitan area	Number of commercial banks and trust companies operating in county (or counties)[1]	Number of offices operated	Population per office[2]	Percentage of deposits of all commercial banks in—[3]		
				Largest bank	Largest three banks	Largest five banks
Tulsa: Tulsa County, Oklahoma	19	20	17,302	38.8	81.4	87.3
Oklahoma City: Oklahoma County, Oklahoma	24	30	14,650	37.0	69.7	79.5
Fort Worth: Tarrant County, Texas	21	22	24,477	35.1	76.6	80.9
Dallas: Dallas County, Texas	38	38	25,040	35.0	79.8	84.8
Charleston: Kanawha County, West Virginia	12	12	21,077	32.3	70.4	84.6
Jacksonville: Duval County, Florida	16	19	23,969	30.8	79.4	86.6
Kansas City: Clay and Jackson Counties, Missouri	57	62	11,455	29.4	63.0	69.4
Denver: Denver County, Colorado	24	29	17,031	28.7	68.6	85.3
Houston: Harris County, Texas	62	63	19,733	28.2	60.1	72.6
Miami: Dade County, Florida	37	38	24,607	26.8	41.1	49.8
San Antonio: Bexar County, Texas	23	25	27,486	26.8	66.8	77.9
Minneapolis: Hennepin and Ramsey Counties, Minnesota	66	72	17,575	23.1	60.4	69.0
St. Louis: St. Louis City and St. Louis County, Missouri	64	70	29,765	22.6	51.5	58.8
Chicago: Cook County, Illinois	154	154	33,310	22.2	48.1	57.5
Tampa: Hillsboro and Pinellas Counties, Florida	32	33	23,408	14.8	38.0	53.4

[1] Principal counties in standard metropolitan areas as defined by the Bureau of the Budget, with population of 400,000 or more on April 1, 1960, except that in Connecticut, Massachusetts, and Rhode Island (where standard metropolitan areas are defined in terms of cities and towns) they are counties with the majority of the population within standard metropolitan areas.

[2] Computed from population, April 1, 1960.

[3] For some areas data are not strictly comparable with those shown for earlier years in Table 29, pp. 56–57.

[4] Classification of States by prevalent type of bank organization as of December 31, 1958, described in Table 23 of this Report, p. 45.

Source: Pages 102 and 103 of the Annual Report of the FDIC for 1960.

Giving effect to the merger, the Percentage of deposits of all commercial banks in the Largest Bank, the Largest three banks and the Largest five banks in Philadelphia County would be, respectively, 37.5%, 74.6% and 89.8%.

Sources: Directory of Philadelphia Banks and Trust Companies; Margaret F. Nagle, Ass't Comptroller, First Pa. Co.; W. Ray Baldwin, Jr., Ass't Comptroller, P.N.B.; Donald S. Drain, Ass't Comptroller, Provident Tradesmens; J. Roland Stott, V. P., Fidelity-Philadelphia; Samuel G. Hall, Ass't Auditor, Central-Penn; pages 67 and 99 of Distribution of Bank Deposits by Counties and Standard Metropolitan Areas June 15, 1960, Board of Governors of the Federal Reserve System.

[fol. 6594]

DEFENDANTS' EXHIBIT 56

Girard Trust Corn Exchange Bank

Branch Area Deposit Survey

Suburban Offices	Deposits in Two-Mile Radius Circle of Office	Total Deposits	% of Deposits Within Two Miles
Bala-Cynwyd City Line, Montgomery County	$ 3,330,800	$ 3,868,400	86%
Narberth Haverford Road, Montgomery County	6,836,000	8,873,700	77%
Wynnewood Wynnewood Road, Montgomery County	4,085,400	5,366,500	76%
Newtown Square West Chester Pike, Delaware County	1,523,100	2,276,500	67%
Pilgrim Gardens Township Line Road, Delaware County	2,596,000	3,143,200	83%
Upper Darby & PTC Terminal 69th & Market Streets Delaware County	13,716,900	21,071,000	65%
Totals	$32,088,200	$44,599,300	72%

Philadelphia Offices	Deposits in One-Mile Radius	Deposits in Two-Mile Radius	Total Deposits	% of Deposits Within 1 Mile	% of Deposits Within 2 Miles
Arch Street Third & Arch Streets	$ 5,788,000	$ 6,211,800	$ 9,301,500	62%	67%
Bridesburg Bridesburg, Ash & Thompson Streets	5,857,600	6,024,700	6,323,100	92%	97%
Frankford Frankford and Oxford Streets	11,234,700	13,963,100	15,024,900	74%	93%
Orthodox Torresdale and Orthodox Streets	5,380,300	5,624,500	5,820,400	93%	96%
Wissinoming Torresdale and Howell Streets	6,464,700	6,750,000	6,975,900	93%	97%
Total	$34,725,300	$38,574,100	$43,445,800	80%	89%

Notes: The surveys were made by branch office personnel during the last half of 1960, based upon regular checking account average balances of June 1960 (tabulating cards for every account were sent to the branches from Main Office). Total deposits stated for each branch do not include special checking account balances, which would total approximately $3,800,000 for the eleven offices surveyed. Figures include saving fund balances which were obtained from ledger cards maintained in each office. Depending upon the size of the office and number of accounts involved, a sampling analysis was made. In no case, however, was less than a 25% sample used. Deposits were run and listed by address into zones on maps supplied by the Girard's Branch Administration department.

[fol. 6595] DEFENDANTS' EXHIBIT 57

Number of Girard Loans to Customers Located Within the 4-County Area, Distributed by Size and Type of Loan

Size of Loan		Type of Loan				
		Commercial and Industrial	Consumer Instalment	Real Estate	All Other	Total
Under	$ 10,000	1,299	51,758	1,535	2,353	56,945
$ 10,000	24,999	335	404	434	607	1,780
25,000	49,999	183	38	77	294	592
50,000	99,999	152	–	26	135	313
100,000	249,999	121	–	15	66	202
250,000	499,999	65	–	8	27	100
500,000	999,999	25	–	4	6	35
1,000,000	2,499,999	19	–	1	7	27
2,500,000	4,999,999	2	–	–	–	2
5,000,000	and over	–	–	–	–	–
		2,201	52,200	2,100	3,495	59,996

Source: Girard's Records. Distribution of all loans $50,000 and over is based on an actual count as of September 21, 1960. The breakdown of loans under $50,000 is based on an analysis of samples of loans in Girard's consumer credit department on May 8, 1961 and of all other loans on May 8, 1961.

[fol. 6596]

DEFENDANTS' EXHIBIT 60

Demand Deposits

I

Geographical Distribution of Defendants' Demand Deposits of Individuals

(000 omitted in following $ amounts)

Location of Depositor	Philadelphia National Bank $ Amount	%	Girard Trust Corn Exchange Bank $ Amount	%	Combined $ Amount	%
Philadelphia	$40,844	53%	$83,703	56%	$124,547	55%
Bucks, Delaware & Mont. Cos.	30,952	40%	46,788	31%	77,740	34%
Total, 4 Cos.	71,796	93%	130,491	87%	202,287	89%
Rest of 10-County Area	1,215	1%	4,598	3%	5,813	2%
Rest of Third Fed. Res. Dist.	1,288	2%	10,397	7%	11,685	5%
Northeast U. S. Outside Third F.R.D.	1,374	2%	2,700	2%	4,074	2%
Rest of U. S.	631	1%	1,197	1%	1,828	1%
Foreign	531	1%	92		623	1%
Total	$76,835	100%	$149,475	100%	$226,310	100%

Source: Defendants' records. Figures are average deposits for June, 1960. Distribution of deposits under $10,000 each (aggregating $48,291,000 for Philadelphia National and $94,642,000 for Girard Trust) is based on a sampling of such deposits.

[fol. 6597]

Demand Deposits

Philadelphia National Bank

II

Geographical Distribution of Demand Deposits of Partnerships and Corporations

Size of Deposit:	Under $10,000		$10,000–$49,999		$50,000–$99,999		$100,000–$499,999		$500,000 and Over		Total	
	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%
Location of Depositor:	(000 omitted in following $ Amounts)											
Philadelphia	$ 15,610	55%	$ 22,647	51%	$ 14,582	47%	$ 51,584	46%	$110,886	56%	$215,309	52%
Bucks, Delaware & Montgomery Counties	12,666	44%	12,366	28%	5,622	18%	13,395	12%	14,450	7%	58,499	14%
Total 4 Cos.	28,276	99%	35,013	79%	20,204	65%	64,979	58%	125,336	63%	273,808	66%
Rest of 10-County Area	220	1%	1,421	3%	1,386	4%	5,590	5%	13,480	7%	22,097	5%
Fest of Third F.R.D.	94	nom.	1,122	3%	1,917	6%	3,481	3%	6,036	3%	12,650	3%
Northeast U.S. Outside 3rd F.R.D.	—	—	4,917	11%	5,771	18%	21,465	19%	30,303	15%	62,456	15%
Rest of U.S.	—	—	1,489	3%	1,923	6%	15,569	14%	24,138	12%	43,119	10%
Roreign	—	—	124	1%	69	1%	462	1%	—	—	655	1%
Total	$ 28,590	100%	$ 44,086	100%	$ 31,270	100%	$111,546	100%	$199,293	100%	$444,785	100%

Source: Philadelphia National Bank's records. Figures are average deposits for June, 1960. Distribution of deposits under $10,000 is based on a sampling of such deposits.

[fol. 6598]

Demand Deposits

Girard Trust Corn Exchange Bank

III

Geographical Distribution of Demand Deposits of Partnerships and Corporations

Size of Deposit:	Under $10,000		$10,000–$49,999		$50,000–$99,999		$100,000–$499,999		$500,000 and Over		Total	
	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%
Location of Depositor:	(000 omitted in following $ amounts)											
Philadelphia	$ 16,078	55%	$ 29,697	70%	$ 19,963	66%	$ 45,861	62%	$ 58,659	71%	$170,258	66%
Bucks, Delaware & Montgomery Counties	10,048	35%	6,907	16%	4,710	15%	7,068	9%	4,284	5%	33,017	12%
Total 4 Cos.	26,126	90%	36,604	86%	24,673	81%	52,929	71%	62,943	76%	203,275	78%
Rest of 10-County Area	642	2%	928	2%	652	2%	1,837	3%	520	1%	4,579	2%
Rest of Third F.R.D.	2,359	8%	1,106	3%	2,017	7%	5,452	7%	7,576	9%	18,510	7%
Northeast U.S. Outside 3rd F.R.D.	—	—	2,772	7%	2,270	7%	9,259	12%	8,645	10%	22,946	9%
Rest of U.S.	—	—	923	1%	729	2%	4,452	6%	2,879	4%	8,983	3%
Foreign	—	—	154	1%	179	1%	944	1%	—	—	1,277	1%
Total	$ 29,127	100%	$ 42,487	100%	$ 30,520	100%	$ 74,873	100%	$ 82,563	100%	$259,570	100%

Source: Girard Trust's records. Figures are average deposits for June, 1960. Distribution of deposits under $10,000 is based on a sampling of such deposits.

[fol. 6599]

Demand Deposits

Combined

IV

Geographical Distribution of Defendants' Combined Demand Deposits of Partnerships and Corporations

Size of Deposit:	Under $10,000		$10,000 and over		Total	
	$ Amount	%	$ Amount	%	$ Amount	%
	(000 omitted in following $ amounts)					
Location of Depositor:						
Philadelphia	$31,688	55%	$353,879	57%	$385,567	57%
Bucks, Delaware & Montgomery Counties	22,714	39%	68,802	11%	91,516	14%
Total 4 Counties	54,402	94%	422,681	68%	477,083	71%
Rest of 10-County Area	862	2%	25,814	4%	26,676	4%
Rest of Third F.R.D.	2,453	4%	28,707	5%	31,160	4%
Northeast U. S. Outside Third F.R.D.	–	–	85,402	14%	85,402	12%
Rest of U. S.	–	–	52,102	8%	52,102	8%
Foreign	–	–	1,932	1%	1,932	1%
Total	$57,717	100%	$616,638	100%	$674,355	100%

Source: Tables II and III.

[fol. 6600]

Demand Deposits

V

Geographical Distribution of Defendants' Deposits of States and Political Subdivisions, and of Domestic and Foreign Banks

(000 omitted in following $ amounts)

Type of Deposit:	Philadelphia National Bank						Girard Trust Corn Exchange Bank					
	State and Political Subdivision*		Domestic Banks		Foreign Banks		State and Political Subdivision*		Domestic Banks		Foreign Banks	
Location of Depositor:	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%
Philadelphia	$ 22,937	45%	$ 12,394	7%	—	—	$ 4,503	47%	$ 39,712	51%	—	—
Bucks, Delaware & Montgomery Cos.	3,783	8%	1,775	1%	—	—	1,717	18%	1,403	2%	—	—
Total 4 Cos.	26,720	53%	14,169	8%	—	—	6,220	65%	41,115	53%	—	—
Rest of 10-County Area	58	—	24,518	15%	—	—	—	—	7,163	9%	—	—
Rest of Third F.R.D.	23,709	47%	52,046	31%	—	—	3,175	33%	11,328	15%	—	—
Northeast U. S. Outside 3rd F.R.D.	36	—	47,464	28%	$ 2,901	15%	—	—	10,307	14%	—	—
Rest of U. S.	—	—	30,815	18%	14	nom.	—	—	6,934	9%	—	—
Foreign	—	—	—	—	16,119	85%	239	2%	—	—	$ 4,693	100%
Total	$ 50,523	100%	$169,012	100%	$ 19,034	100%	$ 9,634	100%	$ 76,847	100%	$ 4,693	100%

Source: Defendants' records. Figures are average deposits for June, 1960. Distribution of deposits under $10,000 (deposits of domestic banks aggregating $360,000 in Philadelphia National and $582,000 in Girard Trust, and deposits of foreign banks aggregating $412,000 in Philadelphia National) was based on estimates made by officers of the banks.

* United States Government deposits not included.

[fol. 6601]

Demand Deposits

V (Continued)

Location of Depositor:	State and Political Subdivision		Combined			
			Domestic Banks		Foreign Banks	
	$ Amount	%	$ Amount	%	$ Amount	%
Philadelphia	$27,440	46%	$ 52,106	21%	$ –	–
Bucks, Delaware & Montgomery Counties	5,500	9%	3,178	1%	–	–
Total 4 Counties	32,940	55%	55,284	22%	–	–
Rest of 10-County Area	58	–	31,681	13%	–	–
Rest of Third F.R.D.	26,884	45%	63,374	26%	–	–
Northeast U. S. Outside Third F.R.D.	36	–	57,771	24%	2,901	12%
Rest of U. S.	–	–	37,749	15%	14	nom.
Foreign	239	–	–	–	20,812	88%
Total	$60,157	100%	$245,859	100%	$23,727	100%

[fol. 6602]

DEFENDANTS' EXHIBIT 61

Time Deposits

I

Geographical Distribution of Defendants' Savings and Business Time Deposits

(000 omitted in following $ amounts)

Type of Deposit:	Savings Deposits						Business Time Deposits					
	PNB		GTCXB		Combined		PNB		GTCXB		Combined	
Location of Depositor:	$ Amount	%	$ Amount	%	$ Amount	%	$ Amount	%	$ Amount	%	$ Amount	%
Philadelphia	$		$ 60,713	58%	$		$ 5,626	53%	$ 6,862	77%	$ 12,488	64%
Bucks, Delaware & Montgomery Counties			39,779	39%			519	5%	197	2%	715	4%
Total 4 Counties	90,243	95%	100,492	97%	190,735	96%	6,145	58%	7,059	79%	13,203	68%
Rest of 10-County Area	3,230	3%	1,556	2%	4,786	2%	716	7%	—	—	716	4%
Rest of Third F.R.D.	1,846	2%	1,149	1%	2,995	2%	63	1%	1,146	13%	1,209	6%
Northeast U. S. Outside Third F.R.D	—	—	—	—	—	—	2,934	27%	306	3%	3,240	16%
Rest of U. S.	—	—	—	—	—	—	240	2%	89	1%	329	2%
Foreign	—	—	—	—	—	—	514	5%	322	4%	836	4%
Total	$ 95,319	100%	$103,197	100%	$198,516	100%	$ 10,611	100%	$ 8,922	100%	$19,533	100%

Source: Defendants' records. Figures are average amounts of each deposit, June, 1960. Distribution of deposits under $10,000 is based on estimates by the officers of each bank.

[fol. 6603]

Time Deposits

II

Geographical Source of Other Time Deposits of Defendants

(000 omitted in following $ amounts)

Type of Deposit:	Time Deposits of States and Political Subdivisions						Deposits of Domestic Banks						Deposits of Foreign Banks					
	GTCXB		PNB		Combined		GTCXB		PNB		Combined		GTCXB		PNB		Combined	
Location of Depositor:	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%
Philadelphia	$3,508	95%	$4,814	91%	$8,322	93%	$9,463	100%	$1,000	100%	$10,463	100%	—	—	—	—	—	—
Bucks, Delaware & Mont. Cos.	5 nom.		193	4%	198	2%	—	—	—	—	—	—	—	—	—	—	—	—
Rest of 10-County Area	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Rest of Third F.R.D.	5 nom.		271	5%	276	3%	—	—	—	—	—	—	—	—	—	—	—	—
Northeast U.S. Outside Third F.R.D.	—	—	—	—	—	—	—	—	—	—	—	—	1,333	44%	2,733	20%	4,066	25%
Rest of U.S.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Foreign	180	5%	—	—	180	2%	—	—	—	—	—	—	1,705	56%	10,629	80%	12,334	75%
Total	$3,698	100%	$5,278	100%	$8,976	100%	$9,463	100%	$1,000	100%	$10,463	100%	$3,038	100%	$13,362	100%	$16,400	100%

Source: Defendants' records. Figures are average amounts of each deposit, June 1960.

[fol. 6004]

Time Deposits

III

Growth of Personal Savings Deposits Four-County Philadelphia Area 12/31/51 to 12/31/59

(000 omitted in following $ amounts)

	The Philadelphia National Bank[1]	Girard Trust Corn Exchange Bank[1]	Mutual Savings Banks[2]	Savings, Bldg. & Loan Associations[3]
12/31/51	$59,922	$68,578	$1,022,258	$ 476,491
12/31/52	60,639	70,443	1,098,365	545,970
12/31/53	61,437	71,702	1,162,752	630,014
12/31/54	61,946	71,028	1,238,127	736,852
12/31/55	58,248	68,001	1,347,922	842,206
12/31/56	58,585	70,825	1,453,550	943,582
12/31/57	63,876	76,618	1,557,725	1,023,958
12/31/58	78,005	89,666	1,702,021	1,144,187
12/31/59	86,966	98,987	1,800,455	1,257,868
Increase 1951–1959				
Amount	27,044	30,409	778,197	781,377
Percent	45.1%	44.3%	76.1%	164.0%

[1] Source: Defendants' records. Amounts include deposits in banks with which Philadelphia National or Girard as the case may be later merged.

[2] Source: *Polk's Bank Directory* Editions March 1952—March 1960, R. L. Polk & Co., Nashville and *A Directory of Philadelphia Banks and Trust Companies*, The Legal Intelligencer, Philadelphia, 1952–1960.

[3] Source: *Statistical Summary on Savings Building & Loan Associations in Pennsylvania by Counties*, Pennsylvania Savings and Loan League, Harrisburg.

[fol. 6605]

DEFENDANTS' EXHIBIT 62

All Time and Demand Deposits of Individuals, Partnerships and Corporations
Combined Share of Philadelphia National and Girard

(000 omitted in following $ amounts)

	Philadelphia	Four-County Area	Ten-County Area
Demand Deposits of all commercial banks with headquarters in:[1]	$2,558,672	$2,775,614	$3,709,854
Time deposits of all commercial banks with headquarters in:[2]	613,694	784,138	1,335,048
Deposits of mutual savings banks with headquarters in:[2]	1,883,345	1,883,345	1,897,692
Totals	$5,055,711	$5,443,097	$6,942,594
Deposits of Savings and Loan Ass'ns and Building and Loan Ass'ns with headquarters in:[3]	900,228	1,257,867	1,498,413
Members shares of credit unions with headquarters in:[2]	5,700	6,460	10,960
Totals	$5,961,639	$6,707,424	$8,451,967
Time and Demand Deposits[3] of Phila. Nat'l and Girard, and as % of	$1,182,829	$1,182,829	$1,182,829
all commercial and mutual banks:	23%	22%	17%
all institutions:	20%	18%	14%

Sources: [1] Reports of Condition, June 15, 1960, of each such bank filed with Federal Reserve or with state banking authorities.
[2] Defendants' exhibit ("Time Deposits").
[3] Reports of Condition, June 15, 1960, for defendant banks.

[fol. 6606]

DEFENDANTS' EXHIBIT 63

Commercial and Industrial Loans

I

Geographical Distribution of Philadelphia National Bank's Loans

Size of Loan:	Under $50,000		$50,000–$99,999		$100,000–$499,999		$500,000–$999,999		Over $1,000,000		Total	
Location of Borrower:	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%
	(000 omitted in following $ amounts)											
Philadelphia	$ 7,377	33%	$ 5,040	38%	$27,347	43%	$18,786	44%	$ 56,479	34%	$115,029	38%
Bucks, Delaware & Mont. Counties	9,305	42%	4,838	36%	12,152	19%	4,859	11%	18,599	11%	49,753	16%
Total 4 Cos.	16,682	75%	9,878	74%	39,499	62%	23,615	55%	75,078	45%	164,782	54%
Rest of 10-County Area	864	4%	631	5%	4,514	7%	3,698	9%	17,145	11%	26,852	9%
Rest of Third F.R.D.			1,519	11%	6,379	10%	3,789	9%	13,303	8%	29,598	9%
Northeast U.S. Outside 3rd F.R.D.	4,608	21%	749	5%	8,480	13%	5,823	13%	33,227	20%	48,279	16%
Rest of U.S.			616	5%	4,049	7%	5,928	14%	25,730	16%	36,323	12%
Foreign			—	—	495	1%	—	—	—	—	495	—
Total	$22,154	100%	$13,393	100%	$63,416	100%	$42,883	100%	$164,483	100%	$306,329	100%

Source: Philadelphia Nationals' records. Figures are as of September 21, 1960. Distribution of loans under $50,000 was based on a sampling of such loans.

[fol. 6607]

Commercial and Industrial Loans

H

Geographical Source of Girard Trust Corn Exchange Bank's Loans

Size of Loan:	Under $50,000		$50,000–$99,999		$100,000–$499,999		$500,000–$999,999		Over $1,000,000		Total	
Location of Borrower:	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%	$ Amt.	%
	(000 omitted in following $ amounts)											
Philadelphia	$16,167	51%	$7,658	56%	$33,872	57%	$13,199	46%	$28,429	46%	$ 99,325	51%
Bucks, Delaware & Mont. Counties	5,072	16%	2,490	18%	7,121	12%	2,446	9%	6,371	10%	23,500	12%
Total 4 Cos.	21,239	67%	10,148	74%	40,993	69%	15,645	55%	34,800	56%	122,825	63%
Rest of 10-County Area	951	3%	1,031	7%	2,049	3%	2,029	7%	—	—	6,060	3%
Rest of Third F.R.D.			1,228	9%	8,156	14%	4,092	14%	6,755	11%	29,741	15%
Northeast U.S. Outside 3rd F.R.D.	9,510	30%	946	7%	4,322	7%	5,354	19%	16,500	27%	27,122	14%
Rest of U.S.			225	2%	1,788	3%	—	—	2,130	3%	4,173	2%
Foreign			150	1%	2,178	4%	1,497	5%	2,000	3%	5,825	3%
Total	$31,700	100%	$13,758	100%	$59,486	100%	$28,617	100%	$62,185	100%	$195,746	100%

Source: Girard Trust's records. Figures are as of September 21, 1960. Distribution of loans under $50,000 based on sampling of such loans.

[fol. 6608]

Commercial and Industrial Loans

III

Geographical Distribution of Defendants' Combined Loans

Size of Loan:	Under $50,000		$50,000–$99,999		$100,000–$499,999		$500,000–$999,999		Over $1,000,000		Total	
Location of Borrower:	$ Amount	%	$ Amount	%	$ Amount	%	$ Amount	%	$ Amount	%	$ Amount	%
	(000 omitted in following $ amounts)											
Philadelphia	$23,544	44%	$12,698	47%	$61,219	50%	$31,985	45%	$84,908	37%	$214,354	43%
Bucks, Delaware & Mont. Counties	14,377	27%	7,328	27%	19,273	16%	7,305	10%	24,970	11%	73,253	14%
Total 4 Cos.	37,921	71%	20,026	74%	80,492	66%	39,290	55%	109,878	48%	287,607	57%
Rest of 10-County Area	1,815	3%	1,662	6%	6,563	5%	5,727	8%	17,145	8%	32,912	7%
Rest of Third F.R.D.			2,747	10%	14,535	12%	7,881	11%	20,058	9%	59,339	12%
Northeast U.S. Outside Third F.R.D.	14,118	26%	1,695	6%	12,802	10%	11,177	16%	49,727	22%	75,401	15%
Rest of U.S.			871	3%	5,837	5%	5,928	8%	27,860	12%	40,496	8%
Foreign			150	1%	2,673	2%	1,497	2%	2,000	1%	6,320	1%
Total	$53,854	100%	$27,151	100%	$122,902	100%	$71,500	100%	$226,668	100%	$502,075	100%

Source: Tables I and II.

[fol. 6609]

Defendants' Exhibit 64

Real Estate Loans

I

Geographical Distribution of Defendants' Real Estate Loans

Size of Loan:	The Philadelphia National Bank				Girard Trust Corn Exchange Bank				Combined			
	Under $50,000		$50,000 and Over		Under $50,000		$50,000 and Over		Under $50,000		$50,000 and Over	
Location of Borrower:	$ Amount	%	$ Amount	%	$ Amount	%	$ Amount	%	$ Amount	%	$ Amount	%
	(000 omitted in following $ amounts)											
Philadelphia	$ 4,556	13%	$12,867	44%	$5,553	31%	$9,647	61%	$10,109	19%	$22,514	50%
Bucks, Del. & Montgomery Cos.	25,237	72%	4,875	17%	11,821	66%	1,479	9%	37,058	70%	6,354	14%
Total 4 Cos.	29,793	85%	17,742	61%	17,374	97%	11,126	70%	47,167	89%	28,868	64%
Rest of 10 Cos.	4,557	13%	1,602	5%	—	—	980	6%	4,557	9%	2,582	6%
Rest of Third F.R.D.	—	—	2,763	10%	—	—	1,128	7%	—	—	3,891	8%
Northeast U.S. Outside Third F.R.D.	701	2%	4,482	15%	—	—	1,346	9%	1,238	2%	5,828	13%
Rest of U.S.	—	—	2,579	9%	537	3%	1,352	8%	—	—	3,931	9%
Foreign	—	—	—	—	—	—	—	—	—	—	—	—
Total	$35,051	100%	$29,168	100%	$17,911	100%	$15,932	100%	$52,962	100%	$45,100	100%

Source: Defendants' records. Figures are as of September 21, 1960. Distribution of loans under $50,000 (aggregating $35,051,000 for Phila. Nat. and $17,911,000 for Girard Trust) was based on a sampling of such loans.

[fol. 6610]

DEFENDANTS' EXHIBIT 65

Real Estate Loans

Comparison of Defendants With Certain Other Competing Institutions

(000 omitted in following $ amounts)

	Philadelphia		Four-County Area		Ten-County Area	
	No. of Inst'ns	Aggregate Amount	No. of Inst'ns	Aggregate Amount	No. of Inst'ns	Aggregate Amount
Commercial Banks with headquarters in [1]	13	$ 229,056	40	$ 311,506	116	$ 635,196
Mutual Savings Banks with headquarters in [2]	4	969,298	4	969,298	5	977,116
Savings and Loan and Building and Loan Ass'ns with headquarters in [3]	323	927,810	421	1,291,093	615	1,530,048
Three Insurance Cos. with headquarters in [4]		896,050		896,050		896,050
Outside institutional lenders including pension and profit sharing funds, serviced by at least 17 local mortgage service agencies [5]						
Total	340	$3,022,214	465	$3,467,947	736	$4,038,410
Philadelphia Nat'l-Girard combined loans and as % of whole [6]		95,573(3.2%)		95,573(2.7%)		95,573(2.3%)

[1] Source Reports of Condition of such banks, June 15, 1960, filed with Federal Reserve or state banking authorities. Excluded are Second National Bank of Philadelphia, Brown Brothers Harriman, The Finance Company of Pennsylvania and Pennsylvania Warehousing and Deposit Company because they were not included in the information submitted to defendants by Federal Reserve and other banking authorities.

[2] See Schedule A.

[3] See Schedule B.

[4] See Schedule C. Dollar amounts stated here are for only 3 of the 47 institutions shown on Schedule C.

[5] See Schedule D for lists of local service agencies, mortgage brokers and pension and profit sharing funds. (Partial.)

[6] Source, Reports of Condition, June 15, 1960, of defendant banks filed with Federal Reserve.

[fol. 6611] Schedule A

Real Estate Loans of Mutual Savings Banks

(000 omitted in following $ amounts)

Philadelphia County	
Philadelphia Saving Fund Society	$564,844
Western Saving Fund Society of Phila.	201,029
Beneficial Mutual Savings Bank	123,162
Germantown Savings Fund	80,263
	$969,298
Chester County	
Dime Savings Bank of Chester County	7,818
	$977,116

Source: *Polk's Bank Directory*, March 1961.

[fol. 6612] Schedule B

Real Estate Loans of Savings and Loan and Building and Loan Associations

(000 omitted in following $ amounts)

County	No. of Institutions	Total
Philadelphia	323	$ 927,810
Bucks	21	63,846
Delaware	33	117,570
Montgomery	44	181,867
Total:	421	$1,291,093
Chester	24	$ 44,223
Mercer	20	53,596
Camden	82	58,787
Burlington	22	26,390
Gloucester	22	13,832
New Castle	24	42,127
Total:	194	$ 238,955
Grand Total:	615	$1,530,048

Sources:

For the 5 counties in Pennsylvania—*Statistical Summary on Savings, Building and Loan Associations in Pennsylvania*, by counties, 1950-59, published by the Pennsylvania Savings and Loan League, Harrisburg, Pa.—Data are as of 12/31/59 on this Schedule.

For the 4 counties in New Jersey—*Commissioner of Banking and Insurance, Annual Report*, Bureau of Banking, State of New Jersey, 1959. Data are as of 12/31/59 on this Schedule.

For New Castle County, Delaware—*41st Annual Report of the State Banking Commissioner of Delaware*, 1960, for the fiscal year ending June 30, 1960, for all state-chartered institutions, and *Greater Philadelphia Insured Savings and Loan Association 1961 Official Directory*, published by The Evening and Sunday Bulletin, 1961, for one federal-chartered institution. Data are as of 6/30/60 on this Schedule for state-chartered institutions, and are the average of 12/31/60 data for the one federal-chartered institution.

[fol. 6613] Schedule C

Institution	Real Estate Loans
The Penn Mutual Life Insurance Company	$472,000,000
Provident Mutual Life Insurance Company of Phila.	291,650,000
The Fidelity Mutual Life Insurance Company	132,400,000
	$896,050,000

The above companies are but a few of the many prominent insurance companies making real estate loans in the Philadelphia area. Other such companies with offices in the Philadelphia area include:

American Independent Life Insurance Company	1522 Locust Street, Phila., Pa.
Community Life Insurance Company	928 Chestnut St., Phila., Pa.
Community Mutual Insurance Company	928 Chestnut St., Phila., Pa.
Equitable Beneficial Mutual Life Insurance Co.	141 North 20th St., Phila., Pa.
Fidelity Interstate Life Insurance Company	2209 Chestnut St., Phila., Pa.
Industrial Life Insurance Company	1622 Arch Street, Phila., Pa.
Life Assurance Company of Penna.	2101 Walnut Street, Phila., Pa.
Life Insurance Co. of North America	1600 Arch Street, Phila., Pa.
National Accident & Health Insurance Co. of Phila.	244 South 8th St., Phila., Pa.
Pennsylvania Life Insurace Company	1355 W. Cheltenham Ave., Phila., Pa.
Philadelphia Life Insurance Company	111 N. Broad St., Phila., Pa.
Philadelphia-United Life Insurance Co.	4500 City Avenue, Phila., Pa.
Philanthropic Mutual Life Insurance Co.	1201 Chestnut St., Phila., Pa.
Pioneer Life Insurance Company	1729 W. Girard Ave., Phila., Pa.
Plymouth Mutual Life Insurance Co.	1512 Walnut St., Phila., Pa.
Presbyterian Minister's Fund	1805 Walnut St., Phila., Pa.
Provident Home Industrial Mutual Life Ins. Co.	731 S. Broad Street, Phila., Pa.
Quaker City Life Insurance Company	1515 Locust St., Phila., Pa.
Superior Life Insurance Company	734 Pine Street, Phila., Pa.
Union Mutual Life Health & Accident Ins. Co.	1941 W. Master St., Phila., Pa.

[fol. 6614]

Aetna Life Insurance Company	3 Penn Center Plaza, Phila., Pa.
Allstate Insurance	1017 Chestnut Street, Phila., Pa.
American Life Insurance Company of N. Y.	2 Penn Center Plaza, Phila., Pa.
American Penn Life Insurance	15th & Walnut Sts., Phila., Pa.
Bankers Life & Casualty Insurance	3639 N. Broad Street, Phila., Pa.
Canada Life Assurance Company	Lewis Tower Building, Phila., Pa.
Connecticut General Life Insurance Co.	12 South 12th St., Phila., Pa.
Connecticut Mutual Life Insurance Co.	1420 Walnut Street, Phila., Pa.
Central National Life Insurance Co. of Omaha	20 South 15th St., Phila., Pa.
Colonial Life Insurance Co. of America	Public Ledger Bldg., Phila., Pa.
Equitable Life Assurance Society	Fidelity-Phila. Trust Bldg., Phila., Pa.
General Accident Fire & Life Assurance Corp.	434 Walnut Street, Phila., Pa.
Guardian Life Insurace Co. of America	Broad & Locust Sts., Phila., Pa.
Home Life Insurance Co. of America	506 Walnut Street, Phila., Pa.
John Hancock Mutual Life Insurance Co.	1415 Locust Street, Phila., Pa.

Note: Source, 1960 Annual Reports of such companies.

Lincoln National Life Insurance	2 Penn Center Plaza, Phila., Pa.
Massachusetts Indemnity & Life Insurance	2 Penn Center Plaza, Phila., Pa.
Metropolitan Life Insurance Company	2 Penn Center Plaza, Phila., Pa.
Mutual of New York	2 Penn Center Plaza, Phila., Pa.
Northwestern Mutual Life Insurance Co.	1405 Locust Street, Phila., Pa.
New York Life Insurance	3 Penn Center Plaza, Phila., Pa.
Prudential Insurance Co. of America	Fidelity-Phila. Trust Bldg., Phila., Pa.
The Travelers Insurance Company	1500 Chestnut Street, Phila., Pa.
United of Omaha	Fidelity-Phila. Trust Bldg., Phila., Pa.

[fol. 6615]

Schedule D

I. Some of the prominent Mortgage Service Companies in the Philadelphia area are:

Bankers Bond & Mortgage Company	1315 Walnut Street, Phila., Pa.
Boulevard Mortgage Company	2608 Cottman Avenue, Phila., Pa.
John M. Breen	123 S. Broad Street, Phila., Pa.
Bryn Mawr Trust Co. Mortgage Servicing Division	Bryn Mawr & Lancaster Aves., Bryn Mawr, Pa.
Central Mortgage Company	1719 Chestnut Street, Phila., Pa.
W. A. Clarke Mortgage Company Division of The First Penna. Company	1518 Walnut Street, Phila., Pa.
Colonial Mortgage Service Company	141 Garrett Road, Upper Darby, Pa.
Crockett Mortgage Company	112 South 16th Street, Phila., Pa.
Delaware-Montgomery Mortgage Co. Division of Industrial Trust Company	1944 N. Front Street, Phila., Pa.
Fidelity Bond & Mortgage Company	16th & Walnut Streets, Phila., Pa.
Mortgage Associates, Inc.	226 South 16th Street, Phila., Pa.
Nutter Mortgage Service	2114 Phila. National Bank Bldg., Phila., Pa.
	509 Cooper Street, Camden, N. J.
Phila. Mortgage Exchange, Inc.	11 N. Juniper Street, Phila., Pa.
Peoples Bond & Mortgage Company	1426 Walnut Street, Phila., Pa.
Republic Mortgage Company	Lewis Tower Bldg., Phila., Pa.
South Jersey Mortgage Company	500 Market Street, Camden, N. J.
Thomas & Groshon, Inc.	6784 Market Street, Upper Darby, Pa.

II. Some of the prominent real estate firms in the Philadelphia area with substantial mortgage activity are:

Allen & Barnes	2515 Germantown Avenue, Phila., Pa.
Barber, Hartman & Co.	1201 Chestnut Street, Phila., Pa.
Arthur W. Binns	2221 Chestnut Street, Phila., Pa.
Binswanger Corporation	1420 Walnut Street, Phila., Pa.
Cabot, Cabot & Forbes	Packard Building, Phila., Pa.
Vernon D. Cox & Co., Inc.	1907 Finance Building, Phila., Pa.
Donnelly & Suess, Inc.	1015 W. Lehigh Avenue, Phila., Pa.
Emlen & Company	14 W. Evergreen Avenue, Phila., Pa.

[fol. 6616]

Joseph J. & Reynold H. Greenberg, Inc.	Architects Building, Phila., Pa.
Albert M. Greenfield & Co., Inc.	200 Bankers Security Bldg., Phila., Pa.
Albert J. Grosser	1518 Lewis Tower Bldg., Phila., Pa.
Samuel T. Hall	1506 Sansom Street, Phila., Pa.
Richard B. Herman & Co.	1700 Walnut Street, Phila., Pa.
Harold B. Hess & Co.	N. W. Cor. 16th & Locust Sts., Phila., Pa.
Heyer-Kemner, Inc.	Bustleton & Grant Aves., Phila., Pa.

Jackson-Cross Co.	914 Phila. National Bank Bldg., Phila., Pa.
J. T. Jackson Co.	Rising Sun Ave. & Roosevelt Bldg., Phila., Pa.
Lanard & Axilbund	914 Market St. National Bank Bldg., Phila., Pa.
William J. McCarter & Co.	Liberty Trust Bldg., Phila., Pa.
William I. Mirkil Co.	1616 Walnut Street, Phila., Pa.
C. J. Mitchell Co., Inc.	2047 Locust Street, Phila., Pa.
Strouse Greenberg & Co.	1525 Locust Street, Phila., Pa.

III. Some of the Pension and Profit-Sharing Funds which make mortgage loans in the Philadelphia area are:

Public School Employes' Retirement Fund of Commonwealth of Pennsylvania	Harrisburg, Pa.
State Employes' Retirement Fund of the Commonwealth of Pennsylvania	Harrisburg, Pa.
Amalgamated Association of Street, Electric, Railway & Motor Coach Employees of America	Washington, D.C.
Retirement System of Tennessee Valley Authority "Pension Trust"	New York, N. Y.
Gable Industries, Inc.—Profit Sharing Trust	Norristown, Pa
Electric Workers Benefit Association	1200 15th Street, N.W., Washington, D. C.
Delaware P. & L. Employees Pension Fund	Wilmington, Del.
Curtis Publishing Company—Pension Trust	Philadelphia, Pa.
The Reserve Fund of Grand Lodge Judiac Union, Inc.	Philadelphia, Pa.
National Council of Junior Order of United American Mechanics of U. S. of N. America	Philadelphia, Pa.

[fol. 6617]

Polish National Union of America	Scranton, Pa.
Board of Pensions of the United Lutheran Church in America	Philadelphia, Pa.
Polish Union of the U. S. of N. America	Wilkes Barre, Pa.
York Telephone Co., Division of General Telephone Co.—Pension Fund	York, Pa.
U. S. Steel Co.—Pension Fund	Pittsburgh, Pa.

[fol. 6618]

DEFENDANTS' EXHIBIT 66

Loans to Individuals

I

Geographical Distribution of Girard Trust Corn Exchange Bank's Loans to Individuals

Type of Loan:	Consumer Credit and Other Installment Loans		Single Payment Loans to Individuals		Total	
	(000 omitted in following $ amounts)					
Location of Borrower:	$ Amount	%	$ Amount	%	$ Amount	%
Philadelphia	$ 20,098	36%	$ 39,039	58%	$ 59,137	48%
Bucks, Delaware & Montgomery Counties	9,817	18%	16,590	25%	26,407	22%
Total 4 Counties	29,915	54%	55,629	83%	85,544	70%
Rest of 10-County Area	898	2%	2,906	4%	3,804	3%
Rest of Third F.R.D.	13,819	25%	4,655	7%	18,474	15%
Northeast U. S. Outside 3rd F.R.D.	10,405	19%	2,643	4%	13,048	11%
Rest of U. S.	—	—	1,542	2%	1,542	1%
Foreign	—	—	—	—	—	—
Total	$ 55,037	100%	$ 67,375	100%	$122,412	100%

Source: Girard Trust's records. Figures as of September 21, 1960. Distribution of loans over $50,000 (aggregating $2,342,000 of installment loans and $31,763,000 of single payment loans), all mobile home loans (aggregating $4,790,600) and all prefabricated home loans (aggregating $14,020,000) was based on an exact count of all such loans. Distribution of all other loans was based on a sampling of such loans.

[fol. 6519]

Loans to Individuals

II

Geographical Distribution of Philadelphia National Bank's Loans to Individuals

Type of Loan:	Consumer Credit and Other Installment Loans		Single Payment Loans to Individuals		Total Loans to Individuals	
Location of Borrower:	$ Amount	%	$ Amount	%	$ Amount	%
	(000 omitted in following $ amounts)					
Philadelphia	$10,258	18%	$ 6,635	33%	$16,893	22%
Bucks, Delaware & Montgomery Counties	31,897	57%	8,594	43%	40,491	53%
Total 4 Counties	42,155	75%	15,229	76%	57,384	75%
Rest of 10-County Area	5,830	10%	4,771	24%	10,601	14%
Outside 10-County Area	8,072	15%	—	—	8,072	11%
Total	$56,057	100%	$20,000	100%	$76,057	100%

Source: Phila. National's records. Figures as of September 21, 1960. Distribution of loans under $50,000 (being all of the consumer credit and other installment loans and $17,141,000 of the single payment loans to individuals) is based on a sampling of such loans.

[fol. 6620]

Loans to Individuals

III

Geographical Distribution of Defendants' Combined Loans to Individuals

(000 omitted in following $ amounts)

Location of Borrower:	Consumer Credit and Other Installment Loans $ Amount	%	Single Payment Loans to Individuals $ Amount	%	Total $ Amount	%
Philadelphia	$ 30,356	27%	$45,674	52%	$ 76,030	38%
Bucks, Delaware & Montgomery Counties	41,714	38%	25,184	29%	66,898	34%
Total 4 Counties	72,070	65%	70,858	81%	142,928	72%
Rest of 10-County Area	6,728	6%	7,677	9%	14,405	7%
Rest of Third F.R.D.	21,891	20%	4,655	5%	26,546	14%
Northeast U. S. Outside Third F.R.D	10,405	9%	2,643	3%	13,048	7%
Rest of U. S.	—	—	1,542	2%	1,542	nom.
Foreign	—	—	—	—	—	—
Total	$111,094	100%	$87,375	100%	$198,469	100%

Source: Tables I and II.

[fol. 6621] Loans to Individuals

IV

Institutions Other Than Commercial Banks Engaged In Making Consumer Credit and Other Loans to Individuals

A. Credit Unions

	No. of Institutions	Aggregate Loans Outstanding
Loans of state-chartered credit unions in Penna.[1]	125	$ 17,100,000
Loans of federal-chartered credit unions in Penna.[2]	980	115,500,000
Loans of state-chartered credit unions in New Jersey[3]	75	4,620,000
Loans of federal-chartered credit unions in New Jersey[3]	442	53,300,000
Loans of federal-chartered credit unions in Delaware[3]	33	3,600,000
Total	1,655	$198,000,000

Notes:

[1] As of 12/31/58; source, Report of the Sec'y of Banking, Com. of Pa., 12/31/59, p. 90. As of 12/31/60 there were 40 such unions in Bucks, Chester, Delaware, Montgomery and Philadelphia Counties. Figures supplied defendants by the Pennsylvania Department of Banking show that as of 12/31/60 such 40 union aggregated $11,147,851 of loans outstanding.

[2] As of 12/31/59; source, Federal Credit Unions, 1959 Report of Opinions U. S. Report of Health, Education and Welfare, p. 20.

[3] As of 12/31/59; source, Annual Report of Commissioner of Banking and Insurance, State of New Jersey, 1959, pp. 36–43. Sixteen of such unions aggregating $1,120,268 of such loans are in Gloucester, Mercer and Camden Counties.

Note:

State-wide figures are used because county figures are not available for federal unions.

[fol. 6622]

B. Small Loan Companies

	No. of Institutions	Aggregate Loans Outstanding
Loans of such companies in Philadelphia, Bucks, Delaware, Montgomery and Chester Counties, Pennsylvania[4]	282	$100,425,523
Loans of such companies in Mercer, Camden, Gloucester and Burlington Counties, New Jersey[5]	39	22,000,239
Loans of such companies in Delaware[6]	22	18,500,000
	343	$140,925,762

C. Consumer Discount Companies

Loans of such companies in Philadelphia, Bucks, Delaware, Montgomery and Chester Counties, Pennsylvania[4]	154	33,543,495
	497	$174,469,257

Notes:

[4] As of 12/31/60. Figures supplied defendants by Pennsylvania Department of Banking (published figures are on a state-wide basis only).

[5] As of 12/31/59. See Report, note 3 above, pp. 52–61.

[6] As of 6/30/60; source, Annual Report of the State Bank Commissioner of Delaware, 1960, p. 96.

[fol. 6623]

D. Sales Finance Companies:

1. With Headquarters in the Philadelphia Area:

Name and Location	Outstanding Receivables
Automobile Banking Corp., Philadelphia, Pa.	$ 21,748,000 (9/30/60)
Delaware Valley Finance Corp., Philadelphia, Pa.	3,999,191 (3/31/60)
Equitable Credit & Discount Co., Philadelphia, Pa.	35,134,000 (12/31/58)
Factors Credit Corp., Philadelphia, Pa.	19,583,000 (12/31/59)
Girard Discount Company, Upper Darby, Delaware Co., Pa.	8,518,000 (12/31/59)
Kennett Commercial Discount Service, Inc., Kennett Square, Chester Co., Pa.	797,761 (12/31/57)
National Industrial Credit Corp., Philadelphia, Pa.	26,000 (12/31/58)
Public Finance Service, Inc., Philadelphia, Pa.	13,094,000 (12/31/60)
Vehicle Supply Corp., Philadelphia, Pa.	27,954 (12/31/59)
	$102,927,906

2. Additional Sales Finance Companies with offices in the Philadelphia Area:

Names and Locations	Outstanding Receivables
Associates Investment Co., Upper Darby, Delaware Co., Pa.	$ 991,970,000 (12/31/59)
C.I.T. Corporation, Philadelphia, Pa.	2,202,193,000 (12/31/60)
Commercial Credit Corporation, Philadelphia, Pa. Norristown, Montgomery Co., Pa. Chester, Delaware Co., Pa.	1,907,060,000 (12/31/60)
General Acceptance Corp., Wynnewood, Montgomery Co., Pa.	170,521,000 (12/31/59)

[fol. 6624]

General Motors Acceptance, Corp., Philadelphia, Pa. Wynnewood, Montgomery Co., Pa.	5,307,061,000 (12/31/60)
International Harvester Credit Co., Philadelphia, Pa.	178,232,548 (10/31/60)
Mack Trucks, Inc., Philadelphia, Pa.	129,226,322 (12/31/59)
Maryland Credit Finance Corp., Ardmore, Montgomery Co., Pa.	19,739,000 (9/30/60)
Seaboard Acceptance Corp., Philadelphia, Pa. Glenside, Montgomery Co., Pa. Norristown, Montgomery Co., Pa. Upper Darby, Delaware Co., Pa. Chester, Delaware Co., Pa. Morriaville, Bucks Co., Pa.	357,833,958 (9/30/60)
General Electric Credit Corp., Philadelphia, Pa.	368,535,558 (12/31/59)
Sears Roebuck Acceptance Corp., Wilmington, Delaware	460,279,000 (1/31/60)
	$12,092,651,386

3. Additional Sales Finance Companies with Offices in the Philadelphia Area for Which Figures are Not Available:

Commonwealth Financial Corp.,
Philadelphia, Pa.
Central Acceptance Corp.,
Pottstown, Montgomery Co., Pa.
Keystone Automobile Finance Co.,
Philadelphia, Pa.
Abbott Credit Co.,
Philadelphia, Pa.
Acceptance Finance Corp.,
Philadelphia, Pa.
Allied Discount Co.,
Philadelphia, Pa.
American Acceptance Co.,
Philadelphia, Pa.
Allegheny Credit Corp.,
Philadelphia, Pa.
Alliance Discount Corp.,
Philadelphia, Pa.
Joe Braun, Inc.,
Philadelphia, Pa.
Dealer Lease Plan,
Ardmore, Montgomery Co., Pa.
Equipment Credit & Discount Co.,
Pennsburg, Pa.
Ben J. Franks,
Philadelphia, Pa.
Heinel Motors,
Philadelphia, Pa.
Hime Credit Corp.,
Philadelphia, Pa.
Hime Investment Co.,
Philadelphia, Pa.

[fol. 6625]

Motor Finance Corp.,
Philadelphia, Pa.
Pennsylvania Acceptance Co.,
Philadelphia, Pa.
Penn State Credit Corp.,
Philadelphia, Pa.
Preferred Purchase Plan, Inc.,
Philadelphia, Pa.
Provident Acceptance Corp.,
Philadelphia, Pa.
Public Acceptance Corp.,
Philadelphia, Pa.
Marvin K. Serber,
Philadelphia, Pa.
Service Plan, Inc.,
Doylestown, Bucks Co., Pa.
Milton Stein,
Philadelphia, Pa.
Universal C.I.T. Credit Corp.,
Philadelphia, Pa.
Upper Darby, Delaware Co., Pa.
Chester, Delaware Co., Pa.
J. F. Horrigan Co.,
Pottstown, Montgomery Co., Pa.
Philber Equipment Corp.,
Pennsburg, Pa.
Pottstown Finance Co., Inc.,
Pottstown, Montgomery Co., Pa.
Gash-Stull Co.,
Chester, Delaware Co., Pa.
Industrial Credit Co. of Chester,
Chester, Delaware Co., Pa.
John P. Murdock,
Upper Darby, Delaware Co., Pa.
Philco Finance Corp.,
Philadelphia, Pa.

The companies listed above are by no means all, or even the greater part of, loan and sales finance companies doing an active business in Philadelphia and Delaware Valley.

Sources of figures above are the records of Girard Trust Corn Exchange Bank and Dun and Bradstreet Reports.

[fol. 6626]

DEFENDANTS' EXHIBIT 67.

Other Loans

Girard Trust Corn Exchange Bank

III

Geographical Distribution of Loans to Financial Institutions, to Purchase and Carry Securities, To Farmers and Miscellaneous Loans

Location of Borrower:	Loans to Domestic Banks $ Amount	%	Loans to Foreign Banks $ Amount	%	Loans to Other Financial Institutions $ Amount	%	Loans to Purchase or Carry Securities $ Amount	%	Loans to Farmers $ Amount	%	Miscellaneous Loans $ Amount	%
	(000 omitted in following $ amounts)											
Philadelphia	—	—	—	—	$ 5,678	20%	$ 4,217	25%	—	—	$ 2,592	22%
Bucks, Delaware & Montgomery Counties	—	—	—	—	1,025	4%	431	3%	5	6%	957	8%
Total 4 Counties	—	—	—	—	6,703	24%	4,648	28%	5	6%	3,549	30%
Rest of 10-County Area	$100	29%	—	—	2,489	9%	215	1%	34	44%	110	1%
Rest of 3rd F.R.D.	250	71%	—	—	2,980	11%	—	—	39	50%	205	2%
Northeast U. S. Outside 3rd F.R.D.	—	—	—	—	5,726	21%	12,003	71%	—	—	160	1%
Rest of U. S.	—	—	—	—	9,600	35%	—	—	—	—	7,848	66%
Foreign	—	—	$2,261	100%	—	—	—	—	—	—	—	—
Total	$350	100%	$2,261	100%	$27,498	100%	$16,866	100%	$78	100%	$11,872	100%

Source: Girard Trust's records. Figures are as of September 21, 1960. Distribution of loans under $50,000 (aggregating $1,799,000 to foreign banks, $2,599,000 to other financial institutions, $1,193,000 to purchase or carry securities, $78,000 to farmers and $263,000 miscellaneous) is based on estimates by the bank's officers.

[fol. 6627]

Philadelphia National Bank

II

Location of Borrower:												
Philadelphia	$1,602	16%	$ —	—	$2,440	5%	$1,093	7%	$ —	—	$7,198	31%
Bucks, Delaware & Montgomery Counties	110	1%	—	—	5,255	10%	599	4%	174	100%	2,924	13%
Total 4 Counties	1,712	17%	—	—	7,695	15%	1,692	11%	174	100%	10,122	44%
Rest of 10-County Area	—	—	—	—	2,885	6%	125	nom.	—	—	1,084	5%
Rest of Third F.R.D.	675	7%	—	—	629	1%	—	—	—	—	1,373	6%
Northeast U. S. Outside Third F.R.D.	7,377	75%	—	—	20,107	39%	14,800	89%	—	—	2,100	9%
Rest of U. S.	58	1%	—	—	20,367	39%	—	—	—	—	202	1%
Foreign	—	—	12,659	100%	—	—	—	—	—	—	8,028	35%
Total	$9,822	100%	$12,659	100%	$51,683	100%	$16,617	100%	$174	100%	$22,909	100%

Source: Philadelphia National's records. Figures are as of September 21, 1960. Distribution of loans under $50,000 (aggregating $806,000 to purchase or carry securities, $174,000 to farmers and $3,635,000 miscellaneous) has been made on the basis of estimates by the bank's officers.

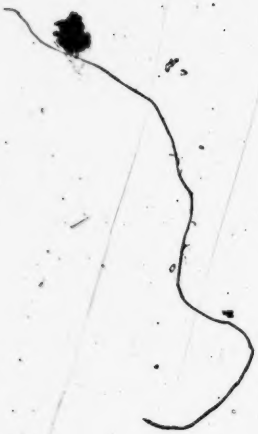
[fol. 6628]

Combined

III

Location of Borrower:												
Philadelphia	$1,602	16%	$ —	—	$ 8,118	10%	$ 5,310	16%	$ —	—	$ 9,790	28%
Bucks, Delaware & Montgomery Counties	110	1%	—	—	6,280	8%	1,030	3%	179	71%	3,881	11%
Total 4 Counties	1,712	17%	—	—	14,398	18%	6,340	19%	179	71%	13,671	39%
Rest of 10-County Area	100	1%	—	—	5,374	7%	340	1%	34	13%	1,194	3%
Rest of Third F.R.D.	925	9%	—	—	3,609	5%	—	—	39	16%	1,578	5%
Northeast U. S. Outside Third F.R.D.	7,377	73%	—	—	25,833	32%	26,863	80%	—	—	2,260	6%
Rest of U. S.	58	nom.	—	—	29,967	38%	—	—	—	—	202	1%
Foreign	—	—	14,920	100%	—	—	—	—	—	—	15,876	46%
Total	$10,172	100%	$14,920	100%	$79,181	100%	$33,483	100%	$252	100%	$34,781	100%

Source: Tables I and II.



[fol. 6629]

DEFENDANTS' EXHIBIT 68

Lines of Credit

I

Geographical Distribution of Defendants' Lines of Credit

Location of Customer	Philadelphia National Bank $ Amount	%	Girard Trust Corn Exchange Bank $ Amount	%	Combined $ Amount	%
	(000 omitted in following $ amounts)					
Philadelphia	$317,487	33%	$286,071	52%	$ 603,558	40%
Bucks, Delaware & Montgomery Counties	77,410	8%	53,894	10%	131,004	9%
Total 4 Counties	394,597	41%	339,965	62%	734,562	49%
Rest of 10-County Area	71,675	8%	18,189	3%	89,864	6%
Rest of Third F.R.D.	51,265	5%	42,835	8%	94,100	6%
Northeast U.S. Outside Third F.R.D.	209,789	22%	63,883	12%	273,672	18%
Rest of U.S.	148,326	16%	55,925	10%	204,251	14%
Foreign	77,755	8%	29,465	5%	107,220	7%
Total	$953,407	100%	$550,262	100%	$1,503,669	100%

Source: Defendants' records. Figures are as of September 21, 1960 and include commitments. Distribution of lines under $50,000 (aggregating $1,248,000 for Philadelphia National and $3,915,000 for Girard) is based on estimates by officers of the respective banks.

[fol. 6630] DEFENDANTS' EXHIBIT 69

Personal Trusts

I

Distribution of Estates Between Individual and Corporate Executors

A. The following table sets forth such distribution for estates of $50,000 and over in Philadelphia County during the period 1957 through 1959, both inclusive:

	No.	% of Total	Amount	% of Total
Individual Executorships	817	63.6%	$138,550,190	51.7%
Corporate Executorships	395	30.7%	119,218,357	44.5%
Intestacies	73	5.7%	10,306,469	3.8%
Total	1,285	100.0%	$268,075,016	100.0%

B. The following table sets forth such distribution for estates of $100,000 and over in Philadelphia County during the period 1956 through 1959, both inclusive:

	No.	% of Total	Amount	% of Total
Individual Executorships	520	58.0%	$165,966,203	51.4%
Corporate Executorships	330	36.8%	146,519,545	45.4%
Intestacies	46	5.2%	10,490,817	3.2%
Total	896	100.0%	$322,976,565	100.0%

Source: Trust Market Surveys conducted by Kennedy-Sinclaire, Inc., Montclair, New Jersey.

[fol. 6631] 11

Trust Companies in the Philadelphia Area (by location of main office)

A. Companies the value of whose personal trust assets has been obtained:

	Approximate Aggregate Value of Personal Trust Assets
Pennsylvania	
Philadelphia County	
Girard Trust Corn Exchange Bank	$2,248,206,000 [1]
The First Pennsylvania Banking and Trust Company	3,260,000,000 [2]
Provident Tradesmens Bank and Trust Company	1,340,000,000 [2]
Fidelity-Philadelphia Trust Company	1,850,000,000 [2]
The Philadelphia National Bank	361,300,000 [1]
Central-Penn National Bank of Philadelphia	77,000,000 [2]
Frankford Trust Company	10,729,705 [4]
Industrial Trust Company	11,951,857 [4]
Liberty Real Estate Bank and Trust Company	225,000,000 [3]
Second National Bank of Philadelphia	12,182,898 [4]
Bucks County	
Doylestown Trust Company	14,500,000 [6]
First National Bank and Trust Co., Newtown	4,618,229 [4]
Bucks County Bank and Trust Company, Perkasie	7,462,000 [6]
Chester County	
National Bank of Chester Valley, Coatesville	4,598,000 [6]
National Bank and Trust Co. of Kenaett Square	2,114,000 [6]
Farmers and Mechanics National Bank of Phoenixville	2,665,000 [6]
National Bank of Chester County and Trust Co., West Chester	16,506,847 [4]
Montgomery County	
Bryn Mawr Trust Company	22,051,596 [4]
Jenkintown Bank and Trust Company	17,632,168 [4]
Montgomery County Bank and Trust Co., Norristown	79,138,776 [5]
Security Trust Company of Pottstown	5,620,000 [6]
Union National Bank and Trust Co., Soudertown	2,672,337 [4]
New Jersey	
Burlington County	
Burlington County Trust Company, Moorestown	13,749,000 [4]
Union National Bank & Trust Company at Mt. Holly	3,780,000 [7]
[fol. 6632]	
Gloucester County	
First County Nat'l Bank & Trust Company of Woodbury	8,400,000 [4]
Mercer County	
Princeton Bank and Trust Company	60,000,000 [6]
Total	$9,661,878,413

[1] Application, p. 117 (Ex. G-41).
[2] Application, p. 136 (Ex. G-43).
[3] Bank's Annual Report, 1958.
[4] Bank's Annual Report, 1960.
[5] Bank's Quarterly Report, 3/31/61.
[6] Moody's Bank and Finance Manual, 1961, giving 1960 figures.
[7] Moody's Bank and Finance Manual, 1960, giving 1959 figures.

[fol. 6633]

B. Other Companies in the Philadelphia area the value of whose personal trust assets cannot be ascertained:

Pennsylvania

Philadelphia County
Broad Street Trust Company

Bucks County
The Doylestown National Bank and Trust Company

Chester County
National Bank of Coatesville
The First National Bank of Honey Brook
The National Bank of Malvern
Phoenixville Trust Company
The First National Bank of West Chester
National Bank and Trust Co. of West Grove

Delaware County
Delaware County National Bank, Chester

Montgomery County
Bridgeport National Bank
Harleysville National Bank and Trust Co.
Peoples National Bank and Trust Co. of Norristown
National Bank and Trust Co. of Schwenksville

New Jersey

Burlington County
First National Bank and Trust Company of Beverly
Burlington Bank and Trust Company
Mechanics National Bank of Burlington
The Burlington County National Bank of Medford
The Farmers Trust Company, Mt. Holly
The Peoples National Bank of Pemberton
First National Bank of Riverside
Riverside Trust Company
First National Bank and Trust Company of Roebling

Camden County
First Camden National Bank and Trust Company
Camden Trust Company
Haddonfield National Bank
Merchantville National Bank and Trust Company

Gloucester County
First National Bank and Trust Company of Paulsboro
Pitman National Bank and Trust Company
Swedesboro Trust Company

[fol. 6634]

Mercer County
First National Bank of Princeton
First Trenton National Bank
Trenton Trust Company

Delaware

New Castle County
Farmers Bank of the State of Delaware
Wilmington Trust Company
Bank of Delaware
Delaware Trust Company
Townsend Trust Company
Peoples Bank and Trust Company

[fol. 6635]

III

Geographical Source of Defendants' Personal Trust Business (by Number of Accounts)

Girard Trust Corn Exchange Bank

	Ex'r. and Adm'r.	Trusts Under Deed	Trusts Under Will	Guardian	Active Life Ins. Trusts	Cemetery Trusts	Inactive Life Ins. Trusts	Investment Advisory	Custodian Accounts	Pension & Prof. Sh.	Total
10-County Area											
Pennsylvania											
Philadelphia	153	832	1,512	174	105	457	375	132	231	256	4,227
Montgomery	69	517	486	47	93	7	493	36	116	42	1,906
Delaware	28	168	227	14	25	7	349	100	38	17	973
Chester	9	114	66	8	12	0	49	0	22	6	286
Bucks	4	35	45	0	13	7	35	28	1	5	173
Total	263	1,666	2,336	243	248	478	1,301	296	408	326	7,565
New Jersey											
Mercer	0	13	2	0	0	0	3	6	2	2	28
Burlington	3	26	16	0	0	0	33	3	1	3	85
Camden	3	44	14	0	5	0	45	6	3	6	126
Gloucester	1	25	7	0	0	1	24	0	0	2	60
Total	7	108	39	0	5	1	105	15	6	13	299
Delaware											
New Castle	0	31	2	0	0	0	1	3	1	0	38
Total 10-County Area	270	1,805	2,377	243	253	479	1,407	314	415	339	7,902

Girard Trust Corn Exchange Bank

[fol. 6636]

	Ex'r. and Adm'r.	Trusts Under Deed	Trusts Under Will	Guardian	Active Life Ins. Trusts	Cemetery Trusts	Inactive Life Ins. Trusts	Investment Advisory	Custodian Accounts	Pension & Prof. Sh.	Total
U. S. Outside 10-County Area											
Pennsylvania	11	194	181	3	41	8	135	58	48	56	735
New Jersey	24	107	89	0	14	0	106	17	20	6	383
Delaware	0	0	2	0	0	0	0	0	2	0	4
Alabama		4	2				1				7
Arizona		7	1				1	1			10
Alaska		3							1		4
California		43	1				1	4	4	2	56
Connecticut		35	4				2	4	8		53
Colorado		3									3
District of Columbia	5	25	7		4			4	7		52
Florida		56	14				4	9	13		96
Georgia		7	1					1			9
Iowa		5									5
Illinois		4			1		2	1	2	2	12
Idaho		3									3
Indiana		7					1	1			9
Kentucky		7	2				2				11
Kansas							1	2	2		5
Massachusetts	1	25	3					2	7		38
Maryland	1	27	5				3	4	6	5	51
Maine		14	17					4	5		40
Michigan		6			2		2		1		11
Minnesota		3						1			4
Montana		3									3
Missouri		3									3
New York	1	100	23		3		4	15	24	2	172
North Carolina		8					1	3			12

[fol. 6637]

New Mexico		9						1			10
New Hampshire		7				1			2		10
Nevada		11									11
Ohio		62	1			2			14		79
Oklahoma		3									3
Oregon		3									3
Rhode Island	3	27	3	4		1			6		44
South Carolina		3	1			1					5
Texas		8									8
Virginia		32	2					5	3	5	47
Vermont		5						2	1		8
Tennessee		12	1			1		2			16
Washington		10						3	2		15
West Virginia		24	2			1		3	2		32
Wyoming		3						1			4
Wisconsin		6				1		2			9
Hawaii		6									6
Total U. S. Outside 10-County Area	46	930	362	7	65	8	274	150	180	78	2 100
Foreign											
Africa									1		1
Asia Minor		1									1
Belgium		1									1
Bahamas									1		1
Cuba								1			1
Canada		2						1	1		4
China		1									1

Girard Trust Corn Exchange Bank

	Ex'r. and Adm'r.	Trusts Under Deed	Trusts Under Will	Guardian	Active Life Ins. Trusts	Cemetery Trusts	Inactive Life Ins. Trusts	Investment Advisory	Custodian Accounts	Pension & Prof. Sh.	Total
[fol.6638]											3
Egypt		3						5	2		18
England		10	1					4	3		13
France		5	1								1
Germany			1								1
Holland		1						1	2		5
Italy		2									1
Iran		1									1
India		1							1		2
Ireland			1								1
Monaco		1									2
Panama		2									1
Puerto Rico		1							3		5
Switzerland		2						1	1		2
Thailand											
Foreign Totals	0	34	4	0	0	0	0	13	15	0	66
Grand Total	316	2,769	2,743	250	318	487	1,681	477	610	417	10,068
Aggregate $ Value (000 omitted)	$84,644	$774,812	$572,391	$6,986	$27,790	$738	—	$166,032	$506,905	$107,908	$2,248,206

Note: Aggregate $ values are as of June 30, 1960 as stated in defendants' Application to the Comptroller of the Currency (p. 117). Numbers of Accounts are given as of March 31, 1961 (the differences between such figures and those appearing in the Application arise from the difference in the date and from the inclusion here of inactive life insurance trusts).

[fol. 6639]

The Philadelphia National Bank

	Executor and Administrator	Trusts Under Deed	Trusts Under Will	Guardian	Cemetery Trusts	Investment M'ment.	Custodian Accts.	Pension & Profit Sharing	Consultation	Misc.	Total
10 County Area											
Pennsylvania											
Philadelphia	36	260	156	28	5	32	70	48	1	374	1,010
Montgomery	56	93	170	116	88	13	20	16	0	120	692
Delaware	18	113	111	102	72	4	12	6	0	68	506
Chester	3	0	0	5	0	0	2	1	0	0	11
Bucks	9	21	42	61	31	12	0	4	0	45	225
Total	122	487	479	312	196	61	104	75	1	607	2,444
New Jersey											
Mercer	0	4	1	0	0	0	0	7	0	0	12
Burlington	1	0	0	0	0	0	1	2	0	0	4
Camden	0	1	0	0	0	0	4	5	0	0	10
Gloucester	0	0	0	0	0	0	0	0	0	0	0
Total	1	5	1	0	0	0	5	14	0	0	26
Delaware											
New Castle	0	1	0	0	0	0	1	0	0	0	2
Total 10-County Area	123	493	480	312	196	61	110	89	1	607	2,472
U. S. Outside 10-County Area											
Pennsylvania	1	4	9	1	0	3	37	8	1	0	55
New Jersey	2	4	2	0	0	2	2	2	0	0	14
Delaware	0	0	0	0	0	0	0	4	0	0	4
California	0	2	0	0	0	0	2	0	0	0	4
Connecticut	0	0	0	0	0	0	1	0	0	0	1
Dist. Columbia	0	0	0	0	0	1	1	0	0	0	2
Florida	0	8	0	0	0	0	3	0	0	0	11

3309

The Philadelphia National Bank

[fol. 6640]

	Executor and Administrator	Trusts Under Deed	Trusts Under Will	Guardian	Cemetery Trusts	Investment M'ment.	Custodian Accts.	Pension & Profit Sharing	Consultation	Misc.	Total
Maryland	0	4	0	0	0	0	1	0	0	0	5
Massachusetts	0	0	0	0	0	1	0	0	0	0	1
New York	1	2	0	0	0	1	0	0	0	1	5
Texas	0	0	0	1	0	0	0	0	0	0	1
Washington	0	1	0	0	0	0	0	0	0	0	1
Wisconsin	0	0	0	0	0	0	1	0	0	0	1
Total U. S. Outside 10 Counties	4	25	2	2	0	8	48	14	1	1	105
Foreign							1				1
Belgium		2									2
Brazil		1									1
Canada							1				1
England							1				1
Holland							1				1
Spain							1				1
Sweden							1				1
Switzerland							2				2
Uruguay											1
Venezuela		1									
Total Foreign	0	4	0	0	0	0	8	0	0	0	12
Grand Total	127	522	482	314	196	60	166	103	2	608	2,589
Aggregate $ Value (000 omitted)	$26,700	$68,560	$34,700	$9,500	$140	$14,800	$175,400	$28,200	$2,700	$600	$361,300

Note: Aggregate $ values are as of June 30, 1960, as stated in defendants' Application to the Comptroller of the Currency (p. 117). Numbers of Accounts are given as of March 20, 1961 (the differences between such figures and those appearing in the Application arise from the difference in the date).

[fol. 6641] DEFENDANTS' EXHIBIT 70

The following figures have been submitted to me by our Proof and Transit Departments and represent the daily average for one typical week during the month of May 1961.

Volume of Check Clearances

	#	%	$ (Millions)	%
Drawn on:				
Philadelphia Banks (other than PNB)	137,189	26.9%	$ 32.221	21.9%
Banks in Third Federal Reserve District	165,209	32.3	26.928	18.3
Other Banks throughout the Country	180,228	35.3	59.532	40.4
Philadelphia National Bank	27,951	5.5	28.600	19.4
Total Checks Cleared	510,577	100.0%	$147.281	100.0%

G. Edward Cooper, Senior Vice President.

July 31, 1961

[fol. 6642] IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

PLAINTIFF'S PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW—Filed September 22, 1961

[File endorsement omitted.]

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	Original	Print
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	Original	Print
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	Original	Print
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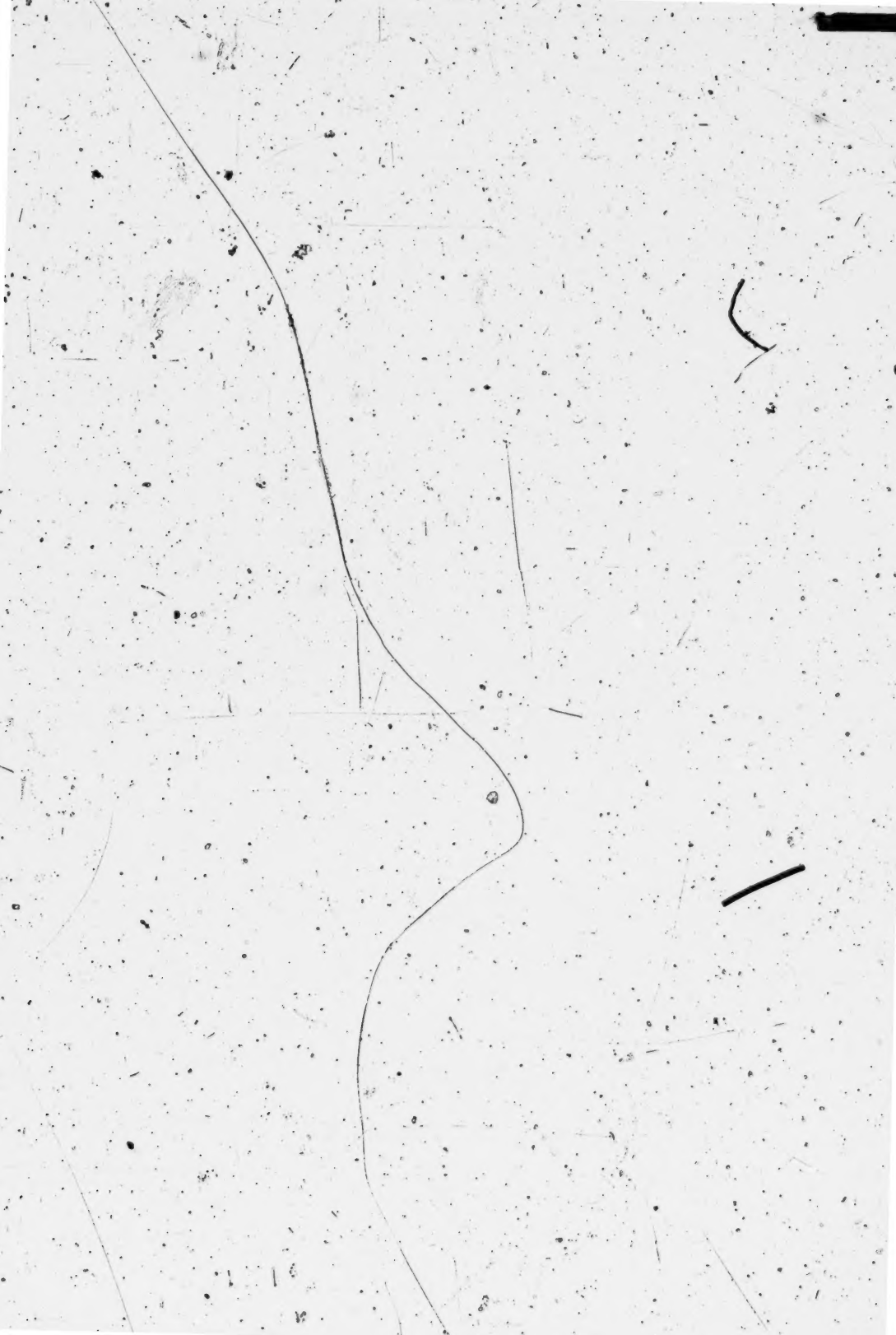


INTRODUCTORY STATEMENT

Each of the proposed Findings of Fact is separately numbered. Each Finding of Fact is annotated by reference to exhibits or testimony in the record.

Government exhibits are denominated "Ex. G–". Defendants' exhibits, whether of The Philadelphia National Bank or of Girard Trust Corn Exchange Bank, are denominated "Ex. D–".

In view of the volume of sources of proof available for a number of the proposed Findings, not all record references supporting each particular requested Finding have been given. Only those which are deemed sufficient to prove the point are listed. Where no proof is deemed necessary, none is given.

Commercial Bank

A commercial bank is a financial institution authorized to receive and create demand deposits and to receive time deposits, to make loans of various types, to engage in trust services and other fiduciary functions, to issue letters of credit, accept and pay drafts, to rent safety deposit boxes to customers and to engage in many similar activities.

Correspondent Bank

A correspondent bank is one which performs a variety of services for another bank in exchange for deposits which such other bank places in the correspondent bank.

Deposits

1. *Demand Deposits*

Funds received or created by a commercial bank subject to immediate withdrawal. They constitute the largest element in the money supply of the United States. No interest is paid on demand deposits.

2. *Time and Savings Deposits*

Savings deposits are funds that commercial banks are not required to pay on demand. They are divided into three classes by the Federal Reserve Board, *viz.*, (1) Savings Deposits, (2) Time Certificates of Deposit, and (3) Time Deposits, open account. Interest is paid on savings deposits and some time deposits.

3. *IPC Deposits*

IPC deposits (either Demand or Time) refer to deposits of individuals, partnerships and corporations, as distinguished from deposits of governmental agen-

cies and banks. IPC deposits are the most important of a bank's deposits.

Loans

1. *Commercial and industrial*

Those loans made by a commercial bank to business and industry, whether large or small. This is the most important loan category of most commercial banks.

2. *Loans to individuals*

(a) *Installment*

Loans to individuals usually for purchases of consumer goods, home modernization and similar purposes, payable at regular intervals, usually monthly, over certain periods of time.

(b) *Single payment*

Generally a short term loan obtained by an individual generally for consumption purposes in form not materially different from commercial and industrial loans. [Direct installment loans are those made directly to an ultimate borrower for the purchase of consumer goods. Indirect installment loans are made by discounting, with or without recourse to the dealer, notes initially made by a consumer to a retail dealer.]

3. *Real estate loans*

Long term loans secured by mortgage on real estate.

Lending limit

Lending limit is the maximum amount a commercial bank may generally lend to one customer. The lending limit for a national bank and for state banks in many states, including Pennsylvania, is ten per cent of the combined capital and surplus of the bank.

Participation

The sharing of a loan by two or more banks.

[fol. 6652]

I. JURISDICTION

(1) This is an action by the United States under Section 4 of the Sherman Act and Section 15 of the Clayton Act.

(2) Defendant Philadelphia National Bank (PNB) is a banking association organized under the laws of the United States with its principal place of business at Philadelphia, Pennsylvania. Ans. Par. 3

(3) Defendant Girard Trust Corn Exchange Bank (Girard) is a banking association organized under the laws of the State of Pennsylvania with its principal place of business at Philadelphia, Pennsylvania. Ans. Par. 4

(4) Both defendants are engaged in interstate commerce. Tr. p. 34

(5) PNB is engaged in interstate commerce. It receives substantial amounts of deposits from sources in foreign countries and in states other than Pennsylvania, and makes substantial amounts of loans to borrowers in such other states and in foreign countries and conducts other banking business with customers in other states. In effecting these transactions it utilizes the United States mails, telephone and telegraph. Tr. 34 Ex. G-67 Ex. G-68 Ex. D-70 Ex. D-60 Ex. D-63

Tr. 34
Ex. G-69
Ex. D-60
Ex. D-63

(6) Girard is engaged in interstate commerce. It receives substantial amounts of deposits from sources in foreign countries and in states other than Pennsylvania, and makes substantial amounts of loans to borrowers in such other states and in foreign countries and conducts other banking business with customers in other states. In effecting these transactions it utilizes the United States mails, telephone and telegraph.

II. DEFENDANTS

A. Philadelphia National Bank

Ex. G-57

(7) The Philadelphia National Bank was chartered on October 20, 1864 under an act of Congress of June 3, 1864. It merged in 1926 with Girard National Bank. At that time these banks were the first and fourth largest banks, respectively, in Philadelphia. In 1928 it merged with Franklin Fourth Street National Bank. It remained as a wholesale bank until 1951 when a decision was made to enter the retail banking and trust fields. Since 1951 PNB has acquired nine banks. In so doing it has acquired $42,078,000 in loans, $172,968,000 in deposits, and 18 offices.

(8) As of March 10, 1961, PNB conducted a general commercial banking business through 27 offices, 10 of which were located in Philadelphia, five in Delaware

County, five in Bucks County, and seven in Montgomery County. During the trial PNB opened another office in Philadelphia. PNB Ans. Par. 8 Worstall, Tr. 1070 Ex. G-57

(9) Defendant PNB, as of June 30, 1960, had total assets of $1,086,147,170, total deposits of $946,306,784, and total loans of $523,612,316. Approximately 57% of these loans were in the commercial and industrial category. PNB Ans. Par. 8

(10) According to its 1960 annual report to stockholders, PNB had a very substantial growth in deposits, loans and net earnings per share in the period 1950–1960. It had also increased the scope of its services. MacLaren, Tr. 2529–2530

(11) The financial history of PNB is excellent; the bank's capital position is adequate; the future earnings prospects of the bank are good, and the bank's general management is good. Potts, Tr. 1491

B. Girard Trust Corn Exchange Bank

(12) Girard Trust Corn Exchange Bank began business in 1835. Girard was primarily engaged in the trust business and accompanying banking services until 1940 when efforts were begun to develop commercial business and consumer credit loans. Until 1950 Girard had only one office. By the end of 1950 its deposits totaled $216,000,000, its capital funds were $19,000,000 and its personal trust assets had an esti- Ex. G-57

mated market value of one billion dollars. In the past ten years Girard has engaged in six mergers, by which it acquired $142,318,000 in loans, $412,784,000 in deposits, and 32 offices.

Girard Ans. Par. 9 Ex. G-57

(13) Defendant Girard conducts a general commercial banking business through 38 offices of which twenty are located in Philadelphia, twelve in Delaware County, and six in Montgomery County.

Girard Ans. Par. 9

(14) Defendant Girard, as of June 30, 1960, had total net assets of $740,920,000, total net deposits of $650,790,000 and total net loans of $399,362,000. Approximately 49% of these loans were in the commercial and industrial category.

Brown, Tr. 3803; Potts, Tr. 1360

(15) Girard has able and sound management, and its financial condition is strong.

MacLaren, Tr. 2531, 2533, 2535, 2539

(16) In the period December 31, 1951 to December 31, 1960, the deposits of PNB increased by 29 per cent and the deposits of Girard increased by 38 per cent. This percentage increase for Girard is in addition to the increase attributable to the merger of The Girard Trust Company and the Corn Exchange National Bank, which had been completed in June, 1951.

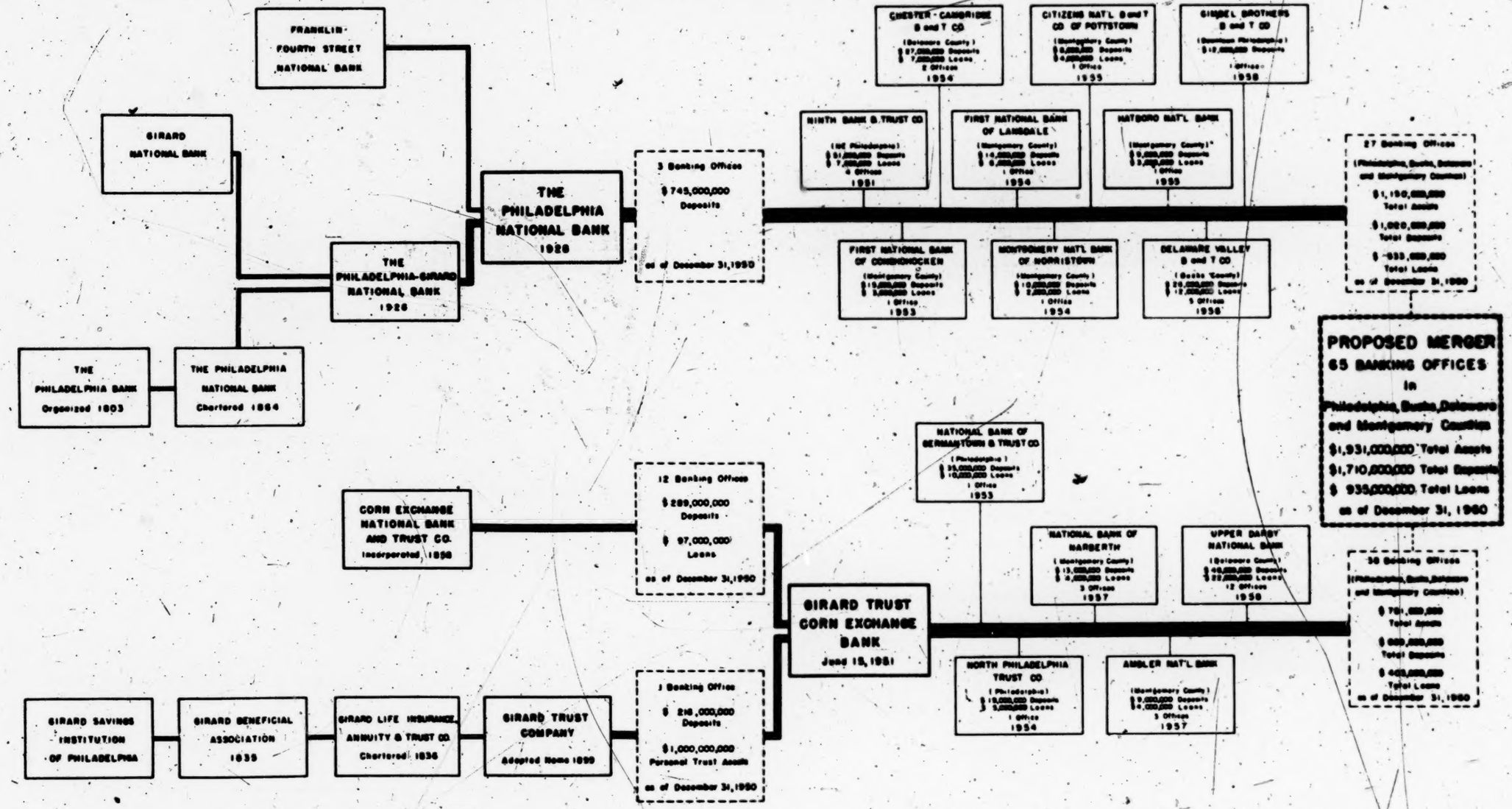
(17) (This number not used.)

[fol. 6656]

Chart I

FINANCIAL HISTORY OF THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK

Showing All Acquisitions Since 1950 and Total Offices, Assets, Deposits and Loans of Proposed Merger



III. The Proposed Merger

(18) Merger of PNB and Girard was first discussed in the spring of 1956 but these discussions were discontinued in the summer because a fair basis of exchange of shares could not be determined, and also to allow both banks to work out operating problems resulting from prior mergers. Potts, Tr. 1333, 1334, 1338; Ex. G-57, p. 12

(19) The discussions were initiated simultaneously by Geoffrey Smith, then president and now chairman of Girard, and Frederic A. Potts, president of PNB. Potts, Tr. 1333

(20) Merger discussions between PNB and Girard were resumed in April 1960 by Geoffrey Smith, chairman of the board of Girard, and Frederick A. Potts, president of PNB. Potts, Tr. 1339

(21) By November 1, 1960, representatives of the two banks had agreed on the basis for an exchange of shares. Potts, Tr. 1339

(22) The proposal that the defendant banks merge was presented to the boards of directors of the respective banks on November 15, 1960, and was approved. On the same day the application was filed with the Comptroller of the Currency in Washington, D.C. Ex. G-57; Ex. G-117; Ex. G-118; Potts, Tr. 1388-1389; Brown, Tr. 3785

PNB Ans. Par. 16 Girard Ans. Par. 16

(23) On December 20, 1960, the boards of directors of the defendant banks approved a form of agreement of merger, and on the same date the agreement of merger was duly executed by the appropriate officers of the defendants.

Ex. G-117 Ex. G-119, § 6

(24) PNB shareholders will retain the number of shares presently held and the shareholders of Girard will receive 1.2875 shares in the merged bank for each share of Girard stock presently held.

Ex. G-119, § 1 & 5

(25) The Agreement of Consolidation provides, *inter alia*, that the consolidation be under the charter of the Philadelphia National Bank "which shall continue after the effective date of the consolidation . . ."; "[T]he corporate existence of Girard shall be merged into and continued in Philadelphia National, which shall continue in existence as the Association, and the Association shall be deemed to be the same corporation as each of the Consolidating Banks."

16

"(a) Each of the 2,667,812 full shares of Philadelphia National shall remain outstanding as one share of the capital stock of the Association, and the holders thereof shall retain their present rights therein; and the remaining one-half share of Philadelphia National shall be surrendered (but not canceled) and held pending action . . .

"(b) Each of the 1,591,875 shares of Girard presently outstanding shall be converted into 1.2875 of the capital stock of the Association; . . .

"No certificates (whether share or scrip certificates) representing fractional shares in the Association shall be issued, but: (i) each holder of an outstanding certificate representing shares of Philadelphia National stock shall retain his certificate, which shall automatically remain a certificate representing shares of stock in the Association, except that the holder of any certificate representing a fractional share shall surrender the same to the Association promptly after the Effective Date and have the election, in order to round out the number of shares held to a whole share, to enter an order on order form to be provided for such holder, either for the purchase of an additional fractional share interest or for the sale of the existing fractional share interest, and (ii) each holder of an outstanding certificate representing shares of Girard stock shall surrender the same to the Association promptly after the Effective Date and receive in exchange therefor certificates representing the full number of whole shares of stock in the association to which such shares of stock in Girard shall have been converted, and such holder of Girard stock shall, as to any fractional in-

terest in shares of the Association to which he is entitled, have the election, in order to round out the number of shares held to a whole share, to enter an order on order form to be provided for such holder, either for the purchase of an additional fractional share interest or for the sale of the existing fractional share interest."

Ex. G-161
Ex. G-162
Ex. G-163

(26) Pursuant to the provisions of Section 18(c) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1828(c)), the Comptroller of the Currency requested and received reports concerning the competitive factors involved in the proposed merger from the Board of Governors of the Federal Reserve System, the Attorney General, and the Federal Deposit Insurance Corporation.

Ex. D-14

(27) The Comptroller of the Currency approved the proposed merger on February 24, 1961.

(28) The complaint in this action was filed on February 25, 1961.

IV. TRADE AND COMMERCE

A. Commercial banking as an institution

Harris, Tr. 2286-87

(29) The major functions of commercial banks are creation of demand deposits and lending to individuals, partnerships, corporations, and other borrowers. They also receive and administer time and savings deposits, engage in trust functions, foreign

exchange activities, financing imports and exports, supplying of currency to the public, safe-deposit activities, and some other activities.

(30) Factors common to commercial banks throughout the country include the acceptance of deposits and the investment of those deposits in relatively short term self-liquidating loans and in high grade bonds that have a ready market, in part to maintain the necessary liquidity. Harding, Tr. 1004

(31) Commercial banks in the United States receive and create demand deposits and thereby have the power to create a large proportion of the current, circulating medium of exchange, that is, demand deposit credits. Harris, Tr. 2286; Smith, Tr. 484; Clarke, Tr. 355

(32) Commercial banks are the only financial institutions in the United States authorized to receive demand deposits. Harris, Tr. 2287; Brumbaugh, Tr. 650; Smith, Tr. 450-451

(33) (This number not used.)

(34) Commercial banks do not care to make a term loan for more than five years since they must maintain high liquidity in order to meet potential withdrawals of demand deposits. Brown, Tr. 3833-3834; MacMillen, Tr. 1221; Taylor, Tr. 1283; Brumbaugh, Tr. 652; Clarke, Tr. 359

(35) One of the factors inducing customers of commercial banks to finance their purchases of consumer items through their bank is the fact that the commercial bank also performs other financial services for the customers. Harris, Tr. 2349

Brumbaugh, Tr. 651-653

(36) Business must rely on commercial banks for business transactions and their needs cannot be fulfilled by any other type of financial institution.

Clarke, Tr. 389
Forlines, Tr. 404
Smith, Tr. 604

(37) No other financial institution can provide all the services, including demand deposit and commercial loan services, provided by commercial banks.

Smith, Tr. 453

(38) Commercial banks not only engage in a broader area of lending activities than any other financial institution, they also specialize in certain areas, including commercial loans to businesses and certain aspects of financing of consumers, in which other institutions do not operate to any great extent.

Smith, Tr. 475

(39) The Federal Reserve System controls the volume of credit in the country by establishing the percentage of their deposits which member banks must maintain as reserves, by raising or lowering the discount rate at which member banks borrow from the Federal Reserve, and by buying or selling United States Government securities in the open market.

Smith, Tr. 460

(40) Commercial banks which are members of the Federal Reserve System at present must maintain on deposit with the Federal Reserve Bank or in currency in their own bank reserves of 16.5 per cent of their demand deposits if they are central reserve cities or reserve cities and reserves

of 12 per cent if they are so-called country banks.

(41) Banks in the Philadelphia area which are not members of the Federal Reserve System may count only a portion of their deposits with correspondent banks toward the reserves they are required to maintain behind their own deposits. Members of the Federal Reserve System must keep their reserves in their own bank or in the Federal Reserve Bank. Smith. Tr. 460; 604

(42) Commercial banks sometimes move into a reserve deficiency position by making loans which reduce their reserves below the legal minimum. In such cases banks may within limits raise their reserves above the minimum by borrowing from Federal Reserve Banks or from correspondent banks and by liquidating short-term securities or by calling demand loans. Harris Tr. 2432–2434

(43) Commercial banks are subject to special governmental regulations to insure that depositors are safeguarded and also to control the total volume of credit in the country, which may vary according to the lending practices of commercial banks. Brown. Tr. 2572 Clark. Tr. 372 375 Smith. Tr. 450–451

(44) In order to protect depositors in commercial banks from losses due to insolvency of the bank, there are regulations over the amount a bank can lend to any one customer, prohibitions on investment in corporate stock or in bonds which are not Smith. Tr. 513

of the highest grade, and many other regulations designed to protect the depositor against loss.

Forlines, Tr. 398-399

(45) Commercial banks throughout the United States which are members of the Federal Deposit Insurance Corporation are required to comply with all the rules and regulations of the corporation in the conduct of their business.

Smith, Tr. 506

(46) Ninety-seven per cent of the commercial banks in the United States holding 99 per cent of commercial bank deposits are insured and therefore regulated in part by the Federal Deposit Insurance Corporation. Virtually all Philadelphia banks including PNB and Girard are insured by the FDIC.

Worstall, Tr. 1063

(47) National banks and state banks do a comparable general commercial business.

Forlines, Tr. 396

(48) The many regulations imposed on commercial banks by law and by supervisory authorities chart the general lines along which commercial banks may operate and still leave a broad area in which the management of each bank may apply its own judgment.

B. Unique features of commercial banks

1. Demand deposits

Harris, Tr. 2287
Smith, Tr. 484
Brumbaugh, Tr. 650

(49) Commercial banks are the only financial institutions in the United States authorized to receive demand deposits.

(50) (This number not used.)

(51) The total money supply includes all commercial bank demand deposits adjusted, plus the amount of currency which is outside of banks and held by the general public. At the end of 1960 approximately 80 per cent of the money supply of the United States was in the form of demand deposits, most of which had been created by commercial banks in the process of making loans or investments. Smith, Tr. 454

(52) Commercial banks are the only financial institutions in the United States which accept demand deposits and thereby create money and credit beyond the amount available from current savings from income. Smith, Tr. 450–451

(53) Commercial banks in the United States, through the process of making loans with the funds they receive in the form of demand deposits, are able in the aggregate to expand the total volume of bank credit available by approximately the reciprocal of the percentage of reserves they are required to keep against deposits. Thus, if the reserve requirement is 20 per cent, the banking system could theoretically expand credit by five times the excess reserves in any one bank. Smith, Tr. 470

a. Short terms of loans

(54) The heavy concentration in demand MacMillen, Tr. 1221

Brown, Tr. 3833–34

deposits on the part of commercial banks tends to restrict their lending to shorter term loans since they must be prepared to meet possible heavy demand from depositors to withdraw these deposits.

Smith, Tr. 509

(55) The necessity for a commercial bank to maintain liquidity tends to channel its lending activities in the field of short-term financing, especially commercial loans.

Forlines, Tr. 407

(56) Commercial banks do not care to make long-term real estate type loans.

b. Role in transfer of funds

Harris, Tr. 2312, 2317
Smith, Tr. 451, 486

(57) Only commercial banks provide checking account services.

Smith, Tr. 454, 486

(58) Most payments at the present time are made by the transfer of commercial bank demand deposits from one customer to another by the use of checks. This function of commercial banks cannot be performed by any other institution.

c. Commercial banks hold primarily demand deposits

Brown, Tr. 2642

(59) The central element in the success of a commercial bank is its ability to attract and retain as much deposits as possible.

Smith, Tr. 501–502; Ex. G–36 Ex. G–54

(60) Deposit liabilities are the predominant liabilities of Girard and PNB as they are for the commercial banking system in general.

Smith, Tr. 508; Ex. G–54

(61) For the commercial banking system as a whole, two-thirds of total deposits are demand deposits and one-third are time deposits. PNB and Girard's ratios of de-

mand deposits to total deposits is somewhat higher than two-thirds.

(62) In June of 1960, the average total of time and savings deposits of PNB and Girard was $253,900,000, and demand deposits of the two banks for the same period were $1,300,000,000. Thus, more than 83% of the combined banks deposits were in the form of demand deposits. MacLaren, 2493; 2499 Ex. D-30

2. Commercial and industrial loans

(63) For commercial banks the area of commercial and industrial loans is the most important type of loan. Harris, Tr. 2455

(64) Customarily commercial banks do not lend more than 60 percent of their deposits. Brown, Tr. 2614

(65) Commercial banks in the United States concentrate an average of roughly 40% of their loans in the field of commercial and industrial loans. PNB and Girard specialize in commercial loans to an even greater extent than the average bank. Smith, Tr. 518-19

(66) PNB, as of June 30, 1960, had approximately 57% in dollar amount of its loans in the commercial and industrial category. Girard, as of June 30, 1960, had approximately 49% in dollar amount of its loans in the commercial and industrial category. PNB Ans. Par. 8 Girard Ans. Par. 9

Forlides, Tr. 409

(67) Commercial banks make short-term loans to businesses and individuals for operating expenses, inventories, and similar purposes.

Clarke, Tr. 355, 357

(68) Commercial banks specialize in making commercial loans to business.

Clark, Tr. 367

(69) Business establishments are dependent upon commercial banks for the working capital which they need.

Potts, Tr. 1442–1444; MacMillen, Tr. 1276; MacLaren, Tr. 2265; Smith, Tr. 613–614

(70) Commercial banks generally seek to have their borrowers maintain 20% of their borrowings on deposit in the lending institution as a so-called compensating balance.

Harris, Tr. 2413

(71) Financial institutions other than commercial banks cannot supply the commercial loans needed by larger businessmen.

Harris, Tr. 2414

(72) Unsecured, short-term commercial loans are readily available to Philadelphia businessmen only from commercial banks.

Reliance of small and medium size borrowers on commercial bank loans

Harris, Tr. 2456

(73) For commercial loans of $50,000 and under there is very little competition other than commercial banks. For certain of these loans which might conceivably be secured by accounts receivable, sales finance companies or factors may provide some competition.

Harris, Tr. 2306

(74) Customers of commercial banks cannot normally obtain loans from banks

which do not have knowledge of the customers' credit standing.

(75) Small business concerns are known primarily in their own locality; therefore they may be forced by this fact to do business with nearby banks. Harris, Tr. 2305 MacMillen, Tr. 1229-1230

(76) The vast number of commercial loans made in the United States are made to smaller sized business. Thus, in 1955, member banks of the Federal Reserve System made 503,000 commercial loans to businesses of under $50,000 assets; 415,000 such loans to businesses between $50,000 and $250,000; 126,000 such loans to businesses between $250,000 and $1,000,000; 38,000 such loans to businesses between $1 million and $5 million; 11,000 loans to businesses of from $5 to $25 million; 4,000 loans to businesses between $25 and $100 million, and 6,000 commercial loans to businesses of over $100 million in assets. Substantially the same pattern appears in the 1957 survey. Ex. G-199, Table I

(77) Generally, a small business is one with assets of less than $250,000 and fewer than 500 employees. However, these general guidelines may vary according to the nature of the business being considered. The definitions contained in the rules and regulations of the Small Business Administration are a reliable guide to the "small business" in various industries. Ex. G-177 13 C.F.R. 121.3

Forlines, Tr. 416

(78) Small and medium size business is more dependent on commercial banks for the funds it needs than any other segment of borrowers.

Ex. G-70, p. 2

(79) The Philadelphia area business firm population is primarily one of small enterprises. Thus, the area has 35,000 retailing establishments with 159,000 employees and 6,100 industrial establishments with employees numbering 477,000. There are also 5,900 wholesaling establishments with 73,000 employees.

(80) Small and intermediate sized business has very little opportunity to obtain external funds from institutional investors such as insurance companies, pension funds, and other financial intermediaries, nor does it have any better opportunity to derive short-term working capital from savings and loan associations, mutual savings banks and similar savings institutions. The commercial bank is the primary, and in practice the only regular, source for the recurring short and intermediate-term financing needs of small and intermediate-sized business.

3. Other functions performed by commercial banks which cannot be performed as well, if at all, by other financial institutions

Ex. G-57, pp. 117-118
Ex. D-33, pp. 8-9
Ex. D-69, III

(81) Commercial banks provide a wide variety of trust services. Personal trust services include acting as investment manager and advisor, as trustee for employee

benefit trusts, as executor, administrator, custodian, and in other capacities. Corporate trust services include acting as registrar or transfer agent, bond and coupon paying agent, and others.

(82) Some banks offer their corporate depositor customers an account reconciliation service, which includes making out checks for the depositor customer, sending out the checks, making up a statement for the depositor customer, and sending out the statements. Potts, Tr. 1371

(83) A lock box is a bank service offered to facilitate the collection of checks for a corporation. This service is primarily useful on a local and a regional basis. Potts, Tr. 1372-1373

(84) Commercial banks are the channel through which most of the currency in circulation finds its way into the economy. Smith, Tr. 454

(85) Other services provided by commercial banks to corporate customers include money wire transfer, check collection, credit information, and payroll accounts. McDowell, Tr. 2854-2878; 2949-2953; 2957; Harris, Tr. 2320

4. Participations

(86) Commercial banks commonly meet requests for loans in excess of their own lending limits by arranging for other banks to participate in the loan. Such arrangements are normally made without substantial difficulty and customers rarely if ever object to this procedure even though they know it is being employed. Brown, Tr. 2647-2660; Sienkiewicz, Tr. 2052-2053; Mason, Tr. 3073-3074; Weinrott, Tr. 3103; MacMillen, Tr. 1222-1223, 1238; Brumbaugh, Tr. 660

MacMillen, Tr. 1223, 1238

(87) Industrial corporations which wish to borrow are interested in obtaining money at a favorable rate and are unconcerned whether or not a bank which extends them credit obtains part of that credit from other banks by offering them participations in the loan.

MacMillen, Tr. 1236, 1256, 1267–68

(88) Commercial banks frequently invite other banks to participate in loans which do not exceed their own lending limit if they are short of loanable funds or if they do not care to assume the entire risk of the requested loan.

Halpin, Tr. 755–65; Ex. G–67

(89) In a number of cases PNB has participated with other banks under a written agreement making loans which in total exceed PNB's lending limit or even the lending limit of any bank as well as loans which are well within PNB's limit. The interest rates on these loans vary.

Halpin, Tr. 787–96, Ex. G–69, Ex. G–67

(90) In a number of cases Girard has participated with other banks under a written agreement between the borrower and the banks for a loan in excess of Girard's lending limit or even the lending limit of any bank as well as loans well within Girard's limit. The interest rates on these loans vary.

C. Commercial banks distinguished from other financial institutions

1. Savings banks

(91) Savings banks are permitted to accept savings deposits only, while commercial banks accept both time and demand deposits. On an average, two-thirds of commercial bank deposits are in the form of demand deposits. MacMillen, Tr. 1220

(92) Savings banks generally can require notice on withdrawals of deposits, a condition generally not applicable to withdrawals of demand deposits of commercial banks. Brumbaugh, Tr. 650

(93) The convenience for a customer of being able to do all his banking under one roof is one of the factors which account for the ability of commercial banks to retain and even increase savings deposits although savings banks have been offering higher rates for those funds. Harris, Tr. 2335

(94) Since savings banks have long-term funds in the form of time deposits, they make loans of a longer duration than the normal commercial bank. MacMillen, Tr. 1220–1221

(95) Mutual savings banks in the United States and in Philadelphia specialize largely in mortgage loans. Smith, Tr. 530; Ex. G-58, Ex. G-57, p. 92

(96) Commercial banks such as the Girard often lend money to so-called mortgage brokers for the purpose of initiating and carrying mortgage loans until perma- Brown, Tr. 2838

nent financing for such loans can be provided by a mutual savings bank or similar mortgage lender.

McGinley, Tr. 3459–3460

(97) The primary loan business of the Beneficial Savings Bank, a Philadelphia savings bank, is in residential mortgage loans; its business in the home modernization loan field is only nominal, as is the case with the other savings banks in Philadelphia.

McDowell, Tr. 2935–2936

(98) The executive president and senior lending officer of PNB did not know until a few days before he testified that mutual savings banks made home modernization loans.

Harris, Tr. 2415

(99) Savings banks do not make short term unsecured loans.

MacLaren, Tr. 2498–2499

(100) Savings banks do not accept time deposits of partnerships and corporations.

Brown, Tr. 2836; McGinley, Tr. 3457–3458

(101) It is essential for mutual savings banks to receive checking account service from a commercial bank.

McGinley, Tr. 3457–3458

(102) Savings banks maintain deposit accounts with commercial banks but cannot accept deposits from commercial banks. Beneficial Savings Bank maintains demand deposit accounts with PNB and Girard, among other banks, and could not carry on its business without such checking accounts.

Brumbaugh, Tr. 650, 652

(103) Savings banks cannot substitute for commercial banks. They cannot offer

demand deposit services, specifically checking account services, which are essential to a business.

(104) Several savings banks are good customers of Girard. Ex. G-220; Ex. G-224

(105) Girard did not protest when a savings bank proposed to open a branch in the Lawrence Park Shopping Center in the same building in which Girard had an office. However, Girard would have protested if another commercial bank had applied for this office. Ex. G-222

(106) Girard did not protest when a savings bank proposed to open a branch in Wynnewood Shopping Center, near a Girard branch, in part because the competition between a commercial bank and a savings institution is limited. Ex. G-224

(107) One of the directors of PNB was, at the time the merger application was filed by the two banks with the Comptroller, also a director and the president of Western Saving Fund Society. Potts, Tr. 1461-1462; Ex. G-57, p. 39

(108) The Beneficial Savings Bank has common interlocking directors with several Philadelphia commercial banks, including PNB. McGinley, Tr. 3455-3456

(109) The president of a Philadelphia savings bank is also a director of Girard. Brown, Tr. 3836

(110) The testimony of both Government and defense witnesses proves that any

competition between commercial banks and savings banks is limited to residential mortgages and savings accounts.

2. Savings and loan associations

MacMillen, Tr. 1224
Hansen, Tr. 736

(111) Savings and loan associations issue shares for the funds they receive and the shareholder is not entitled to have the consideration given for the shares returned on demand as is the holder of a demand deposit in a commercial bank.

Smith, Tr. 524–526; Ex. G–56; Ex. G–57, p. 92; Taylor, Tr. 1283, 1288–89; Hansen, Tr. 736 DuBois, Tr. 728 MacMillen, Tr. 1224

(112) Savings and loan associations acquire their funds by selling shares to customers. The obligation of the association to its shareholders is of an equity nature rather than the creditor-debtor relationship of depositor to commercial bank. Savings and loan associations are limited by law, with minor exceptions, to making mortgage loans on homes or residential properties. Commercial banks engage in such lending only to a limited degree and when they have surplus funds; the majority of their loans are of a commercial nature and are made either on demand or on a much shorter term basis than are mortgage loans.

Brumbaugh, Tr. 652
Hansen, Tr. 737

(113) Savings and loan associations cannot substitute for commercial banks.

Harris, Tr. 2480, 2475

(114) The growth of savings and loan associations in recent years indicates they have fulfilled a large demand which was not and is not now being met by commer-

cial banks and other lending institutions.

(115) Commercial banks are not in competition with savings and loan associations in the making of loans. Clarke, Tr. 363

(116) Savings and loan associations in the United States and in Philadelphia specialize almost exclusively in the making of mortgage loans. Smith, Tr. 524-526; Ex. G-56; Ex. G-57, p. 92

(117) PNB and Girard are not in strong competition with savings and loan associations for mortgage loans. Harris, Tr. 2421

(118) Savings and loan associations do not make short term unsecured loans. Harris, Tr. 2415

(119) Savings and loan associations do not accept time deposits of partnerships and corporations. MacLaren, Tr. 2498-2499

(120) Since savings and loan associations loan on a secured, mortgage basis, they are not in competition with commercial banks to provide personal loans for household, family and similar expenditures.

(121) Savings and loan associations are not in competition with commercial banks for commercial and industrial loans.

(122) Savings and loan associations are not in competition with commercial banks for any business except residential mortgage loans and, to some extent, savings accounts.

3. Finance companies

(123) Girard lends to finance companies. Brown, Tr. 3861

(124) PNB lends to finance companies. Ex. G-133

Brown, Tr. 3866

(125) Personal loan companies borrow heavily from commercial banks.

Forlines, Tr. 308

(126) Commercial banks do not normally lend money to institutions who might use those borrowings to make loans in competition with commercial banks.

Ex. G-192

(127) The Ritter Finance Company in Philadelphia is a customer of Girard and the two institutions are not in substantial competition since Ritter Finance concentrates more on the high interest rate, small personal loans.

Smith, Tr. 535-36

(128) Sales finance companies, which concentrate on consumer installment credit, raise a substantial amount of their funds by borrowing from commercial banks.

Smith, Tr. 537

(129) The elimination of commercial bank competitors reduces the alternative sources of funds available to local sales finance companies.

Smith, Tr. 537

(130) Commercial banks are important in the area of consumer financing not only as direct lenders to consumers but as a source of funds for sales finance companies. The 1956 Federal Reserve Study on consumer credit estimated the commercial banks finance directly or indirectly over 50% of the total installment credit in the economy.

Ex. G-133

(131) On June 30, 1960, PNB had $50,932,368 in loans outstanding to finance companies. In recent years PNB's loans

outstanding to finance companies have been as follows:

12/31/59	$51,000,690
6/30/59	45,469,089
12/31/58	51,915,896
6/30/58	36,082,982
12/31/57	48,147,625
12/31/56	50,325,884
12/31/55	58,190,729

(132) Throughout the United States personal finance companies are generally permitted under special small-loan acts administered separately from the banking laws to charge, for the loans they are permitted to make, interest far in excess of the rate commercial banks may charge. Generally the interest rate actually charged by these companies is the maximum permitted by law. Taylor, Tr. 1285-87

(133) Consumer finance companies generally charge higher interest rates on loans than do commercial banks. Brown, Tr. 3860; MacMillen, Tr. 1223; Taylor, Tr. 1285-86

(134) The rates of interest charged by small loan companies in Pennsylvania are substantially in excess of the rates charged by commercial banks. Smith, Tr. 539

(135) The interest rates charged by Girard are generally substantially lower than the rate charged by personal loan companies in Pennsylvania. Brown, Tr. 3860-61

(136) Philadelphia small loan companies are charging the maximum interest rate permitted them under state law. These rates are higher than those charged by commercial banks in Pennsylvania. Harris, Tr. 2460-2461, 2463

Harris, Tr. 2415–16

(137) In the four-county area personal loan companies are permitted to make loans at special interest rates only to a maximum of $600 per borrower and consumer discount companies have a $2,000 ceiling on their lending to any one borrower. Consequently whatever commercial loans such companies might make would only be of very low dollar amounts.

Hansen, Tr. 737

(138) Small and medium sized businesses cannot depend on personal finance companies for commercial and industrial loans.

MacMillen, Tr. 1221
Forlines, Tr. 405

(139) Consumer finance companies generally are not competitors of commercial banks in making loans for commercial and industrial purposes.

4. Insurance companies

Brown, Tr. 2712, 3836; Potts, Tr. 1485–1486; Ex. G–57, p. 95

(140) Competition by insurance companies with commercial banks is not significant since long-term borrowings have tended to gravitate toward the insurance companies while commercial banks are more active in the field of short-term loans.

Brown, Tr. 3835–3837
Harris, Tr. 2457

(141) A corporation desiring to make a commercial loan for a period of from 10 to 15 years would normally borrow from a life insurance company and a commercial bank, with the earlier repayments being made to the bank and the longer term payments to the insurance company.

Smith, Tr. 533

(142) The main areas of investment for

life insurance companies in the United States are corporate securities and mortgages.

(143) The Penn Mutual Life Insurance Company and The Provident Mutual Life Insurance Company are in competition with PNB only to a minor degree and only in large loans that require long maturities. The financial vice president of Penn Mutual Life Insurance Company is a director of PNB. The president of Provident Mutual Life Insurance Company is a director of PNB. Potts, Tr. 1461, 1463 Ex. G-57, pp. 38, 40

(144) Insurance companies do not make short term, unsecured commercial loans. Harris, Tr. 2415

(145) In the attempt by defendants to show that borrowing needs of large businesses in Philadelphia are not being adequately served due to the limitations on lending by commercial banks in Philadelphia, there was no suggestion that large Philadelphia insurance companies in any way alleviate the claimed inadequacy.

5. Factors

(146) Factors buy receivables of business enterprises, take responsibility for their collection, and bear the risk of loss; most other commercial financial institutions simply take over the collection process without taking the risk of loss. Smith, Tr. 543

(147) Because of the nature of the risks of their business, factors do not compete Ex. G-57, p. 97

significantly with the credit business of commercial banks.

Graves, Tr. 3898

(148) Factors charge higher interest rates than commercial banks and are not comparable with commercial banks as a source of business financing.

6. Credit unions

Harris, Tr. 2338

(149) A credit union is limited to dealing with persons who are eligible to belong to it and who have actually become members of the credit union.

Ex. G-57, p. 95 Clarke, Tr. 381

(150) Credit unions do not offer commercial banks competition of any consequence.

MacLaren, Tr. 2498-2499

(151) Credit unions do not accept time deposits of partnerships and corporations.

7. Summary

Smith, Tr. 455-456

(152) Financial institutions other than commercial banks, such as savings and loan associations, mutual savings banks, life insurance companies, and personal and sales finance companies, are not able to create money and credit as commercial banks do. The job of these other institutions is often described as being a financial intermediary and consists of collecting savings from people and making those savings available to other people.

Harris, Tr. 2460

(153) Finance companies, savings and loan associations, credit unions and other financial institutions normally maintain checking accounts in commercial banks.

(154) For some of the services, such as demand deposit services, rendered businessmen by commercial banks there is no substitute available from other types of financial institutions. Harris, Tr. 2414

(155) Postal money orders and savings bank money orders are not significant alternative methods for noncash payment of bills. Harris, Tr. 2449

(156) Unsecured, short-term commercial loans are readily available to Philadelphia businessmen only from commercial banks. Harris, Tr. 2414

(157) It is convenient for bank customers to conduct all their financial activities under one roof. Harris, Tr. 2319

D. Some activities in which commercial banks specialize

1. Commercial and industrial loans

(158) Financial institutions other than commercial banks cannot supply the commercial loans needed by larger businessmen. Harris, Tr. 2413

(159) For commercial banks the area of commercial and industrial loans is the most important type of loan. Harris, Tr. 2455

(160) The Federal Reserve System has conducted surveys of commercial loan business of commercial banks. Ex. D-1, pp. 64-67; Ex. G-190, pp. 393-411

(161) Commercial and industrial loans are a specific category in the reports of conditions required of all member banks by the Federal Reserve System. Gaffey, Tr. 73

Ex. G-6(e)
Ex. G-6A

(162) PNB, as of June 15, 1960, had commercial and industrial loans totaling $295,514,000, equal to 58.3% of all its loans.

Ex. G-6(e)
Ex. G-6A

(163) Girard, as of June 15, 1960 had commercial and industrial loans totaling $200,427,000, equivalent to 51.0% of all its loans.

Ex. G-6(e)
Ex. G-6A

(164) All commercial banks with head offices in the four counties of Philadelphia, Bucks, Montgomery and Delaware, as of June 15, 1960, had commercial and industrial loans totaling $1,215,316,000, equal to 45.6% of all their loans.

Harris, Tr. 2415

(165) Savings and loan associations, insurance companies, and savings banks do not make short term, unsecured commercial loans.

2. Installment loans to individuals

Brown, Tr. 3860-3861
MacMillen, Tr. 1223

(166) Interest rates charged by commercial banks are generally substantially lower than the rates charged by personal loan companies.

Brown, Tr. 3886

(167) Loan companies borrow heavily from commercial banks.

Smith, Tr. 5?7

(168) Commercial banks are important in consumer financing not only as direct lenders to consumers but as a source of funds for finance companies. The 1956 Federal Reserve study on consumer credit estimated that commercial banks financed directly or indirectly more than 50% of the total installment credit in the economy.

(169) Commercial banks do not normally lend money to institutions which might use those borrowings to make loans in competition with commercial banks. Forlines, Tr. 308

(170) PNB, as of June 15, 1960, had total installment loans to individuals of $61,323,000, equal to 12.1% of all its loans. Ex. G-6(s) Ex. G-6A

(171) Girard, as of June 15, 1960, had total installment loans to individuals of $50,294,000 equal to 12.8% of all its loans. Ex. G-6(s) Ex. G-6A

(172) All commercial banks with head offices in the four counties, as of June 15, 1960, had total installment loans to individuals of $542,805,000, equal to 20.3% of all their loans. Ex. G-6(s) Ex. G-6A

3. Single payment loans to individuals

(173) The per cent of total single payment loans to individuals made by sources other than commercial banks is insignificant. Harris, Tr. 2458-2459 Ex. D-41, p. 4

(174) PNB, as of June 15, 1960, had total single payment loans to individuals of $24,204,000. equal to 4.8% of its total loans. Ex. G-6(s) Ex. G-6A

(175) Girard, as of June 15, 1960, had total single payment loans to individuals of $70,871,000, equal to 18.0% of its total loans. Ex. G-6(s) Ex. G-6A

(176) All commercial banks with head offices in the four counties, as of June 15, 1960, had total single payment loans to individuals of $246,152,000, equal to 9.2% of their total loans. Ex. G-6(s) Ex. G-6A

[fol. 6686]

4. Real estate loans

Harris, Tr. 2364

(177) National banks are permitted to invest in mortgage loans up to 50% of their time deposits, or the equivalent of their capital and surplus, whichever is greater.

Ex. G-6(s) Ex. G-6A

(178) PNB, as of June 15, 1960, had total real estate loans of $62,865,000, equal to 12.4% of its total loans.

Ex. G-6(s) Ex. G-6A

(179) Girard, as of June 15, 1960, had total real estate loans of $32,708,000, equal to 8.3% of its total loans.

Ex. G-6(s) Ex. G-6A

(180) All commercial banks with head offices in the four counties, as of June 15, 1960, had total real estate loans of $313,020,000, equal to 11.7% of their total loans.

5. Personal trusts

Ex. D-33, p. 8-9 Ex. D-38 Ex. G-57, p. 117

(181) Services of the personal trust department of a commercial bank include investment management, executorships, trustee of pension and profit sharing trusts, administration of estates, estate planning, custodian of securities, operation of common or diversified trust funds for collective investment of individual trust accounts, funded and life insurance trusts, and cemetery trusts.

Ex. G-57, p. 117

(182) PNB had, on November 15, 1960, 2,570 personal trust accounts with a total market value of $361,300,000.

Ex. G-57, p. 117

(183) Girard had, as of November 15, 1960, 7,755 personal trust accounts with a total market value of $2,248,206,000.

(184) Girard, as of December 31, 1959, ranked second among all Philadelphia banks in the value of personal trust business. Ex. G-57, p. 136

(185) As of December 31, 1959, Girard held 24% of the aggregate personal trust business held by all Philadelphia commercial banks. Ex. G-57, p. 136

(186) As of December 31, 1959, PNB ranked fifth among all Philadelphia commercial banks in the value of personal trust business. Ex. G-57, p. 136

(187) PNB, as of December 31, 1959, held 4% of the aggregate personal trust business held by all Philadelphia commercial banks. Ex. G-57, p. 136

(188) Girard's operating income of its personal trust department in 1959 was $5,170,000, and in 1960 was $4,909,000. Ex. D-33, p. 26

(189) Girard's personal trust department income represented 13% of its total operating income in 1960. Ex. D-33, p. 8

(190) Personal trust services are performed only by trust departments of commercial banks and by trust companies.

6. Time and savings deposits

(191) Commercial banks are the only financial institutions which accept time deposits of partnerships and corporations. MacLaren, Tr. 2498-2499; McGinley, Tr. 3461

(192) Corporations are not permitted to have savings fund accounts. Brown, Tr. 2799

MacLaren, Tr. 2498–2499

(193) Savings banks hold only savings accounts and no time deposits of partnerships and corporations.

MacLaren, Tr. 2498–2499

(194) Savings and loan associations hold no time deposits of partnerships and corporations.

MacLaren, Tr. 2498–2499

(195) Credit unions hold no time deposits of partnerships and corporations.

Ex. D–32
MacLaren, Tr. 2498–2499

(196) Savings banks, savings and loan associations, and credit unions accept only savings deposits of individuals.

Ex. G–7(s)
Ex. G–7A

(197) PNB, as of June 15, 1960, had total time deposits of $124,325,000, equal to 13.5% of its total deposits.

Ex. G–7(s)
Ex. G–7A

(198) Girard, as of June 15, 1960, had total time deposits of $128,339,000, equal to 19.4% of its total deposits.

Ex. G–7(s)
Ex. G–7A

(199) All commercial banks with head offices in the four county area, as of June 15, 1960, had total time deposits of $843,938,000, equal to 18.8% of their total deposits.

Harris, Tr. 2335

(200) The convenience for a customer of being able to do all his banking under one roof is one of the factors which account for the ability of commercial banks to retain and increase savings deposits.

Brown, Tr. 2799

(201) Savings funds accounts are largely individual accounts. The only possible exceptions may be certain charitable and nonprofit corporations and perhaps school boards.

7. Demand deposits and IPC demand deposits

(202) Commercial banks are the only financial institutions in the United States authorized to receive demand deposits. Harris, Tr. 2287; Smith, Tr. 484

(203) Only commercial banks provide checking account services. Harris, Tr. 2312, 2317; Smith, Tr. 486

(204) There is no substitute available from other financial institutions for the demand deposit services rendered to business by commercial banks. Harris, Tr. 2414

(205) Creation of demand deposits is a major function of commercial banks. Harris, Tr. 2286

(206) The keenest competition among commercial banks is to obtain demand deposits. Jennings, Tr. 3301

(207) PNB, as of June 15, 1960, had total demand deposits of $796,942,000, equal to 86.5% of its total deposits. Ex. G-7(8); Ex. G-7A

(208) Girard, as of June 15, 1960, had total demand deposits of $533,478,000, equal to 80.6% of its total deposits. Ex. G-7(8); Ex. G-7A

(209) All commercial banks with head offices in the four-county area, as of June 15, 1960, had total demand deposits of $3,640,443,000, equal to 81.2% of their total deposits. Ex. G-7(8); Ex. G-7A

(210) PNB, as of June 15, 1960, had total demand deposits of individuals, partnerships and corporations (IPC demand deposits) of $509,561,000, equal to 55.3% of its total deposits. Ex. G-7(8); Ex. G-7A

Ex. G-7(e) Ex. G-7A

(211) Girard, as of June 15, 1960, had total IPC demand deposits of $445,201,000, equal to 67.3% of its total deposits.

Ex. G-7(e) Ex. G-7A

(212) All commercial banks with head offices in the four-county area, as of June 15, 1960, had total IPC demand deposits of $2,798,478,000, equal to 62.4% of total deposits.

E. Competition among commercial banks

Smith, Tr. 512-14

(213) Commercial banks are regulated by public authority in order to control the volume of the money supply and to protect depositors from loss through unliquidity or insolvency of the bank, but they are not regulated as are public utilities in prices and the profit rates they realize or the quality of service they render the public. In such areas the competitive market with a large number of separate banks is the means relied upon to insure sound functioning of the commercial banking system.

Smith, Tr. 514-15

(214) Commercial banks compete with one another in the charges they make for loans, in the quality of the services they render customers, and in attracting deposits.

Jennings, Tr. 3301

(215) The keenest competition among commercial banks is to obtain demand deposits and loans.

Harris, Tr. 2321

(216) The chief factor in competing for the demand deposits of large depositors is

the quality of services rendered in exchange for those deposits.

(217) In addition to competing for the business of large borrowers by offering more favorable interest rates, commercial banks may compete by offering such borrowers a more favorable time period in which they may repay their loan, lesser restrictions on the borrower's capital or dividends, and a host of collateral services such as providing special credit facilities and information. MacMillen, Tr. 1260-61

(218) Commercial banks compete in the making of commercial loans, in the service they provide on the loan, in the lines of credit they offer, the term of the loan and the rate of interest on the loan. Clarke, Tr. 370

(219) The Philadelphia banks compete to acquire banks and branch sites in the four county area. Beadle, Tr. 876, 882; Reller, Tr. 3130-3134

(220) An important factor in competition among banks in the Philadelphia area is a well-distributed branch system. Sienkiewicz, Tr. 2056

(221) In order to maintain its competitive position Girard believes it must keep a strategic branch system. Beadle, Tr. 884

(222) There is a large range of possible, legal variations in interest rates on commercial and industrial loans. Harris, Tr. 2429-30

(223) Commercial banks may charge higher interest rates for loans to borrowers who are unable to maintain a sizeable com- Brown, Tr. 2609

pensating balance on deposit with the lender.

Sienkiewicz, Tr. 2074–75

(224) Banks with very good credit departments and excellent ratings will occasionally differ in judgment in evaluating loans.

MacMillen, Tr. 1276

(225) If a commercial bank does have an excess of loanable funds it will reduce the interest rate it asks for those funds so they can be put to work, either in loans or in Government and municipal bonds.

Brown, Tr. 2631–32

(226) Variations in interest rates are an element in the decision of larger borrowers *to borrow from* one bank or from another one.

Ex. G–130

(227) In establishing the minimum interest rates which the PNB was to charge from July 10, 1957 through August 23, 1960 for collateral loans, the senior executive officers of PNB directed that the customer and the account he maintained with the bank should be evaluated in setting the actual rate to be charged.

Harris, Tr. 2400

(228) One means for commmercial banks to seek checking accounts is by advertising in newspapers and on billboards in the area from which they hope to obtain such accounts.

Jennings, Tr. 3303

(229) Commercial banks compete on service charges to the extent that if a bank's service charges get out of line with the service charges of their competitors,

its customers will leave if the differential is significant.

(230) Service charges are a factor in the acquisition and retention of banking business. Gillam, Tr. 1310, 1312, 1314

(231) In addition to competition in the area of service charges, the Norristown branch of the PNB and the Peoples National Bank of Norristown compete in the quality of the office facilities maintained, their lending policies, the personal touches the bank maintains with customers and in the general prestige of these institutions. Gillam, Tr. 1313

(231A) Substantial competition, including interest rate competition, exists among the commercial banks in the four county area for direct and indirect consumer loan business. Satterfield, Tr. 2084, 2123 Ex. G-231 to Ex. G-244 Ex. G-194

V. THE FOUR-COUNTY AREA

A. Market area

1. Pennsylvania law

(232) Pennsylvania commercial banks may open offices in the political community where their main office is situated, in some other political community within their home county, or in any county contiguous to the county in which the main office is located. Harris, Tr. 2301

(233) Applications by Pennsylvania commercial banks for permission to establish branches in the political community Harris, Tr. 2301-02

containing their head office are passed on by the Pennsylvania Secretary of Banking. Applications to establish branches in some other political community, whether within the same county or in contiguous counties, are initially passed on by the Secretary of Banking. If he approves the application, the Banking Board of the State of Pennsylvania has authority to confirm or reverse the Secretary's decision.

PNB Ans. Par. 8 (234) PNB operates ten offices in Philadelphia, five in Bucks County, seven in Montgomery County, and five in Delaware County.

Girard Ans. Par. 9 (235) Girard operates twenty offices in Philadelphia, six in Montgomery County, and twelve in Delaware County.

2. The geographic analysis

Brown, Tr. 3815–17 (236) Retail or individual customers of commercial banks who need regular or special checking accounts, consumer loans, safe deposit boxes and services of similar nature generally patronize banks located not more than one mile from them if this is possible. Small business borrowers may travel farther to obtain the accommodations they desire.

Brown, Tr. 3817 (237) Potential borrowers from commercial banks who desire loans for under $1 million would not normally obtain their loan from banks in another city.

(238) The First Camden National Bank and Trust Company, which is the second largest commercial bank in Camden, New Jersey, and has one office in Philadelphia, draws little if any business from Montgomery and Bucks Counties and has only one customer in Delaware County. Carter, Tr. 3249-51

(239) Liberty Real Estate Bank & Trust Co. competes with all the other commercial banks in Philadelphia but does not have any competition from commercial banks outside of Philadelphia. Mason, Tr. 3048

(240) Central Penn National Bank services the business needs of Philadelphia and three or four adjoining counties. Slepkiewics, Tr. 2054

(241) Most deposits of Central Penn National Bank originate in the four-county area (Philadelphia, Bucks, Montgomery, or Delaware County). Slenkiewics, Tr. 2055

(242) The banking alternatives open to each borrower depend to a great extent upon the size of his operations, his credit rating, the extent of the area within which he is well known, and the number of lenders willing and able to meet his credit needs within this area. Smith, Tr. 545

(243) Some families choose a bank conveniently located near the husband's employment if he handles the family finances. If the wife is the financial manager, a bank not far from the home may be selected. Harris, Tr. 2313

Brown, Tr. 2768–70

(244) Generally, any bank within reasonable commuting distance of another bank is in competition with that bank to one degree or another for the business of the ordinary individual depositor.

Harris, Tr. 2347

(245) Direct installment loans are generally made to consumers near to the lending institution.

Forlines, Tr. 411
Clarke, Tr. 869

(246) Commercial banks draw most of their business from the geographic area closest to them.

Harris, Tr. 2346

(247) The market for unsecured smaller loans (under $2,000) to individuals is limited for the most part to borrowers living or working not far from the lending institutions.

Gillam, Tr. 1314

(248) PNB makes periodic surveys of the service charge schedules of their competitors in branch market areas.

Ridgway, Tr. 1189
Ex. G–115

(249) In the comparison of its service charges with those of its competitors made in 1959 in preparation for planning changes in its charges, the Philadelphia National Bank compared its charges only with other commercial banks in the four-county area.

Ex. G–166
Ex. G–167

(250) Girard makes regular comparisons of its service charges with those of other Philadelphia commercial banks.

Beadle, Tr. 882

(251) All of the industrial plants, stores, and business establishments in the four-county area require commercial banking facilities.

(252) PNB launched its program of mergers because of management's belief in 1950 that if PNB was to maintain its position, the quality of its services, and its reputation, it could no longer confine itself solely to the wholesale banking business; this was in part due to the fact that a change was then taking place in the character of deposits: The importance of the corporate deposit was lessening and the deposit of individuals was becoming more and more of a factor in the over-all banking picture. Potts, Tr. 1500-1501

(253) During the period 1940 to 1950 Girard Trust Company, predecessor of the Girard Trust Corn Exchange Bank, found that both individuals and businesses were moving to suburban areas and that to progress in the banking business, especially the retail banking business, it would be necessary for a bank such as Girard to establish facilities more conveniently located near these customers. Brown, Tr. 2551, 2558

(254) Philadelphia-based banks dominate banking in the four-county area. In December 1960, Philadelphia-based banks had 136 banking offices in Philadelphia County and 79 banking offices in the three contiguous counties, for a total of 215 offices throughout the four-county area. By comparison, the banks with head offices in the three contiguous counties operated a Ex. G-187

total of only 68 offices in the three counties and none in Philadelphia County at all. Only three banks with head offices outside the four-county area have offices in the area; a Philadelphia office of the New York-based, private bank Brown Brothers Harriman & Co.; a Philadelphia branch office of the First Camden National Bank & Trust Co. of Camden, New Jersey; and a Delaware County branch office of a Chester County, Pennsylvania, bank.

Ex. G-187 (255) The large Philadelphia banks have the largest number of banking offices in the four-county area. Four of the banks, including PNB, have branches in all four counties, while three others, including Girard, have branches in three of the four counties. Of the remaining Philadelphia-based commercial banks, two have only one branch outside of Philadelphia and five have no branches outside Philadelphia County. Thus, the seven largest Philadelphia banks compete extensively with one another as well as with the independent banks in the three contiguous counties.

Ex. G-67 (256) Two other companies in the area hold commercial bank charters, Pennsylvania Warehousing & Safe Deposit Company and Finance Company of Pennsylvania, both in Philadelphia. However, these were not considered as competitors

by the defendant banks in the application filed with the Comptroller.

(257) Some commercial banks compete in national, regional, and local markets. The elimination of a large lender through the merger of two large city banks may significantly reduce the degree of competition through elimination of an important alternative source of credit for many borrowers over a rather wide area, but with the greatest effects being concentrated nearest the locale of the merging banks, in this case the four-county area, within which the defendants may establish offices to serve their customers. Smith, Tr. 545-46

(258) The market area of a commercial bank can be determined by analyzing the geographic areas in which its business originates and the percentage of business from those various areas. Harris, Tr. 2307

B. Geographic origin of PNB and Girard business

A substantial amount of the defendants' total banking business originates from the four-county area, both in terms of total dollar volume and in terms of numbers of customers served, as is shown more fully in the following tables.

[Fol. 6700]

I. Loans, September 1960

a. Commercial and industrial loans

TABLE 1

(Ex. B-63, I)

COMMERCIAL AND INDUSTRIAL LOANS

I. GEOGRAPHICAL DISTRIBUTION OF PHILADELPHIA NATIONAL BANK'S LOANS

(000 omitted in following 8 amounts)

Size of loan	Under $50,000		$50,000-$99,999		$100,000-$499,999		$500,000-$999,999		Over $1,000,000		Total	
	$ Amt.	Per cent	$ Amt.	Per cent	$ Amt.	Per cent	$ Amt.	Per cent	$ Amt.	Per cent	$ Amt.	Per cent
LOCATION OF BORROWER												
Philadelphia	7,377	33	5,040	38	27,347	43	18,796	44	56,479	34	115,029	38
Bucks, Delaware and Montgomery Counties	9,305	42	4,838	36	12,152	19	4,859	11	18,509	11	49,753	16
Total 4 counties	16,682	75	9,879	74	39,499	62	23,655	55	75,078	45	164,782	54
Rest of 10-county area	864	4	631	5	4,514	7	3,698	9	17,145	11	26,852	9
Rest of 34 F.R.D.			1,519	11	6,379	10	3,789	9	13,303	8	29,598	9
Northeast U.S. outside 34 F.R.D.	4,608	21	749	5	8,690	13	5,823	13	33,225	20	48,279	16
Rest of U.S.			616	5	4,049	7	5,928	14	25,730	16	36,323	12
Foreign					495	1					495	
Total	22,154	100	13,393	100	63,416	100	42,893	100	164,483	100	306,329	100

[Ref. 67011]

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TABLE 2

(Ex. D-63, II)

COMMERCIAL AND INDUSTRIAL LOANS

GEOGRAPHICAL SOURCE OF GIRARD TRUST CORN EXCHANGE BANK'S LOANS

[000 omitted in following $ amounts]

Size of loan	Under $50,000		$50,000-$99,999		$100,000-$499,999		$500,000-$999,999		Over $1,000,000		Total	
LOCATION OF BORROWER	$ Amt	Per cent	$ Amt	Per cent	$ Amt	Per cent	$ Amt	Per cent	$ Amt	Per cent	$ Amt	Per cent
Philadelphia	16,167	51	7,658	50	33,872	57	13,199	46	29,429	46	99,325	51
Bucks, Delaware and Montgomery Counties	5,072	16	2,460	18	7,121	12	2,469	9	6,371	10	23,500	12
Total 4 counties	21,239	67	10,148	74	40,993	69	15,645	55	34,800	56	122,825	63
Rest of 5-county area	951	3	1,031	7	2,049	3	2,029	7			6,060	3
Rest of 3d F.R.D.			1,228	9	8,156	14	4,092	14	7,265	11	20,741	15
Northeast U.S. outside 3d F.R.D.	9,510	30	949	7	9,322	7	5,354	19	6,500	27	27,122	14
Rest of U.S.			255	2	1,788	3			2,130	3	4,173	2
Foreign			150	1	2,178	4	1,497	5	2,300	3	5,825	3
Total	31,700	100	13,758	100	59,486	100	28,617	100	62,185	100	195,746	100

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TABLE 3

(Ex. D-63, III)

COMMERCIAL AND INDUSTRIAL LOANS

GEOGRAPHICAL DISTRIBUTION OF DEFENDANTS' COMBINED LOANS

[000 omitted in following $ amounts]

Size of loan	Und. $50,000		$50,000-$99,999		$100,000-$499,999		$500,000-$999,999		Over $1,000,000		Total	
	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent
LOCATION OF BORROWER												
Philadelphia	23,544	44	12,608	47	67,319	50	31,985	45	80,898	37	214,354	43
Bucks, Delaware and Montgomery Counties	14,377	27	7,328	27	19,271	16	7,305	10	24,970	11	73,253	14
Total 4 counties	37,921	71	20,036	74	80,492	66	39,290	55	109,878	48	287,607	57
Rest of 10-county area	1,815	3	1,662	6	6,503	5	5,737	8	17,145	8	32,912	7
Rest of 3d F.R.D.			2,747	10	14,535	12	7,881	11	20,058	9	59,339	12
Northeast U.S. outside 3d F.R.D.	14,118	26	1,695	6	12,802	10	11,172	16	49,727	22	75,801	15
Rest of U.S.			871	3	5,837	6	5,928	8	27,860	12	40,496	8
Foreign			150	1	2,673	2	2,497	2	2,000	1	6,320	1
Total	53,854	100	27,151	100	122,802	100	71,500	100	226,668	100	502,475	100

(259) Tables 1, 2 and 3, above, prove that in each of the size categories shown (under $50,000, $50,000-$99,999, $100,000-$499,999, $500,000-$999,999, and over $1,000,000), the primary geographic source of commercial and industrial loan business of each bank and of the combined banks is the four-county area. The four-county area in which the defendants operate branches is the source of from 55 to 75% of each bank's loans in all but one of the size categories (45% of PNB's over $1,000,000 loans originate in the four-county area), and the four-county area is the source of 57% of the combined banks' total dollar volume of all commercial and industrial loans.

(260) Government Exhibit 24 (Revised) shows that the four-county area accounts for about 66% of the total number of the combined banks' commercial and industrial loans over $50,000 and about 55 percent of the total dollar volume of the combined banks' commercial and industrial loans over $50,000.

b. *Loans to individuals, installment, September 1960*

TABLE 4

(Ex. D-86, I)

LOANS TO INDIVIDUALS

GEOGRAPHICAL DISTRIBUTION OF GIRARD TRUST CORN EXCHANGE BANK'S LOANS TO INDIVIDUALS

[000 omitted in following $ amounts]

Type of loan	Consumer credit and other installment loans		Single payment loans to individuals		Total	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF BORROWER						
Philadelphia	20,868	36	39,039	58	59,137	[illegible]
Bucks, Delaware and Montgomery Counties	9,817	18	16,590	25	26,407	72
Total 4 counties	29,915	54	55,629	83	85,544	70
Rest of 10-county area	808	2	2,996	4	3,804	3
Rest of 51 F.R.D	13,819	25	4,655	7	18,474	15
Northeast U.S. outside 51 F.R.D	10,405	19	2,643	4	13,048	11
Rest of U.S.			1,542	2	1,542	1
Foreign						
Total	55,037	100	67,375	100	122,412	100

TABLE 5

(Ex. D-86, II)

LOANS TO INDIVIDUALS

GEOGRAPHICAL DISTRIBUTION OF PHILADELPHIA NATIONAL BANK'S LOANS TO INDIVIDUAL'S

[000 omitted in following $ amounts]

Type of loan	Consumer credit and other installment loans		Single payment loans to individuals		Total loans to individuals	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF BORROWER						
Philadelphia	10,274	18	6,635	33	16,863	22
Bucks, Delaware, and Montgomery Counties	31,897	57	8,594	43	40,491	53
Total 4 counties	42,135	75	15,229	76	57,364	75
Rest of 10-county area	5,830	10	4,771	24	10,601	14
Outside 10-county area	8,072	14			8,072	11
Total	56,037	100	20,000	100	76,037	100

TABLE 6
(PX D-486, III)
LOANS TO INDIVIDUALS
GEOGRAPHICAL DISTRIBUTION OF DEFENDANTS COMBINED
LOANS TO INDIVIDUALS

(Outstanding Balances by Amount)

Type of loan	Consumer credit and other instal. to P loan		Single payment loans to individuals		Total	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
Location of borrower:						
Philadelphia	30,[illegible]	[illegible]	45,574	52	75,630	38
Bucks, Delaware and Montgomery Counties	[illegible]	58	35,184	39	66,898	34
Total 4 counties	52,[illegible]	[illegible]	80,858	91	142,928	72
Rest of Reserve area	7,[illegible]	9	7,057	9	14,405	7
Rest of 3d F.R.D.	21,[illegible]	30	4,655	5	26,546	14
Northeast U.S. outside 3d F.R.D.	10,[illegible]	9	2,944	3	13,048	7
Rest of U.S.	[illegible]	[illegible]	1,542	2	1,542	none
Foreign	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	111,664	100	87,375	100	198,469	100

261) Tables 4, 5 and 6, above, prove that the primary geographic source of installment loans to individuals for each bank and for the combined banks is the four-county area. The four-county area in which the defendants operate branches is the source of 54% of Girard's installment loans to individuals, 75% of PNB's and 65% of the combined banks' total.

(262) (This number not used.)

c. Loans to individuals, single payment

(263) Tables 4, 5 and 6, above, prove that the primary source of single payment loans to individuals for each bank is the four-county area. This area accounts for 83% of Girard's single payment loans to individuals, 76% of PNB's, and 81% of the combined banks' total.

d. Real estate loans

TABLE 7
(based on Ex. D-64)

REAL ESTATE LOANS BY LOCATION OF BORROWER, SEPTEMBER 21, 1960

[add 000 to $ figures]

Size of loan	4-county total	All other areas	Percent in 4-county area
	PNB		
Under $50,000	$29,793	$5,258	85
$50,000 and over	17,742	11,426	61
Total	47,535	16,684	74
	Girard		
Under $50,000	$17,374	$537	97
$50,000 and over	11,126	4,806	70
Total	28,500	5,343	84
	Combined		
Under $50,000	$47,167	$5,795	89
$50,000 and over	28,868	16,232	64
Total	76,035	22,027	78

(264) The statistics in Table 7, taken from Defendants' Exhibit D-64, prove that the primary geographic source of real estate loans of each bank and of the combined banks is the four-county area. The four-county area is the source of 74% of all of PNB's real estate loans, 84% of all Girard's and 78% of the combined banks' total real estate loans. The concentration of each bank's real estate business in the four-county area is even more pronounced in the category of such loans under $50,000.

2. Lines of credit, September 1960

(265) Defendant PNB had 50 lines of credit under $50,000. Approximately 27 of such lines, equal to about 54%, were to customers in the four-county area. Ex. G-21(8)

(266) Defendant Girard had 186 lines of credit under $50,000. Approximately 170 of such lines, equal to about 92%, were to customers in the four-county area. Galley, Tr. 173; Ex. G-20(8)

TABLE 8

LINES OF CREDIT $50,000 OR MORE

(based on Ex. G-17(8) and G-18(8)

[add 000 to $ figures]

	Four-County Area	Other Pennsylvania	All Other Areas	Total
	PNB			
Number of lines	273	98	297	648
Dollar volume	$343,718	$14,538	$425,982	$721,238
Percent of total:				
Number of lines	58.3	10.3	31.3	99.9
Dollar volume	47.7	2.1	45.2	100.0
	Girard			
Number of lines	435	96	215	746
Dollar volume	$278,139	$34,046	$155,500	$467,685
Percent of total:				
Number of lines	60.6	9.3	30.1	100.0
Dollar volume	58.5	9.3	32.2	100.0

TABLE 9

ALL LINES OF CREDIT

(based on Ex. P-68)

[add 000 to $ figures]

	Four-County Area	Outside four-county area	Percent in four-county area
PNB	$[illegible]	$[illegible]	41
Girard	[illegible]	[illegible]	62
Combined	[illegible]	[illegible]	49

(267) Tables 8 and 9 show that a substantial portion of both banks' lines of credit originates in the four-county area. For lines of credit $50,000 or more, 58.3% of the number of PNB's lines of credit and 60.6% of Girard's are to customers in the four counties.

3. Personal trusts

TABLE 10

(based on Ex. D-69, III)

GEOGRAPHICAL SOURCE OF PERSONAL TRUST BUSINESS BY NUMBER OF ACCOUNTS

Type of Trust Account	Four-county total	All other areas total	Percent in four-county area
	Girard		
Exec'r & Adm'r	254	62	80.3
Tr. under deed	1,552	1,217	56.0
Tr under will	2,270	478	82.7
Guardian	235	15	94.0
Active Life Ins	236	82	74.2
Cemetery Trust	478	9	98.1
Inactive Life Ins	1,252	429	74.4
Investm. Advisory	296	181	62.1
Custodian Acct	386	224	63.3
Pension & Prof Sh	320	97	76.7
Total	7,279	2,789	72.3
	PNB		
Exec'r & Adm'r	119	8	93.7
Tr. under deed	487	35	93.3
Tr. under will	479	3	99.4
Guardian	307	7	97.8
Cemetery Trust	196	0	100.0
Investment Mg'mt	61	8	88.4
Custod'an	102	64	61.4
Pension & Prof. Sh	74	29	71.8
Consultation	1	1	50.0
Misc.	807	1	99.8
Total	2,433	156	94.0

(268) Thus the primary geographic source of personal trust business of each of the defendant banks is the four-county area. The four-county area is the source for over 72% of Girard's personal trust business and 94% of PNB's.

4. Time and savings deposits

TABLE 11

(From Ex. D-30, p. 1)

AMOUNT OF TIME AND SAVINGS DEPOSITS—DAILY AVERAGE FOR JUNE 1960 DISTRIBUTED ACCORDING TO LOCATION OF CUSTOMER

Type of deposit	In four-county area (millions)			Outside four-county area (millions)			Total (millions)			Percent outside four-county area			Percent inside four-county area		
	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total
1. Savings deposits, individuals:															
Under $10,000 each	87.2	100.4	187.6	5.1	2.7	7.8	92.3	103.1	195.4	5.5	2.6	4.0	94.5	97.4	96.0
$10,000 each and over	3.0	.1	3.1				3.0	.1	3.1				100.0	100.0	100.0
Total	90.2	100.5	190.7	5.1	2.7	7.8	95.3	103.2	198.5	5.3	2.6	3.9	94.7	97.4	96.1
2. Time deposits, partnerships and corporations:															
Under $10,000 each	.1	.1	.2				.1	.1	.2				100.0	100.0	100.0
$10,000 and over	6.0	7.0	13.0	4.5	1.8	6.3	10.5	8.8	19.3	42.9	20.5	32.6	57.1	79.5	67.4
Total	6.1	7.1	13.2	4.5	1.8	6.3	10.6	8.9	19.5	42.4	20.2	32.4	57.6	79.8	67.6
3. Time deposits, foreign banks (all over $10,000 each)				13.4	1.7	15.1	13.4	1.7	15.1	100.0	100.0	100.0			
4. Time deposits, domestic banks (all over $10,000 each)	1.0	9.5	10.5		1.3	1.3	1.0	10.8	11.8		12.0	11.0	100.0	88.0	89.0
5. Time deposits, States and political subdivisions (all over $10,000 each)	5.0	3.5	8.5	.3	.2	.5	5.3	3.7	9.0	5.7	5.4	5.6	94.3	94.6	94.4
Total time and savings deposits	102.3	120.6	222.9	23.3	7.7	31.0	125.6	128.3	253.9	18.6	6.0	12.2	81.4	94.0	87.8

[1] Figures in this column have been computed from the percentage figures on the original exhibit supplied by the defendants.

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(269) Table 11 proves that total time and savings deposits for each bank separately and for the two banks combined are concentrated in the four-county area, as follows:

	Inside four-county area		Outside four-county area	
	Million dollars	Percent	Million dollars	Percent
PNB	102.3	81.4	23.3	18.6
Girard	120.6	94.0	7.7	6.0
Combined	222.9	87.8	31.0	12.2

(270) Table 11 proves that time deposits of partnerships and corporations for each bank and for the two banks combined are concentrated in the four-county area, as follows:

	Inside four-county area		Outside four-county area	
	Million dollars	Percent of total	Million dollars	Percent of total
PNB	6.1	57.6	4.5	42.4
Girard	7.1	79.8	1.8	20.2
Combined	13.2	67.6	6.3	32.4

5. Demand deposits

TABLE 12

(From Ex. D–30, p. 2)

AMOUNT OF DEMAND DEPOSITS—DAILY AVERAGE FOR JUNE 1960 DISTRIBUTED ACCORDING TO LOCATION OF CUSTOMER

Type of deposit	In four-county area (millions)			Outside four-county area (millions)			Total (millions)			Percent outside four-county area			Percent inside four-county area		
	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total
1. Demand deposits, individual:															
Under $10,000 each	$47.8	84.9	132.7	.5	9.8	10.3	48.3	94.7	143.0	1.0	10.3	7.2	99.0	89.7	92.8
$10,000 each and over	24.0	45.6	69.6	4.5	9.2	13.7	28.5	54.8	83.3	15.8	16.8	16.4	84.2	83.2	83.6
Total	71.8	130.5	202.3	5.0	19.0	24.0	76.8	149.5	226.3	6.5	12.7	10.6	93.5	87.3	89.4
2. Demand deposits, partnerships and corporations:															
Under $10,000 each	28.3	26.1	54.4	.3	3.0	3.3	28.6	29.1	57.7	1.0	10.3	5.7	99.0	89.7	94.3
$10,000 each and over	245.5	177.2	422.7	140.7	53.3	194.0	386.2	230.5	616.7	36.4	23.1	31.5	63.6	76.9	68.5
Total	273.8	203.3	477.1	141.0	56.3	197.3	414.8	259.6	674.4	34.0	21.7	29.3	66.0	78.3	70.7
3. Demand deposits, foreign banks				[1] 19.0	4.7	23.7	[1] 19.0	4.7	23.7	100.0	100.0	100.0			
4. Demand deposits, domestic banks:															
Under $10,000 each		.6	.6	.4		.4	.4	.6	1.0	100.0		40.0		100.0	60.0
$10,000 or over	14.1	40.5	54.6	154.5	35.8	190.3	168.6	76.3	244.9	91.6	46.9	77.7	8.4	53.1	22.3
Total	14.1	41.1	55.2	154.9	35.8	190.7	169.0	76.9	245.9	91.7	46.6	77.6	8.3	53.6	22.4
5. Demand deposits, U.S. Government	47.0	23.2	70.2				47.0	23.2	70.2				100.0	100.0	100.0
6. Demand deposits, States and political subdivisions	26.7	6.2	32.9	23.8	3.4	27.2	50.5	9.6	60.1	47.1	35.4	45.3	52.9	64.6	54.7
Total demand deposits	433.4	404.3	837.7	343.7	119.2	462.9	777.1	523.5	1,300.6	44.2	22.8	35.6	55.8	77.2	64.4

[1] Figures in this column have been computed from the percentage figures on the exhibit supplied by the defendants.

[2] Includes 0.4 under $10,000.

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(271) Table 12 shows the four-county area is the primary source of all demand deposits of each defendant and of the combined banks, as follows:

	Inside four-county area		Outside four-county area	
	Million dollars	Percent	Million dollars	Percent
PNB	433.4	55.8	343.7	44.2
Girard	404.3	77.2	119.2	22.8
Combined	837.7	64.4	462.9	35.6

TABLE 12A

(Compiled from Ex. D-30, p. 2)

IPC DEMAND DEPOSITS—DAILY AVERAGE, JUNE 1960

	Inside four-county area		Outside four-county area	
	Million dollars	Percent of total	Million dollars	Percent of total
PNB	348.6	70.3	146.0	29.7
Girard	333.8	81.6	75.3	18.4
Combined	679.4	75.4	221.3	24.6

(272) Table 12A proves that the four-county area is the primary source of individual, partnership and corporation demand deposits. Over 75% of the combined banks' IPC demand deposits originate from the four-county area.

6. All IPC time and IPC demand deposits, June 1960

TABLE 13

(Ex. D-61, p. 1)

TIME DEPOSITS

I. GEOGRAPHICAL DISTRIBUTION OF DEFENDANTS' SAVINGS AND BUSINESS TIME DEPOSITS

[000 omitted in following 9 amounts]

Type of deposit	Savings deposits						Business time deposits					
	PNB		GTCXB		Combined		PNB		GTCXB		Combined	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF DEPOSITOR												
Philadelphia			66,713	58			5,626	53	6,862	77	12,488	64
Bucks, Delaware and Montgomery Counties			39,779	39			518	5	197	2	715	4
Total 4 counties	90,343	95	100,492	97	190,735	96	6,144	58	7,059	79	13,203	68
Rest of 10-county area	3,220	3	1,556	2	4,786	2	716	7			716	4
Rest of 3d F.R.D.	1,846	2	1,149	1	2,996	2	63	1	1,146	13	1,209	6
Northeast U.S. outside 3d F.R.D.							2,934	27	306	3	3,240	16
Rest of U.S.							260	2	89	1	229	2
Foreign							514	5	322	4	836	4
Total	95,319	100	103,197	100	198,516	100	10,611	100	8,922	100	19,533	100

(273) Table 13 proves that the primary geographic source of savings deposits of each bank is the four-county area, from which over 90% of each bank's savings deposits originate.

(274) The same table proves that the primary geographic source of business time deposits is the four-county area, which accounts for 68% of the combined banks' total business time deposits.

TABLE 14
(Ex. D-60, p. 1)
DEMAND DEPOSITS
I. GEOGRAPHICAL DISTRIBUTION OF DEFENDANTS' DEMAND DEPOSITS OF INDIVIDUALS
[000 omitted in following $ amounts]

	Philadelphia National Bank		Girard Trust Corn Exchange Bank		Combined	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF DEPOSITOR						
Philadelphia	40,844	53	83,703	56	124,547	55
Bucks, Delaware and Montgomery Counties	30,952	40	46,788	31	77,740	34
Total, 4 counties	71,796	93	130,491	87	202,287	89
Rest of 10 county area	1,215	1	4,598	3	5,813	2
Rest of 3d Fed. Res. Dist.	1,288	2	10,397	7	11,685	5
Northeast U.S. outside 3d F.R.D.	1,374	2	2,700	2	4,074	2
Rest of U.S.	631	1	1,197	1	1,828	1
Foreign	531	1	92	.....	623	1
Total	76,835	100	149,475	100	226,310	100

(275) Table 14 shows that the primary source of demand deposits of individuals of each bank and of the combined banks is the four-county area, from which 93% of PNB's, 87% of Girard's, and 89% of the combined banks' individual demand deposits originate.

TABLE 15

(Ex. D-60, p. 2)

DEMAND DEPOSITS, PHILADELPHIA NATIONAL BANK

II. GEOGRAPHICAL DISTRIBUTION OF DEMAND DEPOSITS OF PARTNERSHIPS AND CORPORATIONS

[000 omitted in following $ amounts]

Size of deposit	Under $10,000		$10,000-$49,999		$50,000-$99,999		$100,000-$499,999		$500,000 and over		Total	
	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent
LOCATION OF DEPOSITOR												
Philadelphia	15,610	55	22,647	51	14,862	47	51,884	46	110,806	55	215,809	52
Bucks, Delaware and Montgomery Counties	12,666	44	12,366	28	5,622	18	13,306	12	14,480	7	58,488	14
Total 4 Counties	28,276	99	35,013	79	20,204	65	64,979	58	125,286	63	273,823	66
Rest of 10-county area	220	1	1,421	3	1,386	4	5,980	5	13,480	7	22,097	5
Rest of 3d F.R.D.	94	nom.	1,122	3	1,917	6	3,461	3	6,096	3	12,650	3
Northeast U.S. outside 3d F.R.D.			4,917	11	5,771	18	21,486	19	30,208	15	62,486	15
Rest of U.S.			1,480	3	1,923	6	15,869	14	24,126	12	43,119	10
Foreign			134	1	69	1	462	1			665	1
Total	28,590	100	44,086	100	31,270	100	111,545	100	199,293	100	414,785	100

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TABLE 16

(Ex. D–60, p. 3)

DEMAND DEPOSITS, GIRARD TRUST CORN EXCHANGE BANK

III. GEOGRAPHICAL DISTRIBUTION OF DEMAND DEPOSITS OF PARTNERSHIPS AND CORPORATIONS

[000 omitted in following $ amounts]

Size of deposit	Under $10,000		$10,000–$49,999		$50,000–$99,999		$100,000–$499,999		$500,000 and over		Total	
	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent	$ Amt.	Per-cent
LOCATION OF DEPOSITOR												
Philadelphia	16,078	55	29,697	70	19,953	66	45,861	62	58,659	71	170,258	66
Bucks, Delaware and Montgomery Counties	10,048	35	6,907	16	4,710	15	7,096	9	4,284	5	33,017	12
Total 4 counties	26,126	90	36,604	86	24,673	81	52,920	71	62,943	76	203,275	78
Rest of 10-county area	642	2	928	2	552	2	1,537	3	920	1	4,579	2
Rest of 3d F.R.D.	2,350	8	1,106	3	2,017	7	5,482	7	7,576	9	18,510	7
Northeast U.S. outside 3d F.R.D.			2,772	7	2,270	7	9,230	12	8,645	10	22,966	9
Rest of U.S.			923	1	729	2	4,482	6	2,879	4	8,983	3
Foreign			164	1	179	1	944	1			1,277	1
Total	29,127	100	42,487	100	30,520	100	74,873	100	82,563	100	259,570	100

TABLE 17

(EX. D-60, p. 4)

DEMAND DEPOSITS, COMBINED

IV. GEOGRAPHICAL DISTRIBUTION OF DEFENDANTS' COMBINED DEMAND DEPOSITS OF PARTNERSHIPS AND CORPORATIONS

[000 omitted in following $ amounts]

Size of deposit	Under $10,000		$10,000 and over		Total	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF DEPOSITOR						
Philadelphia	31,888	55	253,679	57	285,567	57
Bucks, Delaware and Montgomery Counties	22,714	39	68,802	11	91,516	14
Total 4 counties	54,602	94	422,681	68	477,083	71
Rest of 10-county area	982	2	25,814	4	26,676	4
Rest of 3d F.R.D.	2,453	4	28,707	5	31,160	4
Northeast U.S. outside 3d F.R.D.			85,402	14	85,402	12
Rest of U.S.			52,102	8	52,102	8
Foreign			1,922	1	1,922	1
Total	57,717	100	616,628	100	674,355	100

(276) Tables 15, 16, and 17, above, show that the primary geographic source of demand deposits of partnerships and corporations in various size categories for each bank and the combined banks is the four-county area.

(277) Thus, Table 15 shows that from 99% to 58% of PNB's business demand deposits in various size categories originate in the four-county area and that, overall, 66 per cent of PNB's total business demand deposits originate in the four-county area.

(278) Table 16 shows that from 90% to 71% of Girard's business demand deposits in various size categories originate in the four-county area and that, overall, 78% of

Girard's total business demand deposits originate in the four-county area.

(279) Table 17 shows that 94% of the combined banks' business demand deposits under $10,000 and 68% of the combined banks' business demand deposits $10,000 and over originate in the four-county area. Overall, 71% of the combined banks' total business demand deposits originate in the four-county area.

(280) In summary, total individual, partnership, and corporation time and demand deposits of each bank and of the combined banks are primarily derived from the four-county area, as shown in the following from Ex. D–30:

Total IPC time and demand deposits	Inside four-county area		Outside four-county area	
	Million dollars	Percent	Million dollars	Percent
PNB	441.9	73.9	155.6	26.1
Girard	441.4	84.7	79.8	15.3
Combined	883.3	78.9	235.4	21.1

(281) (This number not used.)

7. All time and demand deposits

(282) Tables 11 and 12 show that the four-county area is the primary source of all time and demand deposits of each de-

fendant and of the combined banks, as follows:

All time and demand deposits	Inside four-county area		Outside four-county area	
	Million dollars	Percent	Million dollars	Percent
PNB	535.7	59.3	367.0	40.7
Girard	524.9	80.5	126.9	19.5
Combined	1,060.6	68.2	493.9	31.8

(283) The data in defendants' exhibits introduced into evidence, the data supplied by defendants in the Federal Reserve Board loan surveys of 1955 and 1957 (Exhibits G–9B, G–9C, G–9D, and G–9E), and the data furnished to the Government in response to questions propounded in connection with this case, reveal that an overwhelming proportion of the total banking business of defendants is done in the four-county area.

Brown, Tr. 3815–17
Carter, Tr. 3249–51
Mason, Tr. 3048
Harris, Tr. 2307

(284) It is evident that customers in the four-county area do business with banks which maintain offices in the area to a much greater extent than customers in any other area. This fact taken in conjunction with testimony of defendants' witnesses that the geographic area served by a commercial bank is primarily the area in which the bank has offices, warrants a conclusion that the four-county area is an appropriate market in which the impact of the proposed merger on competition may be tested.

(285) PNB traditionally has been a wholesale bank and it does proportionately more business outside the four-county area than other Philadelphia banks. Thus, the heavy concentration of PNB's business within the four-county area leads reasonably to the conclusion that the other smaller Philadelphia area banks have no lesser shares of their business within the area than PNB.

Ex. G-161
Ex. G-57 p. 9
Brown, Tr. 3813
Potts, Tr. 1349

VI. COMPETITION WHICH WOULD BE ELIMINATED BY THE MERGER

A. General

(286) At present there is substantial direct competition between the head offices of PNB and Girard and this competition will be eliminated if the merger is approved.

Harris, Tr. 2391

(287) Girard is an active and alert competitor of PNB throughout the area in which PNB has banking offices.

Potts, Tr. 1358–1359
Brown, Tr. 2822

(288) Competition between commercial banks in Philadelphia is "fierce" at the present time and will, if the proposed merger is consummated, be "even more vicious."

McDowell, Tr. 2938–2939

(289) PNB competes in a variety of ways and on a regular basis to take customers away from Girard, as well as all the other banks in the Philadelphia area, utilizing calls and entertainment, the selling of new services and the bank's stature

McDowell, Tr. 2940–2942

or lending limit, and every other competitive advantage available; and as PNB increases its services, it increases its ability to attract these customers and its officers expect to obtain more of these customers as a result.

Brown, Tr. 3811–3812, Ex. G–46

(290) At the time of the application to merge, November 15, 1960, PNB and Girard had the following mutual or common account customers who had deposit balances of $10,000 or more with the two banks or loan accounts of $50,000 or more with the two banks.

Type of account	Number of mutual accounts	Balance	
Checking accounts	302	PNB	$163,820,700
		Girard	$101,782,700
Time accounts	8	PNB	$1,149,400
		Girard	$3,004,000
Savings accounts	36	PNB	$736,400
		Girard	$589,800
Loans	67	PNB	$48,949,000
		Girard	$43,309,000

Worstall, Tr. 1063

(291) The two principal Philadelphia competitors of PNB are Girard and First Pennsylvania Banking & Trust Co.

Brown, Tr. 2821–2822 Ex. D–38

(292) PNB is an active competitor of Girard in the banking services which both banks render.

B. Branches

Beadle, Tr. 876, 882 Sienkiewicz, Tr. 2066

(293) The Philadelphia banks compete to acquire banks in the three contiguous counties. The Philadelphia banks compete to acquire desirable branch sites.

(294) In order to maintain its competitive position Girard believes it must keep a strategic branch system. Beadle, Tr. 884

(295) An important factor to PNB in viewing its relative position in the 69th Street area was the merger of Upper Darby National Bank into Girard. PNB stated: Worstall, Tr. 1068; Ex. G–88, p. 16

> This merger will undoubtedly reduce our competitive ability in the area in that it will add a second bank in the area capable of offering its depositors the convenience of both downtown offices and local offices.

(296) At the time PNB decided to locate a branch at 69th Street a particularly important factor in its decision was the need to have a convenient location to protect and retain existing business. Worstall, Tr. 1067

(297) The 69th Street branch of PNB is located next door to a branch of Girard, another Girard branch is 2.9 miles away, and a third Girard branch is 3.8 miles away. The present PNB office at this address will be closed if this merger is approved. Worstall, Tr. 1060; Ex. G–88, p. 2; Brown, Tr. 2589

(298) At the time PNB applied for the 69th Street branch, it considered its two principal Philadelphia competitors to be The First Pennsylvania Banking and Trust Company and Girard. Worstall, Tr. 1062; Ex. G–88, p. 12e

Worstall, Tr. 1073–1076 Ex. G–89, p. 6 and Ex. B

(299) One of the reasons PNB established the Roosevelt Boulevard office was to serve more efficiently and conveniently the customers it had in the area.

Worstall, Tr. 1072 Ex. G–89, p. 2

(300) Three branches of Girard are within three miles of the Roosevelt Boulevard office of PNB, at distances of 1.6, 2.1, and 2.9 miles respectively.

Worstall, Tr. 1074–75 Ex. G–89, p. 2

(301) PNB's nearest branches to the Roosevelt Boulevard office are 5.5 miles and 4.5 miles away.

Beller, Tr. 3130–3134

(302) In addition to the Girard, which eventually did acquire the Ambler National Bank, the Broad Street Trust Co. and PNB also wanted to acquire the Ambler Bank, and representatives of those banks discussed acquiring the bank with directors of the Ambler National Bank.

Gardner, Tr. 2218

(303) The Suburban Station office of Girard is just one mile from PNB office at 3131 Market Street.

Gardner, Tr. 2219

(304) The Girard has an office 1.25 miles from the Front Street Office of PNB.

Gardner, Tr. 2219

(305) The Erie and Castor Avenue Office of PNB is just one mile from the nearest branch of Girard.

Gardner, Tr. 2220

(306) The Front and Allegheny Office of PNB is only .875 of a mile from the Germantown and Lehigh Office of Girard.

Ridgway, Tr. 1180 Ex. G–111

(307) The Ardmore Office of PNB is proximate to several offices of Girard and

some customers of the Girard reside in the area of the Ardmore office.

(308) Competition between the branches of the PNB and Girard is substantial, as shown by the following: Ex. D-12 Ex. D-12A Ex. D-13 Ex. D-13A Ex. G-57, pp. 45-46, 59-60, 63-64

CITY OFFICES WITHIN 1 MILE OF EACH OTHER

[Add 000]

Girard offices	IPC deposits	IPC loans	PNB offices	IPC deposits	IPC loans
Main office and suburban station	$211,000	$58,000	Main office	$221,890	$220,678
			421 Chestnut	70,852	51,861
			9th and Chestnut	9,841	421
			3 Penn Center Plaza	4,383	1,207
			3131 Market	9,059	685
2721 Germantown Ave	10,100	3,480	7th and Dauphin	7,532	1,335
			Front and Allegheny	7,472	1,335
2d and Chestnut	28,400	17,300	421 Chestnut	70,852	51,861
3d and Arch			9th and Chestnut	9,841	421
Orthodox and Torresdale	29,600	14,300	Erie and Castor	17,798	6,293
427 N. 63d	4,400	2,000	6912 Market	780	311
12th and Spring Garden	11,000	4,100	9th and Chestnut	9,841	421
			3 Penn Center Plaza	4,383	1,207
SUBURBAN OFFICES WITHIN 2 MILES OF EACH OTHER					
Yeadon	11,506	2,500	6912 Market	780	311
Haverford and Essex	5,101	9,000	75 St. James Pl.	3,001	2,087
18 East Wynnewood Rd.	15,631	5,500	75 St. James Pl.	3,001	2,087
6910 Market	21,400	16,900	6912 Market	780	311
Total	348,138	123,400		352,608	286,213

[1] Includes office at 4700 Frankford Avenue.

(309) There is a substantial amount of competition between most of the offices of PNB within Philadelphia and one or more of the offices of Girard. Harris, Tr. 2401

(310) All eleven of the offices of Girard in the City of Philadelphia as shown on Exhibit D-12 are in competition with one or more offices of PNB. Harris, Tr. 2391

(311) All of the branches of PNB and Girard located in Delaware County are at Harris, Tr. 2396

least potential competitors of a branch of the other bank.

Harris, Tr. 2398–99

(312) In Montgomery County, the branch of PNB at 75 St. James Place, Ardmore, is in actual direct competition with the Wynnewood branch of Girard. All other branches of the two defendants in this county are at least potential competitors of a branch of the other bank.

Ex. G–182

(313) Commercial customers with accounts in the following offices of PNB as of November 22, 1960, also had accounts with Girard:

Office of Philadelphia National	*Number of accounts*
Bucks County	6
Chester-Cambridge	5
Montgomery Office	6
Penn Center Office	1
Ardmore Office	1
Gimbels Office	1
Lansdale Office	4
Conshohocken Office	7
Northeast	22
Hatboro Office	3
Total	56

Harris, Tr. 2389–90

(314) The branches of PNB are in substantial direct competition with the branches of Girard in the area of business loans of $50,000 and over.

Ritter, Tr. 3169

(315) In the opinion of the vice president of the consumer credit department of Girard, branches of the Girard which are five miles from a branch of PNB compete with that branch for the making of personal loans.

C. Loans

1. General

(316) PNB competes with Girard for commercial and industrial loans, in single payment loans to individuals, in loans on residential property, in loans on business properties, in loans on securities, in installment loans on automobiles, in installment loans on consumer goods, and in a miscellaneous variety of other loans. Potts, Tr. 1369–1370; Ex. G–57, p. 31

(317) The average rate charged for loans in the foreign department of PNB on November 15, 1960, was 4.849 per cent, and for Girard the average rate was 5.28 per cent. In the area of commercial loans, PNB's average rate was 5.45 per cent and Girard's average rates were 5.18 per cent on collateral loans and 5.26 per cent on other commercial loans. The average rate on loans in PNB's time credit department was 9.95 per cent and the average rate in Girard's consumer credit department was 9.06 per cent. All of the above rates are simple interest rates. Ex. G–89

2. Commercial and industrial loans

(318) Of the total commercial and industrial loans of PNB in the four-county area on October 5, 1955, 78.97 per cent were for $50,000 or less. Of the total commercial and industrial loans of Girard in the four-county area on October 5, 1955, 64.27 per cent were for $50,000 or less. Ex. G–181

Tables 1, 2, 3

(319) PNB and Girard compete actively for commercial and industrial loans of all sizes. Both depend upon the four-county area for the bulk of their business in this important category.

(320) The merger of PNB and Girard would completely eliminate all competition between them in commercial and industrial loans.

3. Loans to individuals, installment and single payment

Satterfield, Tr. 2137
Ex. G-57, Schedule 7

(321) Girard and other Philadelphia banks are competitors of PNB in the consumer credit field.

Ex. G-6(s)
Ex. G-6A

(322) In 1960 PNB had 17 per cent of its total loaned funds committed to loans to individuals for household, family, and other personal expenditures and Girard had 31 per cent of its total loaned funds committed to that category.

Potts, Tr. 1377

(323) PNB and Girard make personal loans; PNB competes with Girard for personal loan business. PNB and Girard are competitors for the consumer credit business.

Potts, Tr. 1377

(324) Both PNB and Girard offer an executive loan service, which is a form of personal loan service; PNB competes with Girard in offering such service.

Satterfield, Tr. 2080, 2084, 2107

(325) PNB will cut its interest rate to meet competition in some cases.

Ex. G-194

(326) On February 20, 1961, the time credit manager of PNB, Mr. Robert Lowry, informed his superior he believed the bank

could raise the interest rate it was charging for financing sales of Sylvan Pools swimming pools "if and when the merger [with Girard] became a reality, and competition between banks eliminated." In this memorandum, Mr. Lowry indicated that PNB's chief competitor for the Sylvan Pool paper had been "the folks from Girard."

(327) Generally the interest rates charged by Girard on equipment loans are higher that those charged by PNB. Officers of the defendants have expressed uncertainty as to which of the two rates should be followed if this merger is approved. In this connection they pointed out to superiors that if the lower of the two rates are to be followed the resulting bank's income will suffer, both on equipment loans and in other categories where rates vary. Ex. G-141 Ex. G-145

(328) The recommendation of the equipment loans task force committee composed of officers of both defendants was that Girard's higher consumer credit interest rates be utilized by the resulting bank rather than the simple interest basis on which PNB makes equipment loans. The committee believed that competition would be such that the merged bank could obtain the higher rate. Ex. G-145

(329) There is intensive interest-rate competition in installment loans, both di- Ex. G-194, Exs. G-231 to G-245

rect and indirect, between PNB and other four-county commercial banks, including Girard.

Deane, Tr. 3673-3674

(330) The only two banks in Philadelphia that understand and operate effectively with companies in the automobile leasing business are PNB and Girard. Thus, the proposed merger would eliminate the only competition there is between Philadelphia banks for this specialized business.

Tables 4, 5, 6

(331) PNB and Girard compete actively for loans to individuals, both installment and single payment. Both depend upon the four-county area for the bulk of their business in these important areas of commercial bank lending.

(332) The merger of PNB and Girard would completely eliminate all competition between them in loans to individuals, both installment and single payment.

4. Real estate loans

Pl. D-94 Table 7

(333) In September, 1960, PNB had $47,535,000 in real estate loans in the four-county area. This represented 74% of its total real estate loans.

Pl. D-94 Table 7

(334) In September, 1960, Girard had $28,500,000 in real estate loans in the four-county area. This represented 84% of its total real estate loans.

(335) Both PNB and Girard compete actively for real estate loans. Both depend

upon the four-county area for more than 70% of their real estate loans.

(336) The merger of PNB and Girard would completely eliminate competition between them in real estate loans.

D. Trusts

(337) PNB competes with Girard for trust business. Potts, Tr. 1380–1381

(338) Since PNB entered the trust business in 1951, when it acquired the Ninth Bank and Trust Company and that bank's $17-million in trust assets, PNB's trust assets have grown to approximately $400 million. Girard administers approximately $2.5-billion of trust assets. Potts, Tr. 1380–1381

(339) PNB is a potential competitor of Girard in those trust services which it does not now provide. Brown, Tr. 2821

(340) Both PNB and Girard offer common trust fund plans, a very popular form of investment for smaller trust assets. PNB competes with Girard for this type of business. Potts, Tr. 1379–1380

(341) Both PNB and Girard offer estate planning services to individuals. PNB competes with Girard for such business. Potts, Tr. 1378–1379

(342) PNB as of November 15, 1960, had 2,570 personal trust accounts and Girard had 7,755 such accounts for a total of 10,325. In dollar volume, the assets under these trusts amounted to $361,300,000 Ex. G-41; Ex. G-67, p. 117

for PNB and $2,248,206,000 for Girard, or a total in excess of $2,600,000,000.

Potts, Tr. 1381–1382

(343) Both PNB and Girard act as trustees in administering pension and profit-sharing funds for corporations. PNB competes with Girard for this business.

Ex. G–87, p. 118

(344) PNB as of November 15, 1960, had 58 trustee and fiscal agency corporate trust accounts and Girard had 141 such accounts. The number of bond and coupon paying agencies were 65 and 158 for the respective banks, stock transfer agencies were 26 and 57 respectively, and PNB had 18 registrar accounts compared with 52 for Girard.

Potts, Tr. 1379
Brown, Tr. 2822

(345) Both PNB and Girard offer investment advisory services to individuals and corporations. PNB and Girard compete for such business.

Table 10
Ex. D–69

(346) Both PNB and Girard compete actively for trust business. Both depend upon the four-county area for more than 70 per cent of their personal trust business.

(347) The merger of PNB and Girard would completely eliminate competition between them for trust business.

E. Deposits

1. Time deposits

Potts, Tr. 1370; Ex. G–87, p. 31

(348) PNB competes with Girard for time deposits of individuals, partnerships, and corporations, for time deposits of state

and political subdivisions, and for time deposits of banks.

(349) On February 1, 1961, officers of the defendants compared seven existing practices of Girard with the practices of PNB in paying interest and assessing charges on savings accounts. In every instance the practice followed by Girard was more favorable to the bank than the practice of PNB. In every instance it was recommended that the Girard practice or one even more lucrative for the resulting bank be adopted. It was estimated that these practices had resulted in a saving of $138,000 in the interest Girard paid its savings depositors in 1960. Ex. G-143

(350) PNB and Girard compete actively for time deposits. Both depend upon the four-county area for the majority of their time deposits, except from foreign banks. Tables 11, 18

(351) The merger of PNB and Girard would completely eliminate competition between them for time deposits.

(352) PNB and Girard compete actively for time and savings deposits. Both depend upon the four-county area for the majority of their time and savings deposits. Table 11

(353) The merger of PNB and Girard would completely eliminate competition between them for time and savings deposits.

2. Demand deposits

Ex. G-7A

(354) As of June 15, 1960, the percentage of each bank's total deposits which were demand deposits was, for PNB, 86.5 per cent; for Girard, 80.6 per cent; and the average for all commercial banks with head offices in the four-county area was 81.2 per cent.

Potts, Tr. 1376
Brown, Tr. 2822

(355) PNB and Girard offer all kinds of checking accounts, including regular checking and special checking accounts. PNB competes with Girard in offering such checking account services.

Potts, Tr. 1488

(356) On November 15, 1960, there were 392 checking accounts in which a depositor maintained a balance of at least $10,000 in either PNB or Girard and also carried a balance in the other; these mutual accounts totaled over $265 million, of which PNB held over $163 million, and Girard over $101 million.

Table 12

(357) Both PNB and Girard compete actively for demand deposits. Both depend upon the four-county area for the bulk of their demand deposits.

(358) The merger of PNB and Girard would completely eliminate competition between them for demand deposits.

Table 12A

(359) Both PNB and Girard compete actively for IPC demand deposits. Both depend upon the four-county area for more than 70 per cent of their IPC demand deposits.

(360) The merger of PNB and Girard would completely eliminate competition between them for IPC demand deposits.

F. Other areas of competition

(361) The various service charges assessed by PNB are a significant factor in the bank's ability to retain and attract depositors, especially when the competition is from banks not headquartered in central Philadelphia. These banks may have operating costs unlike the center-city banks; they may also not be as inclined to set charges approximating those of the center-city banks. Ridgeway, 1155–56, 1175–76; Exs. G–102–107, 110–111, 113

(362) The various service charges proposed for PNB and Girard should this merger be approved are either higher than or the higher of those charged by PNB or Girard immediately prior to their application to merge in thirty instances. In four cases the lower of the two banks' existing service charges were selected, in two instances a charge somewhat below the higher of the two existing charges was chosen, and for seven of the charges no change was proposed. Ex. G–45A(8) Gaffey Tr. 320–328

(363) PNB competes with Girard for the business of correspondent banks. Potts Tr. 1384

(364) Both PNB and Girard offer their correspondent banks various services, including investment advice, clearance of Potts Tr. 1382–1384

checks, proof transactions, and collection of items.

Potts, Tr. 1374 (365) PNB competes with Girard in offering foreign department services to customers.

Potts, Tr. 1375 (366) PNB operates the largest foreign department of all banks in Philadelphia.

Potts, Tr. 1375 (367) Girard operates the second largest foreign department in Philadelphia.

Potts, Tr. 1373 (368) PNB competes with Girard in offering lock box services to corporate customers.

Potts, Tr. 1378 (369) Both PNB and Girard offer special tuition financing plans to individuals. PNB competes with Girard in offering such service.

Potts, Tr. 1376, 1378
Brown, Tr. 2821 (370) PNB provides a bank credit card service, and Girard provides a ready credit service, which are similar services and competitive.

Potts, Tr. 1370–1371 (371) Both PNB and Girard offer account reconciliation services and compete with each other in offering such services.

(372) Both PNB and Girard compete actively in offering many services to customers in the four-county area and elsewhere.

(373) The merger of PNB and Girard would completely eliminate competition between them in the many services which they both offer.

VII. INCREASE IN CONCENTRATION AS A RESULT OF THE MERGER

A. Increase in banking concentration generally

(374) As of December 31, 1960: (1) the largest 100 banks in the United States representing 0.74% of all commercial banks held $105,837,000,000 of deposits representing 46.2% of the deposits of all commercial banks in the United States, (2) the largest 10 banks representing 0.074% of all commercial banks held $46,436,000,000 of deposits representing 20.3% of the deposits of all commercial banks in the United States, (3) the largest commercial bank in the United States representing 0.0074% of all commercial banks in the United States held $10,285,000,000 of deposits representing 4.5% of the deposits of all commercial banks. Ex D-53

(375) As of June 30, 1956 in 124 cities with population between 50,000 and 100,000 there were 113 in which the largest bank had 35% or more and 66 in which the largest bank had 50% or more, of the banking resources in the city. Ex D-46

(376) As of June 30, 1956 in 38 cities with population between 100,000 and 150,000 there were 33 in which the largest bank had 35% or more, and 15 in which the largest bank had 50% or more, of the banking resources in the city. D-46

D-46 (377) As of June 30, 1956 in 13 cities with population between 150,000 and 200,000 there were 11 in which the largest bank had 35% or more, and 3 in which the largest bank had 50% or more, of the banking resources in the city.

D-46 (378) As of June 30, 1956 in 9 cities with population between 200,000 and 250,000 there were 7 in which the largest bank had 35% or more, and 4 in which the largest bank had 50% or more of the banking resources in the city.

D-46 (379) As of June 30, 1956 in 6 cities with population between 250,000 and 300,000 there were 4 in which the largest bank had 35% or more of the banking resources in the city.

D-46 (380) As of June 30, 1956 in 5 cities with population between 300,000 and 350,000 there were 5 in which the largest bank had 35% or more, and 3 in which the largest bank had 50% or more, of the banking resources in the city.

D-46 (381) As of June 30, 1956 in 4 cities with population between 350,000 and 400,000 there were 3 in which the largest bank had 35% or more, and 1 in which the largest bank had 50% or more, of the banking resources in the city.

(382) As of June 30, 1956 in 7 cities with population between 400,00 and 500,000 there were 4 in which the largest bank had 35% or more of the banking resources in the city. D-46

(383) As of June 30, 1956 in 18 cities with population of 500,000 and over there were 10 in which the largest bank had 35% or more, and 4 in which the largest bank had 50% or more, of the banking resources in the city. D-46

(384) As of June 30, 1956 of 224 cities with population of over 50,000 there were 190 in which the largest bank had 35% or more, and 96 in which the largest bank had 50% or more, of the banking resources in the city. D-46

(385) The number of commercial banks in the State of Pennsylvania decreased by 29.9 per cent from 1945 to 1959; the number of commercial banks with head offices in Philadelphia decreased from 45 to 14 in the twenty years 1940 to 1960; the number of independent commercial banks with head offices in the four counties decreased by 61 per cent in the period 1947 to 1960. Ex. G-12 Ex. G-183 Ex. G-185, p. 1

TABLE 18

(Ex. G–196)

[Concentration of deposits, loans, and capital funds of commercial banks in Philadelphia, Bucks, Delaware, and Montgomery Counties, as shown by relative size of 6 largest banks and effect of proposed consolidation of Philadelphia National Bank and Girard Trust Corn Exchange Bank on such concentration as of Oct. 3, 1960]

	Millions of dollars			Relative size (largest equals 100)		
	Total deposits	Total net loans	Total capital funds	Total deposits	Total net loans	Total capital funds
BEFORE CONSOLIDATION						
First Penna B & T Co	$1,022	$659	$95	100	100	100
Phila. National Bank	987	549	95	97	83	99
Girard Trust Corn Exchange	669	407	75	65	62	79
Provident Tradesmens B & T Co	457	282	58	45	43	61
Fidelity Phila. Trust Co	431	253	44	42	38	46
Central-Penn National Bank	242	165	25	24	25	26
AFTER CONSOLIDATION						
Phila. National & Girard Combined	1,655	955	170	100	100	100
First Penna B & T Co	1,022	659	95	62	69	56
Provident Tradesmens B & T Co	457	282	58	28	30	34
Fidelity Phila. Trust Co	431	253	44	26	26	26
Central-Penn National Bank	242	165	25	15	17	15
Broad Street Trust Co	132	99	13	8	10	7

Ex. G–34
Ex. G–35
Ex. G–185, p. 2
Ex. G–196 (See Table 18)

(386) In 1940, six of a total of 45 commercial banks controlled 72.60 per cent of all commercial bank assets in Philadelphia and in 1960, six of a total of 14 commercial banks controlled 91.42 per cent of all commercial bank assets in Philadelphia; the number of commercial banks in Philadelphia decreased by 68.9 per cent in the twenty years 1940 to 1960; concentration of assets of commercial banks has steadily increased in Philadelphia and in the four-county area in the ten years 1950–1960 and the proposed merger would substantially increase such concentration in both Phila-

delphia and the four-county area; the proposed merger would significantly change the relative size relationships among the six largest commercial banks in the four-county area and give the combined bank a substantial competitive lead over all remaining banks in the four-county area.

(387) There were 69 commercial banks in Bucks, Montgomery and Delaware Counties in 1947; in 1956 there were only 39 such banks. Keith, Tr. 1582

(388) The percentage of total bank assets controlled by the four largest banks in the four-county area was 49 per cent in 1947 and 64½ per cent in 1956. Keith, Tr. 1582

(389) Of the 31 banks eliminated through acquisitions in Bucks, Montgomery and Delaware Counties from 1947 to 1956, 14 were acquired by other banks within their own counties and 17 were acquired by Philadelphia banks across county lines. Keith, Tr. 1582–83

(390) In view of the pattern of mergers between commercial banks in the four-county area from 1946 to 1957, further reduction in the number of banks competing in Philadelphia and some of the larger communities in the four counties might significantly lessen competition. Keith, Tr. 1586–87

(391) The increased concentration of commercial banking has made it extremely difficult for the smaller banks to attract a share of the banking business of national type companies; such business normally Clarke, Tr. 889, 893

goes to the large bank which overshadows the others in terms of its size.

Keith, Tr. 1613

(392) In a number of mergers of four-county area banks with Philadelphia banks the terms offered by the latter were so attractive that stockholders of the local institution concluded their investment would be more profitable if they became part of the Philadelphia bank offering to merge than if they continued in their own locality as an independent bank.

Keith, Tr. 1616–17

(393) A Philadelphia bank which succeeds in locating a branch near a business firm located in a suburban area which also relies on downtown Philadelphia banks is in a better position to compete for the loan and other banking business of such a firm than is a Philadelphia bank which does not have such a branch or a much smaller local bank.

Potts, Tr. 1360

(394) At the present time, in terms of total assets, the largest bank in Philadelphia is The First Pennsylvania Banking & Trust Company, the second largest is PNB, and the third largest is Girard.

Potts, Tr. 1459–60

(395) At the present time, there is no difference between the ability of the largest bank in Philadelphia, the First Pennsylvania Banking & Trust Company, and the second largest, PNB, to attract qualified banking specialists and personnel.

(396) The bank resulting from the proposed merger of PNB and Girard would have a lending capacity approximately 78 per cent greater than that of the First Pennsylvania Banking & Trust Company, the nearest Philadelphia bank competitor after the merger. The increase in lending limit would give the proposed Philadelphia Girard National Bank a competitive advantage over First Pennsylvania. Potts, Tr. 1455 Potts, Tr. 1456

(397) The merger of two banks leads to mergers of other banks in the area. DuBois, Tr. 724

(398) A continuation of the merger trend in Pennsylvania would develop into a monopoly. Brumbaugh, Tr. 694

(399) If the merger of PNB and Girard is approved, the remaining Philadelphia commercial banks will find that greater efforts will be required to continue as effective competitors. Harris, Tr. 2378

(400) If the chief Philadelphia competitors of PNB and Girard are to be as vigorous rivals of the combining banks in all phases of commercial banking after the proposed merger as they have been in the past they could be so only by combining with one of the remaining substantial Philadelphia banks.

(401) Not all banks competing in an area are of equal competitive importance; consequently the elimination of a strong aggressive competitor would have a much

greater adverse effect on competition than elimination of a lesser bank even though in either case the number of competitors would be reduced by one.

B. Anticompetitive significance of the merger in light of the share of business done by defendants in the four-county area

1. Branches

Ex. G-1(8)

(402) PNB's 27 offices represent 9.5 per cent of the total number of banking offices of all commercial banks with head offices in the four-county area.

Girard's 38 offices represent 13.4 per cent of the total number of banking offices of all commercial banks with head offices in the four-county area.

The combined bank would have 65 offices, representing 22.9 per cent of the total number of banking offices of all commercial banks with head offices in the four-county area.

The next 6 banks combined have 128 offices, representing 44.6 per cent of the total number of banking offices of commercial banks with head offices in the four-county area. These 6 banks all have head offices in Philadelphia County.

Five other commercial banks, one private bank, and two companies with commercial bank charters, all of which have head offices in Philadelphia, operate a total of 22 offices. One private bank, with a head of-

fice in New York, has an office in Philadelphia.

These 9 commercial banks operate a total of 23 offices, representing 8.1 per cent of the total number of banking offices of commercial banks with head offices in the four-county area.

One bank in Montgomery County operates 11 offices, representing 3.9 per cent of the total number of banking offices of commercial banks with head offices in the four-county area. Fifteen other commercial banks, with head offices in Montgomery County, operate a combined total of 33 offices, representing 11.6 per cent of the total number of banking offices of commercial banks with head offices in the four-county area.

Nine commercial banks with head offices in Bucks County operate 15 offices, representing 5.3 per cent of the total number of banking offices of commercial banks with head offices in the four-county area.

In Delaware County there is only one bank with the head office in that county and 9 offices, representing 3.2 per cent of the total number of banking offices of commercial banks with head offices in the four-county area.

(403) The PNB-Girard combined total of 65 offices out of 284 banking offices of commercial banks with head offices in the four-county area represents a significant increase in concentration in the area.

2. Assets

Ex. G-16(S)
Ex. G-8(S)

(404) The PNB, as of June 30, 1960, had total assets of $1,086,147,000, equal to 23.1 per cent of the $4,698,276,000 assets of all commercial banks with head offices in Philadelphia and equal to 21 per cent of the $5,169,361,000 assets of all commercial banks with head offices in the four-county area.

Girard, as of the same date, had total assets of $757,572,000, equal to 16.1 per cent of the assets of all commercial banks with head offices in Philadelphia and equal to 14.7 per cent of the assets of all commercial banks with head offices in the four-county area.

The largest commercial bank, as of the same date, had total assets equal to 25.2 per cent of the assets of all commercial banks with head offices in Philadelphia and 22.9 per cent of the assets of all commercial banks with head offices in the four-county area.

(405) The combination of PNB and Girard would result in a substantial increase in the concentration of bank assets. The combined bank would hold 39.2 per cent of the total assets of all commercial banks with head offices in Philadelphia and 35.7 per cent of the total assets of all commercial banks with head offices in the four-county area.

CHART II

Concentration of Assets of Insured Commercial Banks in Philadelphia as of June 30, 1950 and June 30, 1960 and Effect of Proposed Merger Upon Such Concentration

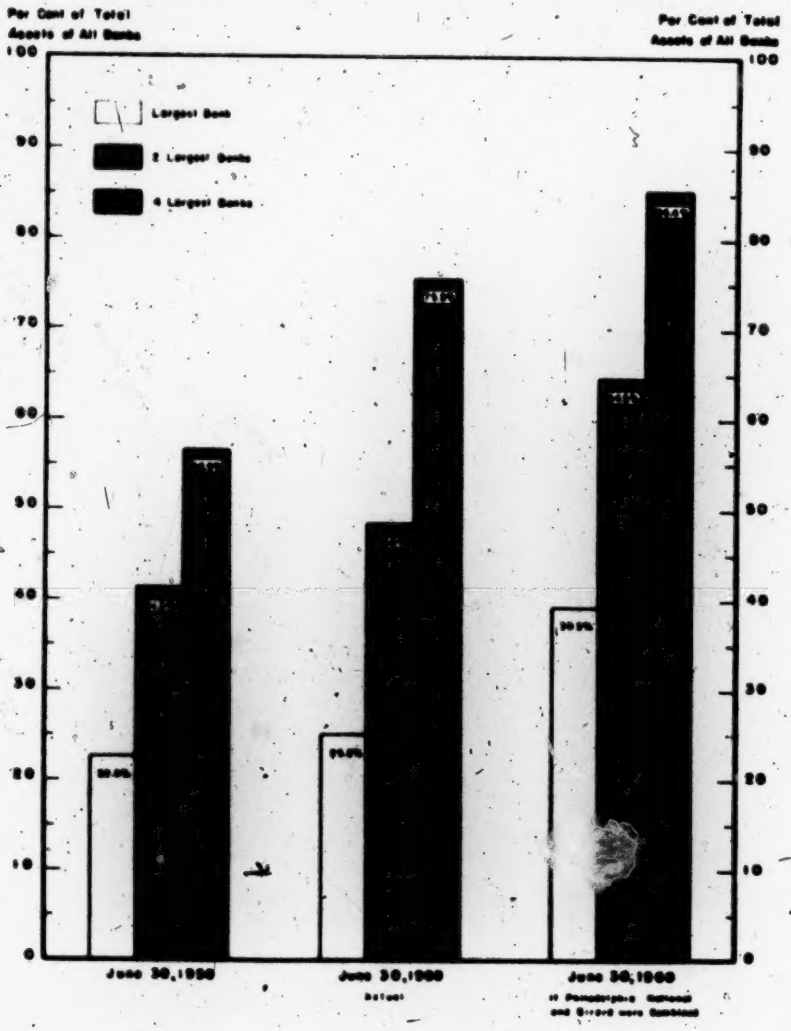
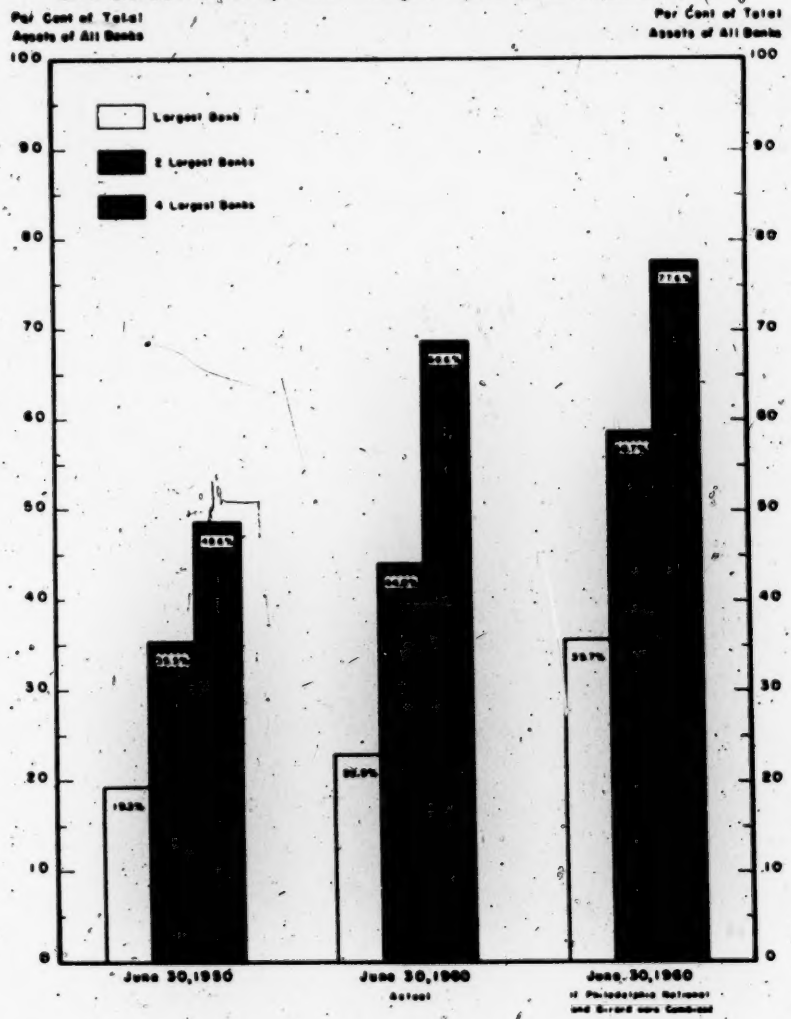


CHART III

Concentration of Assets of Insured Commercial Banks in Philadelphia, Delaware, Montgomery and Bucks Counties, Pennsylvania as of June 30, 1950 and June 30, 1960 and Effect of Proposed Merger upon Such Concentration



3. Capital funds

(406) PNB as of Oct. 3, 1960 had total capital funds of $94,590,000, equal to 19.6% of the $482,840,000 capital funds of all commercial banks with head offices in the four-county area. Ex. G-4(S)

The Girard Trust Corn Exchange Bank as of Oct. 3, 1960 had total capital funds of $74,981,000, equal to 15.5% capital funds of all commercial banks with head offices in the four-county area.

The next three largest Philadelphia commercial banks, as of the same date, had total capital funds equal to 19.7%, 12.0%, and 9.0% respectively, of the capital funds of all commercial banks with head offices in the four-county area.

The 38 remaining banks as of the same date had a combined total of capital funds equal to 24.2% of capital funds of all commercial banks with head offices in the four-county area.

(407) The combination of PNB and Girard would result in a substantial increase in the concentration of capital funds. The combined bank would hold more than one-third of the capital funds of all commercial banks with head offices in the four-county area.

4. Loans

(408) PNB, as of October 3, 1960, had total net loans of $548,598,000, equal to Ex. G-5(S)

19.8 per cent of the $2,774,249,000 of total loans of all commercial banks with head offices in the four-county area.

Girard, as of October 3, 1960, had total net loans of $406,660,000, equal to 14.6 per cent of total loans of all commercial banks with head offices in the four-county area.

The next three largest commercial banks in Philadelphia, as of the same date, had 23.8 per cent, 10.2 per cent, and 9.1 per cent, respectively, of total net loans of all commercial banks with head offices in the four-county area.

The remaining banks with head offices in the four-county area, as of the same date, held a combined total of only 22.5 per cent of total net loans of all commercial banks with head offices in the four-county area.

(409) The combination of PNB and Girard would eliminate substantial competition between the banks and would result in a substantial increase in the concentration of total loans. The combined bank would hold approximately 34 per cent of the loans of all commercial banks with head offices in the four-county area.

Ex. G-6(S)

(410) PNB, as of June 15, 1960, had Commercial and Industrial Loans of $295,514,000, equal to 25.4 per cent of the $1,161,350,000 of Commercial and Industrial Loans of all commercial banks with

head offices in Philadelphia and equal to 24.3 per cent of the total $1,215,316,000 of such loans of all commercial banks with head offices in the four-county area.

Girard, as of the same date, had Commercial and Industrial Loans of $200,427,000, equal to 17.3 per cent of the Commercial and Industrial Loans of all commercial banks with head offices in Philadelphia and equal to 16.5 per cent of such loans of all commercial banks with head offices in the four-county area.

(411) The combination of PNB and Girard would eliminate substantial competition between the banks and would result in a substantial increase in the concentration of Commercial and Industrial Loans. The combined bank would hold more than 42 per cent of the Commercial and Industrial Loans of all commercial banks with head offices in Philadelphia and more than 40 per cent of such loans of all commercial banks with head offices in the four-county area.

(412) PNB, as of June 15, 1960, had Ex. G-6(S) total Loans to Individuals of $85,527,000, equal to 11.8 per cent of the $724,840,000 of total Loans to Individuals of all commercial banks with head offices in Philadelphia and equal to 10.8 per cent of the $788,957,000 of such loans of all commercial banks with head offices in the four-county area.

Girard, as of the same date, had total Loans to Individuals of $121,165,000, equal to 16.7 per cent of total Loans to Individuals of all commercial banks with head offices in Philadelphia and equal to 15.4 per cent of such loans of all commercial banks with head offices in the four-county area.

(413) The combinaton of PNB and Girard would eliminate substantial competition between the banks and would result in a substantial increase in the concentration of total Loans to Individuals. The combined bank would hold 28.5 per cent of the total Loans to Individuals of all commercial banks with head offices in Philadelphia and 26.2 per cent of such loans of all commercial banks with head offices in the four-county area.

(414) PNB, as of June 15, 1960, had total Real Estate Loans of $62,865,000, equal to 27.3 per cent of $230,569,000 of total Real Estate Loans of all commercial banks with head offices in Philadelphia and equal to 20.1 percent of $313,020,000 of such loans of all commercial banks with head offices in the four-county area.

Girard, as of the same date, had total Real Estate Loans of $32,708,000, equal to 14.2 percent of total Real Estate Loans of all commercial banks with head offices in Philadelphia and equal to 10.4 percent of

such loans of all commercial banks with head offices in the four-county area.

(415) The combination of PNB and Girard would eliminate substantial competition between the banks and would result in a substantial increase in the concentration of Real Estate Loans. The combined bank would hold 41.5 percent of the total Real Estate Loans of all commercial banks with head offices in Philadelphia and 30.5 percent of such loans of all commercial banks with head offices in the four-county area.

5. Personal trusts

(416) Girard had personal trust assets with a book value of $2,248,206,000, equal to 23.9 percent of the total $9,396,371,000 personal trust assets held by 10 of the 11 commercial banks with head offices in Philadelphia which operate trust departments and equal to 23.5 percent of the total $9,550,066,000 of such assets held by 18 of the 25 commercial banks with head offices in the four-county area which operate trust departments. Ex. D-69, Part II

PNB had personal trust assets with a book value of $361,300,000, equal to 3.8 percent of such assets held by 10 of the 11 commercial banks with head offices in Philadelphia which operate trust departments and equal to 3.8 percent of such assets held by 18 of the 25 commercial banks with head

offices in the four-county area which operate trust departments.

(417) The combination of Girard and PNB would result in a substantial increase in the concentration of personal trust assets in the four-county area. The combined bank would hold about 28 percent of all personal trust assets held by 9 of the 10 commercial banks with head offices in Philadelphia which operate trust departments and about 27.3 percent of all such assets held by 17 of the 24 commercial banks in the four-county area which operate trust departments.

6. Deposits

Jennings, Tr. 3346; Ex. D-48, p. 56; Ex. D-51

(418) Concentration of bank deposits in the five largest Philadelphia banks has increased substantially over the last several decades, in that the five largest commercial banks on December 31, 1920, held 31.6 per cent of total commercial bank deposits in Philadelphia County, 65.4 per cent on December 31, 1934, and 85.1 per cent on December 31, 1958.

Ex. G-2(S)

(419) The Philadelphia National Bank as of Oct. 3, 1960, had total deposits of approximately $986,634,000, equal to 21.3 per cent of the $4,623,007,000 total deposits of all commercial banks with head offices in the four-county area.

The Girard Trust as of Oct. 3, 1960, had total deposits of $668,823,000, equal to

14.5 per cent of the total deposits of all commercial banks with head offices in the four-county area.

The two banks combined would have total deposits of approximately $1,655,457,000, equal to 35.8 per cent of the total deposits of all commercial banks with head offices in the four-county area.

The next three large commercial banks as of the same date had total deposits representing 22.1, 9.9, and 9.3 per cent, respectively, of the total deposits of all commercial banks with head offices in the four-county area.

The five largest banks thus hold approximately 77.1 per cent of the total deposits of all commercial banks with head offices in the four-county area.

The 38 remaining banks thus have only 22.9 per cent of the total deposits of all commercial banks with head offices in the four-county area.

(420) The combination of PNB and Girard would result in the concentration of more than one-third of all deposits of commercial banks in the four-county area in one institution.

(421) The PNB as of Oct. 3, 1960, had deposits of individuals, partnerships and corporations (IPC deposits) totaling $603,534,000, equal to 16.8 per cent of the total $3,598,701,000 IPC deposits of commercial

Ex. G-2(8)

banks with head offices in the four-county area.

Girard as of the same date had IPC deposits of approximately $560,039,000, equal to 15.6 per cent of total IPC deposits of all commercial banks with head offices in the four-county area.

(422) The combined bank would have total IPC deposits of approximately $1,163,573,000, representing 32.4 per cent of all IPC deposits of all commercial banks with head offices in the four-county area.

The next three large commercial banks as of the same date had IPC deposits representing 21.1 per cent, 10.5 per cent, and 9.9 per cent, respectively, of all IPC deposits of commercial banks with head offices in the four-county area.

The remaining 38 banks with head offices in the four-county area had a combined total of 26.4 per cent of IPC deposits of all commercial banks with head offices in the four-county area.

(423) The combination of PNB and Girard would result in a substantial increase in the concentration of deposits. The combined bank would hold virtually one-third of all deposits of all commercial banks with head offices in the four-county area.

(424) PNB as of June 15, 1960, had total time deposits of $124,325,000, equal to 18.5 per cent of the $670,525,000 of total time deposits of all commercial banks with head offices in Philadelphia and equal to 14.7 per cent of the $843,938,000 total time deposits of all commercial banks with head offices in the four-county area. Ex. G-7(8)

Girard Trust Corn Exchange Bank, as of the same date, had total time deposits of $128,339,000, equal to 19.1 per cent of the total time deposits of all commercial banks with head offices in Philadelphia and equal to 15.2 percent of the total time deposits of all commercial banks with head offices in the four-county area.

(425) The combination of PNB and Girard would result in a substantial increase in the concentration of time deposits. The combined bank would hold 37.6 per cent of the total time deposits of all commercial banks with head offices in Philadelphia and 29.9 per cent of such deposits of all commercial banks with head offices in the four-county area.

(426) Philadelphia National Bank, as of June 15, 1960, had total demand deposits of $796,942,000, equal to 23.5% of the $3,393,752,000 of total demand deposits of all commercial banks with head offices in Philadelphia, and equal to 21.9% of the $3,640,443,000 of total demand deposits of Ex. G-7(8)

all commercial banks with head offices in the four-county area.

Girard, as of June 15, 1960, had total demand deposits of $533,478,000, equal to 15.7% of total demand deposits of all commercial banks with head offices in Philadelphia, and equal to 14.7% of total demand deposits of all commercial banks with head offices in the four-county area.

(427) The combination of Philadelphia National Bank and Girard would result in a substantial increase in the concentration of demand deposits. The combined bank would hold 39.2% of the total demand deposits of all commercial banks with head offices in Philadelphia, and 36.6% of such deposits of all commercial banks with head offices in the four-county area.

Rx. G-7(8)

(428) Philadelphia National Bank, as of June 15, 1960, had total IPC demand deposits of $509,561,000, equal to 19.8% of the $2,581,536,000 of total IPC demand deposits of all commercial banks with head offices in Philadelphia, and equal to 18.2% of the $2,798,478,000 of total IPC demand deposits of all commercial banks with head offices in the four-county area.

Girard, as of June 15, 1960, had total IPC demand deposits of $445,201,000, equal to 17.2% of total IPC demand deposits of all commercial banks with head offices in Philadelphia, and equal to 15.9% of such

34.33

deposits of all commercial banks with head offices in the four-county area.

(429) The combination of Philadelphia National Bank and Girard would result in a substantial increase in the concentration of IPC demand deposits. The combined bank would hold 37.0% of the total IPC demand deposits of all commercial banks with head offices in Philadelphia and 34.1% of all such deposits of all commercial banks with head offices in the four-county area.

(430) PNB, as of October 3, 1960, had deposits due to banks of $208,012,000, equal to 39 per cent of the total $533,209,000 of such deposits of the six commercial banks in Philadelphia that hold significant amounts of due-to-bank deposits. Tr. 6-8

Girard, as of the same date, had deposits due to banks of $55,099,000, equal to 10.3 per cent of such deposits of the six commercial banks in Philadelphia that hold significant amounts of due-to-bank deposits.

The largest bank, as of the same date, had 33.1 per cent of such deposits of the six commercial banks that hold significant amounts of due-to-bank deposits. The three remaining banks as of the same date, had a combined total of only 17.6 per cent of deposits due to banks.

(431) The combination of PNB and Girard would result in a substantial increase in the concentration of deposits due to

banks. The combined bank would hold more than 49 per cent of the deposits due to banks held by the six banks in Philadelphia that hold significant amounts of such deposits.

C. Prior mergers by defendants and competition eliminated by such mergers

Ex. G-138

(432) A substantial part of the present size of both PNB and Girard has been achieved as the result of mergers and consolidations in the last ten years.

For PNB in the period December 31, 1949, to December 31, 1959, acquisitions and consolidations of other banks accounted for 63 per cent of total deposit growth, 12 per cent of total loan growth, and 59 per cent of total asset growth.

For Girard in the same period, acquisitions and consolidations accounted for 91 per cent of total deposit growth, 37 per cent of total loan growth, and 85 per cent of total asset growth.

Ex. G-197
Ex. G-198

(433) The largest share of the growth of PNB and Girard between Dec. 31, 1949, and Dec. 31, 1959, has been by acquisition of other banks. The extent of this growth

as a percentage of deposits, loans, assets and capital accounts on Dec. 31, 1949, is as follows:

	Deposits	Loans	Assets	Capital accounts
PNB	*Percent*	*Percent*	*Percent*	*Percent*
Growth by acquisition	26	28	26	26
Other growth	15	204	18	24
Total growth	41	232	43	50
GIRARD				
Growth by acquisition	186	170	185	163
Other growth	19	289	33	100
Growth by sale of stock				25
Total growth	205	459	218	288

PNB acquisitions

(434) PNB launched its merger program in 1950 because of management's belief that if PNB was to maintain its position, the quality of its services, and its reputation, it could no longer confine itself solely to the wholesale banking business. Potts, Tr. 1500–1501

(435) The Philadelphia National Bank acquired the Ninth Bank & Trust Company on September 21, 1951. Potts, Tr. 1347–1350 Ex. G–57, p. 17

At the time of its acquisition by PNB, the Ninth Bank and Trust Company competed with PNB in making certain loans to larger corporations in the northeast section of the city of Philadelphia.

Prior to the acquisition of the Ninth Bank & Trust Company in 1951, PNB was not in the so-called retail bank business; PNB was a wholesale bank and at the end of 1950, of its 11,000 to 12,000 accounts, 1,000 accounts were represented by cor-

respondent banks and foreign accounts.

The acquisition in 1951 by PNB of the Ninth Bank & Trust Company marked the entry of PNB into the personal trust business.

At the time of this acquisition, both PNB and the Ninth Bank & Trust Company were engaged in the commercial and industrial loan business and competed with each other with respect to certain industrial corporations and large individual depositors.

Potts, Tr. 1351, 1352, 1402 Rx. G-57, p. 18

(436) The PNB acquired the First National Bank of Conshohocken on September 25, 1953.

The move across county lines by PNB in acquiring the First National Bank of Conshohocken was opposed by various banks in Montgomery and Bucks Counties.

At the time of this acquisition, PNB and the First National Bank of Conshohocken were in direct competition for large corporate and borrowing accounts in Conshohocken.

The larger industrial corporations in Conshohocken maintained accounts in PNB's central city office, 15 or 16 miles distant.

Potts, Tr. 1423 Rx. G-176A

(437) Aggressive expansion programs, including the acquisition of other banks, by the Pennsylvania Company for Banking & Trust (now the First Pennsylvania

Banking & Trust Co.) and the Girard had, by 1953, put these banks in a position to "breathe down the neck" of PNB, thus threatening its claim to being the largest bank in Philadelphia.

(438) PNB used the aggressive expansion programs of its nearest rivals, the Pennsylvania Company for Banking & Trust (now the First Pennsylvania Banking & Trust Co.) and Girard, to justify in part its acquisition in 1953 of the National Bank of Conshohocken when discussing this acquisition with an official representative of the Comptroller of the Currency. Potts. Tr. 1483 Ex. G-126A

(439) PNB acquired the Chester-Cambridge Bank & Trust Company on February 20, 1954. Potts. Tr. 1352 Ex. G-57, p. 18

(440) PNB acquired the First National Bank of Lansdale on February 20, 1954. Potts. Tr. 1353 Ex. G-57, p. 19

At the time of this acquisition, both PNB and the First National Bank of Lansdale competed for the larger corporate accounts in the Lansdale area.

(441) PNB acquired the Montgomery National Bank of Norristown on February 20, 1954. Potts. Tr. 1354; Ex. G-57, p. 19

At the time of this acquisition, both PNB and the Montgomery National Bank of Norristown competed for the commercial and industrial loan business of the larger corporate concerns in the Norristown area.

Potts, Tr. 1355–1356; Ex. G–57, p. 20

(442) PNB acquired The Hatboro National Bank on December 9, 1955.

At the time of this acquisition PNB and The Hatboro National Bank competed for commercial and industrial loan business from corporations in the Hatboro area.

Potts, Tr. 1356; Ex. G–57, p. 20

(443) PNB acquired The Citizens National Bank of Pottstown on December 9, 1955.

At the time of this acquisition PNB and The Citizens National Bank of Pottstown competed in in the commercial and industrial loan area.

Potts, Tr. 1356–1357; Ex. G–57, p. 21

(444) PNB acquired The Delaware Valley Bank & Trust Company on November 9, 1956.

At the time of this acquisition, PNB and The Delaware Valley Bank & Trust Company competed in offering commercial and industrial loans.

Potts, Tr. 1357; Ex. G–57, p. 22

(445) PNB acquired The Gimbel Brothers Bank & Trust Company on July 11, 1958.

At the time of this acquisition, PNB and The Gimbel Brothers Bank & Trust Company competed for savings and personal checking accounts.

(446) The nine acquisitions made by PNB since 1951 added the following offices, loans, and deposits: Ex. G-57, pp. 17-22

Date	Bank	Number of offices	Loans (add 000)	Deposits (add 000)
9-21-51	9th Bank & Trust	5	$6,677	$50,739
9-25-53	1st Natl Bank of Conshohocken	1	3,409	14,890
2-20-54	Chester-Cambridge Bank & Trust	2	6,647	26,978
2-20-54	1st Natl Bank of Lansdale	1	5,627	14,472
2-20-54	Montgomery Natl Bank of Norristown	1	1,788	10,401
12- 9-55	Hatboro Natl Bank	1	2,795	9,118
12- 9-55	Citizens Natl Bank & Trust of Pottstown	1	3,633	8,478
11- 9-56	Delaware Valley Bank & Trust	5	11,802	26,124
7-11-58	Gimbel Bros. Bank & Trust	1	0	11,768

Girard acquisitions

(447) By 1950 Girard decided that a program of bringing a more complete line of services to bank customers in areas not conveniently located near its main office by establishing new branch offices would be too costly and could not be completed in time to achieve the progress in the banking business which Girard desired. Brown, Tr. 2558-59

(448) In 1950 Girard decided that it could rapidly and economically enlarge the retail bank services offered by it and increase the number of offices providing its services by merging with the Corn Exchange National Bank and Trust Company. Brown, Tr. 2559

(449) By 1950 the Corn Exchange National Bank and Trust Company had established 12 offices in Philadelphia and had developed retail bank services such as consumer credit and special checking accounts. Brown, Tr. 2559, 2560, 2562

Brown, Tr. 2563–64

(450) After the Girard Trust Corn Exchange merger was completed in 1951 that bank surveyed the Philadelphia area with a view to establishing offices in sections of the city in which it was not then represented. In furtherance of this purpose Girard merged with the National Bank of Germantown in the Germantown and Chestnut Hill areas in 1953 and with the North Philadelphia Trust Company at Broad Street and Erie Avenue in 1954. When merged both of these banks had only one office.

Ex. G-172

(451) Girard paid premiums for the offices it acquired by merger outside of Philadelphia County.

Brown, Tr. 2565

(452) In order to retain some of its old customers and to attract the banking business of others who were flocking into the Montgomery County area, contiguous to Philadelphia, Girard acquired in 1957 the National Bank of Narberth and the Ambler National Bank, both of which were operating three offices in Montgomery County.

Keller, Tr. 3115, 3125–314.
Ex. G-250
Brown, Tr. 2562–2569
Ex. G-249
Beadle, Tr. 894
Ex. G-57, p. 26

(453) A few months prior to the time the respective boards of directors of the Ambler National Bank and Girard approved the merger of the two banks, and while the two banks were still competitors to some extent, representatives of the two banks discussed the advisability of the Ambler National Bank proceeding to open

a new branch office in a new industrial center; the purpose of this discussion was to determine whether this step would make the Ambler National Bank attractive at a future time as a bank to be acquired by a large Philadelphia bank. The Ambler National Bank subsequently did establish the proposed branch, shortly before its merger with Girard.

(454) One of the reasons Girard acquired the Ambler National Bank was the fact that Fort Washington Industrial Park was being established at the time and a newly created branch of Ambler National in this park presented a chance to participate in the growth of business and population in the area.

Brown, Tr. 2565-66
Ex. G-249
Ex. G-57, p. 26
Beadle, Tr. 894

The offer made to the Ambler National Bank by the Girard in 1955 called for a premium amounting to 89% over the current net worth and 100% over market value of the Ambler National Bank.

In 1955 Girard offered to pay the Ambler National Bank stockholders a premium of $501,836, or 89% of the real net worth of the Ambler National Bank if they would agree to merge with Girard. In terms of the fair market value of the stock of these two banks, the premium offered by Girard was twice the value of the Ambler National stock.

The Ambler National Bank was merged with Girard on October 11, 1957. Ambler National Bank operated offices in Ambler, Flourtown, and Fort Washington.

The Ambler office of Girard does a residential banking business; and serves commercial customers and industrial customers.

Beadle, Tr. 933-936; G-77, p. 6; G-77E, p. 6; G-77C, p. 6

(455) Prior to the merger of National Bank of Narberth with Girard, Girard had existing business in the area served by the three offices of Narberth.

Girard and National Bank of Narberth were competitors in the commercial banking business.

Ex. G-67, p. 27

(456) The Upper Darby National Bank merged with Girard on April 25, 1958.

At the time Upper Darby National Bank was merged with Girard, Upper Darby operated its main office at 6912 Market St. and eleven branches in Delaware County.

Brown, Tr. 3870

(457) All of the banks acquired by Girard were competitors of Girard.

Ex. G-57, pp. 23-28

(458) The six mergers of Girard in the past ten years added the following offices, loans, and deposits:

Date	Bank	Number of offices	Loans (000)	Deposits (000)
6-15-51	Corn Exchange Natl Bank & Trust	12	$96,782	$288,618
9-11-53	Natl Bank of Germantown & Trust	1	9,781	35,371
1-22-54	No. Phila. Trust	1	5,469	19,166
10-11-57	Natl Bank of Narberth	3	4,467	12,539
10-11-57	Ambler Natl	3	3,568	8,799
4-25-58	Upper Darby Natl	12	22,307	48,311

(459). The wave of mergers in Philadelphia reduced the number of commercial banks from 39 in 1950 to 23 in 1956. Harris Tr 2427

(460) In the foreseeable future, the president of PNB does not know how big a bank is needed to serve the needs of Philadelphia. Harris Tr 1407

(461) PNB and Girard have already made surveys of possible sites for the opening of additional branch offices should the merger be approved. PX G 137, PX G 142

(462) Girard has been a substantial active competitor in the Philadelphia four-county area and its elimination through merger with PNB will result in a decrease in competitive pressure in the four-county area. The harmful effects of this decrease will be primarily felt by the small and intermediate-size borrowers since they are limited to banks in this area to obtain needed loans.

VIII. OPINIONS SUBMITTED ON THE PROPOSED MERGER UNDER SECTION 18(c) OF THE FEDERAL DEPOSIT INSURANCE ACT, AS AMENDED

(463) Pursuant to the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended (12 U.S.C.A. § 1828 (c)), the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Attorney General were required to submit reports on the competitive factors in-

volved in the proposed merger to the Comptroller of the Currency. These reports were submitted; they have been admitted in this record as Exhibits G–161, G–163, and G–162.

(464) Each of these reports included an analysis of the effect of the proposed merger on banking competition in Philadelphia County and the three contiguous counties of Delaware, Montgomery and Bucks. Both of the banking agencies, as well as the Attorney General, concluded that the proposed merger would have a significant adverse effect on competition in the four county area. The conclusions of these reports are as follows:

A. Federal Reserve Board

Ex. G–161 The Board of Governors of The Federal Reserve System asserted that the four counties of Philadelphia, Delaware, Montgomery, and Bucks is the primary banking area to be considered in appraising competitive factors of the proposed merger and concluded that the merger would alter the present competitive balance between Philadelphia banks to a significant degree. The Board of Governors stated its conclusion as follows:

> The proposed consolidation of two of the three largest banks in the area would substantially lessen both existing and potential competition.

> The resulting bank would obtain a dominant position, with attending competitive advantages, strongly adverse to the preservation of effective competition.

B. Federal Deposit Insurance Corporation

The Federal Deposit Insurance Corporation, in summarizing its appraisal of the competitive factors, stated that in Philadelphia and the three contiguous counties in which the Philadelphia banks can have branches, consummation of the proposal "... would adversely affect competition to a significant degree." The FDIC stated its final conclusion as follows: Ex. G-168

> Therefore, it is concluded that the effect of the proposed consolidation on competition would be adverse as to Philadelphia and immediate suburbs but not adverse in the regional, national, and international fields of competition.

C. The Attorney General

The report on competitive factors submitted by the Attorney General of the United States concluded as follows: Ex. G-168

> It is the conclusion of this Department that the proposed merger of The Philadelphia National Bank and the Girard Trust Corn Exchange Bank would result in a substantial lessening of commercial banking

competition and a tendency toward monopoly in the ways described above. These adverse competitive effects of the merger would not be significantly offset by the improved competitive position of the resulting bank in relation to the still larger banks in New York and a few other cities.

IX. ANALYSIS OF REASONS ADVANCED FOR THE MERGER

A. Main reasons set forth by defendants

Increased lending limit and resources

Brown, Tr. 3788, 3790

(465) PNB and Girard believe that by merging they will be able to increase the total deposits and lendable funds in Philadelphia through an increase in their financing of so-called national and international companies. As a result, they believe, they will have more money to meet the expanding credit needs of business and individuals in the Philadelphia area.

Brown, Tr. 2718

(466) The chief purpose the president of Girard envisioned in seeking to merge with PNB was the increase of deposits in Philadelphia banks which he thought would result from the enlarged bank's ability to attract regional and international business and keep Philadelphia business from going elsewhere for banking accommodations.

Brown, Tr. 2718

(467) The president of Girard considered that the extensive time and effort ex-

pended by Philadelphia banks each year in seeking to attract business away from their local competitors had resulted in little if any net gain for any of the banks.

(468) Defendants believe PNB-Girard combined would have the necessary capital resources to build business, improve personnel, increase advertising, establish specialized advisory departments, and better publicize the advantage to businessmen of establishing plants in the Philadelphia community. In their view PNB and Girard separately do not have the resources to be able to do all of these things. Brown, Tr. 2720–21, 2715

Foreign department operations

(469) PNB and Girard hope that through merger they will be able to expand the operations of their foreign department and in particular secure a larger share of the banking business connected with the port of Philadelphia. Ex. G–57, pp. 7–10

Competition from New York

(470) PNB and Girard believe that through merger they will be better able to compete with the larger banks in nearby New York City for the business of large companies especially those located in or near Philadelphia. Ex. G–57, pp. 7–10

B. Analysis

(471) PNB and Girard are both substantial, well-run financial institutions. Goodman, Tr. 2029

Keith, Tr. 1603–05

(472) Although PNB and Girard as well as other Philadelphia banks which have participated in previous mergers have asserted that desire to reduce expenses is one reason they wish to merge, the best evidence is that no significant economies have ever been achieved through such mergers.

Potts, Tr. 1500–01
Goodman, Tr. 2043

(473) Relatively speaking, the middle-income group is becoming a more stable source of deposits and loans for commercial banks than are large business accounts.

Potts, Tr. 1360

(474) Both PNB and Girard are in strong financial condition at the present time and the decision to merge the two banks was not based on financial necessity.

1. Need for a Philadelphia bank with a larger lending limit and resources

a. PNB's larger loans

McDowell, Tr. 2854–2878
Ex. D–26

(475) The customers listed on D–26 comprise all those to which PNB has extended its maximum line of credit of $8,000,000 as of the date of the exhibit; but only 10 of these had made average commercial loans of $1 million or more from PNB in 1960, six had made loans under $1 million, and 10 had made no loans at all from PNB. In addition several of the customers had not borrowed from PNB for the past several years, a few had made no use of the lending facilities of the bank for as much

as 15 years, and one had not borrowed from the bank since 1925.

(476) The borrowing needs of many, if not all, of the customers listed on D–26 are such that even with the $15 million lending limit of the proposed merged bank, these needs could not be met without the participation of banks in other cities. McDowell, Tr. 2888

(477) The executive vice president and senior lending officer of PNB testified that ten of the 27 companies listed on exhibit D–26 would take or would want the higher lending limit of the new bank if the proposed merger is consummated. Of these ten, four now have lines of credit with both PNB and Girard (16, 17, 22 and 24 on D–26 and H, AA, V and I in D–40). Should the merger be consummated, the largest amount by which the line of credit of any of these four could be increased would be $3 million for #17 on D–26 (which is AA on D–40) and this customer already uses 15 banks in 8 cities in addition to its banking connections in Philadelphia. McDowell, Tr. 2879–2890 Ex. G–200, p. 4

(478) PNB performs various specific services for each of the so-called national customers listed on exhibit D–26, which are directly related to the extensive business activities conducted in and around Philadelphia County by each customer; these services justify the large balances main- McDowell, Tr. 2854–2878; 2949–2953; 2957

tained by the listed customers. These services, primarily local in nature, include check collections, the supply of currency and coin, credit information, money wire transfer, lockbox service, account reconciliation, and payroll accounts.

Potts. Tr. 1415-1418

(479) A total of only five borrowers within the year 1960 obtained loans from banks in New York or other cities due to the low lending limits of Philadelphia banks; however, none of these borrowers as of 12/22/60 had exhausted the existing line of credit which each had with both Girard and PNB.

Potts. Tr. 1489

(480) As of December 22, 1960, only two of the loans outstanding at PNB were at the lending limit ($8,000,000) and there were no outstanding loans at the lending limit of Girard.

Ex. G-146
Ex. G-147

(481) PNB, in the last five years, has had requests for loans or lines of credit in excess of its lending limit to one borrower in only five instances, involving three customers of PNB. In three of those instances PNB either gave participations to other banks or helped arrange with other banks so that the full amount of the request was made available.

b. PNB's larger lines of credit

Potts. Tr. 1490

(482) As of December 22, 1960, there were only 16 lines of credit extended by PNB to the maximum which could be

granted ($8,000,000) and there were only 4 lines of credit extended by Girard to the maximum which could be granted ($6,000,000).

(483) Of the 27 customers of PNB in 1960 with lines of credit of $8,000,000 or over, 20 have headquarters or large plants in the four-county area, 1 is in Chester County, Pennsylvania, 1 in Bryn Mawr, Pennsylvania, 1 is in Camden, New Jersey, 1 in Baltimore, Maryland, 1 in Wilmington, Delaware, and for two of the companies the record does not show whether or not they have substantial operations in the Philadelphia area. MacLaren, Tr. 2504-10

(484) The multiplicity of services, including payroll services, which PNB performs for the twenty-seven companies with $8,000,000 or larger lines of credit with PNB helps these customers to carry on their substantial operations in the Philadelphia area, and therefore these companies carry average deposit balances with PNB far in excess of what would be required as a compensating balance against a loan. MacLaren, Tr. 2518 Smith, Tr. 3937

c. PNB participations in loans beyond its lending limit

(485) When Pennsylvania Power & Light (PP&L) borrowed $27,000,000 in March, 1960, from nine banks, it invited certain Philadelphia banks to share in the loan; upon this invitation PNB loaned Oakes, Tr. 3741-3742

PP&L $850,000 as part of the $27,000,000 loan. This has been PP&L's largest loan from PNB.

McDowell, Tr. 3020–3024
Ex. G–200, p. 6
Ex. G–245, pp. 72

(486) All of the customers identified on Exhibit D–26 are national customers in that they do business on a national scale, and all of them have banking connections in many different areas of the country. For example, #24 on Exhibit D–26 (which is I on Exhibit D–40) uses around 600 banks in all parts of the country. Thus, it is clear that such customers do not expect or desire to satisfy all their banking needs from just one bank or even a few banks.

Halpin, Tr. 755–56
Ex. G–67

(487) In a number of cases PNB has participated with other banks under a written agreement making loans which in total exceed PNB's lending limit or even the lending limit of any bank as well as loans which are well within PNB's limit. The interest rates on these loans vary.

d. Girard's larger loans and lines of credit

Brown, Tr. 3818

(488) The president of Girard could recall no occasion in the past ten years in which his bank had to refuse a request for a loan because it was in excess of Girard's lending limit.

Brown, Tr. 3843

(489) When the customer who is identified by the letter "G" on Exhibit D–40 requested a line of credit of $7 million, $1 million in excess of Girard's legal lending limit the president of Girard met that re-

quest by arranging with another commercial bank for the additional credit needed.

(490) On only one occasion since January 1, 1956, has Girard been asked to make a loan or extend a line of credit in excess of its lending limit. Ex. G-199

(491) On at least one occasion Girard was asked by a transmission company to arrange a $6 million line of credit with various banks the company did business with. Brown, Tr. 2735

(492) In addition to making loans to the customers listed on Exhibit D-40, Girard provides other services including payroll and corporate trust services for many of those customers. Brown, Tr. 2833-2835, 2844

(493) All twenty-seven of the customers of Girard listed on Exhibit D-40 as holding the largest line of credit from the Girard, with the possible exceptions of customers "G" and "Z", either have their main office in the Philadelphia area or maintain substantial operations in that area. Brown, Tr. 2830-33

e. Girard participations in loans beyond its lending limit

(494) Girard was the lead bank in a $12,000,000 loan dated May 18, 1955, to PP&L shared by ten banks (four in New York City, one in Pittsburgh, and five in Philadelphia including PNB) because it had been the principal banker for Pennsyl- Oakes, Tr. 3719-3720 Brown, Tr. 2735-36

vania Water & Power Company which merged with the PP&L and this loan arose out of that merger transaction.

Brown, Tr. 2647–60 Ex. G–69

(495) Of the 16 instances selected at random from Girard records of loans in which the Girard participated with other banks, eight of the participations were with one or more other Philadelphia banks.

2. The proposed lending-limit and the needs of large borrowers

a. Analysis of borrowing requirements of large companies

Carter, Tr. 3260

(496) The vast majority of bank customers would be served just as well by a $10 million bank as by a $10 billion bank; convenience and quality of service are more important factors than the size of the bank.

Ex. G–87, p. 38 Ex. D–25 MacLaren, Tr. 2263 Ex. D–24

(497) The merger itself would not increase the aggregate lending limit of all Philadelphia banks. If the merger is approved, defendants propose to raise the lending limit by $1,000,000 by the sale of 98 7/16 new shares and the transfer of funds from undivided profits. This would increase the aggregate lending limit of all Philadelphia banks by 2.55 per cent.

Horan, Tr. 3174, 3190–3191, 3199

(498) In the opinion of the chairman of the Broad Street Trust Company, ninety per cent of the businesses in the United States, and in Philadelphia, could be accommodated by a bank the size of the Broad Street Company, which has a limit of $1,200,000.

(499) The lending limit of Central Penn is $2,139,000, and this limit has been adequate to accommodate customers except on occasions. Sienkiewicz, Tr. 2052

(500) Both Girard and PNB offered to acquire the Ambler National Bank during the year 1955, but each offer was rejected because the officials of the Ambler National Bank felt that their bank was doing a good job for its community and its customers. Reller, Tr. 3134–3135

(501) The Philadelphia Industrial Development Corporation has not detected any detrimental effect on the economy of the Philadelphia area caused by the absence of a bank in Philadelphia as large as PNB and Girard combined. Graves, Tr. 3893

(502) The president of Girard knows of no business which would move to Philadelphia if the city had a larger bank or which would not consider moving to Philadelphia because of the present limitations of Philadelphia banks. Brown, Tr. 3796–3797

(503) The expansion or growth of the Sun Oil Company has not been hindered by the lending limit of any Philadelphia bank. Wilson, Tr. 3662

(504) Bankers Securities Corporation's outstanding loans, as of May 1961, from the following Philadelphia banks were all well within the lending limit of each bank: PNB, Girard, Provident Tradesmens, and Amsterdam, Tr. 3638–3639 Ex. G–255, p 2

the First Pennsylvania Banking & Trust Co.

Merriwether, Tr. 3561, 3590

(505) The unusual and rapid growth of Rohm & Haas Company, which multiplied itself ten times in size between 1939 and 1958, has not been adversely affected by the lending limits of the Philadelphia banks.

Merriwether, Tr. 3572, 3587–3590 Ex. G–252 Ex. G–253

(506) Rohm & Haas Company has not borrowed from New York commercial banks for twenty years. Rohm & Haas Company presently has a total credit line from five Philadelphia banks of $20 million, including credit lines of $8 million and $5 million from PNB and Girard respectively; the highest total loan from these five banks was $4.8 million in 1958 and the highest loan from one bank (PNB) was $1,875,000. Rohm & Haas Company has had no bank loans since September 1958.

Merriwether, Tr. 3592–3593 Ex. G–252 Ex. G–253

(507) During the period 1956 to 1960, Rohm & Haas Company's borrowing requirements from commercial banks have been adequately met by the Philadelphia banks, and at the present time its $20 million total lines of credit with five Philadelphia banks is more than ample to cover the maximum bank loan Rohm & Haas has had.

Merriwether, Tr. 3581

(508) Rohm & Haas Company expects to finance its proposed future construction programs out of cash on hand and future earnings.

(509) Of the twenty-seven customers listed on exhibit D–26 as having a line of credit of $8 million or more with PNB, nine are also among the twenty-seven customers holding the largest lines of credit from Girard as given on exhibit D–40. Brown, Tr. 2844–45

(510) The senior vice president of the Republic National Bank of Dallas knows of no company borrower for which an $8 million lending limit is inadequate but for which a $15 million lending limit is adequate. Jennings, Tr. 3387–3388

(511) The number of the existing or potentional customers of the Philadelphia National Bank that might require a lending limit in excess of $8 million would be a very small percentage of its total number of borrowers. Jennings, Tr. 3388

(512) PP&L's bank loans on December 31, 1960, totaled $35,000,000 and the original amounts of these loans were held by Chase Manhattan Bank ($15,000,000), Mellon National Bank & Trust Company ($15,000,000), Irving Trust Company ($2,500,000), and Girard Trust Corn Exchange Bank ($2,500,000). Ex. G–246

(513) PP&L foresees no bank loans for its construction program in the 1961–1965 period. Ex. G–247, p. 7

(514) The five largest banks in Philadelphia have a combined lending limit of about $30,000,000, yet PP&L's largest total Oakes, Tr. 3742–3745; Ex. G–246

borro..ings at any one time in recent years from Philadelphia banks were $7,500,000, even though all the major Philadelphia banks regularly solicit the company for business.

Oakes, Tr. 3745

(515) At any one time in recent years there would have been available to PP&L from the five largest Philadelphia banks additional lending capacity of $22,500,000.

Amsterdam, Tr. 3634

(516) Out-of-town banks which contact Bankers Securities Corporation in Philadelphia do so because they are located in communities in which Bankers Securities Corporation also has a store or one of its other enterprises and the banks in those communities communicate either about a specific problem or business opportunity in their own areas.

Harris, Tr. 2428

(517) From his years as a director of a Philadelphia bank and as a member of the Pennsylvania State Banking Board, Professor W. Carlton Harris had no knowledge of any industry which decided not to locate a plant in Philadelphia because it claimed any Philadelphia bank had an inadequate lending limit.

Brown, Tr. 2720–21

(518) PNB and Girard, if merged in one institution, will not be able to encourage businessmen to establish plants in Philadelphia because of its increased lending limit.

(519) Central-Penn's president did not know of any business which has not come to Philadelphia nor of any business which has come to Philadelphia because of the lending limits of banks in Philadelphia. Sienkiewicz, Tr. 2053–2054

b. *Participations are common*

(520) It is quite common for commercial banks to make loans in excess of their lending limit by participating with other banks, usually correspondent banks. This normally has no adverse effect on the bank-customer relationship. Forlines, Tr. 402; Sienkiewicz, Tr. 2053; Mason, Tr. 3073–74; McDowell, Tr. 3020

(521) Liberty Real Estate Bank & Trust Co. has never been turned down by the Philadelphia National Bank on a loan participation which it has requested. Mason, Tr. 3080–3083

(522) The Industrial Trust Company has participated in many loans with other banks, including New York banks, and has had a successful experience in such participations. Weinrott, Tr. 3103

(523) Where over $2 million has been sought by a borrower, Central-Penn has arranged a participation and this is a common practice among banks in such circumstances. Sienkiewicz, Tr. 2062–63

(524) Philadelphia National Bank offered to other banks in 1959 participations in 115 loans, none of which was in excess of Philadelphia National's lending limit. Tr. 3015

(525) PP&L would not like to arrange loans with a small number of banks nor Oakes, Tr. 3717–3718

would it want to deal with too many banks on a loan; the company prefers to have a good representation from the banks with which it normally deals.

Carter, Tr. 3240–3242

(526) In arranging a participation loan for $75 million, shared by 30 to 35 banks, the Radio Corporation of America allocated portions of that loan to banks as follows: (1) banks which served the company's various manufacturing locations were invited to participate; (2) some banks with long-standing relationships, such as the First Camden National Bank, were offered the full amount of their lending limit; (3) large banks were allocated an arbitrary amount, generally below their legal lending limit. In this allocation by RCA, the amount allocated to an individual bank was not necessarily proportioned to the lending limit or size of the bank.

Carter, Tr. 3240–3242

(527) A large corporation does not necessarily allocate shares of a loan according to the lending limits of large banks, but takes into account as one element the lending limit of the banks participating in the loan.

Potts, Tr. 1460

(528) The most important benefit of the proposed merger to the two banks involved is increased prestige.

Potts, Tr. 1403–1405

(529) In 1954, a group of eight Philadelphia banks, including PNB, First Pennsylvania Company, Girard, Fidelity-

Philadelphia Trust Company, and Provident Trust Company—formed a pool to help finance improvements in the City of Philadelphia, primarily in the Penn Center development. The combined lending limit available from the pool was approximately $22 million; several loans were made from this pool to various construction groups.

(530) Frankford Trust Company does a $45,000,000 business in construction loans, and many of its construction loans run more than $1,000,000. Its lending limit is $330,000. The only way in which it can provide the amount of the loan above its lending limit is to ask other banks to participate. Twist. Tr. 3545–3547

(531) In the past ten or twelve years Frankford Trust Company has been obtaining almost all of its construction loan funds through participations of PNB and Girard; only token participations are participated to a New York bank. Twist. Tr. 3547

(532) Of fifteen loan participations under written agreement selected at random from the records of PNB, seven involved participations by other Philadelphia banks. Girard was among the participants in six of those cases, and in three cases no fewer than four Philadelphia banks participated. Ex. G–67

(533) Of sixteen loan participations selected at random from the records of Ex. G–69

Girard, eight involved participations by one or more Philadelphia banks. PNB was among the participants in six of those cases, and in four of those cases only Philadelphia banks participated.

3. The effect of larger lines of credit on the availability of lendable funds in the four-county area

Smith, Tr. 573–74
Potts, Tr. 1408–09A
Brown, Tr. 2720–21
Harris, Tr. 2811
MacMillen, Tr. 1243, 1245

(534) The local availability of banking facilities is not an important factor in the decisions of industry to establish operations in a particular area. Factors which are important in industrial location include: transportation cost for raw materials and for shipments to markets, proximity to an industrial complex within which the particular industry can operate, cost and availability of labor, and similar factors.

Smith, Tr. 576, 578

(535) Neither of the two published surveys which have been made of the factors actually considered by businessmen in deciding to establish operations in a particular area even mention the availability or non-availability of banking facilities in that area.

Graves, Tr. 3900

(536) In those instances in which industrial concerns have shifted their operations from Philadelphia, they have moved to new markets in areas where the economy is growing more rapidly.

Graves, Tr. 3899

(537) Business which leaves Philadelphia generally moves to the South, the areas of the Middle West not yet fully de-

veloped, or the Far West. None has moved to the New York area.

(538) The slow growth of bank deposits in Philadelphia as contrasted with the average growth for the United States is unrelated to the lending activities of Philadelphia banks. Rather, the reason for this slow growth lies in the fact that economic activities generally in older and settled parts of the country are growing less rapidly than in the newer areas of the South and West. For this reason bank deposits in New York as well as Boston have also been growing more slowly than the national average. Harris, Tr. 2874–75 Smith Tr. 3954–59

(539) The proportion of loans made by Philadelphia banks to customers outside the local area is among the six highest for the United States. This fact probably explains to some degree the relatively slow growth of bank deposits in the four-county area. Relatively slow growth in deposits is also true of several financial centers other than Philadelphia, including New York City. Smith, Tr. 618

(540) The Pennsylvania Power & Light Company expects that as its business grows and its deposits in Philadelphia banks grow, the Philadelphia banks would thereby be entitled to a greater proportion of the total borrowing the company may do; but this is a normal result of the expected Oakes, Tr. 3718

growth of the Pennsylvania Power & Light Co.

Oakes Tr. 3767–3768; G–247, p. 15

(541) Of the $140 million planned for construction of new plants or facilities in the next five years by PP&L, none will be spent in the counties of Philadelphia, Delaware, Montgomery or Bucks; the company does not operate in any of these four counties.

Brown, Tr. 3810

(542) Girard normally requires that borrowers maintain 20 percent of their loan as a deposit with the Girard.

Potts, Tr. 1442–44
Goodman, Tr. 1778
MacLaren, Tr. 2265
Smith, Tr. 613–14
Clarke, Tr. 387–8, 390

(543) Commercial banks seek to obtain from a commercial borrower a deposit of 10% of a line of credit and 20% of a loan, but are not always successful in obtaining such a deposit.

Oakes, Tr. 3735–3737, Ex. G–246

(544) PP&L does not have any formal line of credit with any bank, although banks volunteer lines of credit to PP&L, just as they do to other potential customers; such lines of credit do not, however, result in the creation of any deposits.

Brown, Tr. 2840

(545) Approximately 50% of the commercial lines of credit extended by Girard are offered by the bank itself without any request having been made by the holder of the line.

Brown, Tr. 2844

(546) Some of the lines of credit extended by commercial banks such as PNB are "complimentary" lines rather than genuine "lending" lines of credit.

(547) It is quite doubtful that expansion of the lending limit of a Philadelphia bank would induce very many corporations to open lines of credit in Philadelphia and it is even more doubtful whether they would increase their deposits in the Philadelphia bank. Smith, Tr 581

(548) As of September 21, 1960, the loans outstanding from PNB to holders of formal lines of credit of $50,000 and over were 34.6% of the sum of those lines of credit. Smith, Tr. 3932

(549) If a commercial bank, by obtaining a larger lending limit, reorients its lending activities toward the national credit market or the regional credit market and away from the local area, the supply of credit in the local area would be somewhat smaller and interest rates would therefore tend to go up. Smith, Tr. 615

(550) As a result of the expansion of the lending limit of PNB and Girard and the opening of additional lines of credit due to that expansion, the supply of credit available in Philadelphia will be somewhat reduced rather than expanded and interest rates in Philadelphia, particularly for small local borrowers, will tend to rise. Smith, Tr. 616, 638

(551) The essence of the testimony of Professor Warren L. Smith regarding the net effect on the availability of credit for Philadelphia borrowers to be expected Smith, Tr. 616-17

from the proposed merger is that if the additional deposits attracted to Philadelphia banks to support expanded lines of credit do not exceed the loans made under those lines and spent outside the Philadelphia area, the Philadelphia area is bound to suffer a reduction in the funds available for local borrowers.

Smith, Tr. Ex. G-60 3932

(552) Assuming that customers who would obtain additional lines of credit from the merged bank would borrow on the average 35 percent of the amount of those increased lines and would maintain deposits of 10 percent of the new lines, the net supply of funds available to Philadelphia borrowers would be reduced by approximately 27 percent of the increased lines of credit.

Smith, Tr. 3969

(553) The net effect of increasing the lines of credit offered by Philadelphia banks on the availability of bank credit in Philadelphia is unaffected by the fact that banks in other parts of the country are constantly making loans which to some extent result in additions to Philadelphia bank deposits. This is so because this process occurs irrespective of the amount of the credit lines Philadelphia banks offer.

Smith, Tr. 3935

(554) The customers of PNB listed on Exhibit D-26 and the customers of Girard listed on Exhibit D-40 made relatively slight use of their credit lines with defend-

ants in 1960, and their decisions to maintain banking connections and deposits with the defendants were not importantly related to any need of theirs to increase lines of credit.

(555) In fact the ratio of their deposits to their loans and lines of credit far exceeded the average deposits in connection with loans and lines which the presidents of both defendants testified might be expected. Smith, Tr. 3936

(556) If the customers listed on Exhibits D–26 and D–40 were interested in increasing their credit lines and were not receiving from defendants local services that could not adequately be provided by banks outside of Philadelphia, they would transfer their banking connections to New York or other centers having banks in which their deposits would support larger lines of credit. Smith, Tr. 3936

(557) It is most unlikely that the merged bank would be able, as a result of increasing lines of credit to them, to attract additional customers whose deposits and loans would follow the pattern of the customers listed on Exhibits D–26 and D–40. Such additional customers would more probably maintain lower deposits and make more intensive use of the lines of credit made available by reason of those deposits. Smith, Tr. 3937, 3961–62

Andrews, Tr. 3609, 3614–15

(558) Triangle Publications has not transferred and will not transfer its various service accounts from other banks to its borrowing bank or banks, because it maintains these accounts in areas in which it has local operations. Thus, any increased use of the larger lending limit of the proposed merged bank would not bring along additional deposits of Triangle Publications in excess of those maintained because of the lending relationship.

McDowell, Tr. 2854–2878; 2862–2863

(559) The customers listed on Exhibit D–26 are generally infrequent users of PNB's lending capacity, and the operating services performed by the bank in connection with the local business activities conducted by the customers in and around Philadelphia County have a more direct effect on the size of deposits carried by these customers with PNB than does the grant of a line of credit or the actual borrowing relationship between the customers and the bank.

Smith, Tr. 3966, 3972

(560) Assuming that whatever additional customers PNB and Girard combined might attract through an increased lending limit would maintain the highly favorable proportion of deposits to loans and lines of credit which the customers on Exhibit D–26 have, the net increase in the availability of bank credit resulting from additional lines of credit would still be

only about 15 percent of the amount of those lines.

4. If the merged bank's increased lending limit does give it greater ability to compete with larger banks, it will necessarily give it a competitive advantage over other Philadelphia banks.

(561) An increase in lending limit from $8 million to $14 million or $15 million would give the proposed merged bank a competitive advantage over First Pennsylvania Banking & Trust Company, the next largest Philadelphia bank competitor after the merger. Potts, Tr. 1456

(562) Liberty Real Estate Bank & Trust Company has on occasion lost loan business to PNB when Liberty Real Estate Bank did not choose to extend further credit to a customer. Mason, Tr. 3072–73

(563) According to the president of PNB, that bank does compete with other Philadelphia banks but does not attempt to take away a depositor or a borrower from one of these banks by use of its larger lending limit. Potts, Tr. 1453

(564) The higher lending limit of the proposed merged bank would be an important factor in that bank's efforts to attract the business of national customers away from other Philadelphia banks and the future management of the proposed merged bank intends to use this tool to bring such customers to the new bank. McDowell, Tr. 3028

McDowell, Tr. 3032–3033

(565) The senior lending officer and executive vice president of PNB expects the proposed merged bank to experience greater difficulty in attracting national customer business away from a Philadelphia bank wih a $7 million lending limit than it will in attracting business away from a bank elsewhere with a $20 million lending limit; if there has been a long-time *relation*ship between another Philadelphia bank and a national customer, he doubts that such a customer would change to the new bank for its banking business in Philadelphia because of the increased lending limit in one Philadelphia bank.

(566) Thus, while the lower lending limit of the individual defendant banks, as compared to certain banks in other cities, is claimed to cause loss of national customer business in Philadelphia to banks outside of Philadelphia, it is the position of defendants' officials that the lower lending limit of the remaining Philadelphia banks, as compared to the lending limit of the proposed bank, will not cause a loss of national customer business from the remaining Philadelphia banks to the new bank.

5. Bank lending limits can be increased without merger

Potts, Tr. 1430–1432, 1435

(567) There are several ways in which a bank can increase its lending limit other

than by merging with another bank, including the issuance of additional stock, and by transfers from undivided profits to surplus.

(568) Since the end of World War II, the Republic National Bank of Dallas has on at least ten different occasions gone to the market and sold new common stock as a means of increasing its capital and its lending limit. The amount of the new capital raised thereby was between $20 million and $25 million. By this method alone, Republic National Bank increased its lending limit between $2 million and $2.5 million. Jennings, Tr. 3442-3443

(569) In ten years The Bank of Granite in Lenoir, North Carolina, has increased its lending limit from $12,000 to $90,000 by selling new common stock. Forlines, Tr. 428

(570) In 1951 Girard increased its lending limit by $450,000 through the sale of new stock. Brown, Tr. 3799-3800

(571) In 1960 Girard increased its lending limit by $500,000 through transfer of $5,000,000 from undivided profits to surplus. Ex. D-33, p. 5

(572) There are positive benefits to be derived from increasing a bank's lending limit by means other than merger. The result is a net increase in an area's composite lending limit rather than a mere combination of existing limits as occurs in

a merger. Increase through sale of stock or transfers to surplus brings new capital into the commercial banking system without elimination of an existing competitor. At the same time the financial structure of the enlarged bank is strengthened and greater security is afforded depositors whose money is being loaned.

6. Competition in Philadelphia from banks in New York and elsewhere

a. Amount of business done in Philadelphia by New York banks

Potts, Tr. 1514
Ex. D–1, p. 65
Ex. D–20
Ex. D–24
G–57, pp. 129–131
Dilworth, Tr. 3912

(573) A study by the Federal Reserve Bank of New York, based on material submitted by banks to the Federal Reserve Board in October, 1955, showed that New York City banks had loans outstanding to borrowers in the city of Philadelphia of $113,000,000 as of October 5, 1955. The same study showed the following amounts of loans outstanding to borrowers in other cities. Also shown below are the sizes of banks and lending limits in those cities.

City	Amount of loans to borrowers by New York City banks	Total asset size of largest bank in city	Largest lending limit of any bank in city
Chicago	$375,000,000	$3,000,000,000	$27,500,000
Houston	375,000,000	n.a.	n.a.
Los Angeles	218,000,000	11,000,000,000	55,000,000
Detroit	138,000,000	2,000,000,000	14,000,000
Dallas	125,000,000	n.a.	10,500,000
Philadelphia	113,000,000	1,300,000,000	8,000,000
Baltimore	98,000,000	620,000,000	2,400,000
Minneapolis	97,000,000	n.a.	n.a.
San Francisco	93,000,000	11,000,000,000	55,000,000
St. Louis	89,000,000	663,000,000	4,900,000

(574) New York banks lend more to businesses in Chicago, Houston, Detroit, Dallas and Los Angeles than they do in Philadelphia although all of those cities except perhaps Houston have banks larger than any bank in Philadelphia. Thus, it is clear that there is no relationship between the asset size of the largest bank in a city or the largest lending limit of any bank in a city and the amount of loans which may be made by New York City banks to borrowers in that city.

(575) The combination of all the Philadelphia banks would not create a bank as large as several leading New York banks. Ex. D-24

(576) Potential borrowers from commercial banks who desire loans for under $1 million would not normally obtain their loans from banks in another city. Brown, Tr 3817

(577) Central-Penn National Bank has not lost deposit accounts to New York, Boston, Chicago, San Francisco or Los Angeles banks. Sienkiewicz, Tr 2071

(578) Central-Penn National Bank has not lost any loans to New York banks. Sienkiewicz, Tr 2072

(579) The experience of Frankford Trust in participating its construction loans, which may run into several million dollars, shows that PNB and Girard have given quick service in contrast to the week to ten days required by New York banks, that they have never cut off Frankford in Twist, Tr 3547 3550

times of tight money as the New York banks had done, they have met all the dollar requirements of Frankford, that Frankford Trust has had satisfactory experience with The Philadelphia National Bank and Girard Trust Corn Exchange. There is no need on the part of Frankford Trust to return to New York for its construction loan participations.

b. Historical character of banking affiliations

MacMillen, Tr. 1241-42

(580) An increase in the lending limit of a Philadelphia bank would not enable that bank to compete more effectively for the domestic and foreign business done by New York banks.

Potts, Tr. 1451, 1483

(581) Relationships between a bank and its depositors, whether they are borrowers or not, are generally of rather long standing and depositors and banks alike cherish this relationship; depositors are loathe to change their accounts and as a rule change their bank only for cause.

Oakes, Tr. 3769-3770

(582) From the point of view of the PP&L, even if the proposed merger is consummated, it would not be good business for the company to give up its relationship with the Chase Manhattan Bank.

Oakes, Tr. 3764-3766A

(583) While the PP&L expects that in time its borrowings and its deposits in the Philadelphia area banks will increase, it cannot as a matter of good business judgment cut off its other banking connections.

(584) While PP&L announced in 1946 a policy of doing as much business as possible with companies in Pennsylvania, including Pennsylvania banks, it has not changed its historical banking relationship to any extent. Up to the present time the largest loan PP&L has had with PNB was $850,000. Oakes, Tr. 3700–3701, 3750–3752; Ex. G-246

(585) Although PP&L has had a banking relationship with Girard since 1920, the largest amount it has borrowed from Girard has been $2,500,000. Oakes, Tr. 3696, 3753

(586) Bankers Securities Corporation plans to continue its close relationship with First National Bank of Boston regardless of the proposed merger of PNB and Girard. Amsterdam, Tr. 3687

(587) Of six oil companies which have major refineries in the Philadelphia area, one has its major banking affiliation with Chase Manhattan Bank and PNB, another has its major banking affiliation with a New York bank, another has its major banking affiliation with Mellon National Bank, Pittsburgh, and the remaining three companies have their major banking affiliations with New York banks. There is no basis for concluding that if the proposed merger should be approved, the Mellon group, Socony Mobil, Sinclair or Tidewater would move their main service banking affiliation to Philadelphia. Potts, Tr. 1436–37 Ex. G-57, p. 8

Potts, Tr. 1439–40, 1445, 1454

(588) All of the 26 corporations listed in Exhibit G–125 have long standing banking affiliations, either with other Philadelphia banks or with other banks in other cities.

7. Any improvement in defendants' management as a result of the merger would impose a competitive disadvantage on other Philadelphia banks

Potts, Tr. 1359–60

(589) Both PNB and Girard have excellent management, and the decision to merge the two banks was not in any way attributable to any problem or inadequacy of the existing management of either bank.

Horan, Tr. 3220–22

(590) Defendants called as witnesses executive officers of six Philadelphia commercial banks, all of which are smaller than either defendant. All of these men are thoroughly competent in their field and none indicated the smaller size of their bank was any obstacle in rendering business advice. One stated that smaller borrowers find it more difficult to communicate with their banker as the bank becomes larger.

(591) The quality of the management of a commercial bank does not depend on size.

Potts, Tr. 1459–60

(592) At the present time, there is no difference between the ability of the largest bank in Philadelphia, the First Pennsylvania Banking & Trust Co., and PNB to attract qualified specialists and personnel.

(593) PNB and Girard do not need to merge in order to retain and attract quality and depth in management, or to develop more highly trained specialists any more than do the other Philadelphia banks, which are of sufficient size and profitability to fit higher costs of this nature into their operations. Potts, Tr. 1458–1460

(594) PNB and Girard will have an advantage over their competitors in supplying the banking needs of small business should this merger be approved. This will be so because the enlarged bank will be in a better position to supply skilled personnel to advise small business. Harris, Tr. 2464

8. Foreign department activities

(595) For foreign borrowers, the historical relation between borrower and lender is the most important consideration and the quality of service offered over a long period is the second most important factor influencing the borrower to continue borrowing relationships of many years' standing with New York banks, both large and small. MacMillen, Tr. 1242

(596) Foreign exporters and foreign importers think of New York City as the principal financial center, which it is. Potts, Tr. 1426

Merriwether, Tr. 3565-3566, 3569

(597) The proposed merger will not materially assist in the financing of foreign subsidiaries of Philadelphia companies. For instance, Rohm & Haas Company follows a policy of financing foreign subsidiaries through banks located in the countries in which its subsidiaries operate.

Potts, Tr. 1374-76

(598) PNB has the largest and Girard has the second largest of the foreign departments of Philadelphia banks. The third largest foreign department in Philadelphia, Provident Tradesmens Bank and Trust Company, is much smaller than either of the first two.

(599) Any improvement in the resulting bank's foreign department from the proposed merger would not materially improve its competitive position in relation to New York, but would make it much more difficult for the few remaining foreign departments in Philadelphia banks to compete for customers.

(600) Thus to the extent that size is a factor in competing for foreign banking business, the resulting bank's dominance over other Philadelphia commercial banks in soliciting business connected with the Port of Philadelphia as well as other foreign business might give it a decisive competitive advantage in obtaining this important custom.

X. CONCLUSIONS OF LAW

This Court has jurisdiction to determine the pending cause.

The merger of the defendant banks would involve the acquisition of stock or other share capital within the contemplation of section 7 of the Clayton Act.

The proposed merger of the defendant banks is a combination within the contemplation of section 1 of the Sherman Act.

Commercial banking is a part of trade or commerce within the contemplation of section 1 of the Sherman Act.

Commercial banking is a line of commerce within the contemplation of section 7 of the Clayton Act.

Commercial and industrial loans are a part of trade or commerce within the contemplation of section 1 of the Sherman Act.

Commercial and industrial loans are a line of commerce within the contemplation of section 7 of the Clayton Act.

Installment lending to individuals by commercial banks is a part of trade or commerce within the contemplation of section 1 of the Sherman Act.

Installment lending to individuals by commercial banks is a line of commerce within the contemplation of section 7 of the Clayton Act.

Single payment loans to individuals are a part of trade or commerce within the contemplation of section 1 of the Sherman Act.

Single payment loans to individuals are a line of commerce within the contemplation of section 7 of the Clayton Act.

Real estate loans by commercial banks are a part of trade or commerce within the contemplation of section 1 of the Sherman Act.

Real estate loans by commercial banks are a line of commerce within the contemplation of section 7 of the Clayton Act.

Personal trust services are a part of trade or commerce within the contemplation of section 1 of the Sherman Act.

Personal trust services are a line of commerce within the contemplation of section 7 of the Clayton Act.

Time deposits of partnerships and corporations are a part of trade or commerce within the contemplation of section 1 of the Sherman Act.

Time deposits of partnerships and corporations are a line of commerce within the contemplation of section 7 of the Clayton Act.

Time and savings deposits are a part of trade or commerce within the contemplation of section 1 of the Sherman Act.

Time and savings deposits are a line of commerce within the contemplation of section 7 of the Clayton Act.

Demand deposits are a part of trade or commerce within the contemplation of section 1 of the Sherman Act.

Demand deposits are a line of commerce within the contemplation of section 7 of the Clayton Act.

IPC demand deposits are a part of trade or commerce within the contemplation of section 1 of the Sherman Act.

IPC demand deposits are a line of commerce within the contemplation of section 7 of the Clayton Act.

The four-county area of Philadelphia, Bucks, Montgomery, and Delaware Counties is the relevant market area within which to measure the competitive effects of this merger.

The four-county area of Philadelphia, Bucks, Montgomery, and Delaware counties is a section of the country within the contemplation of section 7 of the Clayton Act.

The combination of PNB and Girard will result in a restraint of trade or commerce in commercial banking in the four-county area in violation of section 1 of the Sherman Act.

The proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in commercial banking in the four-county area in violation of section 7 of the Clayton Act.

The combination of PNB and Girard will result in a restraint of trade or commerce in commercial and industrial loans in the four-county area in violation of section 1 of the Sherman Act.

The proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in commercial and industrial loans in the four-county area in violation of section 7 of the Clayton Act.

The combination of PNB and Girard will result in a restraint of trade or commerce in installment lending to individuals by commercial banks in violation of section 1 of the Sherman Act.

The proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in installment lending to individuals by commercial banks in violation of section 7 of the Clayton Act.

The combination of PNB and Girard will result in a restraint of trade or commerce in single payment loans to individuals in violation of section 1 of the Sherman Act.

The proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in single payment loans to individuals in violation of section 7 of the Clayton Act.

The combination of PNB and Girard will result in a restraint of trade or commerce in real estate loans by commercial banks in the four-county area in violation of section 1 of the Sherman Act.

The proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in real estate loans by commercial banks in the four-county area in violation of section 7 of the Clayton Act.

The combination of PNB and Girard will result in a restraint of trade or commerce in personal trust services in the four-county area in violation of section 1 of the Sherman Act.

The proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in personal trust services in the four-county area in violation of section 7 of the Clayton Act.

The combination of PNB and Girard will result in a restraint of trade or commerce in time deposits of partnerships and corporations in the four-county area in violation of section 1 of the Sherman Act.

The proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in time deposits of partnerships and corporations in the four-county area in violation of section 7 of the Clayton Act.

The combination of PNB and Girard will result in a restraint of trade or commerce in time and savings deposits in the four-county area in violation of section 1 of the Sherman Act.

The proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in time and savings deposits in the four-county area in violation of section 7 of the Clayton Act.

The combination of PNB and Girard will result in a restraint of trade or commerce in demand deposits in the four-county area in violation of section 1 of the Sherman Act.

The proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in demand deposits in the four-county area in violation of section 7 of the Clayton Act.

The combination of PNB and Girard will result in a restraint of trade or commerce in IPC demand deposits in the four-county area in violation of section 1 of the Sherman Act.

The proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in IPC demand deposits in the four-county area in violation of section 7 of the Clayton Act.

The combination of PNB and Girard violates section 1 of the Sherman Act.

The proposed merger of PNB and Girard would violate section 7 of the Clayton Act.

CONCLUSION

It is respectfully requested that the Court adopt the above proposed Findings of Fact and Conclusions of Law.

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IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

[Title omitted]

Civil Action No. 29287

DEFENDANTS' REQUESTED FINDINGS OF FACT AND CONCLUSIONS OF LAW—Filed October 4, 1961

* * * * * *

[fol. 6815] INDEX

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[fol. 6816] Requested Findings of Fact

I. The Background of This Proceeding

1. This action was filed on February 25, 1961 to enjoin the proposed merger of The Philadelphia National Bank and Girard Trust Corn Exchange Bank, hereinafter referred to as PNB and Girard respectively. The Complaint was filed under Section 4 of the Sherman Act (15 U.S.C. § 4) and Section 15 of the Clayton Act (15 U.S.C. § 25) for injunctive relief against alleged violations of Section 1 of the Sherman Act (15 U.S.C. § 1) and Section 7 of the Clayton Act (15 U.S.C. § 18) respectively.

2. PNB is a national bank chartered on October 20, 1864 under an Act of Congress approved June 3, 1864. Girard is a state bank chartered on March 17, 1836 by Act number 128 of the Pennsylvania Legislature. (Ex. G-57, pp. 16, 22)

3. On November 15, 1960 the Boards of Directors of PNB and Girard approved a proposed merger of the two banks, and on December 20, 1960 the two Boards approved a written Agreement of Consolidation to be effected in accordance with the provisions of the national banking statutes, 12 U.S.C. § 215. (Ex. G-117, G-118, G-119, G-128, G-129)

[fol. 6817] 4. On November 15, 1960, PNB and Girard filed an Application with the Comptroller of the Currency for approval of the proposed merger under the Bank Merger Act of May 13, 1960, 12 U.S.C. § 1828(c). (Ex. G-57; Potts, 1388; Brown, 3784)

5. As required by the Bank Merger Act the Comptroller requested and received from the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Attorney General advisory reports on the competitive factors involved in the proposed merger. (Ex. G-161, G-162, G-163)

6. Following receipt of these reports, the Comptroller, on February 24, 1961, approved the proposed merger after giving consideration to each of the seven factors set forth in the Bank Merger Act; he concluded with respect to competition that the merger would be beneficial to international and national competition and would not be unfavorable to local competition because an adequate number of alternative sources of banking services would remain after the merger. (Ex. D-14, G-164)

7. On May 9, 1961, the meetings of the shareholders of

the respective banks were held and the Agreement of Consolidation duly approved. (Brown, 2796; Ex. D-59)

[fol. 6818] 8. In the consummation of the proposed merger neither PNB nor Girard will acquire the stock or share capital of the other. (Ex. G-119)

[fol. 6819] II. Nature of the Commercial Banking Business

9. By its nature, commercial banking is wholly different from industrial or commercial businesses. (Jennings, 3368-9; Clarke, 375; Brown, 2571-2)

10. Banks are subject to extensive regulation by law and by the Federal Reserve Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and state banking authorities. (Brown, 2573; Harris, 2292-4; Jennings, 3304-13)

11. The principal purpose of the extensive government regulation of commercial banks which prohibits unrestricted competition is to protect their depositors. (Harris, 2292-4; Brown, 2571)

12. Governmental regulation of commercial banking has the effect of sharply limiting the scope and character of competition among commercial banks. (Jennings, 3307-9, 3312-3; Harris, 2292-2303)

13. Commercial banks are not permitted to pay interest on demand deposits. The maximum interest which commercial banks are permitted to pay on time and savings deposits is fixed by law. (Brown, 2574; Harris, 2288, 2294; Jennings, 3303)

14. Banks are restricted in the nature, amount, volume [fol. 6820] and purpose of loans they are permitted to make. All national banks and banks chartered in Pennsylvania and most other states are in general not permitted to have outstanding loans to any one customer in an amount in excess of 10% of their capital and surplus. (Harris, 2294-5, 2363-5; Brown, 2576, 2581-2, 2613)

15. The amount of money and credit in the banking system is directly affected by the reserve requirements, the rediscount rate and the open market practices of the Federal Reserve System. (Potts, 1518-9; Smith, 473-7; Brown, 2608-11, 2637-9; Harris, 2297)

16. Maximum interest rates on loans are fixed by law in Pennsylvania. (Harris, 2295, 2299; Brown, 2577)

17. Minimum interest rates on loans are directly affected by the reserve requirements and open market practices of the Federal Reserve Board, by the rediscount rate fixed by the Federal Reserve Banks, and by the "prime rate" established by the nation's largest banks for their customers with the highest credit standing. (Smith, 473-7; Potts, 1518-9; Harris, 2295-9; Brown, 2608-9, 2626-30; Jennings, 3302-3)

18. Neither PNB nor Girard has, nor would the merged bank have, any influence in connection with the matters [fol. 6821] covered by Requested Findings 15 and 17 above. (Brown, 2627-30, 2633-7; Harris, 2376-7; Mason, 3060-1; McDowell, 2937-8; Carter, 3243-4; Horan, 3190-1; Weinrott, 3105-7)

19. Entry into the banking business and the opening of branches are strictly regulated in order to protect existing banks from excessive competition, and are permitted only upon a showing that there is adequate banking business in the area to support both the existing banks and the proposed bank or branch. (Harris, 2293, 2301-3; Jennings, 3309; Beadle, 820-1, 972-3; Brown, 2625)

20. As a result of restrictions on entry there are thousands of communities in the United States with but one commercial bank. (Harris, 2300-3)

21. Girard and PNB may establish branches only in Philadelphia and the three Pennsylvania counties contiguous to it (Bucks, Delaware and Montgomery). (Beadle, 813-4)

22. Commercial banks are subject to regulation to insure that their investments are of high quality. (Brown, 2582; Jennings, 3308-9)

23. Banks are in practice subject to strict liquidity requirements which affect the type of assets a bank may hold [fol. 6822] and the investments it may make. (Brown, 3383-4; Jennings, 3305, 3308)

24. Sound banking practice establishes maximum safe ratios of a bank's total loans to its capital, its deposits and its assets. (Brown, 2613-4, 2806; Ex. D-29)

25. Banks are subject to inspection and control by banking examiners who make periodic and thorough examinations of their affairs to determine compliance with banking regulations, and who may require that changes be made

in the loan-asset or loan-deposit ratios or liquidity position of any bank that deviates substantially from accepted practices. (Jennings, 3305-8; Brown, 2582, 2615)

26. Reserve requirements, required ratios, liquidity requirements, investment limitations and other requirements have the effect of reducing banks' profit margins and severely limit a bank's ability to engage in price competition. (Jennings, 3304-8, 3311-12; Brown, 2617-9, 2640-1)

27. The largest part of a bank's earnings are derived from its deposits, without which it could not conduct its business. These deposits are received from the bank's customers and may be withdrawn by them at any time. (Brown, 2571-2, 2641-2; Harris, 2296; Jennings, 3366)

28. Price competition is at the most a minor factor in competition among commercial banks, and in most banking [fol. 6823] services does not exist. (MacMillen, 1261-2; Jennings, 3301-3)

29. Interest rates on loans generally fall between the maximum fixed by law and the prime rate. (Harris, 2299-2300, 2468; Brown, 2609; MacMillen, 1257-8).

30. Within the maximum and minimum rates fixed by law and the operation of the banking system, the interest rate which a bank charges depends primarily upon the borrower's credit standing. (Brown, 2609; Sienkiewicz, 2061; Jennings, 3361-2)

31. Commercial banks do not generally compete in the evaluation of credit standing in the making of loans; lending officers base credit evaluations on the same factors and their evaluations are generally similar. (Potts, 1521-2; Sienkiewicz, 2073-5)

32. Banks do not engage in significant interest rate competition; to do so would quickly exhaust a bank's lending capacity and cause it to become over-loaned. (Potts, 1518-19; Harris, 2299-2300; Satterfield, 2080; McMillen, 1261-2)

33. A bank cannot raise its interest rates above the going rates without losing borrowers to other banks. (Potts, 1518; Brown, 2629, 2631-2)

34. Price is of minor importance in competition among commercial banks for savings accounts. (Sienkiewicz, [fol. 6824] 2068; Horan, 3176-7; Harris, 2334; Brown, 2600-1; Ex. D-34).

35. Price competition for time deposits is a minor factor as between commercial banks within the same state because all commercial banks pay the maximum allowed by law. (Harris, 2330, 2341; Brown, 2596-7).

36. Service charges are a minor factor in competition. (Harris, 2312, 2316-7, 2321; Dubois, 726-8; Worstall, 1104-5; Sienkiewicz, 2057-9; Brown, 2780-8).

37. The principal factors in competition among commercial banks are convenience, quality of service, personal relationships, and the capacity to meet the requirements of the customer. (Clarke, 371; Dubois, 727-8; Beadle, 965, 974-6; Harris, 2292, 2312-3, 2317, 2321, 2325, 2344, 2349, 2351, 2357; Brown, 2646; Jennings, 3303-4; Gillam, 1313; Mason, 3059-60; Worstall, 1096, 1104-5; MacMillen, 1259-61).

38. Commercial banks do not compete in expanding credit; it is an incident of their lending function and a function of the whole banking system in conjunction with the Federal Reserve System. (Harris, 2288-9; Jennings, 3304).

39. Safety is no longer a factor in competition between small and large banks. Deposit insurance has enabled the [fol. 6825] smallest banks to compete with the largest in this respect. (Jennings, 3311-3)

40. Large commercial banks do not have a competitive advantage for business within the range of the resources of smaller banks. In that range, small banks are able to compete as effectively as large banks. (Weinrott, 3099; Horan, 3174-5; Carter, 3238-9; Harris, 2315; Sienkiewicz, 2063-4; MacLaren, 2526; Brown, 2766-8, 2795; Jennings, 3371)

41. The growth of a small bank is not adversely affected by the existence of a large competing bank; in most cases small banks grow faster than large banks, which find it difficult to maintain their positions relative to small banks. (Jennings, 3333-4, 3338-41; Forlines, 428-9; Dubois, 732; Harding, 1023; MacMillen, 1272-3; Taylor, 1306-7; Ex. D-18)

42. Large banks do not treat small businesses less favorably than do small banks; having greater resources, large banks are willing to take greater credit risks than small banks. (Harris, 2353-4; MacMillen, 1267-9; Mason, 3055-6, 3064; Graves, 3886-8; Jennings, 3359; Ex. D-3)

43. The ratio of loans to assets of a bank increases with its size. (Harris, 2371, 2418-9; Ex. D-29)

[fol. 6826] III. Commercial Banking Markets

A. Geographic Markets

44. Competition in commercial banking is comprised both of the active rivalry of commercial banks and other institutions seeking to sell their services, and of the existence of alternative sources of such services for the banks' customers. Both exist in competition for commercial banking services in Philadelphia and the Delaware Valley. (Harris, 2291-2)

45. Commercial banks sell their services in local, regional, national and international markets. These markets overlap and are difficult to define. (Smith, 545; Harris, 2304-5).

46. The customer's geographic market for banking services is determined by the location of the alternative sources from which he can obtain these services. (Harris, 2304-7)

47. The geographic location of the customers of PNB and Girard does not determine the geographic market in which customers of the bank may obtain banking services. (Harris, 2307-8; McDowell, 3042)

48. The fact that PNB and Girard branches are limited to the four-county area, consisting of Philadelphia, Bucks, [fol. 6827] Montgomery and Delaware Counties, does not limit either the geographic source of their business or the location of the alternatives available to their customers. (Harris, 2304).

49. Customers are not restricted by political boundaries in the choice of banks or other financial institutions. (MacLaren, 2228; Harris, 2352; McDowell, 2974-5).

50. PNB and Girard draw substantial business from customers located outside the four-county area in which they operate branches. PNB, Girard and other Philadelphia area banks derive substantial business from the entire ten-county Delaware Valley area, consisting of the above four counties and Chester County, Pennsylvania; Burlington, Camden, Gloucester and Mercer Counties, New Jersey; and New Castle County, Delaware. Much of the merging banks' business originates outside the ten-county area. (Potts, 1507-8; Satterfield, 2123-4, 2129; MacLaren, 2239; Weinrott, 3400-1; Ritter, 3142, 3162-3; Brown, 2764; Ex. D-30, D-43, D-60, D-61, D-64, D-65, D-66, D-67, D-68, D-69).

51. The four-county area has no better claim to be the primary geographic source of defendants' business than [fol. 6828] any of several other areas or combination of areas. For instance:

(a) Defendants, combined, derive a greater amount of their commercial and industrial loans from the northeast United States outside the Third Federal Reserve District than they do from Bucks, Delaware and Montgomery Counties. (Ex. D-63).

(b) Defendants grant a greater dollar amount of lines of credit to customers outside than to customers inside the four-county area: (Ex. D-68).

(c) Defendants draw less business time deposits from Bucks, Delaware and Montgomery Counties than from each of the following areas: the other six counties of the ten-county Delaware Valley area outside of Philadelphia, the rest of the Third Federal Reserve District outside Delaware Valley, and the northeast United States outside the Third Federal Reserve District. (Ex. D-61).

(d) PNB derives a smaller amount of all its business demand deposits from Bucks, Delaware and Montgomery Counties than it does from the northeast United States outside the Third Federal Reserve District. (Ex. D-60).

(e) Defendants make to customers outside the four-county area more than 80% of their loans (in dollar amount) [fol. 6829] to domestic banks, to foreign banks, to other financial institutions, and to purchase or carry securities, and more than 60% of their miscellaneous loans. (Ex. D-67).

52. In the areas from which PNB and Girard derive their business their customers have as active alternative choices not only other commercial banks in such areas but also commercial banks located outside such areas:

(a) Large banks from large cities throughout the country solicit business in the Philadelphia area on an intensive and regular basis. (Weinroft, 3101-2; McGinley, 3448, 3450; Oakes, 3709; Bradshaw, 3525-6; Amsterdam, 3634; Merriwether, 3582; Andrews, 3611-2; Wilson, 3661; Carter, 3229-30; Brown, 2754-7, 2819-20; McDowell, 2909-10; MacLaren, 2231; Sienkiewicz, 2063-4; MacMillen, 1247-9).

(b) The business solicited by New York and other banks includes loan, deposit and corporate trust services, correspondent bank business, personal trust and other business. (Brown, 3869; Carter, 3230-1; McGinley, 3449, 3452).

(c) Banks from New York and other cities derive sub-
[fol. 6830] stantial business from Philadelphia. (Potts, 1514-6; Jennings, 3429-30; Ex. D-1).

(d) In such fields as the financing of mobile homes, the financing of prefabricated houses, tuition financing, and real estate mortgages Philadelphia banks compete with banks and other institutions located in many areas outside the four counties. (Ritter, 3142, 3154-6; Harris, 2366-7).

(e) At least 68% in dollar volume of defendants' combined commercial and industrial loans are made to, and at least 64% in dollar volume of defendants' combined demand deposits from partnerships and corporations are received from, customers whose banking choices include commercial banks located outside the four-county area. (McDowell, 2926-8; Adams, 3470; Ex. D-43).

53. Taking into consideration both the location of PNB's and Girard's business and the location of the alternative choices available to their customers, the market area for every service offered by PNB or Girard other than savings deposits is larger than the four-county area, varying from the ten-county Delaware Valley area up to the entire United States or the world. (Harris, 2322, 2326, 2328, 2334, 2347; McDowell, 2918, 2925-37; Ex. D-30, D-41; D-60 through D-69 inclusive):

[fol. 6831] 54. Plaintiff has restricted its evidence bearing on defendants' portion of or influence in any market to the four-county area.

55. Plaintiff has introduced no evidence bearing on defendants' proportion of the entire banking business done within the four-county area by all banks with offices in that area, in any category of business.

56. Plaintiff has introduced no evidence bearing on defendants' proportion of the entire banking business done within the four-county area by all banks deriving business from that area, in any category of business.

57. Plaintiff has introduced no evidence bearing on defendants' proportion of the entire banking business done

in any selected area by all banks deriving business from that area, in any category of business.

[fol. 6832] B. Functional Markets: Competitive Alternatives

(1) Insurance Companies

58. Life insurance companies located throughout the United States are active competitors of commercial banks in the Philadelphia area in the fields of:

(a) attracting the savings dollar (Harris, 2340; McDowell, 2918);

(b) mortgage loans (Harris, 2365; Brown, 2707; McDowell, 2930); and

(c) single-payment loans to individuals (Harris, 2469-70).

59. Insurance companies are an alternative source of funds for large corporations, and some insurance companies are now engaging in loans to businesses of shorter terms and smaller amounts. (Harris, 2357; Brown, 2706-7, 3835-6)

60. The tendency is toward increasing competition between commercial banks and insurance companies. (Brown, 2707, 2712)

61. There are at least 47 life insurance companies with offices in Philadelphia. (Ex. D-65)

(2) Savings and Loan Associations

62. Federal and state savings and loan associations and building and loan associations compete with commercial [fol. 6833] banks in the Philadelphia area in the fields of:

(a) savings accounts (Harris, 2336; Brown, 2583);

(b) mortgage loans (Beadle, 998-1001; Worstall, 1116-7; MacMillen, 1254; Keith, 1594, 1620-1; Harris, 2365); and

(c) home improvement loans (Harris, 2348; Satterfield, 2123-4; Ritter, 3153-4; Galfand, 3270).

63. In the ten-county Delaware Valley area there are 615 federal and state savings and loan and building and loan associations with aggregate savings deposits of

$1,498,413,000 and aggregate mortgage loans of $1,530,048,000. (Ex. D-32, D-65)

64. In the Philadelphia area competition also comes from savings and loan associations from as far away as California, which advertise extensively in the Philadelphia area and which obtain deposits through brokers. (Harris, 2336; Brown, 2586-7, 2589-90; Ex. D-35)

65. Savings and loan associations have had a greater growth than that of commercial banks; in the four-county area the deposits of savings and loan associations rose 164% between 1951 and 1959, compared to an increase of 44% and 45% respectively in the savings deposits of Girard and PNB. (Harris, 2336; Brown, 2709; Ex. D-61)

[fol. 6834] (3) Mutual Savings Banks

66. Mutual savings banks compete with commercial banks in the Philadelphia area in the fields of:

(a) savings accounts (Brown, 2583, 2601; Galfand, 3270; McGinley, 3453-4; Keith, 1594, 1620-1; Beadle, 999-1001; Potts, 1461);

(b) mortgage loans (Harris, 2365; Smith, 529-30; McGinley, 3453-4); and

(c) home improvement loans (McDowell, 2935-6)

67. Mutual savings banks also compete with commercial banks for demand deposits; individual depositors tend to treat checking and savings accounts interchangeably and savings accounts are often used by depositors as substitutes for checking accounts. (Brown, 2604-6; Adams, 3508; Harris, 2312, 2317)

68. There are four mutual savings banks in Philadelphia doing business through at least 52 offices in the four-county area with aggregate savings deposits of $1,883,345,000 and aggregate mortgage loans of $969,298,000. (Harris, 2336; Ex. D-32; D-65; G-57, p. 92).

69. From 1951 to 1959 savings deposits in the four mutual savings banks in Philadelphia increased 76% compared to 45% and 44% respectively for the savings deposits in [fol. 6835]. PNB and Girard. (Ex. D-61)

(4) Credit Unions

70. Credit unions compete with commercial banks in the Philadelphia area in the fields of personal loans, consumer credit financing and savings accounts. (Brown, 2709; Potts, 1493; Keith, 1594, 1620-1; Carter, 3234-5; Harris, 2345, 2348)

71. There are 1655 credit unions in Pennsylvania, New Jersey and Delaware with aggregate contributions from members of $140,314,000 and aggregate loans outstanding of $198,000,000. (Ex. D-32, D-66)

72. The assets of credit unions have increased 1125%, from 1945 to 1959 compared to 54% for commercial banks, 130% for mutual savings banks and 630% for savings and loan associations. (Ex. D-27)

(5) Small Loan Companies

73. Small loan companies and consumer discount companies compete with commercial banks in the Philadelphia area for many types of loans of smaller amounts including personal loans, automobile financing and other consumer credit financing and home improvement loans. (Beadle, 998-1000; Brown, 3860-1; Potts, 1492; Satterfield, 2127; Ritter, 3153-4; Harris, 2344-5, 2348)

[fol. 6836] 74. In the ten-county Delaware Valley area there are 343 small loan companies and 154 consumer discount companies with outstanding loans aggregating over $174,000,000. (Ex. D-66)

(6) Finance Companies

75. Finance companies compete with commercial banks in the Philadelphia area for many types of loans including personal loans, consumer credit financing, home improvement loans, inventory and equipment financing, automobile financing, and prefabricated home financing. (MacMillen, 1254; Harris, 2344; Potts, 1493-4; Keith, 1594, 1620-1; Satterfield, 2123-4, 2127; Ritter, 3146, 3148-9, 3153-5)

76. Finance companies make secured commercial loans in the Philadelphia area. (Harris, 2351, 2358)

77. There are at least 9 finance companies with headquarters in the Philadelphia area with aggregate loans outstanding of over $100,000,000; at least 44 other finance

companies have offices and do business in the Philadelphia area, 11 of which have aggregate loans outstanding of over $12,000,000,000. (Ex. D-66)

(7) Other Competition

78. Factors make secured loans to businesses in the Philadelphia area. (Harris, 2351-2, 2469)

[fol. 6837] 79. At least 17 mortgage service companies in Philadelphia sell to or obtain for financial institutions located all over the country mortgage and home improvement loans on real estate in the Philadelphia area, and are in active competition with commercial banks located in the Philadelphia area. (Harris, 2366-7; Satterfield, 2123-4; Carter, 3234-5; Ex. D-65)

80. Mutual funds compete with commercial banks in the Philadelphia area for time and demand deposits. (Harris, 2340; Brown, 2607)

81. United States savings bonds compete with commercial banks for the savings dollar. (Harris, 2339; Brown, 2604)

82. At least 15 pension and profit sharing trusts compete in the Philadelphia area with commercial banks in the mortgage loan field and are entering the field of commercial loans. (Harris, 2357, 2365, 2455; Brown, 2708; Ex. D-65)

83. Indivjduals compete with commercial banks for mortgage loans. (Harris, 2365, 2481)

84. Individuals compete with commercial banks as executors, administrators, trustees, guardians and other fiduciaries; in Philadelphia in recent years the administration of more decedents' estates over $50,000, both in number and [fol. 6838] dollar amount, has been committed to individuals than to all the trust companies (in and out of Philadelphia) combined. (Ex. D-69)

85. Commercial paper is an important competitor for time and demand deposits of large depositors in commercial banks. (Harris, 2321; Brown, 2590-2; McDowell, 2919-20)

86. United States Treasury bills and other short-term government obligations are important competitors for time and demand deposits of large depositors in commercial banks. (Harris, 2321-2; Brown, 2593, 2599-2600, 2602-3; Merriwether, 3579-81; McDowell, 2919-20)

87. Trade credit extended by suppliers of goods to the purchasers thereof competes with bank loans; for small businessmen this is usually the principal method of financing. (McDowell, 2932)

88. Credit extended by retail outlets to customers competes with consumer-credit financing by commercial banks to an important degree. (McDowell, 2934-5)

89. Small and medium-sized businesses rely less on bank loans than either trade credit or mortgages and bonds. (Ex. G-193, p. 23)

90. The fact that various competing financial institutions use commercial bank services does not adversely affect their ability to compete with commercial banks.

[fol. 6839] 91. The ability of the commercial banking system to expand credit is not a factor affecting competition between commercial banks and other financial institutions. (Harris, 2288-9)

92. Plaintiff has introduced no evidence relating to defendants' proportion of the total amount of business for which commercial banks compete with other institutions or other forms of investment in any category of business or in any geographical area.

[fol. 6840] IV. Commercial Banking in the Delaware Valley

93. As of June 30, 1960 PNB had assets of $1,064,335,000, deposits of $924,495,000 and loans of $523,612,000. As of the same date Girard had assets of $740,920,000, deposits of $650,790,000 and loans of $399,362,000. (Ex. G-57, p. 29; G-2, G-3).

94. PNB does business through 28 banking offices of which 11 are located in Philadelphia, 5 in Bucks County, 5 in Delaware County and 7 in Montgomery County. (Ex. G-57, pp. 46, 63-4). Girard does business through 39 banking offices of which 21 are located in Philadelphia, 12 in Delaware County and 6 in Montgomery County. (Ex. G-57, pp. 2-5).

95. As of December 31, 1960 there were 17 commercial banks with main offices in Philadelphia (including Brown Brothers Harriman, a private bank with offices in New York and a substantial office in Philadelphia); in addition First Camden National Bank and Trust Company, with its main office in Camden, New Jersey, has an office in Philadelphia. There are 100 additional commercial banks with main offices

in the 9 counties adjacent to Philadelphia, consisting of 9 in Bucks County, 1 in Delaware County, 14 in Montgomery [fol. 6841] County, 19 in Chester County, 17 in Burlington County, New Jersey, 9 in Camden County, New Jersey, 13 in Gloucester County, New Jersey, 10 in Mercer County, New Jersey, and 8 in New Castle County, Delaware. Many of these banks operate through multiple offices; there are 284 commercial banking offices in Philadelphia, Delaware, Bucks and Montgomery Counties and more than 400 banking offices in the ten counties described above. (Ex. D-15, G-1, G-57, pp. 43-71).

96. Notwithstanding the decrease in the number of banks in the four-county area, from 1947 to 1960 the number of banking offices in that area has risen from 178 to 283. (Ex. G-13).

97. The increase in population and the expansion of industry and commerce in the Philadelphia area led to a need for larger banks; many small banks were inadequate to care for the increasing banking needs of the communities in which they were located. (Keith, 1605-6, 1616-7; Horan, 3184-5; Rainer, 3854-5).

98. Small banks in the Philadelphia area have found mergers with larger banks a solution to their problems of inadequate banking services, rising costs and management succession. (Keith, 1567-8, 1573, 1613-4; Potts, 1506).

[fol. 6842] 99. Merger with existing banks in the suburban and rural areas around Philadelphia was in many cases the only feasible way for larger banks to follow their customers into these areas. (Keith, 1566, 1572, 1607-8; Beadle, 814, 984-5, 992-6; Brown, 2558-9).

100. PNB and Girard have opened new branch offices in the four-county area to serve existing customers and to participate in the growth of new communities. (Beadle, 861-2, 884, 974, 995-6; Worstall, 1073-6, 1094-6, 1108-9).

101. Prior to 1951, PNB and Girard Trust Company were wholesale banks dealing primarily with large customers, Girard Trust Company also having a large trust business. (Potts, 1347-50, 1498, 1500; Brown, 2557, 2781).

102. In response to significant changes in the location of their customers, the expansion of commerce and industry in the Philadelphia area, and the increase in importance of small customers, PNB and Girard Trust Company changed

their policies; since 1951 PNB has begun retail banking services and entered the personal trust and consumer credit fields, and Girard embarked on many retail banking services following the merger in 1951 of Girard Trust Company with Corn Exchange National Bank and Trust Company. (Potts, 1498-1500; Brown, 2555-67).

[fol. 6843] 103. Following mergers by PNB and Girard with smaller banks in the neighboring communities, the banking services available to members of those communities have increased substantially; many of these services were not previously offered by the local banks. (Brown, 2703-4; Reller, 3120-3, 3141; Keith, 1614-5)

104. The size of loans, secured and unsecured, which PNB and Girard officers at branch locations may make on their own authority is substantially greater than the loans previously available at the local banks; as a result borrowers are able to obtain larger loans and obtain them more quickly from Girard and PNB branches than was previously the case at the local banks. (Beadle, 969-70; Worstall, 1053-5; Brown, 2686-9, 2699-2700; Reller, 3148-9; Ferraro, 3725-9; Rainer, 3855-6, 3858-9; Ex. D-36)

105. Industries located in the areas served by PNB and Girard branches, which were not having their borrowing requirements met by the local banks, are now being taken care of. (Reller, 3115-6; Rainer, 3856; Horan, 3184-5)

106. More funds are available for loans through PNB and Girard branches than were previously available through [fol. 6844] local banks; in each of PNB's branch divisions the ratio of loans to deposits is substantially higher than the ratios previously maintained by the local banks with which PNB merged. (Beadle, 967-70; Ex. D-19).

107. The effect of bank mergers in the Philadelphia area has been substantially to increase and sharpen competition among commercial banks; competition is more intense now than when there was a much greater number of banks. (Potts, 1427-8; Keith, 1584, 1614-5; Jennings, 3301; Harris, 2379; Weinrott, 3105-7; Sienkiewicz, 2057, 2063-4; Galfand, 3271; Hankin, 3841-2; Mason, 3049).

108. There is no evidence that any prior merger in the Philadelphia area restrained trade or handicapped the growth of small banks. (Harris, 2377; Brown, 2767; Hankin,

3840-1; Galfand, 3272; Mason, 3050; Weinrott, 3096-8; Horan, 3171-5; Sienkiewicz, 2064-5; Carter, 3238-9).

109. During the period 1951 to 1960, PNB and Girard experienced deposit growth of 13.9% and 14.4% respectively, compared to an average of 21.9% of all 17 banks with head offices in Philadelphia (including Brown Bros. Harriman & Co.). (Ex. D-18).

[fol. 6845] 110. During the period 1951 to 1960, 12 of the other 15 banks in Philadelphia, including 3 of the 4 smallest, experienced a percentage deposit growth greater than that of either PNB or Girard; 11 of these 12 experienced growth greater than the 21.9% average of all such banks and 6 of these experienced such growth in excess of 40%. (Ex. D-18).

111. A new bank has been established in the last decade just outside Philadelphia and has experienced rapid and substantial growth. (Hankin, 3840).

112. Several of the smaller Philadelphia banks have opened new branches in the center of the city in recent years; these offices have successfully competed with the center city offices of the larger banks. (Weinrott, 3096-7; Galfand, 3271-2; Horan, 3175-6).

113. During the period 1951 to 1960, every one of the 9 commercial banks with main offices in Bucks County experienced percentage deposit growth greater than that of either PNB or Girard, the smallest being 30.5% and the largest being 112.5%. (Ex. D-18).

114. During the period 1951 to 1960, the only commercial bank with a main office in Delaware County experienced percentage deposit growth of 95.4%, over six times as great as that of either PNB or Girard. (Ex. D-18).

[fol. 6846] 115. During the period 1951 to 1960, 13 of the 14 commercial banks in Montgomery County experienced percentage deposit growth greater than that of either PNB or Girard, the smallest of the 13 being 18.7%, four being in excess of 90% and one being 1,116%. (Ex. D-18).

116. During the period 1951 to 1960, 17 of the 19 commercial banks with main offices in Chester County experienced percentage deposit growth greater than that of either PNB or Girard, the smallest of the 17 being 16.3% nine being in excess of 40% and the largest being 128%. The remaining two of the 17 had growth of 13.1% and 14.0%

compared to the 13.9% and 14.4% of PNB and Girard respectively. (Ex. D-18).

117. During the period 1951 to 1960, all of the 17 commercial banks with main offices in Burlington County, New Jersey, experienced percentage deposit growth greater than that of either PNB or Girard, all but two being in excess of 40%, nine being in excess of 80% and the largest being 195.6%. (Ex. D-18).

118. During the period 1951 to 1960, all of the 9 commercial banks with main offices in Camden County, New Jersey, experienced percentage deposit growth greater than that of either PNB or Girard, the smallest being 49% and the largest being 162.4%. (Ex. D-18).

[fol. 6847] 119. During the period 1951 to 1960, all but one of the 13 banks with main offices in Gloucester County, New Jersey, experienced percentage deposit growth greater than that of either PNB or Girard, the smallest being 18.8%, ten of them being in excess of 50% and the largest being 282.8%. (Ex. D-18).

120. During the period 1951 to 1960, all of the ten commercial banks with main offices in Mercer County, New Jersey, experienced percentage deposit growth greater than that of either PNB or Girard, eight of them being in excess of 50%, six of them being in excess of 75%, and the largest being 132.6%. (Ex. D-18).

121. During the period 1951 to 1960, all but one of the eight commercial banks with main offices in New Castle County, Delaware, experienced percentage deposit growth in excess of that of either PNB or Girard, the smallest of them being 25.2%, three being in excess of 90%, and the largest being 458%. (Ex. D-18).

122. During the period 1951 to 1960, 107 of the 115 banks with main offices in the ten-county Delaware Valley area (including Brown Bros. Harriman & Co.), other than PNB and Girard, experienced percentage deposit growth greater than that of either PNB or Girard. (Ex. D-18).

[fol. 6848] 123. The commercial banks in Philadelphia today are strong and vigorous competitors in offering commercial banking services to the public. (Harris, 2379; Mason, 3048; Galfand, 3269)

124. The 100 commercial banks in the nine counties adjacent to Philadelphia compete in varying degrees with

PNB and Girard in offering banking services comparable to those offered by PNB and Girard within the range of the resources of such banks. (MacLaren, 2525; Brown, 2768, 3825).

125. PNB makes a substantial number of small loans as a matter of policy, reviews all loan applications rejected by branch officers, and has set up special programs for making loans to small businesses. (McDowell, 2911-3).

126. During times of tight money Girard cuts back on its loans to large businesses rather than its loans to small businesses. (Brown, 2777-9).

127. The branch systems of PNB and Girard cover generally complementary areas; outside the center city area of Philadelphia there is scarcely any overlap between service areas of Girard and PNB branches, except in the 69th Street area where it is planned to close the PNB branch after the merger. (Beadle, 865, 985-7; Keith, 1609; Potts, 1333; Brown, 2569; Ex. D-10, D-11).

[fol. 6849] V. Effect of the Merger on Competition

A. Banking Concentration

128. Banking concentration in a community is a product of the need for a bank large enough to meet the banking needs of commerce and industry. (Jennings, 3327-8)

129. The amount of concentration of banking assets within a city or other geographic area is not a measure of competition within that area. (Ex. D-48, pp. 59-60)

130. A large industrial community benefits economically from the existence of competitive banks of all sizes. (Horan, 3224)

131. Of the ten largest metropolitan areas in the United States, Philadelphia, which is the fourth in size, would after the merger rank ninth on the basis of the relation of population to the largest commercial bank in each such city. (Ex. D-20)

132. If the 53 reserve and central reserve cities of the Federal Reserve System are ranked in the order of the percentage of total commercial banking assets in each city held by the largest commercial bank in that city as of June, 1956:

[fol. 6850] (a) Philadelphia would, after the proposed merger, rank 32nd with 36.16% ;

(b) 26 cities exceed 40% ;
(c) 14 cities exceed 50% ; and
(d) 5 cities exceed 60%. (Ex. D-22).

133. If the same 53 cities are ranked in the order of the percentage of the total commercial banking assets in each city held by the five largest commercial banks in that city as of June 30, 1956:

(a) Philadelphia, after the merger, would rank 43rd with 83.82% ;
(b) 36 cities exceed 90% ; and
(c) 21 cities exceed 95%. (Ex. D-23).

134. There are four commercial banks in the United States, each with a lending limit greater than the aggregate of the lending limits of all the commercial banks in Philadelphia. (Ex. D-24).

135. Each of 20 commercial banks in the United States has a lending limit greater than that of any commercial bank in Philadelphia, and nine of these are in cities smaller than Philadelphia. Thirteen such banks, four of which are in cities smaller than Philadelphia, have a lending limit greater than that of the proposed merged bank. (Ex. D-24).

[fol. 6851] 136. Of 224 cities with populations in 1956 over 50,000, 190 had a commercial bank with 35% or more of the total commercial banking assets in the city, and 96 had a bank with 50% or more of such assets. (Ex. D-46).

137. If 110 cities in the United States with populations of 100,000 or more are ranked in the order of the percentage of total commercial banking assets in each city held by the largest commercial bank in that city as of June 30, 1956:

(a) Philadelphia would, after the proposed merger, rank 79th with 36.2% ;
(b) 63 cities exceed 40% ;
(c) 33 cities exceed 50% ; and
(d) 12 cities equal or exceed 60%. (Ex. D-47).

138. Of the 34 most populous metropolitan areas in states, like Pennsylvania, with limited area branch banking, 17

would have a greater concentration of bank deposits in their five largest banks, 20 would have a greater concentration in their three largest banks, and 16 would have a greater concentration in their largest bank, than Philadelphia County would have after the proposed merger. (Ex. D-55).

139. Every city in Pennsylvania; and in the ten-county [fol. 6852] Delaware Valley area outside Pennsylvania, with a 1960 population over 100,000, has a commercial bank with a larger percentage of the commercial banking assets in that city, than Philadelphia would have after the proposed merger. There is adequate banking competition in each such city. (Ex. D-47; Jennings, 3325-3327).

140. Between 1940 and 1960:

(a) the percentage of deposits of all commercial banks in the United States held by the 100 largest banks decreased from 56.7% to 46.2%;

(b) the percentage of such deposits held by the 10 largest banks decreased from 26.4% to 20.3%; and

(c) the percentage of such deposits held by the largest one-half of 1% of banks decreased from 52.2% to 40.9%. (Ex. D-49; D-53).

141. In the 16 states which, like Pennsylvania, have limited area branch banking:

(a) the percentage of assets of all commercial banks in the state held by the largest commercial bank decreased, between 1940 and 1960, in 13 states; and

(b) the percentage of assets of all commercial banks in the state held by the five largest commercial banks decreased between 1940 and 1960 in 10 states. (Ex. D-50, D-54).

[fol. 6853] 142. In the 31 most populous metropolitan areas (including Philadelphia County) in states with limited area branch banking the percentage of assets of all commercial banks in the area held by the largest bank decreased between 1934 and 1960 in 16 areas. (Ex. D-51, D-55).

143. There is no evidence of adverse effects on businessmen in any area as a result of banking concentration in that area. (Jennings, 3370-1).

144. There is no evidence that there has been any adverse effect upon competition or any restraint of trade in any of the 190 cities in the United States of over 50,000 population in which the lead bank has had a greater proportion of the

total bank assets than the merged bank would have in Philadelphia.

[fol. 6854] B. Competition After the Merger

145. The merger would have no adverse effect on other Philadelphia banks. (Harris, 2349, 2369; Mason, 3051-64; Weinrott, 3102-7; Horan, 3188-93; Carter, 3238-9; 3243-6; Galfand, 3274-6; Twist, 3551; Hankin, 3844-8)

146. The increased ability of the merged bank to compete for larger customers would not adversely affect existing relationships between large customers in Philadelphia and other Philadelphia banks. (Bradshaw, 3526; Andrews, 3614-5; Amsterdam, 3626-7; Wilson, 3658; Oakes, 3713-5)

147. An immediate result of the merger would be loss of business by the merged bank to other banks in the Philadelphia area. (Brown, 2770-2; Horan, 3173; Galfand, 3274-5; Jennings, 3359; Harris, 2314)

148. Smaller Philadelphia banks would be benefited by the merger by being able to share in the new banking business the merged bank would bring to Philadelphia. (Weinrott, 3102-4; Mason, 3051)

149. The merger would not lead to an increase in service charges; the merged bank would have no power to cause other Philadelphia banks to raise their charges, or to im-[fol. 6855] pose on such banks its own charges. (Harris, 2314-5; Brown, 2787; Carter, 3242-3; Mason, 3059; Horan, 3189)

150. The merger would have no effect on interest rates on loans; the merged bank would have no power to cause other Philadelphia banks to raise their rates, or to impose on such banks its own interest rates. (Brown, 2033-7; Harris, 2376-7; Potts, 1518-9, 1521-2; McDowell, 2937-8; Mason, 3060-1; Carter, 3242-4; Horan, 3190-1; Weinrott, 3105-7; Jennings, 3368-9; McGinley, 3455)

151. The merger would have no effect on interest rates paid on savings accounts. (Potts, 1521; Mason, 3058; Horan, 3188; McGinley, 3455; Hankin, 3845)

152. The merger would not affect the freedom of depositors to put their deposits in the bank of their choice; the merged bank would have no power to prevent or affect such free choice, or prevent its own depositors from withdrawing their deposits at any time. (Brown, 2641-3; Harris,

2376-7; McDowell, 2937-8; Mason, 3060-1; Carter, 3243-4; Horan, 3190-1; Weinrott, 3105-7; Jennings, 3368-9)

153. The merged bank would have no power to prevent any borrower from having his banking needs met by any other Philadelphia area bank. (Harris, 2376-7; McDowell, 2937-8; Mason, 3060-1; Carter, 3243-4; Horan, 3190-1; Weinrott, 3105-7; Jennings, 3368-9)

[fol. 6856] 154. The merged bank would have no power to affect or control the total lendable money supply in the Philadelphia area. (Harris, 2376-7; Jennings, 3362-3)

155. The merger would not adversely affect the availability of credit to small and medium-sized businessmen. (Brown, 2774-5, 2793; Galfand, 3275-7; Jennings, 3357-9; Harris, 2353; Mason, 3055; Hankin, 3844)

156. The merged bank would have no competitive advantage over other banks in the opening of new branches. (Ex. G-188, p. 4)

157. The proposed merger would have no adverse effect on competition in the Philadelphia area at the branch level. (Keith, 1609-10; Beadle, 865, 986-7)

158. After the merger borrowers would have available the following alternative commercial banking choices in Delaware Valley for the size of loan indicated, without regard to the number of banks outside that area which compete for the larger customer. (Ex. D-16):

Loans	Number of Commercial Banks		
	Phila. Co.	4 Counties	10 Counties
Below $10,000	17	41	116
Up to $25,000	16	41	110
Up to $50,000	14	35	90
Up to $100,000	14	27	51
[fol. 6857]			
Up to $250,000	13	18	25
Up to $500,000	9	10	16
Up to $1,000,000	7	7	11
Up to $2,500,000	4	4	5
Up to $5,000,000	3	3	3
Up to $7,000,000	2	2	2
Up to $8,000,000	1	1	1
Up to $15,000,000	1	1	1

159. Three accessible commercial banks are sufficient for a prospective borrower to determine whether a loan is bankable at the going rate of interest. (McDowell, 2913-4; Jennings, 3362)

160. The geographical distribution of banking offices in the Philadelphia area is ample to provide adequate competitive banking service to prospective customers throughout the area; this would not be affected by the merger. (Ex. D-6, D-7, D-8, D-9)

161. All types of customers, including small businessmen, would have ample alternative choices for commercial banking services after the merger. (McDowell, 2913-4; Mason, 3088-9; Jennings, 3362)

[fol. 6858] 162. A proper analysis of the effect of this merger on competition may be made only on the basis of each of the various types of business in which commercial banks engage, taking into account competition which commercial banks face from various sources, rather than treating commercial banking as a whole. (Harris, 2369-70)

163. The merger would have no substantial adverse effect on competition in any geographic area for

(a) demand deposits of any type, including IPC demand deposits (Harris, 2313-4, 2318-9, 2322-3, 2328-9, 2331-2; Ex. D-15, D-41, D-62);

(b) time deposits of any type, including time deposits of partnerships and corporations (Harris, 2342; Ex. D-15, D-32, D-41, D-62);

(c) savings accounts (Harris, 2340; Ex. D-15, D-32, D-41);

(d) commercial and industrial loans (Harris, 2352, 2357; Mason, 3055; Ex. D-15, D-16, D-41);

(e) real estate loans (Harris, 2369, Ex. D-15, D-16, D-41, D-65);

(f) instalment loans to individuals (Harris, 2346, 2349; Ex. D-15, D-16, D-41, D-66);

[fol. 6859] (g) personal trust services (Ex. D-69);

(h) single-payment loans to individuals (Ex. D-15, D-16, D-41); or

(i) any other commercial banking service.

164. There is no reasonable probability that the proposed merger would substantially lessen competition or tend to create a monopoly in any geographic area for any of the

commercial banking services listed in Request 163, above.

165. Even if commercial banking is treated as a whole, the proposed merger would have no substantial adverse effect on competition in commercial banking in any geographic area. (Harris, 2378; Mason, 3048-9, 3063-4; Weinrott, 3097-8, 3107; Horan, 3171-2, 3184-5, 3192; Carter, 3238-9, 3245-6; Galfand, 3271-2, 3274-5; Hankin, 3841-2, 3847)

166. There is no reasonable probability that the proposed merger would substantially lessen competition or tend to create a monopoly in commercial banking in any geographic area. (Mason, 3061; Weinrott, 3106; Horan, 3192; Carter, 3245; Jennings, 3369)

167. With respect to commercial banking and each type of commercial banking service described in Request 163 above there would remain after the merger an adequate [fol. 6860] number of alternative choices for bank customers. (Harris, each reference in Request 163; Mason, 3055; Ex. D-16, D-32, D-41, D-62, D-65, D-66, D-69)

168. Competition in commercial banking in the Philadelphia area would be even more intense after the merger than at the present. (McDowell, 2939; Harris, 2378; Brown, 2770-1, 2793; Jennings, 3369; Hankin, 3847)

169. Competition in the regional, national and international markets would be increased by the merger by virtue of the new bank's increased ability to compete with large banks in other cities. (Harris, 2322-3, 2349; Potts, 1516; Jennings, 3359; Oakes, 3713, 3755-6)

170. The proposed merger is not motivated by an intent or purpose to restrain trade or adversely affect competition in any commercial banking service in any area. (Potts, 1507-16; Brown, 2713-23)

171. The proposed merger would not substantially and unreasonably increase concentration in commercial banking in the Philadelphia area. (Mason, 3061-2; Weinrott, 3106; Horan, 3192; Carter, 3245; Jennings, 3369)

172. The proposed merger would not substantially and unreasonably lessen existing or potential competition in the commerce or industry served by commercial banks in the Philadelphia area. (Brown, 2794; Mason, 3062; Wein- [fol. 6861] rott, 3106-7; Horan, 3193; Carter, 3245; Jennings, 3369)

[fol. 6862] VI. Convenience and Needs of the Philadelphia Community

A. Need for the Merger

173. Philadelphia is the fourth largest city and metropolitan area in the United States; its port is first in the country on the basis of bulk tonnage and value of imports. (Potts, 1367; Brown, 2761-2, 3788-90; Bradshaw, 3532; Dilworth, 3904)

174. Philadelphia is the center of a highly developed and diversified industrial and commercial complex known as "Delaware Valley". The community contains a substantial number of large industries whose development is as important to the community as that of smaller industries. (Ex. G-57, pp. 9, 74-5; Ex. G-164, p. 2; Jennings, 3382-4)

175. It is desirable for a community to have a bank large enough to meet normal banking needs of its large businesses. (Jennings, 3313-4; Harris, 2375)

176. Large companies in the Philadelphia area want to be able to do business with Philadelphia banks because of their connections with the community and it is important that they do so because of the close contacts which are required between their top officers and the bankers. (Wilson, 3652, [fol. 6863] 3656-7; Amsterdam, 3625; Andrews, 3611; Deasy, 3670-1; Oakes, 3700-1)

177. Banks in Philadelphia have lagged far behind the growth of industry in the area and have not been able to meet its industry's banking needs. (Jennings, 3314-5; Merriwether, 3576-7; Brown, 3788-90; Graves, 3891; MacLaren, 2263; Ex. G-57, pp. 8-9; Ex. D-25).

178. There is presently no Philadelphia bank large enough to serve adequately the banking needs of large industry in the Philadelphia area. (Harris, 2375-6; Horan, 3192-3; Jennings, 3379; Bradshaw, 3524-5; Graves 3902-3)

179. The sizes of PNB and Girard have prevented them from meeting the banking needs of their customers for the following reasons:

(a) It is important for borrowers to be able to deal with a bank whose lending limit is sufficient to meet their entire borrowing needs or a substantial portion of such needs even though they may not borrow this amount at any one time.

(Jennings, 3315-6, 3319; Bradshaw, 3522; Merriwether, 3573-4; Amsterdam, 3627-9)

(b) Aside from the lending limit, the size of the resources of a bank imposes a maximum limit on loans to certain [fol. 6864] customers beyond which it would be unsafe or unwise for the banks to lend. (Brown, 2724, 2742-4; MacMillen, 1267-9; Mason, 3055-6)

(c) Both Girard and PNB have experienced the loss of business customers which have outgrown Philadelphia Banks and have moved on to larger banks in other cities. Customers may leave a bank even though their borrowing requirements are still well below its lending limit in order to maintain a margin between their lines or loans and the lending limit of the bank. (Mason, 3064-5; Merriwether, 3574-5; Amsterdam, 3637-9; Wilson, 3653; Graves, 3888-90; Brown, 2718, 2724, 2727-9, 2732, 2742-4; Jennings, 3315-6, 3319; Deasy, 3667-8, 3673)

(d) PNB and Girard are not large enough to develop the specialization which large borrowers require for their business. (MacDowell, 2895-2901, 2907-8; Oakes, 3702-4; Merriwether, 3597-9)

(e) PNB and Girard are not large enough to develop the foreign service which customers dealing abroad require. (Wilson, 3657-8; Merriwether, 3596; Bradshaw, 3532; McDowell, 2902-5)

180. Many industries with headquarters in or near Philadelphia go to New York and other cities for their major [fol. 6865] banking needs because no bank in Philadelphia is large enough to provide the funds and services necessary to meet their needs. (Potts, 1410-1; Brown, 2721; Bradshaw, 3524; Oakes, 3701, 3710-1; Harris, 2306; Brown, 3801-2; Andrews, 3604; Amsterdam, 3623; Wilson, 3651; Merriwether, 3565-6)

181. The largest bank in Philadelphia ranks twentieth in the United States and is smaller than one or more banks in San Francisco, Pittsburgh, Boston, Detroit, Cleveland and Dallas, all of which are smaller in population than Philadelphia. (Potts, 1510-3; Dilworth, 3908; Ex. D-24)

182. When the twelve largest metropolitan areas in the United States are ranked on the basis of various measures of economic activity Philadelphia ranks fourth or fifth,

whereas Philadelphia ranks ninth on the basis of the size of its leading bank. (MacLaren, 2252-4; Ex. G-57, pp. 127-134)

183. There are 17 commercial banks in New York City, each with a lending limit of $1,000,000 or more. (Ex. D-39)

184. In losing lending business to banks in other cities, Philadelphia banks likewise lose substantial deposits, personal trust business, and other business, which normally [fol. 6866] follow corporate borrowings. (Bradshaw, 3521-2; Oakes, 3708-9; Brown, 2747, 2763)

185. The merger is necessary in order to prevent any further loss of banking business by Philadelphia banks. (McDowell, 2882-3, 2909; Merriwether, 3585-6)

186. It is impractical and uneconomic to overcome the inadequacy of the lending capacities of PNB and Girard by participating loans to other banks for the following reasons:

(a) Supporting deposits are required by banks as prerequisites for loans. (MacMillen, 1262-3, 1278-9; Brown, 2359, 2677, 3810; Potts, 1442-3)

(b) To take a participation the participating bank will require a compensating deposit from either the originating bank or the customer. (Brown, 2677-81; Harris, 2360-1)

(c) Large banks like PNB and Girard keep their balances with their large correspondent banks in amounts sufficient to compensate those banks only for check clearances and like routine services and not in amounts necessary to support loans. (Brown, 2677-81, 2815; Harris, 2360-1)

[fol. 6867] (d) The participation of loans by small banks to their large city correspondent banks is not comparable to participations by large banks. Small banks keep substantial balances on deposit with their correspondents as reserves and as compensation for specialized services. These balances support loans participated to the large city correspondent bank. (Brown, 2674-5; Harris, 2360)

(e) Large borrowers prefer not to deal with a number of participating banks because of the administrative burden, the added cost of maintaining deposit balances with a number of banks, and the time required in developing a new banking relationship. (Bradshaw, 3522; Andrews, 3604-6; Amsterdam, 3627-30; Wilson, 3660; Oakes, 3716-8; Graves, 3893-4)

(f) A large bank would run a substantial risk of losing customers and deposits if it participated loans to other large banks. (Harris, 2361)

(g) The participation of a loan exceeding its lending limit by a large bank is rare. (Harris, 2360-1; Brown, 2669, 2671, 2677-80; Potts, 1403, 1405)

187. The multi-bank loans now shared by large city banks are wholly different from the type of participating loans which small banks give to or receive from large city correspondents; multi-bank loans are arranged by the bor- [fol. 6868] rower, which determines the identity of the participating banks and the amount to be allocated to each. (Brown, 2647-9, 2651-3, 2655, 2662, 2664-6; Wilson, 3655-9; Oakes, 3715-6; Harris, 2361)

188. The rate of increase of deposits of PNB and Girard combined from 1949 to 1959 was 12.31% compared to 54.62% for all banks in the United States. (Ex. G-57, p. 80)

189. Merger is the only feasible way in which PNB and Girard can become large enough to meet the banking needs of the community; an adequate increase in size by the sale of stock is not feasible because of the cost and because of the dilution of the earnings available for existing shareholders, and an increase in size by the accumulation of retained earnings would take many years. (Potts, 1432-3, 1522-3, 1533-4; Brown, 3797-9; Horan, 3203-5; Ex. G-57, p. 9)

[fol. 6869] B. Benefits to the Community from the Merger

190. The increased total resources of the merged bank would enable it to create special departments for types of loans and industry groups, increase its services to correspondent banks, establish departments to develop new services and develop the use of electronic equipment. (Potts, 1423; Brown, 2714, 3830-1; McDowell, 2895-8, 2901-7; Ex. G-57, p. 10)

191. The increased total resources of the merged bank would enable it to develop more fully its foreign services through increased investment in PNB's international investment corporation, the formation of an international banking corporation, the use of full-time representatives abroad and the possible opening of foreign branches. (Brown, 2751-2; McDowell, 2902-6)

192. The increased total resources of the merged bank would enable it to improve and expand existing services and make them available to many more customers. (Potts, 1426; McDowell, 2901-3, 2907-8; Brown, 2730-1, 3831-3; Ex. G-57, pp. 78-9)

193. The increased total resources of the merged bank and its $15,000,000 lending limit would enable it to make larger loans to more large corporations. (Potts, 1410-1, 1441; Jennings, 3380-4; Bradshaw, 3522; Graves, 3895-6)

[fol. 6870] 194. The increased total resources of the merged bank would enable it to compete more vigorously and effectively with banks in New York and other cities. (Potts, 1410-11, 1441; Jennings, 3380-4; Bradshaw, 3522; Graves, 3895-6; Brown 2764-6)

195. The new and improved services the merged bank would be able to develop and offer to large businesses would enable it to attract the substantial deposits which are maintained by customers in return for such services. (MacLaren, 2265, 2488-9, 2517; Harris, 2320, 2332; Potts, 1444; Brown, 2833-44; McDowell, 2853-79)

196. The merged bank would attract additional deposits from large customers as compensating balances for loans; many such deposits remain on deposit with the lending bank after the loans are paid off. (Jennings, 3319-20; Bradshaw, 3521; Oakes, 3707-8; Brown, 3810; Potts, 1442-3)

197. Large customers as a group maintain average deposits in amounts substantially greater than their average loans. (Ex. D-26, D-40)

198. The increased size of the merged bank would give it increased prestige which would assist in attracting banking business from outside the Philadelphia area in the national and international fields of competition. (Potts, 1426-7, 1446-7; Brown, 2714; McDowell, 2915-16)

[fol. 6871] 199. The merged bank would have additional funds available for lending to local borrowers by reason of its increased ability to prevent loss of deposits to other larger banks and to attract business in the national and international fields. (Potts, 1516-17; Wilson, 3662)

200. The merged bank would be able to serve more adequately the banking needs of large industries in the community. (Harris, 2375-6; Bradshaw, 3531; Graves, 3891)

201. The increased resources of the merged bank would

enable it to make greater risk loans and thereby give greater assistance to new or growing companies. (Brown, 2792-3; Harris, 2353-4; Graves, 3886-90, 3895-6; Mason, 3064)

202. The merged bank would be better able to assist smaller Philadelphia banks in making loans which exceed the smaller bank's lending capacity. (Weinrott, 3102-4)

203. The merged bank would obtain a greater share of the future banking business of large customers than both together now receive; such business will otherwise go to large banks in other cities. (Brown, 2714, 2748; Merriwether 3584-6)

204. The attraction of such new business by the merged bank would bring with it other banking business in which [fol. 6872] other Philadelphia banks would share. (Brown, 2772-3; Amsterdam, 3636; Carter, 3238-9; Hankin, 3848; Galfand, 3274-5; Horan, 3216, 3222-3)

205. The existence of the merged bank would assist in attracting new business to locate in the Philadelphia area. (Graves, 3891-2; Dilworth, 3907-8)

206. The merger would have a beneficial effect on commerce and industry in the Philadelphia area. (Harris, 2380; Hankin, 3844; Bradshaw, 3531)

207. The improved foreign services of the merged bank would be an important factor in the development of the port of Philadelphia. (Dilworth, 3906)

[fol. 6873] Requested Conclusions of Law

1. The merger of PNB and Girard would not constitute a combination in unreasonable restraint of any part of trade or commerce and would not be a violation of Section 1 of the Sherman Act.

2. The merger of PNB and Girard would not involve an acquisition directly or indirecly, by either defendant of the stock or other share capital of the other within the meaning of Section 7 of the Clayton Act and would not be within the scope of that Act.

3. There is no reasonable probability of a substantial lessening of competition or tendency toward monopoly in any line of commerce in any section of the country as a result of the merger of PNB and Girard.

4. The approval of the merger of PNB and Girard by the Comptroller of the Currency pursuant to the Bank

Merger Act of 1960 is the final and exclusive determination of the legality of the merger under all Federal laws.

[fol. 6874] 5. The complaint should be dismissed and judgment entered for defendants.

It is respectfully requested that the Court adopt the above proposed Findings of Fact and Conclusions of Law.

/s/ Arthur Littleton, Attorney for Defendant, The Philadelphia National Bank

Ernest R. Von Starck, Don B. Blenko, Donald A. Scott, Morgan, Lewis & Bockius, Of Counsel.

/s/ Philip Price, Attorney for Defendant, Girard Trust Corn Exchange Bank.

Carroll R. Wetzel, Minturn T. Wright, III, John J. Brennan, Barnes, Dechert, Price, Myers & Rhoads, Of Counsel.

[fol. 6875] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

Transcript of Argument Sur Pleadings and Proof
Filed November 3, 1961

Philadelphia, Pa., October 27, 1961

Before Hon. Thomas J. Clary, Ch. J.

PRESENT:

George D. Reycraft, Esq., John O'Donnell, Esq., P. Jay Flocken, Esq., and Charles A. Degnan, Esq., Trial Attorneys, Antitrust Division Department of Justice, Washington, D. C., for the Government.

Morgan, Lewis and Bockius by Arthur Littleton, Esq., Ernest R. von Starck, Esq., Donald A. Scott, Esq., Don B. Blenko, Esq., and Martin P. Snyder, Esq., for the Philadelphia National Bank.

[fol. 6876] Barnes, Dechert, Price, Myers and Rhoads, by Philip Price, Esq., Carroll R. Wetzel, Esq., Minturn T. Wright, III, Esq., and John J. Brennan, Esq., for Girard Trust Corn Exchange Bank.

[fol. 6877] The Court: Mr. Reycraft.

OPENING ARGUMENT BY MR. REYCRAFT

Mr. Reycraft: If Your Honor please, I would like to begin this morning by reviewing briefly some of the facts which are fundamental to a consideration of the merits of this case. They would include the agreement to merge, the reasons given for the merger, the type of banking business engaged in by both the Philadelphia National Bank and the Girard, the areas in which they do their business, and the types of customers they serve. I would also like to examine the extent to which the Philadelphia National and the Girard are in direct competition in this area for the various types of banking business in which they engage, and since it has been contended that the elimination of competition here does not have competitive significance, I would like to examine these contentions also; and while I believe our brief has covered the important issues under the Sherman Act and the Clayton Act, I would also like to address myself to those questions and to some of the comments that have been made in the briefs that have been filed, and also the relationship of the Bank Merger Act of 1960 to the antitrust laws.

The Philadelphia National Bank, as Your Honor knows, traces its origin to the Philadelphia Bank, which was organized in 1803. The bank operates under a charter [fol. 6878] which was issued in 1864. Although it has taken over control of approximately 11 banks since that charter was issued, it has had a continuing corporate existence under that charter since 1864; and, of course, the Philadelphia National Bank is the second largest bank in Philadelphia and had, as of June 30, 1960, total assets of approximately $1,066,000, deposits of over $946 million and loans of over $523 million.

Now, approximately 57 per cent of these loans were in the commercial and industrial category. For many years Philadelphia National was the largest bank in Philadelphia, but it lost its position in 1956 to the First Pennsylvania Company, after the merger between the Pennsylvania Company for Banks and Trusts and the First National Bank of Philadelphia.

In 1951 the Philadelphia National began a series of acquisitions to add to its banking business by going into the retail banking field, and these acquisitions added about $173 million to Philadelphia National's deposits and 18 banking offices to its existing offices. Most of the Philadelphia National's growth during this period came from mergers rather than through internal growth from attracting new business, and this resulted no doubt in part from the fact that the Philadelphia National's offices were located [fol. 6879] in the more developed part of the city and they were not represented in the more expanding parts of the Philadelphia area, so that they were apparently unable to attract to their Philadelphia offices a sufficient amount of the new banking business from the rapidly growing counties around Philadelphia, and because of the necessity to go where the business was, they acquired nine banks between 1951 and 1958, and these nine banks all were admittedly in competition with the Philadelphia National when they were acquired.

Now, in expanding a bank there are three principal ways to do it: One is by increasing the capital to provide a basis to attract additional deposits. One is by selling stock. Another is by acquisition of other banks and also by transfer of funds from undivided profits.

Acquisition is no doubt the cheapest and the easiest way to expand any business, whether it is a commercial bank or any other type of business; and in addition to these three methods of expanding a bank's business, de novo branches may be established to attract new business, with the approval of the regulatory authorities.

Of course, an increase in capital accounts by any of these methods adds to the amount which a bank can lend to a single customer, and at the present time Philadelphia National's lending limit is approximately $8,000,000, where [fol. 6880] as in 1950 it was about $5,000,000, so it has

increased by $3,000,000 during that time, and this has been solely by acquisitions and transfers from undivided profits.

Philadelphia National Bank, of course, also makes loans to large local businesses, many of whom do business throughout the United States, and these businesses, of course, require banking connections, not only in Philadelphia, but in the other areas in which they do business.

The financial history of the Philadelphia National Bank has been excellent. Its present capital position is adequate. Its future earnings prospects are good, and the bank's general management is good.

The other partner to the agreement here is the Girard Trust Corn Exchange Bank, which traces its origin to at least as early as 1835. Until 1950 Girard had only one banking office, and in that year it had deposits of $216,000,000. Beginning in 1951 it acquired control of six banks, all of which were its competitors, and by June, 1960, it had total net assets of over $740,000,000, deposits of over $650,000,000, and loans of about $400,000,000, and about 49 per cent of these loans were in the commercial and industrial category.

These six banks acquired by Girard included Corn Exchange National Bank & Trust Company, the National [fol. 6881] Bank of Germantown, North Philadelphia Trust Company, the National Bank of Narberth, Ambler National Bank, and Upper Darby National Bank, and all of these banks, of course, were competitors of Girard at the time they were acquired.

Like the Philadelphia National Bank, Girard has added to its capital accounts during this period by the acquisition of other banks and by transfer from its undivided profits, but it has also sold capital stock and it has increased its capital lending limit by this means. Girard also makes loans to people outside the four county area, although, even more than the Philadelphia National Bank, its business is concentrated within this four-county area in which it has its offices.

Girard, on the record, as it has shown, has excellent management. It is in excellent financial condition, and its operating income has increased from approximately $17½ million in 1950 to a little over $38 million in 1960.

The combination of the two banks was first discussed in 1956, as I have said, shortly after the merger which made the First Pennsylvania Company the largest bank in Philadelphia, and this merger also had the effect of relegating the Philadelphia National Bank to second place in Philadelphia. These discussions, after a temporary halt, were [fol. 6882] culminated in the agreement to merge of December 20, 1960. It was on February 24, 1961, that the proposed merger was approved by the Comptroller of the Currency, and the complaint in this case was filed the following day, February 25, 1961.

The agreement between the banks provides that the business of the two banks will be consolidated under the charter of the Philadelphia National Bank "which shall continue after the effective date of the consolidation," and each of the outstanding shares of the Philadelphia National Bank is to remain outstanding and its stockholders are to retain their present rights to an equitable share of the assets represented by the stock. Each of the shares of Girard stock presently outstanding is to be converted into capital stock of the banking association which continues in existence under the charter of the Philadelphia National Bank, with its name changed to Philadelphia Girard National Bank & Trust Company. Each holder of an outstanding certificate representing shares of Girard stock is to surrender the stock certificate to the bank after the effective date and receive in exchange for this stock shares in the Philadelphia Girard National Bank & Trust Company.

The Court: Now, you argue pretty strongly that that is an acquisition of shares.

Mr. Reycraft: Yes, sir.

The Court: You are really pressing that?

[fol. 6883] Mr. Reycraft: I do, sir.

The Court: Let me ask you this: Suppose Girard stockholders lined up at a table, turned in their shares and got cash, then moved to the next table and put the cash down and got their shares of stock. What would you say about the shares in the new association with the merged assets? What would you say to that? Would they be acquiring shares or would they be selling shares for money?

Mr. Reycraft: If the Girard stockholders all sat down at a table and the Philadelphia National Bank gave them cash

for their shares and they then moved to another table and the assets were conveyed—is that the question?

The Court: Yes.

Mr. Reycraft: I think, Your Honor, there would be no doubt—and I really think I would like to have you ask Mr. Littleton this question—I think there would be no doubt that cash acquisition of stock would be well within the meaning of Section 7 of the Clayton Act.

The Court: I am not talking about that. I am saying that they buy the assets of the bank and pay off the shareholders at X dollars. The shareholders have been paid off.

Mr. Reycraft: Well, under the old Arrow-Hart case the Federal Trade Commission jurisdiction would be ousted [fol. 6884] by such a transaction, because once stock is retired——

The Court: What has the Federal Trade Commission got to do with banks?

Mr. Reycraft: Well, I am talking about the type of stock acquisition that was referred to in the Arrow-Hart, and this is a similar type of transaction, I believe, that Your Honor is referring to. The Arrow-Hart case said that once the stock is retired, the Federal Trade Commission being a statutory agency is limited in its power to grant relief to divesting the physical stock which is actually acquired. Once it is retired, it is no longer in existence. The Federal Trade Commission was ousted of jurisdiction, and, of course, it was to reverse this proceeding that Section 7 was amended in 1950; but in the Arrow-Hart case itself it referred to the Thatcher case, where reference is made to the power of a court of equity to look through such a transaction, and I think it also might be said that if the stock was being held at the time the Federal Trade Commission has filed its complaint, no matter what the intention was to accomplish other transfers of assets thereafter, the Federal Trade Commission would have had jurisdiction.

Now, I use the Federal Trade Commission not because it has jurisdiction of banks, but to illustrate the point on the acquisition of the stock.

The Court: All right, let us assume this, that the Phila- [fol. 6885] delphia National Bank, regardless of shares of stock or anything else, paid $700 million.

Mr. Reycraft: In cash.

The Court: In cash, for the assets.

Mr. Reycraft: I would say that is not covered by the Clayton Act.

The Court: And then the Girard stockholders decided that they do liquidate and pay off their shareholders, and then the shareholders at the same time buy stock in this new bank.

Mr. Reycraft: Well, if there was a cash purchase of the assets, and this is the type of transaction that was involved in the Columbia Steel case, and it is the reason the Department of Justice attacked that under Section 1 of the Sherman Act rather than the Clayton Act. It is not our position that this is covered by the Clayton Act, but if any part of the transaction involved a stock acquisition, then the entire transaction, I believe, Your Honor, is brought into the Clayton Act.

You can't say, "We have done a couple of things which may be illegal, and if one of the things which we have done is legal, that makes the whole thing legal."

It is quite the opposite.

The Court: In other words, you can't buy assets with [fol. 6886] stock? Is that what you are saying?

Mr. Reycraft: Well, I am saying——

The Court: Don't you have to go that far?

Mr. Reycraft: No. I am saying that if there is no transfer of the stock or other share capital, that it wouldn't be a stock acquisition. I say you can pay for assets with wampum or with anything, including stock, and that would be a purchase which would not be within the Clayton Act if it was purely a purchase of assets, but where it involves the entire transfer of the stock or other share capital, which it does, it would be covered by the Clayton Act.

My position, Your Honor, is here, if this transaction is consummated in the manner in which it is now intended to be consummated, there is not going to be anything left.

Now, there is share capital or stock outstanding at the present time, and I would say, what happens to that stock? If it hasn't been acquired, where did it go? And I think clearly it has been acquired. They have acquired and they wish to acquire every single thing which the Girard Trust has—its assets, its share capital. Everything that the Girard has will be acquired by the Philadelphia National

Bank and continued under its existing charter. So I say [fol. 6887] that they have acquired everything; and if any part of that acquisition is a stock acquisition, and literally under the contract they are acquiring the stock, and I think realistically they are acquiring the stock and share capital and the equity interest represented by the stock and share capital, I say it comes within the Clayton Act.

[fol. 6888] I would like, if I may, Your Honor, to refer at this point to the du Pont-General Motors case. Your Honor will recall, I know, that for a number of years there was a controversy as to whether Section 7 of the Clayton Act applied to vertical acquisitions, when it is a stock purchase, when it was a vertical foreclosure rather than a horizontal acquisition.

Now, for many years the Federal Trade Commission had been telling Congress that it did not apply to vertical acquisitions and they had been asking Congress to amend the statute to make it clear that it did.

Now I would like to read this quote because I think it is so important. The Supreme Court (and this is in 1957, in June), said:

> During the thirty-five years before this action was brought, the Government did not invoke Section 7 against vertical acquisitions. The Federal Trade Commission has said that this section did not apply to vertical acquisitions.

Also, there is a citation to an FTC report. Also, the House Committee considering the 1950 revision of Section 7 stated:

> "It has been thought by some that this legislation (that is the 1914 Act) applies only to the so-called horizontal mergers."

[fol. 6889] The House report adds, however, that the 1950 amendment was proposed, and I quote, "to make it clear" and the Supreme Court emphasized "to make it clear" that the bill applies to all types of mergers and acquisitions, vertical and conglomerate as well as horizontal, to make it clear that the bill, that is old Section 7, which is limited to stock acquisitions of the type in the

Arrow-Hart case, applies to all types of mergers and acquisitions, vertical and conglomerate, as well as horizontal.

So I say to whatever extent the briefs have talked about the dictum in the Arrow-Hart case applying to corporate mergers, and they talked about the Celanese case, which was decided in 1950, in June, and the amendment to the Clayton Act took place in December of 1950. Substantially, the Celanese case contributes to this amendment taking place and the House Committee at that time on the 1950 amendment, after the Celanese case, Your Honor, and after the Arrow-Hart case, said the 1950 amendment was proposed to make it clear that the bill applies to all types of mergers and acquisitions, vertical and conglomerate, as well as horizontal.

So I think that whatever inference there is and whatever dictum there is in the Arrow-Hart case, of course, the Celanese case is more than dictum. The Celanese case [fol. 6890] holds that Section 7 does not apply to corporate mergers, but I think that this amendment in 1950 was to make it clear that the bill applies to mergers, and I can't read this language in any other way, and it is adopted by the Supreme Court in 1957 and followed by the Supreme Court.

Now if I may proceed, I would like to answer any further questions on this line, Your Honor.

The Court: Go ahead.

Mr. Reycraft: As I said, the Columbia Steel case did involve a cash purchase of assets. Now, it was about $8 million (a little over $8 million) that they paid for the assets of Consolidated. The United States Steel bought Consolidated's assets through its subsidiary, Columbia. If they had paid for it by any other means of payment it would still not be within Section 7 at that time, if it was solely a purchase of the underlying assets.

Consolidated, as a corporation, continued in existence after this purchase of its assets. It continued and I don't know to what extent it engaged in business or what the nature of its remaining assets were, but it was no merger; it did not acquire the stock or the share capital of Consolidated.

By way of reviewing the background (I know Your Honor is familiar with it but I would like to review the fact) [fol. 6891] the banks have taken the position that by merging they would be able to increase their deposits and their lendable funds in Philadelphia by attracting new banking business to Philadelphia banks, with the result that more money would be available to meet the needs of the economy of the Philadelphia area.

Now, they said that a substantial amount of banking business which rightfully belongs to Philadelphia, as they have expressed it, is now going to banks outside Philadelphia as a result of what are claimed to be the low lending limits of Philadelphia banks. In addition, the banks believe that Philadelphia National and Girard combined would have the necessary capital to improve their personnel, increase advertising, establish advisory departments, and better publicize the advantages to businessmen of establishing plants in the Philadelphia community, and that the present resources of the Philadelphia National and the Girard separately are not sufficient to accomplish these things. In addition, the banks expect to expand the operations of their Foreign Departments to secure a larger share of the banking business connected with the Port of Philadelphia, and perhaps most importantly from the emphasis which has been placed on the defendants' case, they think they will have to merge in order to compete better with New York banks, which even now are attempt-[fol. 6892] ing to expand, to get bigger.

Against these claimed benefits to the public the Government contends that the proposed merger would unreasonably restrain trade because it would eliminate all competition between the two banks; that the competition eliminated would be substantial; and that if approved the merger will tend toward monopoly in commercial banking in the four-county area in which the banks have their banking offices.

Now, I don't think there is any doubt that if the proposed merger violates the antitrust laws any claimed benefits arising from it would be irrelevant. Congress, when it enacted the antitrust laws, established a national policy that competition was the greatest regulator and greatest protector of the public interests and the national economy.

The national policy has been reaffirmed by the Supreme Court on numerous occasions and when Congress has determined to except any area of the economy from the antitrust laws it has done so specifically and it has done so in a way that couldn't be mistaken, and there are a number of cases which hold that these exemptions can not be inferred.

So, despite this principle which has been reaffirmed by the Supreme Court as recently as the Maryland and Virginia Milk case and the RCA case, which, of course, arose in this District, I would like to examine the claims of public [fol. 6893] benefit which have been made by the banks because it is our conviction that the antitrust laws and competition continue to be the most effective means of preserving the free-enterprise system and that the public interest is best served by the national policy of preserving and promoting competition rather than by the elimination of competition through merger or other types of restraint.

Now I would like to review the nature of the competition eliminated between the banks, and in doing so I would like to make reference to the Government's proposed findings of fact.

Finding 286 refers to the fact that Dr. Harris testified that there is presently substantially direct competition between the head offices of Philadelphia National and Girard, and that if this merger were approved this competition would be entirely eliminated. Your Honor knows far better than I that the head offices of these banks are directly across the street from each other and it would be hard to visualize a situation in which the competition was more direct.

But, as far as the business of the two banks is concerned, they have mutual or common account customers with deposit balances of over $10,000 or more and loan accounts of over $50,000 in the following amounts:

Their checking accounts, there are 392 common checking [fol. 6894] accounts. These are accounts where the same people have an account in both the Philadelphia National and the Girard and there is $163 million in those accounts at the Philadelphia National and over $100 million in the Girard.

With respect to loans, there are 67 loans to common

customers, over $48 million with Philadelphia National and over $43 million with the Girard.

Now, this shows that they serve the same type of customers and that they are in substantial direct competition.

There are tables that the defendants have put in concerning the locations of their branches. Some of these branches are in competition with each other and some are not.

Finding 308 indicates that in those branches which, within the defendants' own definition, are in competition with each other, that is, those within a mile of each other in the city and those within two miles of each other in the suburban counties, there are IPC deposits of $348 million in these branches in the Girard and $352 million of IPC deposits in these branches of the Philadelphia National.

There are $123 million in loans in the Girard branches and $286 million in the branches of the Philadelphia; and these are in branches which are in admitted competition between the two branches.

[fol. 6895] Now, Dr. Harris also testified that the branches of the banks are in direct competition for all banking business involving loans of $50,000 and over, so that these limitations on the geographic areas served by the branches of one mile in the case of the city branches and two miles in the case of the suburban branches affect largely the smaller depositors and the smaller borrowers who will undoubtedly go to a banking office which is convenient to them. But when you get into the area of larger loans to business, as Prof. Harris testified, $50,000 and over, they are all in competition and anybody located in the local area could go to any of these branches for such a loan.

With respect to real-estate loans, in September of 1960 the Philadelphia National had $47 million in real-estate loans and the Girard had about $28 million and they compete actively and directly for loans of this type.

With respect to trusts, the Philadelphia National has increased its trust business tremendously. It started in 1950 with no trust business; it now administers approximately $400 million in trust assets. Girard administers approximately $2¼ billion; so they are competing very actively and very vigorously, and Philadelphia National is competing very successfully in this new area of business

for it. Both banks act as trustees in administering pension [fol. 6896] and profit-sharing funds for corporations and they admittedly compete for this type of business. Mr. Potts testified to that.

Both banks, as far as trust business is concerned, depend upon the four-county area for more than 70 per cent of their personal-trust business, so they are in active direct competition for trust business in the four-county area.

Now, as far as demand deposits are concerned, as Your Honor knows, this is the most important category of deposits for any bank. They represented, as of June 15, 1960, 86.5 per cent of all the deposits of Philadelphia National and 80.6 per cent of all the deposits of Girard; and they compete actively for these demand deposits throughout the four-county area.

Now, the benefits claimed are principally the following:

The increased lending limit from $8 million for Philadelphia National to $15 million for the combined bank. At the present we have gone into this in so much detail that I hate to repeat it for Your Honor, but the two banks together can lend $14 million, separately, $8 million and $6 million. The only increase in the lending capacity of Philadelphia banks that will be available will be the $1 million [fol. 6897] which is going to be transferred from the undivided profits; and this, of course, can be accomplished without any merger, so the banks are not going to increase the lending capacity of Philadelphia banks. They are going to combine existing lending capacity, and we don't think that combining can be described as growth in any meaningful sense of the word. It is merely adding up what Philadelphia already has, the resources that are already available for Philadelphia.

Now, there were sixteen lines of credit (and I am referring now to Finding No. 475, Proposed Finding 475), as to which Philadelphia National has extended its maximum line of credit of $8 million as of the date of these exhibits; and of those borrowers, which are presumably among those that need loans the most, only ten of them had made average commercial loans of $1 million or more from Philadelphia National in 1960; six had made loans under $1 million; and ten had made no loans at all from

Philadelphia National. I misspoke. There are twenty-six rather than sixteen.

Now, of those companies on the exhibit, D-26, which is referred to, Mr. Brown testified that nine now have lines of credit with both the Philadelphia National and the Girard, so they are not going to be able to increase their maximum by any merger.

As of December 22, 1960, only two of the loans outstand-[fol. 6898] ing at Philadelphia National were at the lending limit of $8 million and Girard didn't have any loans outstanding as of that date at its lending limit. In the past five years Philadelphia National has had only five requests for loans in excess of its lending limit and in three of those cases they either gave participation to other banks, they arranged with those other banks so that the full amount requested was available.

Mr. Brown, when he testified here, couldn't recall any occasion in the past ten years in which his bank had to refuse a request for a loan because it was in excess of his lending limit, and apparently when one customer did make a request, apparently in Exhibit D-40, for a $7-million loan, they arranged a participation with another bank for $1 million.

The Court: Is that strange? Is that a strange phenomenon, that people who are borrowing up to $10 million would not know to the penny what the lending capacity of a bank is?

Mr. Reycraft: I think they probably would. Most of them probably would.

The Court: I don't think it is at all strange that they don't get the requests because the financial vice-president would know to the penny the lending capacity of every [fol. 6899] bank in his area.

Mr. Reycraft: Yes, I can understand that, Your Honor.

The Court: Of course. I place no significance on that.

Mr. Reycraft: Of course, I do think that the fact of those customers, as I have said, in Finding 475, who had Philadelphia National's maximum line of credit of $8 million, only ten of them had commercial average loans of $1 million or more from Philadelphia National.

The Court: That is average.

Mr. Reycraft: That's right.

The Court: We are talking about yearly average.

Mr. Reycraft: That's right. That's right.

The Court: All right.

Now, how about at different times during the year that they were up and down to the limit?

The ability to have that money for a few days might mean the difference between a transaction and not a transaction. Isn't that true?

Mr. Reycraft: It could.

The Court: Only for a few days.

Mr. Reycraft: But for a $1-million average over the year [fol. 6900] there would have to be very substantial ups and downs to make it go much beyond $3 million or $4 million, and I think the record probably shows this, but I can't refer to it precisely at this point.

The Court: I know.

Mr. Reycraft: But ten of them had no loans at all. Ten of the companies with maximum lines of credit had no loans at all, so no matter how you average that out you get no loans.

I think I have already said that these companies with the large lines of credit with the Philadelphia National, many of them, in fact, nine of them, also were among the twenty-seven customers at Girard with maximum lines of credit; so these customers already have the maximum facilities that these two banks can provide, except for this increment of $1 million which they can transfer anyway.

Also, as it was stated in the record, at page 3915 of the transcript, of 115 loans as to which the Philadelphia National Bank offered participation in 1959, none of them was offered because the loan requested was in excess of Philadelphia National Bank's lending limit.

I would agree with Your Honor, certainly, that the financial vice-presidents of these companies know the lending limits usually of the banks. It would not be unusual at all [fol. 6901] for them to request you to take your lending limit and try to arrange with some other bank for the overage; but apparently of the 115 loans in which participations were offered, none of them were for the reason that they were in excess of Philadelphia National's lending limit.

There was also testimony by Mr. McDowell to the extent that the higher lending limit of the proposed merged bank was an advantage to the bank, it would be an important

factor in the combined bank's efforts to attract the business of national customers away from other Philadelphia banks and that the bank intended to try to do this. Now, this would put the combined bank at a substantial competitive advantage over the remaining banks in the area.

The Court: Isn't it strange that the smaller banks came in and said, "We want this because we are going to get more business!"

Mr. Reycraft: Well, I think it is probably not too strange. Some of them were correspondents of the two banks.

I suppose in any situation where you would have a group of competitors it is not too difficult to find competitors who would rather have fewer people sharing the business and who might hope, possibly in vain, to get some dissatisfied customers. If you have fewer people sharing the business, [fol. 6902] why, maybe you are going to get more of it and maybe for a couple of these banks they will get a little more business; but for the national business, the bigger business, they are not going to get more of it.

If the banks are right in what they say about the need for the merger, about the fact that it is going to allow them to improve their services and improve the quality of their personnel, the quality of their personnel seems very high to me right now from what I can see, but if they are going to improve it even more over what it is, presumably, if it is going to help them get business, the smaller banks are not going to have this ability to have the same caliber personnel as the combined bank.

We have also heard the argument about the New York banks taking business away from Philadelphia and the only facts we have in the record on that which would show totals are those in the Federal Reserve study, which are set forth in Finding 573, which indicate that $113 million in loans to Philadelphia-based companies were outstanding as of October 5, 1955.

The Court: Yes.

Mr. Reycraft: Now, by comparison, presumably the reason for this (according to the argument) was that the Philadelphia banks' lending limit was not adequate to take [fol. 6903] care of these customers and therefore they went to New York; but you take a city like Los Angeles, where

the Bank of America has its offices, with the largest lending limit of any bank in the country, $55 million. New York banks had $218 million of business out of there.

Take Chicago, which has a bank with a lending limit of $27,500,000; they had $375 million of banking business there.

So that for national companies who are in very high categories of borrowing, even over $15 million, there are still going to be some of these companies that go to New York. The president of the Pennsylvania Power & Light Company, for example, and one or two of the oil companies testified that for some of their business they would go to New York in any event; so I don't know how much of this $113 million worth of business could be kept in Philadelphia. Maybe some of it could, but it wouldn't be, I submit, anywhere near all of it.

Now, the question of the line of commerce involved in the case, lines of commerce, analysis of lines of commerce under the Sherman Act and the Clayton Act involve similar considerations. Unlike the Section 2 cases where the question of power is raised, there is no question of the power of the combined banks over price. The Section 1 [fol. 6904] Sherman Act allegation charges that there is a substantial lessening of competition or an unreasonable elimination of competition between the two companies. In a monopoly case, on the other hand, such as the cellophane case, it is necessary to prove that the monopolist had the power to exclude competition where it desired to do so or the power to set its price without regard to competitors' prices; so that in the monopoly case the existence of each such substitute product or alternative service becomes significant in determining whether power over price exists.

As I have said, the charges in this case are the elimination of competition between the companies. They are in substantial direct competition and the charge is that that competition is going to be eliminated, not that they have power to set price without regard to their competitors' prices, and not that they have the power to exclude competition, although we do contend and we are satisfied that there is a tendency to monopoly or that there would be resulting from this merger in the area, in that other banks

would try to merge to catch up and you would have an increase in concentration.

The Court: Doesn't there have to come a point sometime that it is cut off? If it got down to one bank, everybody admits that.

[fol. 6905] Mr. Reycraft: I would think so.

The Court: But isn't it a question of reasonableness?

Mr. Reycraft: There is a question of the amount of competition eliminated, the time when the amount of competition eliminated becomes unreasonable.

I would say, for example, that if between these two banks they had $1 million or $2 million of direct competition, for example, suppose they are at opposite ends of the four-county area and further apart, and you could really show that they were not in direct competition except to a very minimal amount—I would say certainly the elimination of that competition wouldn't probably be unreasonable. It might have a tendency to monopoly in that it might encourage other banks to merge and it might encourage these same banks to merge.

But there is a point and nobody knows what it is, Your Honor. I would certainly not stand here and say that I could give any rule of thumb or any rule of any kind as to the point at which the elimination of competition becomes unreasonable and becomes a violation.

The Court: Whose duty is it to determine that?

Mr. Reycraft: The Court's, Your Honor.

The Court: I am afraid so; I am afraid that is correct.

[fol. 6906] Mr. Reycraft: I might say, Your Honor, while at the lower end of the spectrum where, as I have said, there might be $1 million or $2 million of direct competition, I wouldn't be contending here, Your Honor, that the competition eliminated is substantial.

But when you review the fact that these banks are directly across the street from each other, that they are admitted direct active competitors of each other; that they are both very fine banks, they are very strong banks, they have excellent personnel, you have to measure, I think, the amount of competition which now exists between them in terms of the type of business they do. Well, the common checking accounts, for example—there are hundreds of millions of dollars of common checking accounts; and the

same way with the loans, there are millions of dollars of business where they are in active direct competition.

The Court: Is there any explanation of why this suit was started and there have been merger upon merger upon merger all over the United States, and putting lending limits of $25 million and $50 million around; and the Government never moved?

Mr. Reycraft: Well, Your Honor——

[fol. 6907] The Court: If it applies to this case, it certainly applied then; and why?

Mr. Reycraft: I am glad you asked that.

The Court: Is there any explanation?

Mr. Reycraft: Well, in explanation I would say that since we left Your Honor at court here a few months ago, there was a merger in New York City between the Manufacturers Trust and the Hanover Bank, and the Department of Justice has filed suit in that case.

There was a merger between the Continental Illinois and the City Bank in Chicago.

The Court: Yes, but as I understand it, you started suit here the day after the Comptroller of the Currency approved the merger.

Mr. Reycraft: Yes, sir.

The Court: You permitted that one out in Chicago to go on until the night before the merger and you didn't do a thing about it—you, the Department of Justice.

Mr. Reycraft: Well,——

The Court: Now, it seems awfully strange to me that that situation exists.

Mr. Reycraft: Now I would like to give you the exact dates. I will give you the exact dates for the record, but we filed our suit in the Continental Illinois case a few days after the Comptroller's approval. It was a few days after [fol. 6908] the Comptroller's approval, and obviously those banks knew of our interest in the merger and I may say, Your Honor, that the reason for their haste in merging was to try to avoid the jurisdiction of the Court and to try to beat the Department to filing the case.

Now the same thing is true in the New York situation, where in the Manufacturers-Hanover case we filed a complaint two days after, not one day after.

The Court: We are talking about this year.

Mr. Reycraft: That is this year.

The Court: Now what happened in other years?

Mr. Reycraft: Other years?

The Court: Yes. What happened, because if the Sherman Act applies it applied 15 years ago and when this started five or ten years ago, the Department of Justice sat on its heels, never got up, and didn't do a thing about it. Then, suddenly, in a relatively small situation, they file a suit here.

Mr. Reycraft: Well, I cannot, of course, explain to Your Honor why other suits were not started earlier than during this current year.

The Court: Naturally; you weren't even in the Department.

Mr. Reycraft: Well, I am afraid I was, Your Honor.

[fol. 6909] The Court: Were you?

Mr. Reycraft: I am not in a position and was not then in a position to be able to tell Your Honor with any certainty as to what the reasons were, but I was there and I might say there was some disagreement about it at the time.

As I said, we don't contend in this case that there is going to be a complete monopoly in commercial banking in Philadelphia, but we do think the tendency to monopoly result would be clear. You don't need, I don't think, in proving a tendency-to-monopoly case, to consider all the substitute services which might be available; all you need to show is, once there is a line of commerce, that there is a tendency to monopoly in that line of commerce.

In the Supreme Court's opinion in the du Pont-General Motors case, the line of commerce in which the tendency to monopoly was found was automobile finishes, and fabrics. Now there may have been and there probably were other types of finishes and fabrics which might have been adapted for use in the automobile industry and might even be intended to be substitute products; but the Supreme Court found that these automobile finishes and fabrics had sufficient peculiar characteristics and uses in themselves that they were definable as a line of commerce.

[fol. 6910] So that the line of commerce can be quite narrow, as long as it has sufficient peculiarities and characteristics to distinguish it from all others.

The Court: Does that mean that it appeals to the idiosyncrasies of a single Judge?

Mr. Reycraft: I wouldn't be able to say that, Your Honor.

The Court: Go ahead.

Mr. Reycraft: In the du Pont cellophane case, on the other hand, the Supreme Court did consider substitute products because the issue in that case was a monopolization, the power to price and the power to exclude competition. If you are talking about issues which involve the power of a monopolist to raise his price without regard to competition, then you have to look at the kinds of products that might come in that might affect his power over that price.

In the du Pont cellophane case the Supreme Court, and the defendant's brief in that case, said that cellophane was a part of trade or commerce which could be monopolized; that it was a monopolizable part of trade and commerce within the meaning of the statute, but what they found, however, was that du Pont did not have monopoly power over that part of trade or commerce because of these other substitutes. They even went so far as to take in brown [fol. 6911] wrapping paper, to say that it was a sufficient substitute that it affected du Pont's power over price.

In a case of that type, that case went rather far in considering substitute products, but it is a factual matter as to the degree of power over price; whereas in a Section 7 case and the Section 1 Sherman Act case substitute products are not relevant once the line of commerce is determined.

In the recent Crown Zellerbach case in the Ninth Circuit, the Ninth Circuit said that in the phrase "In any line of commerce" the words entitled to emphasis are "any line of commerce;" that is, if in one out of all of the lines of commerce there is an anticompetitive effect, that is sufficient to literally meet the test of the statute.

As early as 1929, in the Van Camp case, the Supreme Court said, "If the forbidden effect or tendency is produced in one out of all the various lines of commerce, the words 'in any line of commerce' literally are satisfied."

In the Columbia Steel case, and this was a Section 1 Sherman Act case involving a merger in which the anti-

competitive effects claimed were primarily vertical rather than horizontal, the lines of commerce were fabricated structural steel products, all rolled steel products, and pipe, and there wasn't any analysis so far as I am able to [fol. 6912] find of substitute products in that case because it was a Section 1 Sherman Act case involving a merger rather than a monopolization, and as far as the importance of the market foreclosed in the Columbia Steel case I think the fact that the United States Steel, through Columbia, paid just a little over $8 million for the assets of Consolidated, there wasn't an extremely large market that was being foreclosed.

By way of comparison, I believe the market value of the assets of the Girard at the present time range around $91 million as of the last date for which those figures appear in the last record. It runs $91 million and probably a little more at the present time.

The Court: Did you say the assets of it?

Mr. Reycraft: The value of the assets, not the deposits. The deposits are over $700 million; but the underlying capital, the capital structure of the bank, the physical assets, the fair market value of the stock, that is, if you take all the shares of stock at their market value and add them all up, you get about $91 million.

The Court: What do you do when you add up the assets against the shares of stock? The shares of stock only represent assets. What are the assets worth?

Mr. Reycraft: Many of them are deposits which are owed to the customers and for that reason they are not [fol. 6913] worth as much as assets which are not owed to somebody.

The Court: All right.

Mr. Reycraft: As applied to this case we think it is clear that regardless of the amount of competition which commercial banks might receive from other financial institutions in some lines, commercial banking is a line of commerce and that both economic and geographic market analysis based on commercial banking, is the appropriate take-off point; but the type of competition which is received by commercial banks from other financial institutions is such that they simply do not provide an adequate substitute for the services that a commercial bank can

render. I would like to look at some of these, some of the peculiar characteristics that commercial banks have which do, I am genuinely convinced, make them a line of commerce within the Clayton Act and the Sherman Act.

They are the only financial institutions which have the ability to create demand deposits.

They are the only financial institutions which are permitted by the law to accept demand deposits. They are the channel through which most of the currency in circulation finds its way into the economy.

They administer our economic system of payments by paying and clearing checks, and I think it is obvious [fol. 6914] that no business with sales of more than a few thousand dollars a year can operate effectively without a checking account. There is some discussion in this case about postal money orders and that sort of thing, but I think that hardly is entitled to serious consideration as a means by which you can operate any kind of a business.

Commercial banks are also the most important source of commercial and industrial loans. They are the most important source of loans to individuals, and they are virtually the only source of loans to most individuals at reasonable rates.

Commercial banks are also unique in the function they perform as the department stores for business. They provide a variety and range of services which are available collectively from no other financial institution.

The Federal Reserve System itself was established to administer commercial banks, so that this, in itself, distinguishes commercial banks from other financial institutions.

Now, as the defendants themselves expressed it in their brief on page 46, consideration must be given to "The peculiarities of the banking business which distinguish it from all others." It is certainly true that commercial banking has pecularities that distinguish it from all other business.

[fol. 6915] In the Trans-America case in about 1948 the line of commerce involved was commercial banking, and the opinion of the Court in that case was based upon the assumption that commercial banking was the appropriate line of commerce, and the opinion does not indicate that

any serious question was raised about commercial banking being the appropriate line of commerce, so that issue is not one that is really novel in this case.

This case is first under the particular circumstances, but as to the question of the line of commerce, I think one can say it is resolved in the Trans-America case; and the Clayton Act itself, by referring to bank acquisitions specifically, I think, recognizes that the banks are a line of commerce which is entitled to be protected within the meaning of the Act.

Indeed, some of the findings that the defendants have proposed, 9 through 43, support our claim that commercial banks are unique in many respects. Commercial and industrial loans are, we believe, a separate line of commerce of part of trade or commerce. The importance of commercial loans, commercial and industrial loans, of the commercial banks, is illustrated by the fact that for Philadelphia National about 57 per cent of all their loans in 1960 are commercial and industrial, and for Girard about 49 per cent.

[fol. 6916] Professor Harris testified that financial institutions other than commercial banks cannot readily supply the commercial loans needed by businessmen and that unsecured short term commercial loans are readily available to Philadelphia businessmen only from commercial banks.

Well, in Philadelphia there are about 35,000 retail establishments. There are about 6100 industrial concerns and 5900 wholesale establishments. With very few exceptions, all these businessmen require the services of commercial banks in Philadelphia for borrowing requirements, and this is by far the overwhelming numerical majority of the Philadelphia business population, and not the few businesses, some of whom are located here, I understand, who need more than a million dollars in loans and who do have access to banks in other cities.

Dr. Harris testified that there is very little competition for commercial banks from other financial institutions for loans under $50,000. As far as installment loans to individuals are concerned, the interest rates that are available from commercial banks certainly distinguish them from the lending business available from other financial institutions.

In fact, loan companies themselves are able to borrow from commercial banks at commercial bank rates and re-lend at prices at which they make a profit.

[fol. 6917] Dr. Harris testified that the percentage of total single-payment loans to individuals from sources other than commercial banks is insignificant.

Now, as far as real estate loans are concerned, I would like to refer to the Federal statute on Federal savings and loan associations, which is in 12 U.S.C.A. 1464:

Federal savings and loan associations may lend up to $35,000 on first liens on homes or combination of homes and business property within 50 miles of the main office and further with permission of the authorities. They can lend up to 20 per cent of the assets for first-lien loans without any restriction. An additional 20 per cent may be used in making or purchasing interests in first liens on one to four-family homes, but the last two categories together may not exceed 30 per cent. That is, the unrestricted part and the part up to four-family homes can't exceed 30 per cent of their assets; and up to 15 per cent of their assets can be used for loans up to $3500 for property alterations and repairs.

The Court. $3500?

Mr. Reycraft: $3500, yes, sir, and a limited amount for land when it is related to residential use; and the Pennsylvania statute on building and loan associations, which is in Pudon's Pennsylvania Statutes, No. 15, Section 1074-[fol. 6918] 903, says that a state savings and loan association is required to primarily confine its mortgage lending to loans secured by residential real property used as a dwelling for not more than four families; and 15 per cent of the total assets may be used for mortgage loans up to certain stated percentages of the value of five or six-family residences.

So both Federal and State savings and loans concentrate primarily on residential mortgages and they are not effective competitors in the larger mortgages which are needed, for example, for building an industrial plant or building anything really beyond a residential property.

The geographic area of primary competition between the two banks can be measured, I think, with a considerable degree of certainty.

By state law, as Your Honor knows, the two banks can have bank officers only in the four counties of Philadelphia, Bucks, Delaware, and Montgomery. The defendant's brief seems to suggest that the four-county area is something that the Government thought of so that the percentage would be higher than if they used the ten-county area or the whole northeastern United States or some other area that they claim might be appropriate, but it seemed perfectly obvious to us that the very foundation of a bank's business is in the area where it does have its banking offices. [fol. 6919] They contended, on the one hand, as far as their branches are concerned, they are really only drawing business from an area within one or two miles, and this applies, I suppose, to most of their branches, and within the city they say one mile, and in the suburbs they say two miles.

No doubt the head offices, which have about a third of the bank's business in each case, have a wider area of possible lending and deposit activities, but the fact that all of their offices are in the four-county area establishes the real foundation for the bank's business.

Now, we don't dispute the fact that the two banks compete for some business in Camden and that they compete for some types of banking business beyond the four-county area in Pennsylvania and other places in New Jersey and Delaware. We think they do to some extent compete in those areas. I think they probably compete for correspondent banking business that originates in Paris and London and Rome perhaps in some degree; but I would like to review their own figures, and these are their own exhibits, which show what the most relevant and the most important source of business is for each of them, and they are not theoretical figures and they don't require any kind of theoretical economic analysis to show what their importance is, because the facts of business life are that the most im- [fol. 6920] portant area of your business is the place where you get the most business and where you make the greatest profits, and these figures are set forth in our findings, which reproduce many of the defendant's exhibits; and No. 258 shows that for commercial and industrial loans under $50,000 the Philadelphia National has 75 per cent of its loans originating in the four-county area.

Now, suppose the area they selected was the ten-county area, which they claimed at various times, there is only 4 per cent of their business of this type that originates beyond the four counties and within the ten counties. In the northeast U.S. about 21 per cent comes. So there is business of this type outside the ten-county area.

For loans between $50,000 and $100,000 74 per cent originates in the four-county area and only 5 per cent in the remainder of the ten-county area, and small amounts in other of these categories they use, such as the rest of the Third Federal Reserve District and the rest of the U.S.

Over-all, in fact, it isn't until you get to loans of over a million dollars, that the percentages of business which originates within the four-county area gets below 50 per cent, and for all of their commercial and industrial loans [fol. 6921] of Philadelphia National, 54 per cent originates within the four-county area, and this, it seems to me, just by simple logic, is the most important area of the country.

For the Girard, 67 per cent of their loans under $50,000 originate in the four-county area, 74 per cent between $50,000 and $100,000; 69 per cent between $100,000 and $500,000; 55 per cent between $500,000 and $1,000,000; and even over a million for the Girard, 56 per cent originate within the four-county area, and over-all 63 per cent of their total business, total commercial and industrial loan business, originates within the four-county area; and with the two banks combined, 57 per cent of the combined business would originate within the four-county area.

Now, if you take Dr. Harris' statement that all business over $50,000, all loan business over $50,000, the area of competition is all of these banks within the area, there is competition I think across the board for virtually all of this commercial and industrial loan business over $50,000.

Now take the loans to individuals, and you get an even greater percentage originating in the four-county area. In the case of the Girard, 70 per cent originates within the [fol. 6922] four-county area; in the case of the Philadelphia National 75 per cent; and the combined banks would have 72 per cent originating within the four-county area.

Real estate loans, all together 74 per cent originate within the four-county area for Philadelphia National and 84 per cent for Girard, and combined it would be 78 per cent.

For lines of credit of $50,000 or more, by number, in the four-county area, for Philadelphia National, 58.3 per cent, and for Girard by number 60.6 per cent.

For personal trust business, I think I have already said that 72.3 per cent of Girard's business originates in the four-county area and 94 per cent of Philadelphia National's originates in the four-county area.

Time and savings deposits, 96 per cent of the combined bank's time and savings deposits originates in the four-county area; and for time deposits of partnerships and corporations, 67.6 per cent; for time deposits of domestic banks, 89 per cent; for time deposits of states, 94 per cent.

Now, for demand deposits, which, as I have said several times, is the most important category for commercial banks, under $10,000, 99 per cent of all the demand deposits of the Philadelphia National Bank originate within the four-county area; from $10,000 to $50,000, 79 per cent; from [fol. 6923] $50,000 to $100,000, 65 per cent; from $100,000 to $500,000, 58 per cent; and even over $500,000, 63 per cent originate within the four-county area, so that over-all 66 per cent of the total demand deposits of Philadelphia National originate within the four-county area, and as has been true with the other categories, as far as Girard is concerned, an even greater percentage originates within the four-county area—90 per cent under $10,000, 86 per cent between $10,000 and $50,000, 81 per cent between $30,000 and $100,000, 71 per cent between $100,000 and $500,000, and 76 per cent over $500,000, so that 78 per cent of all of its business in this category originates within the four-county area.

Of course, in these categories, as in the other categories, there is business outside the four-county area. There is some business in Camden; there is some business perhaps in Wilmington, Delaware. I don't know, perhaps in other places in New Jersey, and they are competing for this business. I don't see how there can be any doubt about the fact that the most important and the most relevant area of competition between these two banks is in these four counties.

Now, as far as the relative size of the two banks compared with other banks in the area, Your Honor knows [fol. 6924] quite well that the proposed merger would put

the Philadelphia combined bank about 50 per cent ahead of the First Pennsylvania in terms of assets and deposits and loans. The combined bank would hold about 39.2 per cent of the total assets of all commercial banks with head offices in Philadelphia and 35.7 per cent of the total assets of all commercial banks with head offices in the four-county area. It would have 34 per cent of all the loans of all commercial banks with head offices in the four-county area, and it would have 42 per cent of the commercial and industrial loans of all commercial banks with head offices in Philadelphia and more than 40 per cent of such loans of all commercial banks with head offices in the four-county area. They would have about 35.8 per cent of the total deposits of all commercial banks with head offices in the four-county area.

By comparison, the next three largest banks would have 22.1 per cent, 9.9 per cent, and 9.3 per cent respectively.

When we get past the five largest banks in Philadelphia after the proposed merger, all 38 of the remaining banks in the four counties would have divided up between them only 22.9 per cent of the total deposits of all commercial banks with head offices in the four-county area. They would have 37.6 per cent of all the time deposits of banks with [fol. 6925] head offices in Philadelphia and 29.9 per cent of such deposits of all commercial banks with head offices in the four-county area.

In demand deposits they would have 39.2 per cent of the total demand deposits and 36.6 per cent of such deposits of all commercial banks with head offices in the four county area.

Now, Your Honor has anticipated my argument on Section 7, and I think I have stated my position on it as well as I can, and I believe that the Supreme Court's opinion in the duPont case makes it quite clear that the purpose of the 1950 amendment was to make it clear that the bill applies to all types of mergers and acquisitions, vertical and conglomerate as well as horizontal, and this despite the fact that the Federal Trade Commission had advised Congress on a number of occasions that it did not apply to vertical acquisitions. Congress said and the Supreme Court said that these are matters to be determined in the courts and not by administrative determination.

I might say that recently, within the past two years, the

Department of Justice—and I should have mentioned this earlier in answer to Your Honor's question—the Department of Justice did file a complaint against the Firstamerica Corporation when it acquired the California bank in [fol. 6926] California. That matter has been submitted to the Federal Reserve Board for determination under the Bank Holding Company Act. The Federal Reserve Board said that the acquisition would not be in violation of the Bank Holding Company Act. It said also that in the Board's opinion the acquisition would not violate Section 7 of the Clayton Act.

Thereafter the Attorney General, and I should say this was two years ago when this case was filed, filed suit in California under both Section 7 of the Clayton Act and Section 1 of the Sherman Act, just as the charges in this case are alleged. That was a bank holding company acquisition rather than a merger as described here.

The defendants in the Firstamerica case moved to dismiss the complaint on the ground that the Federal Reserve Board had exclusive jurisdiction, that the Attorney General was collaterally estopped and the matter was res judicata under the Bank Holding Company Act and under the Clayton Act, I should say, since the Federal Reserve Board expressed the opinion that it wouldn't violate the Clayton Act, and, of course, the Federal Reserve Board does have authority to enforce the Clayton Act as far as it applies to bank acquisitions and mergers.

Despite that the District Court denied the motion to dis- [fol. 6927] miss. The defendants immediately made application for leave to file a petition for writ of certiorari in the Supreme Court, and after several months the Supreme Court denied the petition, so that these arguments about the bank regulatory agency having primary or exclusive jurisidiction have been made before, they have been presented to the Supreme Court, and, of course, if there had been any legal basis for this argument, it would have been certainly the logical——

The Court: Haven't you heard Mr. Justice Frankfurter's

Mr. Reycraft: I know exactly what you are going to say, Your Honor.

The Court: The denial of writ of certiorari means nothing.

Mr. Reycraft: We found it very encouraging at the time.

The Court: It is to the litigant, but it is no precedent for any District Court to follow.

Mr. Reycraft: I understand that, Your Honor. I might say, however, that the District Court ruling on the matter in California was considering all the merits and entered an order and it is a holding on these issues.

The Court: And it is in the books.

[fol. 6928] Mr. Reycraft: Yes, sir. I should say there is no opinion. That is an order. It is without an opinion.

Before the Firstamerica case the Federal Reserve Board had brought the Transamerica case, involving acquisitions by Transamerica of the stock of banks, and the Federal Reserve Board lost that case because it failed to show the area of competition. It found on the one hand that the competition was primarily local, and the charge, I think, was that the elimination of competition was over a much broader area, but as far as the application of the Clayton Act to bank acquisitions, the opinion made it clear that it did apply.

As far as Section 1 of the Sherman Act is concerned, in the Columbia Steel case itself, which held against the Government, the Court said that the policy of the Clayton Act is to be applied to Sherman Section 1 acquisitions mergers, and as far as the effect of this policy, that is the concrete application in the Columbia Steel case. If one thing is clear, it is that both between Columbia Steel and the Celanese case these were the two prime motives which led Congress to amend Section 7 to make it clear, as the Supreme Court has said in the duPont case, quoting the House report on the amendment, that Section 7 applies, and this is the old Section 7, applies to all acquisitions and mergers of vertical and conglomerate as well as horizontal.

[fol. 6929] Now, some of the statements in the defendant's briefs suggest that they think that the merger does not involve a restraint of trade, and I think I should comment on that.

For example, suppose that the Philadelphia National Bank and the Girard Trust Corn Exchange Bank were to get together and for a period of as long as six months they

were to say, "Well, now, we are going to stop competing on interest rates. We are going to charge the same type of interest rates for these various types of loans—for installment loans, for general commercial and industrial loans. We are going to pay the same interest rate on time deposits. You stay out of Bucks County and I will stay out of Delaware County, and we will divide Montgomery County up the middle, and you take these customers and I will take those customers."

There isn't anybody, I would think, who would contend that this type of agreement would not restrain trade; and, indeed, this type of agreement would be several per se offenses, because restraints of this type have been found to be so pernicious in their effects on competition that no type of defense or argument as to their reasonableness or as to their good, what help they are going to be for the area, or what help they are going to be for the banks, would be [fol. 6930] allowed.

Now, a merger of this size and this type is going to eliminate all competition of this type between these banks for all time, so that it surely restrains trade. As Your Honor has pointed out, the problem of finding that exact point in the amount of competition and trade restraint at which it becomes a violation is a difficult one, but I think that when you have the quantity of competition which is involved in this case, the fact that it originates in this area, where there is substantial direct competition between them, I think it is so far beyond the threshold where an unreasonable restraint would exist that there is no serious factual question that it is an unreasonable restraint of trade.

The Bank Merger Act of 1960, as Your Honor knows, said that the bank regulatory agencies—the Comptroller of the Currency in cases involving national banks; the Federal Reserve Board in cases involving state banks, or where a national bank merges with a state bank, or two state banks merge; and the Federal Deposit Insurance Corporation where there are non-member banks or non-national banks—should have to pass upon bank mergers.

The Court: Have you any idea why Congress gave it to four different people to pass on or to talk about? Can you [fol. 6931] find anything in here (indicating) that will tell me why? Do you see what I am holding in my hand? All of the proceedings before Congress.

Mr. Reycraft: Well, I think there probably are better ways to do it. There is no doubt that the regulatory agencies themselves have been applying different standards. In this very case Your Honor has copies of the Federal Reserve Board report and the Federal Deposit Insurance Corporation's report and the Comptroller of the Currency's conclusions.

The Court: Might I suggest this to you: Maybe Congress was going to bring into being and show to the Court the faceless expertise that we have been having to depend on for so many years and bring it out into the open. Do you think in a droll way Congress intended that?

Mr. Reycraft: I am not sure I understand that.

The Court: We of the court have to depend on the expertise, say, of the Securities & Exchange Commission, the I.C.C., different regulatory agencies. We always talk about their expertise.

Mr. Reycraft: And we found that experts don't always agree.

The Court: Well, we also find we don't know who they are.

[fol. 6932] Mr. Reycraft: True.

The Court: And was it Congress' intention, by starting a fight among them, to force them to come to the Court and expose themselves?

Mr. Reycraft: I think the Congress has illustrated perhaps unwittingly the fact—and I admit to considerable prejudice here—that only through the Courts can we have a uniform system of law and have standards applied equally to all people, and I think whether the bank is a national bank or a state bank should not be an advantage or a disadvantage as to what actions they can take. Certainly if expertise is expertise, it ought to come up with some kind of uniform result, and under the present statutory scheme that the Bank Merger Act of 1960 has engendered, the only way that this type of uniformity can come is through the Courts, I am convinced.

Your Honor has referred to the expertise of such agencies as the I.C.C. and some of the others.

The Court: Let's talk about the Federal Reserve Board. Let's talk about the Federal Deposit Insurance Corpora-

tion. They are rather young upstarts when you compare them with the Comptroller of the Currency, aren't they?

Mr. Reycraft: Compared to the Comptroller of the Currency they are an upstart.

[fol. 6933] I think that the real deficiency in this type of expert determination of these matters is shown—and I hope I will be forgiven for saying this—in the type of opinion that is given by the regulatory agency. There are no findings of fact of the type that a Court must make. There is no analysis of the reasons. There are some conclusions stated, but no Court is going to decide a matter of this type by merely saying, "Well, it is my conclusion that all the ultimate facts to which the issues are directed are resolved in favor of the applicant."

There is no review of this type of determination in the Courts unless there is an arbitrary and capricious determination, but the aggrieved parties have no right to appeal. There are no hearings. The matter is decided solely on whatever application is submitted, and, of course, there is a form of application which requires certain types of information to be submitted, but I would respectfully suggest that the types of determinations which are issued by these regulatory agencies cannot be analyzed in any rational way by any attorney.

The Court: You say that they are entitled to their opinion as experts, however, in your brief. You say it is expert opinion.

Mr. Reycraft: I do say that, and what I say, Your Honor, [fol. 6934] to the extent that the analysis and the facts on which they are based supports the expert opinion, I would say the Federal Reserve Board's report goes into considerable detail. Now, if they explain the basis for their expert conclusion, then the Court can review the matter and say, "This makes sense."

Experts are not so expert that lawyers and Courts say, "I can't understand this kind of thing," but I say there is no way of applying this type of analysis to the opinion or the order that the Comptroller issued. There is no way that you can analyze this type of thing. So I would say that, as an expert opinion on the competitive consequences, and certainly on the elimination of competition, it is entitled to very little weight—very little weight—and I would

say the Federal Reserve Board report, because it does go into detail, it does analyze the merger in terms of the line of commerce, in terms of the amount of direct competition between the banks, in terms of the disproportion, the increasing concentration—I would say that this report is entitled to considerable weight just because it does go into this detail.

I have a little more, Your Honor, if you would like to take a recess at this point, but I can continue.

The Court: How much longer will you be?

[fol. 6935] Mr. Reycraft: Ten minutes, perhaps.

The Court: All right, then we will take the recess later. Continue.

If you want it at this time, you are welcome to it.

Mr. Reycraft: My throat is a little dry.

The Court: All right, we will take a ten-minute recess at this time.

(A ten-minute recess was taken at 11:22 A.M.)

Mr. Reycraft: Your Honor referred to the questions of expertese in this case, in these matters, and I think I should refer to the fact that there are seven experts that sit on the Federal Reserve Board, although they may be more recent than the other agencies, and there are three on the Federal Deposit Insurance Corporation, including the Comptroller of the Currency, so that he is one of the three officials who approved the report of the Federal Deposit Insurance Corporation.

The Court: He approved the Federal Deposit Insurance Corporation report?

Mr. Reycraft: I say he is one of the three officials who voted on it. Now, what he said or did, I don't know, but I know that at least two out of the three approved it.

[fol. 6936] The Court: I would hardly expect that he would subscribe to it.

Mr. Reycraft: At least two of the three did, and at least, I suppose, four out of the seven members of the Federal Reserve Board. We have no knowledge of how the vote, if any, came out on that.

I thought I might review these reports, but I know Your Honor is familiar with them, and I won't do that.

It seems to have been one of the cornerstones of the de-

fense in this case that if the proposed merger should take place, it wouldn't make any difference, because there are other cities in which there are banks which have a larger percentage of the share of commercial banking business than would be the case in Philadelphia even after the merger; and it almost seems that it has been contended that Philadelphia is entitled to have as much banking concentration as some of these other cities, that if banking is concentrated in Chicago or Los Angeles, Philadelphia is entitled to have concentrated banking too, so that if Los Angeles has 50 per cent of the banking assets in one bank in the city, I suppose they think that Philadelphia is entitled to the same.

This would mean that even after the merger in this case, [fol. 6937] if it should be approved, there would have to be other mergers, if they are really going to keep up and keep in step with banks in other cities which have 50 per cent of the assets or the deposits.

Maybe this would mean that Provident Tradesmen's or Fidelity-Philadelphia would have to be acquired in order to meet this goal, and if they are really going to keep in step and maybe get in front, they might have to acquire both these banks.

It seems to me to be a rather peculiar form of pride that has as its goal the elimination of competition in what is presently a relatively sound and competitive, relatively competitive, banking system, and it seems to me that this goal is the antithesis of our national policy of favoring competition and the preservation of free enterprise through competition. It doesn't seem to me to be the philosophy of a great and expanding economy in which Philadelphia and the Delaware Valley are going to move ahead by competing and by attracting new capital into the Philadelphia banking system.

The Court: They say just the opposite. They say that what you are trying to do is put a stranglehold on competition.

[fol. 6938] Mr. Reveraft: That is what they say. They say that we are trying to put a stranglehold on competition by preventing them from merging, eliminating all competition between them——

The Court: They say that they can't get business, that they can't get into a position that you, the Department of Justice, have permitted to exist in other places. They say if it is all right there, it is all right here. I don't see that it is an illogical argument. You say they are eliminating competition among themselves. They say that you are preventing them from going out and competing.

Mr. Reycraft: At the present time we are trying to prevent increased concentration in New York through the Manufacturers-Hanover suit and the same thing in Chicago through the Continental-Illinois suit; and I think that whatever can be said about the Department's policies in the past, a consistent, rational policy is being applied to these mergers, as far as we are concerned, and we do think that it certainly would be unfair to proceed in Philadelphia and not to proceed in other areas where substantial competition is also being eliminated, and we certainly are following that policy at the present time.

But it seems to me, Your Honor, even accepting many of the arguments that the defendants have made, if the way [fol. 6939] they are going to increase competition, which is what they say they are going to do, is to increase lending limits and go out and bring new business into Philadelphia, or keep business that is already here in Philadelphia, the way to do it is fairly simple. It may take a little longer, but it is fairly simple. Within the past few weeks—I know that Your Honor would know this—the First Pennsylvania Company has taken steps to raise its lending limit to $10 million from about 7½, and they are doing it by selling stock, and apparently they are doing it without any adverse effect on their stockholders, and they are bringing new capital into the Philadelphia banking system. They are not merely adding up existing assets. They are bringing new capital. They are raising the total aggregate lending limit of Philadelphia banks by going out and selling stock and bringing this new capital in. They are raising their own lending limit by a third through this means. They have done it without eliminating any competition, as far as I can tell, and if it will result in increasing competition in the Philadelphia banking area, this seems to me to be the way to do it.

The Broad Street Trust Company is even smaller, far

smaller than either the Girard or the Philadelphia National. They have also announced steps to increase their lending limit to 21/2 million by selling additional stock.

[fol. 6940] The Court: You are talking about the non-member of the Federal Reserve, aren't you, the Broad Street Trust?

Mr. Reycraft: Board Street Trust, yes, sir.

The Court: A non-member of the Federal Reserve.

Mr. Reycraft: I don't recall whether it is or not.

The Court: I do.

Mr. Reycraft: I do now recall. I recall Mr. Horan's testimony.

The Court: You and the Chairman of the Board of the Broad Street Trust had quite a spirited exchange.

Mr. Reycraft: It is quite clear to me now, yes, sir.

Mr. Horan, who is a very aggressive person and a very active man has taken steps to increase the lending limit of his bank, and he is doing it by selling stock.

Suppose, though, that the First Pennsylvania had decided to follow the same route that the Philadelphia National and the Girard want to follow. Suppose they would say, "We have to increase our lending limit, or we want to," for whatever reason, and they decided, "Well, Broad Street Trust looks like just about the right size, just the amount [fol. 6941] we want to increase," and they go out and acquire Broad Street Trust.

Well, they end up in the same place. They have a $10 million lending limit, and you might say, what is the difference? Well, the difference is that they have eliminated a very important and aggressive competitor in the Philadelphia area, and Philadelphia would lose the services of a man like Mr. Horan, who, I am sure, provides a real stimulus to commercial banking in the Philadelphia area. He wouldn't be president of that bank any more.

Or suppose they had acquired the Central-Penn Bank and done the same thing. Mr. Sienkiewicz wouldn't be president of an independent bank any more. And I submit that the loss of banks of that type and the loss of their personnel and their independent decision-making process in this area would be a great loss.

But they didn't do it that way. They did it by selling stock, and they are in the same position, as far as being

able to serve Philadelphia and being able to attract additional business to Philadelphia, if it is going to be done by increasing the lending limit.

I submit also, Your Honor, if this merger between Philadelphia National and the Girard is permitted in this area, there is not going to be any bar to further mergers in this [fol. 6942] area till you end up with a situation where you have maybe three banks in the Philadelphia area.

Judge Weinfeld in the Bethlehem Steel case expressed it this way: Bethlehem and Youngstown wanted to merge to compete with U.S. Steel. He said, "You have a big 12 now in the steel industry, and if you permitted this merger you would end up with a big 2 or a big 3, because everybody else would want to get in line.

And so you have these two big banks who want to merge in order to be able to compete. What is wrong with the Broad Street Trust and Provident Tradesmen's merging? What is wrong with Central-Penn merging. If all these things are really going to help Philadelphia, why can't we do the same thing?

I don't think Your Honor wants to see a banking system in Philadelphia where you end up with three or four banks, and that is exactly where it would lead to.

The Court: Maybe Philadelphia would like to work out their own destiny without somebody coming in from the outside and telling them what they should do.

Mr. Reycraft: If what you are saying, Your Honor, is that they should have——

The Court: I am talking about the pride of Philadelphia. [fol. 6943] Mr. Reycraft: I understand that. I understand it very well, Your Honor, and I am very much aware of it, but I think some other cities of Philadelphia wanted to do that in the electrical equipment, too.

The Court: I got a couple of letters from people in Philadelphia, and, strangely enough, the complaint was against the Central-Penn, your only witness, that they merged with some other bank and they lost a vice-president, and this person was terribly disturbed because he didn't know the new vice-president and couldn't go up and get $500 or $600 every time he wanted it. So that is the only complaint I had against an individual bank in Philadelphia.

I have had some other fan letters from around the country too.

Mr. Reycraft: I don't doubt that, but it seems to me that if the Court does see this case as being the means by which the Philadelphia economy can best be promoted and expanded, it can best be promoted and expanded by encouraging banks to increase their size and their capital by bringing new capital in and not by eliminating existing competition; and it seems to me this is the way Philadelphia is going to grow and expand, and not by eliminating what are presently very substantial and competitive banks.
[fol. 6944] Thank you.

The Court: Very well.

It is clear that we can't finish this morning, and I don't intend to go through.

Mr. Littleton: You can finish with me this morning, sir.

The Court: All right.

ARGUMENT BY MR. LITTLETON

Mr. Littleton: If Your Honor please, I think that I should be less than gracious if I didn't at the outset of my argument acknowledge with gratitude the very complimentary things which Mr. Reycraft has said about the management and the operation and the structure of the Philadelphia National Bank, and perhaps I wouldn't even be presumptious if I acknowleged with gratitude the nice things he said about the Girard Trust. We think they are good, too. That is the reason we want to merge with them.

Your Honor, this is the first time that a Court has been called upon to determine, under the Bank Merger Act of 1960, whether the approval by the appropriate Federal banking agency, in this case the Comptroller of the Currency, of a merger of two banks, is the final and conclusive determination of the validity of such proposed merger under all Federal laws, and whether or not it precludes a review of the proposed merger under the laws alone.
[fol. 6945] It is our position that the action of the Comptroller, which is the act of an expert and responsible representative of the Executive Branch of the United States

Government, is decisive, and that Congress intended it so to be, and that Section I of the Sherman Antitrust Act, and more particularly Section 7 of the Clayton Act, have no application here.

My colleague Mr. Price will later discuss those three statutes, the Sherman Act, the Clayton Act, and the Bank Merger Act, and will, I think, demonstrate the inapplicability of the first two and the sole supremacy of the third to govern this situation; but if Your Honor will permit me, I would like to endeavor to show that the proposed merger will not violate the prohibitions of the Sherman Act even if that Act should be considered to be applicable to bank mergers.

After all, that is the way we tried this case. While holding to the opinion that the antitrust statutes have no application here, while we deplore the anomaly of one arm of the Executive Branch of the United States Government, the Department of Justice, castigating as conspiracy in restraint of trade that which another expert arm of the same Executive Branch of the Federal Government has found to be in [fol. 6946] the public interest and has therefore approved; and while waiting in vain for the Justice Department, if it is right as to the law, to meet or even to endeavor to try to meet the burden of proof which it must meet, that of producing a definite actual showing of illegality, we have nevertheless gone forward and we have adduced before Your Honor live testimony from the best qualified experts in every area of experience relevant to the issues involved in this merger.

Our witnesses have included executives from eight Philadelphia area banking institutions, representatives of large and small businesses located in the area, the Director of the Philadelphia Industrial Development Corporation, the President of the Philadelphia Chamber of Commerce, and the Mayor of Philadelphia.

[fol. 6947] In addition, we have produced testimony from two thoroughly qualified experts, Dr. Harris, an economist of distinction, a director of the Broad Street Trust Company, a former Director of Finance for the City of Philadelphia, and a member of the Pennsylvania Banking Board, who offered a unique combination of theoretical ability with

practical experience as applied to commercial banking in the Philadelphia area.

Also Mr. Lewellyn A. Jennings, who was formerly Assistant Chief National Bank Examiner assigned to the Third Federal Reserve District, this very district, and who subsequently was First Deputy Comptroller of the Currency. As such, he was and he is completely familiar with the functioning of the commercial banking system throughout the country, as well as in the Philadelphia area.

Your Honor has heard these witnesses express the opinion, based on their unique familiarity with banking and finance in Philadelphia and in the Delaware Valley, that the merger of the Philadelphia National Bank and the Girard Trust poses no danger and no threat to commercial bank competition; that the merged bank will be able to provide services which are needed but are not now available in the Philadelphia area; and that the merger will have beneficial effects on trade in Philadelphia and will thus be in the public interest, wherefore I am here prepared to argue that [fol. 6948] even if Section 1 of the Sherman Act is applicable to bank mergers, this merger of Philadelphia Bank and Girard will not be in violation of its prohibitions.

Section 1 of the Sherman Act prohibits unreasonable restraint—unreasonable restraint—on interstate trade or commerce and except in certain per se restrictive practices the economic benefit or wisdom of the action is relevant and is material.

These are the things which the Government seems to overlook—to warrant an injunction restraining an alleged violation of Section 1 there must be a definite factual showing of illegality under the Sherman Act. The test under the Clayton Act is satisfied if there is a reasonable probability that the effect of a proposed acquisition will be to substantially lessen competition or tend to create a monopoly.

It is quite obvious, and since it is quite obvious, that the standards and the burden of proof under the Clayton Act are more easily satisfied than are the requirements of Section 1 of the Sherman Act, the Antitrust Division contends that the Sherman Act must be applied in the light of the policy formulated later by the Clayton Act; and accordingly they restrict their factual presentation or argument

to an attempted showing of violation of the Clayton Act, [fol. 6949] and they do this in spite of a clause, if your Honor please, in the Times Picayune case with which Your Honor is familiar and which says (and they omit the part which I will read at the end)—the opinion says,

> "The Government at the outset elected to proceed not under the Clayton Act but the Sherman Act. While the Clayton Act's more specific standards illuminate the public policy which the Sherman Act was designed to subserve——"

And now here is the part they left out in their brief to you——

> ". . . the Government here must measure up to the criteria of the more stringent law."

Now the day before yesterday they filed a reply brief to our brief, and while we point out this omission in our brief they try to explain it away by saying that this clause is additional portions of the Times Picayune opinion.

Now I say to you that this clause which was omitted is not "additional portions of the Times Picayune opinion," but is a necessary and an integral part of the very sentence in the Court's opinion, and which sentence means that in an action brought by the Government under the Sherman Act the Government must measure up to the criteria of the [fol. 6950] Sherman Act, which is the more stringent law. It means just that and it is incomprehensible to us how the Department, in its reply brief, can say, as they do say, "Patently, the additional words cited by the defendant can have no such import." They have exactly that import; they have to measure up to the criteria of the Sherman Act.

But in any event, if we are to look in this case for evidence of subsequent legislative intent we should not stop with the Clayton Act; we should go ahead and bring it right down to date and consider the latest expression of Congress with respect to bank mergers, the Bank Merger Act of 1960. In this Congress has expressed its policy that bank mergers should be permitted if, after investigating all the factors enumerated therein, the merger is to be found "In the public interest."

Now while Mr. Price will demonstrate later that this legislative expression declares that the Comptroller's decision is to be conclusive, I shall proceed on the basis of the very least that can be said with respect to it, namely, that the same test of public interest in the light of the factors specified in the Bank Merger Act should be applied in determining reasonableness under the Sherman Act, and in view of the fact that the Department has seen fit to overlook completely this rule of reason we have done a little [fol. 6951] further searching of some of the authorities about the rule of reason and I have a sheaf of papers here which have on them cases which we have found.

I will read only a short portion of one to you because it is from this Circuit, our own Court of Appeals here. In the case of Hunt versus Crumbach in 143 Federal 2nd, which was in 1944, our Court of Appeals said,

> "Congress did not undertake by the enactment of the Sherman and Clayton Acts to prohibit each and every restraint upon interstate commerce. It sought to prevent only those restraints upon free competition in business or commercial transactions which tend to restrict production, raise prices, or otherwise control the market in goods or services to the detriment of the public."

I say to you that they haven't shown anything to meet that test in this case.

Now it is clear that the policy of Congress with respect to bank mergers is different from its policy with respect to industrial and commercial mergers, and if the Sherman Act were to be here applied I submit to Your Honor that that difference should be recognized and implemented.

There is a good reason why the policy of Congress in this is different, because there are differences between com- [fol. 6952] mercial banking and industrial enterprises which must be understood in order to evaluate a bank merger, this merger, in terms of possibly anticompetitive effects. These differences make it necessary to discard most of the concepts of monopoly and restraints arising from the asset size or market proportions which have been developed in industrial and business cases.

First, banking is a regulated industry. Its operations are of public consequence and affect the community at large and they are thus subject to the police power.

Way back in 1819, if Your Honor please, in McCulloch versus Maryland; it was established that the Federal Government had power to control banking; and this power has been exercised in a succession of statutes regulating various aspects of banking. For instance, the banking act of 1933 is entitled (and the title tells you) "An Act to Provide for the Safer and More Effective Use of the Assets of Banks, to Regulate Interbank Control, to Prevent Undue Diversion of Funds into Speculative Operations and for other purposes."

Similarly, every state in the union has undertaken the regulation of banking.

In the unregulated industries, if Your Honor please, competition is the cardinal precept guiding the economy. It is fundamental American policy, expressed in the Sher-[fol. 6953] man and the Clayton Acts that the public is benefited by competition as unlimited and as unrestricted as possible.

This implies that individual enterprises will go where there is a prospect of business and will do what affords a prospect of profit without deference to other enterprises which may be established in a particular area; but what this also implies is that the weak enterprises will not survive, but that is the price to be paid for the benefits of competition.

Unlike this, however, in the field of banking it is firmly established that the benefits of unrestricted competition are not worth the inevitable price. Dog-eat-dog competition does not go in the banking business. If a hardware store can't meet its competition and fails, well, a few people may go on relief; but if a bank is driven out of business the whole community suffers. I need only recall to Your Honor's memory the early Thirties in this part of the country, and I guess in most parts of the country.

The banking laws, including the Bank Merger Act of 1960, substitute regulation for unrestricted competition in an attempt to avoid the vicarious suffering produced by bank failures.

Anyone who has the capital and the initiative can go into a commercial or an industrial business, but it requires more

[fol. 6954] than that to go into the commercial banking business. A commercial bank isn't like a rich man who lends his own wealth; a commercial bank is the manager of funds deposited with it by the community.

A bank makes money primarily on its ability to use other people's money efficiently, not on the investment of its own capital resources; so before a bank can get into this business it must get a permit or a franchise from the State banking authorities or, if it is to be a National Bank, from the Comptroller, after being subjected to a searching and rigorous inspection.

Then, when it is chartered, it is subject to a host of regulatory statutes and rules. For instance, it is limited to the place or places where it can set up offices.

It is restricted in the way in which it administers its funds, the deposits of depositors which are the goods with which it does business.

It can't seek or compete for demand deposits by offering to pay interest on them, and the interest which it does pay for time and savings deposits is limited by law.

The scope of its activities is limited. It can't, for instance, go into the securities business; and in the employment of its funds it is sharply restricted as to the type of investment it may make and as to the amount of a loan which it can [fol. 6955] make to any one borrower, and the price which it can charge for its product, its loans, is restricted within a very narrow range by usury laws, by reserve requirements, by the rediscount rate, and by the open-market activities of the Federal Reserve Board, all of which was brought out here before Your Honor in testimony.

So there can't be any cost competition between commercial banks in acquiring their stock in trade (deposits) and virtually no price competition in the sale of their product (loans or credits) and in the sense that money and credit may be considered to be the product of commercial banks, product quality does not differ among competing banks as it does between competing manufacturers and sellers of commodities. It is all money, just the same money.

Then the safety of deposits has not been a competitive factor among banks since the statutes were enacted providing for insurance by the F.D.I.C., and I want to point out one aspect of this insurance which accentuates in my mind

the substitution of regulatory law for competition in this area.

Your Honor knows that while only deposits up to $10,000 are insured, the premium paid by all banks must be a percentage of their aggregate deposits of every size. Thus banks with a greater number of deposits in excess of $10,000 [fol. 6956] are required to help pay for the insurance of those which have few or no deposits over $10,000. In the field of industrial and commercial business there is no similar instance of a company being compelled by law to insure the liquidity or solvency of its competitors.

So that the whole concept has been to substitute regulation for unrestricted competition. Banking thus is a regulated industry, both in terms of entry into the field and in terms of operation after a bank gets into the field. As such, the nature of competition in banking is not comparable to that which exists between grocery stores or manufacturing giants.

The impact of this precise regulatory legislation upon the generalized standards of antitrust laws was pointed out by Justice Frankfurter, and while we cite this in our brief I should like to just read it. It is very short. He said in the RCA Communications case,

> "Prohibitory legislation like the Sherman Law, defining the area within which competition may have full play, of course, loses its effectiveness as the practical limitations increase. As such considerations severely limit the number of separate enterprises that can efficiently or conveniently exist, the need for careful qualification of the scope of competition becomes mani- [fol. 6957] fest."

In the discussions of the very act that we are merged under or hope to be merged under, the Bank Merger Act of 1960, Senator Fulbright said on the floor of the Senate,

> "And even if the Sherman Act is held to apply to banking and to bank mergers (even if it is), it seems clear that under the rule of reason spelled out in the Standard Oil case different considerations will be found applicable in a regulated field like banking in determining whether activities would unduly diminish

competition in the words of the Supreme Court in that case."

Well, certainly, Your Honor, the expressed policy of government limitation of competition in commercial banking must be taken into consideration in attempting to weigh the effect of the present proposed merger on commercial bank competition here in this Philadelphia area. That brings me to the nature of competition in commercial banking services.

They offer a variety of services to various types of customers. Not all commercial banks offer the same range of services or serve the same range of customers, but the testimony here shows that with the one exception, the acceptance of demand deposits, commercial banks receive substantial competition from a number (and it is a great number and an increasing great number) of non-commercial bank sources, and the basic issues in this case cannot pos- [fol. 6958] sibly be resolved without considering non-bank competitors as well as competing banks, and without considering the effect which the intensive scheme of regulations to which I have referred has on competition in these services.

The one service which distinguishes commercial banks from other institutions is this acceptance of demand deposits. Through the acceptance of demand deposits and the subsequent lending from them the commercial banking system has the ability to expand credit. The Department of Justice has seized on this function to endeavor to show that commercial banks are unique, but from a competitive standpoint this means absolutely nothing, for neither you nor I nor anyone else who might wish to make a loan at a bank has the slightest interest in whether the lender has or has not the ability to expand credit, nor do we choose a lending bank on any such basis.

Incidentally, while the ability of a commercial bank to offer demand-deposit services together with other services may be a factor in competition with other types of financial institutions, it hasn't been a determinative one since it is shown by our Exhibit D-27 that such other types of institutions have grown at a far greater rate than have the commercial banks; but the very nature of the demand deposit

function is of greatest importance in understanding why a [fol. 6959] large commercial bank cannot exert dominance, as my friends call it—dominance—over other commercial banks in the way a large industrial concern may be able to exert over its small competitors. The deposits are the life blood of a bank; they are what it lends, and lending is the principal source of income for banks.

To succeed a bank must attract and it must retain deposits. It can't control them, as a manufacturer might control his assets, because deposits are not something which a bank owns; they are something which it owes and something which it must give up upon demand, so that any overreaching of customers on the part of a bank can result in an immediate withdrawal of the bank's stock in trade no matter how large that bank may be. It is idle, therefore, to equate bigness with dominance in the field of commercial banking.

Since competition for demand deposits in the area of price and safety is non-existent by reason of banking laws and regulations, the only area in which competition can exist is that of service and convenience. These a small bank can furnish to its range of customers just as effectively as can the large bank; and that they do has been established by witness after witness after witness in this case, and by the exhibits showing the deposit growth of the smaller banks in Philadelphia and in the surrounding counties in the last ten years, which has been far greater than that of the [fol. 6960] Philadelphia National Bank or the Girard.

I know Your Honor is thoroughly familiar with Exhibit D-18 in this case, but I am handing up a copy because it so graphically shows this great rate of increase of nearly all of the smaller banks in Philadelphia and the surrounding counties compared with that of the Philadelphia Bank or the Girard.

Now small depositors maintain demand deposits chiefly for checking convenience, but the larger business and correspondent banks maintain demand deposits to support loans and lines and to compensate for services which the bank may render to them. In this area large banks in Philadelphia receive intense competition from large banks in other major cities.

Time deposits are received by all commercial banks; savings deposits also; but the maximum rate which can be paid by the banks for these deposits is fixed by law. Savings-deposit services are also offered by mutual savings banks, savings and loan associations, and credit unions in the Philadelphia area. Their rates too are fixed by law, but at a higher maximum than that of commercial banks. There is obviously no chance for a commercial bank to become dominant in this field.

[fol. 6961] Loans of many types and variety are made to a variety of customers and in every type commercial banks compete with non-bank lenders. The Department seems to feel that because commercial banks specialize in commercial and industrial loans, the competition from non-bank lenders and other types of loans must be disregarded, but this theoretical approach overlooks the intense competition which commercial banks receive from non-bank lenders, such as in the case of mortgage loans which Mr. Reycraft spoke of this morning. When Your Honor thinks of the four big mutual savings banks and the intense number of savings and loan associations right in the Philadelphia area, to say nothing of those in other areas of the country, you realize that this attempt to limit the competition of commercial banks in this field is almost silly.

Now perhaps because it is the only Supreme Court case involving an attempt to enjoin a proposed acquisition of assets under the Sherman Act, the Department of Justice has cited the Columbia Steel case as authority in its brief; and for the same reason we have cited it as authority in our brief, but our quarrel with the Department is that having cited it they then ignore in this case the very factors which the Court deemed significant in that one. We have cited in full that portion of the opinion on our brief which states what those factors are; but to epitomize them they are strength of the remaining competition, purpose of the [fol. 6962] merger, customer demand, and the peculiarities of the banking business which distinguish it from all others.

The Department has also failed precisely to define relative markets or to present any meaningful figures on the percentage of business controlled in such markets by the defendants. Instead, in their brief, they say it is their position, and I quote from it,

> It is their position "that the fundamental illegality in this merger is its substantial suppression and elimination of competition between nationally-ranked leaders in a local market, highly concentrated."

But Your Honor is left to speculate and guess as to the total amount of business done in any such local market and how the elimination of competition between the two banks will affect trade in such local market, whatever its stage of concentration.

We agree that the starting point of the views of Columbia Steel is to delimit the market in which the two firms compete. This involves a determination of the product or service lines and the geographical area of competition as to each one of these lines. The Department contends that the market area should be limited for each function to the political confines of the four Pennsylvania counties in which [fol. 6963] the merging banks and their branches are physically located.

Now it is quite obvious why they do that. They do that in order to inflate the percentage figures which they assume dictate the conclusions which they seek. The testimony in this case, I submit, Your Honor, establishes the fact that commercial bank markets are exceptionally complex and that any realistic definition of a relevant market for bank services must take into consideration not only the location of the bank and the location of its customers, but also the different types of customers, and more particularly the location of alternative choices available to them.

In so far as competition in banking is concerned, the most important factor is the alternative sources to which a customer can conveniently turn to receive the same or a comparable service, because a customer's chief interest is the alternative source which stands ready to serve him in case of dissatisfaction—the latent competition, you will remember Professor Harris called it.

From the banks' point of view these alternative sources are the competition which the bank must meet. Accordingly, the geographic distribution of effective alternatives constitutes the only realistic market area for measuring the alleged anticompetitive effects in the merger. On this basis, the four counties in which the banks' offices are or legally

[fol. 6964] can be (because it is by virtue of the Pennsylvania Law that they are restricted to the four counties) have no significance whatsoever as to the geographic market. Even the most modest customers in those counties are free to do business across political boundaries and do so. You will remember in the course of the testimony we talked about a man in Yardley, up in Bucks County, and said that if he doesn't get it in Yardley he can go right over to Trenton and get all the banking he wants. A man down in lower Delaware County probably does use Wilmington and all its resources. He is not restricted to any four-county area.

In addition to that banks in New York, Chicago, San Francisco, and many other large cities actively solicit accounts in the Philadelphia area; and conversely we solicit business from far away. This mobility of banking business is demonstrated by the fact that in the case of the Philadelphia Bank 44 per cent in dollar amount of its demand deposits of all kinds originate from customers located outside the four-county area and 48 per cent of its loans are made to customers located outside the four-county area.

The Court: Repeat those figures.

Mr. Littleton: 44 per cent in the dollar amount of Philadelphia Bank's demand deposits of all kinds originate from customers located outside the four-county area.

[fol. 6965] The Court: That is all Philadelphia banks or these two banks?

Mr. Littleton: Just Philadelphia Bank, Philadelphia Bank's demand deposits.

Mr. von Starck: Philadelphia National Bank.

Mr. Littleton: Philadelphia National. I am calling it "Philadelphia Bank," not Philadelphia banks.

44 per cent in dollar amount of Philadelphia National Bank's demand deposits—excuse me. I am reverting to the old name before the National Bank Act; and 48 per cent of its loans are made to borrowers located outside of that area.

The Court: Is that numerically or in dollar volume again?

Mr. Littleton: In dollars.

The Court: The second is in dollar volume too?

Mr. Littleton: That is in dollars.

The Court: All right.

Mr. Littleton, I think perhaps we will recess at this point

because you are not going to finish in ten minutes, are you?

Mr. Littleton: No, sir.

The Court: Suppose we recess until 2:00 o'clock then.

[fol. 6966] (Recess taken at 12:18 o'clock P.M. for luncheon.)

[fol. 6967] AFTERNOON SESSION

Present: Counsel as previously noted.

The Court: Mr. Littleton?

Mr. Littleton: If Your Honor please, when we adjourned for the luncheon period I was just going——

The Court: We had just had the 44 and 48 percentages.

Mr. Littleton: That's right. I was about to get to the point of stating that for the purposes of defining geographic market in which the two banks compete, the statistics which reveal the mere location of their customers are less relevant than those which disclose the customers' area of alternative choice. The evidence as to this shows that 68 per cent of the dollar volume of the defendants' commercial and industrial loans, that is, the two combined defendants, are made to customers whose banking choices include commercial banks located outside the four-county area; and at least 64 per cent of their demand deposits from partnerships and corporations are received from customers whose banking choices include commercial banks located outside the four-county areas.

I say to Your Honor that I think one would have to be [fol. 6968] blind to economic reality to infer any restrictive or anti-competitive or monopolistic effects of this merger on banks and customers located within the four-county area, when the merged bank will have to compete with banks elsewhere for at least two-thirds of its most important business. We have cases on our brief to indicate (and I think it is probably conceded) that the Department of Justice has the burden of proving the relevant market area, and with respect to commercial banking generally I submit to Your Honor that it has failed completely to meet that burden.

The Department, in its brief, proposes that ten product lines be adopted. This subject has been a little obfuscated because in their complaint there is one grouping; in their statement of issues it is another; in their request for findings it is another; and in their brief it is another, but let's take it from their brief.

The ten product lines which they contend should be adopted are commercial banking, commercial and industrial loans, installment lending to individuals by commercial banks, single-payment loans to individuals, real estate loans by commercial banks, personal trusts, time deposits of partnerships and corporations, time and savings deposits, demand deposits, demand deposits of individuals and partnerships.

Now it is our position, if Your Honor please, that com- [fol. 6969] mercial banking in its entirety is not a product line. It is a business, and it is a business that has two major subdivisions. One is the acceptance of deposits, and there the banks are debtors; the other is the making of loans, and there the bank is a creditor. Each is a separate function, having its own peculiarities.

Both of these major divisions are further sub-divided by distinct types of deposits and loans, as to most of which there are different and varying regulations and laws. Then, as to many types of these functions, there are different types of customers, different market areas, and most important different types of competitors and competition.

With the possible exception of demand deposits there is an identical or an effective or a satisfactory substitute for every separate one of these services which a commercial bank offers.

You will recall that Professor Harris said that it is impossible to analyze the competitive effects of the merger without analyzing separately each of these important functions.

Now in the Cellophane case the Supreme Court held that a market should be defined by the commodities which are reasonably interchangeable by customers for the same purpose; and in the Columbia Steel case the Court examined [fol. 6970) reasonable interchangeability from a production standpoint; and subsequent decisions, including decisions subsequent to those to which Mr. Reycraft referred,

demonstrate that reasonable interchangeability, whether from the viewpoint of production or use, is still the test for market competition.

Although we don't agree that commercial banking as such is a product line, even so, conceding for the purpose of argument that it might be, the Department has failed to show any restraint in commercial banking by reason of this proposed merger. Their case in this respect is based entirely upon the assertion that the merger will eliminate competition between the defendants, which I say to Your Honor is obvious, and that the merged bank would be the dominant bank in the four-county area.

Now, by use of this nasty word "dominant" the Department would have Your Honor believe that the merged bank would be able to control banking in the area, but their evidence consists solely of statistics which show the amount of business done by the merging banks and the fact that the merged bank would be the biggest commercial bank located in the four-county area. There is not a single word of testimony in this case that the size of the proposed bank would result in any restraint or reduction in the vigor of competition in any relevant market.

[fol. 6971] On the contrary, every competent witness, including one of the Department's expert witnesses, testified to the contrary.

The Court: Which one was that?

Mr. Littleton: Dr. Keith. He was asked the direct question by Mr. Reycraft at the end, what would be the effect——

The Court: I remember Dr. Keith, author of the Keith report.

Mr. Littleton: Author of the Keith report, yes, sir.

Now the teaching of the Columbia Steel case is that mere percentage amount of a market which a producer holds is not determinative of anti-trust violation, but let's assume for the purposes of argument that it might be.

The Department's attempted measurement of relative size has no validity in our opinion. The mere fact that this merger——

The Court: Now just why?

It seems to me that a lot of their argument is based on size, and size alone. Now why isn't it?

Mr. Littleton: That is what I am going to take up, if Your Honor please.

[fol. 6972] The Court: All right.

Mr. Littleton: The mere fact that the merged bank would have 35.7 per cent of the total assets, 33.1 per cent of the total capital funds, 34 per cent of all loans, and 35.8 per cent of all deposits of what? Of commercial banks with main offices in the four-county area—does not permit an inference of restraint of trade in that area.

The record is absolutely devoid of any information as to the amount of business done in the four-county area by any bank or banks other than the defendants, wherefore the figures upon which the Department relies to show dominance reveal nothing.

The Court: Haven't they put in some figures here that show the general four-county area, perhaps through the Third Federal Reserve system?

Mr. Littleton: They did, but they did not show any definite amount, dollar volume or otherwise, of business done by other banks in the four-county area at all.

Whereas, the banks' evidence shows that the proportion of total assets of banks with main offices in the four-county area which the merged bank would hold would not thereby enable it to engage in restraint of trade.

Here I must remind Your Honor of the mass of data which we produced in many exhibits, and I will try to [fol. 6973] winnow out what to me are the effective and significant figures. Perhaps the most significant is that out of 224 cities in the United States with populations in 1956 of over 50,000, 190 had a commercial bank with 35 per cent or more of the total commercial banking assets in the city, and 96 had a bank with 50 per cent or more of such assets.

After this proposed merger there will be 78 cities of 100,000 or more population which would have a lead bank with a greater percentage of total commercial banking assets in that city than would Philadelphia have even with the merged bank.

The Court: The Government says that that is bad in itself and, therefore, we should stop it.

Mr. Littleton: Well, they haven't shown us that it is bad. They may say that it is bad.

The Court: That is their contention.

Mr. Littleton: There are 33 such cities in which the lead bank has more than 50 per cent of the total banking assets; and right here in Pennsylvania and in the Delaware Valley area outside Pennsylvania every city with a 1960 population of over 100,000 has a commercial bank with a larger percentage of the commercial banking assets in that city than the merged bank would have in Philadelphia. Let's give you some of the figures:

[fol. 6974] Pittsburgh, 60 per cent; Reading, 56.3 per cent; Allentown, 48.3 per cent; Erie, 39.6 per cent; Scranton, 56.6 per cent; Moving across the river, Trenton, 37.8 per cent;

Camden, 56.6 per cent; and

Philadelphia, even after this merger, wouldn't have more than 36.2 per cent.

Now the Department has introduced no facts which make its argument peculiar to Philadelphia banking. They are not saying Philadelphia is different from all the rest of the country.

The Court: Can you point to any evidence in the record wherein the Government or you produced any evidence—I am talking about both the plaintiff and the defendants—that concentration of 50 per cent or more is harmful to the American industrial banking, the public, or other interests?

Mr. Littleton: Not at all.

The Court: Is there any evidence in this record?

Mr. Littleton: None that I know of, and the F.D.I.C. report to the Congress, which came out in the middle of [fol. 6975] this trial, indicates all to the contrary, that this has nothing to do with it.

The Court: I was just wondering whether there was evidence in here other than statistics from which I am to draw a conclusion one way or the other.

Mr. Littleton: Not at all.

The Court: Is there any positive testimony or opinion of anybody that that is bad?

Mr. Littleton: No. The opinion is the opinion of Mr. Jennings, who has had nationwide experience, and he testified that all of these cities throughout the country enjoy the benefits of adequate banking competition.

The Court: Didn't——

Mr. Littleton: But equally significant with Jennings' testimony, I think, is the silence of the plaintiff.

The Court: Well, I am not——

Mr. Littleton: Here, if Your Honor please, there were available 190 cities, each of which had a bank with 35 per cent or more of the total commercial banking assets. That is 190 clinics, if Your Honor please, in which could be observed what the effect of such would be on competition.

As suggested by my partner, Ernest von Starck, here were 190 test tubes available to the Department of Justice, but they didn't visit a single clinic and they didn't look in [fol. 6976] a single test tube; and thereafter produce before Your Honor the result of their clinical or their experiential findings.

Now maybe I do them an injustice. Maybe they did look and they found nothing that they wanted to bring before you.

But I think it is fair to comment and fair to believe that if the Department of Justice lawyer who said at the outset of this case that this merger was such a violation of the antitrust laws that if it could not be stopped no merger could be stopped, I think it is fair to believe that if such a one should have found the slightest evidence of invidious effects of 35 per cent concentration in any one of these cities he would have brought it in here. He couldn't and he didn't find it; and the reason that he couldn't and that he didn't is because it doesn't exist.

Now he made a remark this morning about the seven gentlemen who are the very respected Governors of the Federal Reserve Board. If he had found anybody in the Federal Reserve Board, those seven or any member of the staff, who could provide him with real evidence, not theory but real evidence, that 35 per cent would substantially and harmfully affect competition in Philadelphia, wouldn't he have brought them in as a witness instead of putting in the record an advisory report, which is not, in that re- [fol. 6977] spect at least, supported by a single scrap of evidence in this case?

But not a soul did he produce from the Federal Reserve.

Now if the relative proportion of banking assets held by the lead bank in a city is determinative of restraint of trade, the Department of Justice, with all the great facili-

ties which it has at its disposal, could readily have produced evidence of restraint in at least one of the 190 major cities in which there has been a greater concentration than there would be in Philadelphia after the merger; but the Department offered no evidence whatsoever with respect to this.

Now in their reply brief filed the day before yesterday, in spite of saying——

The Court: They filed on schedule. Now this schedule——

Mr. Littleton: Of course, they did. Of course, they did.

The Court: All right.

Mr. Littleton: In spite of saying on page 10 that their case doesn't rest upon a finding that any specific percentage of business would be held by the merged bank, on pages 17 and 18 I think they go right back to it and I would like to [fol. 6978] comment on it a minute.

They say the Government submits that even if the Court were to give weight to the "Convenience and needs of the community" under any interpretation of this phrase, in passing on this merger, no case has been made which would justify the elimination of direct and substantial competition and the very substantial increase in concentration in a market already highly concentrated by a series of mergers.

In passing comment, the rest of the country must be in terrible shape.

> "While the antitrust laws may not stand for the proposition that bigness is badness," they say, "they do stand for the proposition that the alleged advantages of size must be subordinated to preservation of a system in which small units can effectively compete with each other."

Now I say that there is no evidence here that the other banks in Philadelphia can't effectively compete with each other and with the Philadelphia-Girard after the merger.

As a matter of fact, there is a quantity of testimony from other banks that they can and that they are looking forward to it avidly and enthusiastically.

> Then the Department goes on it its reply brief, "Defendants' reliance on a high level of concentration of

[fol. 6979] banking in other cities is misplaced. Defendants are in no position to propose that evidence of concentration in other cities is evidence that Philadelphia banking will not be adversely affected by this merger. When similar evidence was offered by the Government it was uniformly objected to as being irrelevant to the issues."

May I add that which they did not add? That my objections were uniformly overruled by Your Honor and they were permitted to go ahead?

They don't say this, and how they can make this assertion when they know that Your Honor overruled every one of my objections, I don't know.

Just going further in the reply brief.

The Court: I wonder if you feel better that it is in now; is that it?

Mr. Littleton: I made those objections hoping they would be overruled because I was so anxious to get Jennings' testimony in.

The last sentence in that paragraph of the reply brief,

"In defendants' brief, overlooking the significance for the purposes of Section 1 of the Sherman Act, of the progressing concentration of banking resources in [fol. 6980] the hands of historic leaders in the four county area."

Well, my comment on that is that concentration is not significant absent any showing of an effect on competition and there certainly hasn't been shown any in this case, and again referring to the F.D.I.C. report to the Congress, which was produced and is an exhibit in this case, they couldn't find any either.

Now the fact that an overwhelming number of the large cities in the United States have these banks with more than 35 per cent of the total banking assets in those cities makes it impossible to escape the conclusion that the proportion of bank assets held by a bank in a city is not indicative of the competitive power which a bank may have; but there were further satistics produced by the banks which show that large size does not produce dominance in banking.

This morning I handed up for Your Honor's convenience D-18, which showed the percentage growth of deposits of every bank in the Delaware Valley during the last ten years, adjusted for mergers.

The Court: Let me ask you this—how valid are statistics as such?

Mr. Littleton: Well, the other day I was told that there were three types of lies: There first is a lie and then there [fol. 6981] is a damn lie and then there is a statistic.

The Court: Mr. McDowell told me that back in 1921, not the McDowell of the Philadelphia National Bank.

Mr. Littleton: Nevertheless, those banks are growing, they are not shrinking. They are growing, not shrinking.

The Court: I know, but in some banks they can grow 3000 per cent and those banks will still have only $100,000 of deposits of $1 million of deposits.

Mr. Littleton: It depends on where they started. They are Russian statistics; I grant you that.

The Court: Sure.

Mr. Littleton: With the Philadelphia National Bank second and the Girard third, if the relative size indicates the relative growth, the growth of the two banks in the two decades should have exceeded the growth of most of those banks; but all of those other banks grew faster.

The fact is that 107 of the 115 other banks (not all of them but 107 out of the 115 banks in the area) experienced a percentage deposit growth greater than that of Philadelphia Bank or Girard.

If we look over the banks in the four-county area, which the Government likes to do, 35 of the 40 other banks had a percentage deposit growth greater than that of either of [fol. 6982] the defendants.

Now the Department consistently overlooks the fact that there are 42 commercial banks in the four-county area and 117 commercial banks in the Delaware Valley, ten-county area (which we choose to call it), and that after the merger there will be only one less. They attempt to avoid the importance of this large number of banks by arguing that the loss of the Girard, the third largest bank, is of extraordinary significance to the competitive climate. This is a conclusion for which there isn't a single word of testimony in the record. On the contrary, the officers of every local bank

who testified were of the opinion that competition would be increased by the merger.

Then the Department points with apparent apprehension to a reduction in the number of competing units during the past decade, both nationally and locally. This, of course, assumes without proof that there were an adequate number of units before and that there are too few now.

Well, there may have been too few in the past or too many in the past and a proper number now. Again I recall to Your Honor's mind the early years of the Thirties, the early part of the Thirties, as to whether there were too many in the past or whether because of changing conditions there may have been a proper number in the past and a proper number now. Whatever it is, the Department made [fol. 6983] no attempt to show whether the present number of banks is too great or too small or what tests should be applied in determining that question.

Again referring to the 1960 report of the F.D.I.C. to the Congress it is stated as a conclusion, based on that agency's study, that a reduction in the number of banks does not necessarily mean a reduction in competition. That is D-48.

The only Philadelphia banking witness whom the Department of Justice called, Mr. Sinkiewicz, testified that the reduction in the number of banks in Philadelphia over the last 15 years has been accompanied by an increase in banking competition.

[fol. 6984] Now, the Department is greatly concerned about the small or medium-sized borrower. I get it that the thrust of this suit is powered by this assumed solicitude for the small or medium-sized borrower, and as I have said, there would be, after the merger, 41 banks in the four counties and 116 in the ten counties. Every one of these banks, with the exception of two, have lending limits over $10,000. One of them has a $9,000 limit and another has a $5,000 limit.

Now, to graphically demonstrate this point that I am about to make here, we have combined Exhibits D-16 and D-17, which are respectively the figures with reference to the borrowers from the Philadelphia bank and from the Girard Trust, broken down by amount of loans, amount in dollars of loans, and Exhibit D-57, which shows the number

of commercial banks after the merger able to accomodate customers,

(Document handed to the Court.)

I don't know exactly what a small or a medium-sized borrower is, but let us talk about the borrowers of less than $50,000. You will notice from the percentage figures there that the borrowers less than $50,000 from Philadelphia National and Girard Trust combined represented 99 per cent in number of the borrowers from those two banks.

Now, after this merger, 99 per cent of the borrowers of [fol. 6985] these two banks will have 35 banks in Philadelphia to which they can go for similar loans, and if they choose to go into the ten-county area, they have 90 banks to which they can go.

How can Mr. Reycraft expect to get us excited about the fact that if the third bank, as he says, in size, Girard, goes out, the awful effect that will have on this situation? Here are 99 per cent of the borrowers from the Philadelphia and Girard combined. They don't care whether they go to the third bank in size or the 35th bank in size. They can still get accommodated, and they will have 35 alternative choices to go to after this merger in the four-county area, which Mr. Reycraft insists on limiting us to. To go outside, 90 alternative choices.

We all know as a practical matter that no customer would go to all of these banks, but a potential borrower—and the testimony is replete with this on both sides—a potential borrower need only to go to two or three banks to test the bankability of his loan. In view of the wide geographical distribution of the banking offices in Philadelphia, it is clear that any of these borrowers will have an adequate choice of alternative banks. Any borrower in South Philadelphia or Northeast Philadelphia or in any of the suburbs——

[fol. 6886] The Court: Hasn't it been blandly assumed throughout this case that a bank owes a duty to the public to make a loan regardless of anything? It almost has been. I have been just wondering when somebody is going to bring up the idea that a credit rating means something in making a loan.

Mr. Littleton: I think Mr. Price will get into that, but, of course, credit rating has a great deal to do with it. Again

I say that I think that a great deal of the thrust here is small business, and as you know, the small business administration and small business loans really are for the arranging of loan for people who can't get accommodation because they can't get credit rating, because there is never a good small business loan that wouldn't be snapped up right away by many, many banks or any banks that have the opportunity to grant it.

Now, for larger loans the number of commercial banks in the area decreases, as Your Honor will see from this combined exhibit, but even for loans up to $500,000 there are ten banks in the four counties and sixteen banks in the ten counties; and for loans of $500,000, as well as for many loans under that amount, banks from all over the United States compete actively in Philadelphia. There is plenty of testimony in the record about i

[fol. 6987] The Department of Justice also contends that the anti competitive effects of the merger are shown by the fact that the merged bank would have 65 of the 284 bank officers in the four-county area. Again the only witness produced by them who is familiar with the local branch banking situation, Dr. Keith, testified that the branch operations of Philadelphia National and Girard—and I am quoting his words—"Do not overlap significantly," so that the merger will have no significant effect on branch office competition.

The related argument of the Department that after the merger a would-be borrower who is unsuccessful at one of these 65 branches would be out of luck just doesn't stand analysis, because despite the number of branches of the merged bank, the alternative choices of a would-be borrower can have been reduced by no more than one, and in areas where there is presently no competition between branches of the two banks—and that is what pertains mostly—alternative choices have not been reduced at all.

The Department does not contend that the merged bank would have any power to control interest rates or exclude competitors or adopt other restrictive devices. It just couldn't contend that.

The Court: Who doesn't contend that?

[fol. 6988] Mr. Littleton: The Government doesn't.

The Court: It does. We had a professor here——

Mr. Littleton: I didn't hear it this morning, sir.

Professor Goodman?

The Court: One of them had some theory. I don't know where he got it.

Mr. Littleton: But I haven't heard it urged by the Government here this morning.

The Court: No.

Mr. Littleton: And I don't think they could contend it, since all of the real evidence is to the contrary, and since there are an adequate number of alternative choices in the four-county area and a greater number in the Delaware Valley. It is impossible to see that the merger presents even the possibility of a restraint of trade, let alone that certainty which is required by the Sherman Act.

Again I think I should refer to the reply brief, because they have something to say about that on page 17, the bottom of page 17. They say, in referring to our brief:

> "They"—meaning the banks—"also assert that there is no evidence that the merged bank would have any power to control interest rates or exclude competitors or adopt other restrictive devices which are the customary evils of monopoly. [fol. 6989] This assertion in conjunction with the parallel assertion that there is an adequate number of alternative choices of commercial banks leads the defendants to conclude that it is impossible to see that the merger presents even the possibility of a restraint of trade, let alone the certainty that is required by the Sherman Act."

Now, this is the important thing they go on with.

> "In applying Section 1 of the Sherman Act the Supreme Court has found an unreasonable restraint of trade even though there was no showing that the restraint made it possible for defendants to fix prices or exclude competitors."

But they don't tell you in the brief, if Your Honor pleases, that those two cases, International Salt and Northern Pacific, were both tie-in cases, both per se violations.

They go on and quote a lower court case from the Eastern District of Michigan.

> "As was said in United States vs. Besser Manufacturing Company"—giving the citation—"we do not

concede that the Sherman Antitrust Act anticipates that no deterring steps can be taken until a 100 per cent [fol. 6990] monopoly has become a fait accompli. It is not essential that its result should be complete monopoly; it is sufficient if it really tends to that end, and to deprive the public of the benefits which flow from free competition."

Again I have to complain that they haven't given Your Honor the whole story, because the preceding paragraph to that sentence I have just read you finds that the defendant had the power to control prices.

Let me read it to you, sir, if you please:

"When two closely related corporations have 65 per cent of the dollar value of any industry and the balance is divided between over 50 other manufacturers with the nearest competitor having less than 8 per cent of the whole, we believe that such a combination has to all intents and purposes a monopoly within the meaning of the law. Add to this the fact that it's the big automatics that are important, not the hand tampers or the semi-automatics, and we find the position of Besser-Stearns in the industry is overwhelming. It has the power in its field to control the prices—meeting the test of the rule laid down in American Tobacco Company," and so on.

[fol. 6991] "The popular meaning of monopoly at the present day seems to be the sole power (or a power largely in excess of that possessed by others) of dealing in some particular commodity or at some particular market or place, or of carrying on some particular business."

I say that these cases in the reply brief don't weaken our contention in the least.

The Department hasn't attempted to measure the precise effects of the proposed merger on any of the alleged product lines referred to in its brief, the other nine that I read to you a few moments ago. The only one they have dealt with is commercial banking, a broad line of commercial banking, but so far as the record shows, the merger will have no effect on any of them adverse to competition.

Now, we have dealt with these in great detail, even though the Department has not done so in their brief, we have dealt with these in great detail in our brief, and unless Your Honor instructs me to do it, I will not burden you or bore you with going into it, except to say that the effective alternatives in every industry, both among commercial banks and other types of financial institutions, are so overwhelming in number and kind that there would seem to be [fol. 6992] no reason for me to dilate on them here.

The Court: Wasn't the main thrust of Mr. Reycraft's argument this morning the tendency toward monopoly, the substantial reduction in competition and the trend toward monopoly? Didn't you understand that to be the thrust?

Mr. Littleton: I understood that to be his thrust, yes, sir, and I think it is mostly directed to the demand deposits.

The Court: What guideposts have been given by Congress in hearings that you can point out to me? Are there any in the hearings on this Bank Merger Act? I have read this three times and I can't find any.

Mr. Littleton: You find a great many statements one way and then you find a couple that seem to cut it down.

The Court: Including a lot by those who appeared here for the Government.

Can you delineate any standards? Maybe Mr. Reycraft can when he comes back.

Mr. Littleton: I think Mr. Price is going to talk about the Congressional Record and the discussion in Congress and attempt to show you what guideposts we think there may be.

The Court: Incidentally, this (indicating) is by courtesy of the Federal Reserve Board of the Third District.

[fol. 6993] Mr. Littleton: May I discuss for a few moments, if Your Honor please, demand deposits, because in banking practice demand deposits are classified as those of individuals, partnerships, and corporations, which Mr. Reycraft denominated as IPC—that is the way the call report refers to them—foreign banks and domestic banks, United States Government, and states and political subdivisions.

Now, the nature of competition differs in these categories, and the markets vary whether you view it from the location

of the customers or from the customers' alternative choices. It is the same problem. For instance, the market for foreign bank deposits is clearly international, and for deposits of correspondent banks it is national or perhaps regional, and for those of the state and its political subdivisions, it is statewide; and for those three types of deposits commercial banks compete with the United States Government obligations, commercial paper, bankers acceptances, and they even compete for correspondent bank balances with the Federal Reserve banks themselves.

The demand deposits of individuals, except for the very largest, are generally local, but even in this category such depositors are not restricted in their choice to the four-county area. I refer to my Yardley-Trenton example.

In the case of small and medium-sized deposits of part-[fol. 6994] nerships and corporations, the same is true, but large deposits, large business deposits, are definitely in the national market. As a matter of fact, 64 per cent of the total demand deposits of partnerships and corporations held by these two banks are owed to customers which are located outside the four-county area, or if they are located within, they have choices, because of their size, outside the Delaware Valley.

The Department has compared the defendant's demand deposits only with those of other banks with headquarters in the four-county area. They keep restricting themselves to that, and I say that this is completely meaningless as a measure of competitive power, since there is no disclosure of the total amount of such business done by such banks outside the four-county area or of the amount of business done inside the four-county area by banks outside the area. Without that I think their figures are meaningless; but, in any event, the fact that a bank has a substantial proportion of demand deposits in a given area is no indication of monopoly or of restraint of trade.

I think it is one of the most important parts of our presentation that size, measured in terms of total resources, is not a determinative nor even a significant factor so far as banking competition is concerned. It does not carry the [fol. 6995] same implication of dominance that it does in other industries, whether they are regulated industries or whether they are not.

Just consider, if Your Honor please, two manufacturing corporations each of which controls 30 per cent of a significant market. You put these two together, and what you have done is to amalgamate a mass of productive assets—plants, tools, raw materials, inventory—so that the owners of this new combined enterprise have control of 60 per cent of the productive capacity used in this market. This may well be a dominant concentration of assets. I don't say that it will be, but it may well be.

But now consider two banks in the same situation. The dollar amount of their combined resources may far exceed that of the two manufacturing companies, but the shareholders of the resulting institution don't own a mass of capital assets. They own liabilities, because the resources of a bank are offset by capital funds and by deposits, which are liabilities.

As I have said earlier, deposits are the life-blood of the bank, and, on the average, the capital deposit ratio is 1 to 10, so that when you put together two large banks, the effect in terms of concentrating capital funds is to amalgamate 10 per cent of the two. The balance consists of liabili-[fol. 6996] ties repayable, in the main, on demand. Depositors can pull them out at any time, and according to the testimony which Your Honor has heard in this case, they frequently do. Some decide, when there is a merger, to withdraw their accounts and take them to a smaller bank. Others who had accounts in both banks decide to move part of their combined account to a third bank.

Again the bank doesn't own its deposits; it owes them. It is dependent on the good will and on the service it renders to keep them. So long as depositors have an adequate choice of other banks to go to, the combined bank will remain big only if it provides service and retains its good will. So the amount of the bank's demand deposits is merely a measure of past success and is no forecast of future growth. The record is replete with evidence that small banks are relatively much more successful in acquiring new deposits than are large banks; but, in any event, there is no evidence whatsoever in this case that the merged bank will be able to restrain trade with respect to demand deposits of any category in the four county or any other area, and

I think it was the demand deposits on which Mr. Reycraft was emphasizing his argument.

Now, affirmatively, if Your Honor please, we contend that this proposed merger will benefit the Philadelphia [fol. 6997] area and will strengthen bank competition nationally. We all know that commercial banking is essentially a service business and as such it has to keep in step with changes in population patterns and in the banking needs of the community.

Your Honor knows, and I think Mr. Reycraft knows now, since he has been in Philadelphia so much, that the Philadelphia banking community has adjusted to changing population patterns and to the needs of the individual citizens. I thought for a while in this case we were almost trying a branch bank case, and I don't want to get led down that lane, because we are not, but simply to comment on the vast change that has taken place in the Philadelphia and the Delaware Valley area in the last 10 or 15 years, the movement of people, the movement of industry, the increase of industry in what have been suburban and what have been rural areas. I think it was the Mayor who said, "All you have to do is go up in a helicopter and look down and you see that the whole Delaware Valley is just one big industrial and business complex."

The Court: I have seen a forecast that within the next 20 years from Maine to Virginia will be one solid business complex too.

Mr. Littleton: Yes, sir.

This great change in the outlying areas, of course, affects the customers and the business of the bank. They have to [fol. 6998] follow their customers and they have to go where business bids them go. Banks don't establish branches for the idea of having branches if there is no business there. They go where business goes. They go to follow their customers. It is not a desire just for bigness, as Mr. Reycraft suggested this morning, not a desire just to increase in size, but it is a response to customer and public and business needs. I don't say it is all pro bono publico. You want to go where you get the business. Where customers go, we have to move with them.

The Court: It isn't altruistic.

Mr. Littleton: No, it isn't altruistic, certainly not, but

we want to go where our customers go, and we want to go where new businesses are going. This is what explains the merger movement, not some invidious desire to just grow big or to say to New York, "We are as big as you are," and to Boston, "We are as big as you are. We have got just as big a bank." It is not that, and as one writer has said, it is not any pressure from inside the banks that is pushing them out. Rather it is the suction from outside, from customers and businesses that go outside and establish themselves.

Now, that is the branch banking, the cross county merging, if you please, that is taking place, and on which the [fol. 6999] Department of Justice looks with, I think, apprehension; but it is just the Philadelphia banking community adjusting to the changing population patterns and to the needs of business and the citizens.

Now, the number of banking offices in the four counties which the Department selects has increased from 178 to 283 in the last 13 years, in this effort to adjust to the changing population and business pattern, and virtually all banks in the Philadelphia area now provide every kind of service—special checking accounts for small depositors, a full line of banking services—but banks in the Philadelphia area have not kept pace with the ever increasing credit requirements of large industrial and commercial enterprises in the Delaware Valley, or I would rather state it this way, if Your Honor pleases: The growth and the rate of growth of the general economy in the Delaware Valley has gradually outstripped the growth and the rate of growth of the banks.

Our Exhibit D-25, which Your Honor may remember, graphically demonstrated this. It showed the growth of business. Then there are other measurements of our present inadequacies in banking in Philadelphia. Our exhibits show that Philadelphia ranks fourth or fifth when the twelve largest metropolitan areas in the United States are ranked [fol. 7000] on the various measures of economic activity. Yet Philadelphia ranks ninth on the basis of the size of its leading bank; and I am sorry to say that bank is neither the Philadelphia National nor the Girard Trust Company. The largest bank in Philadelphia ranks 20th in the United States. The First Pennsylvania Company ranks 20th in the United

States and is smaller than one or more banks in San Francisco, in Pittsburgh, in Boston, in Detroit, in Cleveland, and in Dallas, every one of which has a smaller population than Philadelphia.

As a matter of fact, when this merger has been consummated, the merged bank, as Your Honor knows——

The Court: Hadn't you better put it, "if consummated"?

Mr. Littleton: I am speaking very hopefully, sir. If, as and when this merger has been consummated, the merged bank will still be smaller than the Mellon out in Pittsburgh and only about the same size as the First National of Boston, the First Boston.

Now, what is the consequence? Well, the consequence, if Philadelphia does not have a bank large enough to meet the normal needs of the large business enterprises of today, a great deal of our bank business is shifted to New York, and no amount of protestation from Mr. Reycraft as to [fol. 7001] what wasn't shown can deny that.

The Court: Well, it could have been shown.

Mr. Littleton: It could have been shown, certainly.

The Court: And it wasn't.

Mr. Littleton: And it was shown in general by the testimony of men like McGinley and Carter and those people—not only to New York, but to other cities which have larger banks than Philadelphia.

Banking business is solicited actively in Philadelphia by all of the large banks throughout the United States, and particularly by the New York City banks, which, according to Mr. Carter, if you remember, according to what a New York banker said to him, they consider Philadelphia their happy hunting grounds.

Now, the purpose of this merger is to stop this trend and if possible to reverse it. The Department does not seem to think that that is a laudable purpose, or at least they comment in their reply brief on page 14 at the bottom:

> "The evidence showed, and defendants do not contend otherwise, that of the six banking factors enumerated in the Bank Merger Act the only one which tends to support their position that this merger would [fol. 7002] be beneficial is the convenience and needs of the community to be served."

[fol. 7003] Now I think this is a totally unjustified inference. The Comptroller says he considered all six banking factors, as well as the possibility of restraint or the tendency to create a monopoly; and what the Department of Justice is here saying is that we must, in this case, prove as to every one of these factors enumerated in the Banking Act of 1960 that this merger is right and that if we don't prove every one of them then this merger must be wrong. Congress never said that and I refuse to concede that that is our burden.

They go on and say so far as increasing deposits is concerned, the evidence shows that the growth of deposits in Philadelphia is unrelated to the lending activities of Philadelphia banks. I say again that is totally unjustified, because one possible reason for the slower growth of the Philadelphia National and the Girard is the loss of larger customers or the inability to obtain potential customers due to the inadequacy of their lending capacity.

A little further along on the same page they say,

> "Similarly, defendants do not point to any business which might consider locating in the Philadelphia area because of this merger. In fact, Mr. Brown appeared to concede on the stand that the merged bank would not be able to encourage businessmen to establish [fol. 7004] plants in the area because of its increased lending limit. This is evidence which defendants have failed to account for in maintaining their position that the merger is indispensable to the satisfactory progress of the Philadelphia area."

Well, I can certainly remember Mr. Graves on the stand, and he testified that banking was one of the factors which persuaded a large aluminum company not to locate here. That is just one comment I would care to make on it.

Now, if Your Honor please, if this merger is permitted, I will put it that way, the new bank will not only have a lending limit and resources more comparable to the banking needs of Philadelphia, but it will also have sufficient resources to enable it to create special departments for types of loans and industry groups, it will enable it to increase its services to correspondent banks, to establish departments to develop new services, and to develop the

uses of electronic equipment. The increased total resources of the merged bank will enable it to develop more fully its foreign services through increased investment in Philadelphia National Bank's international investment corporation.

Let me say right there that this is all in furtherance of [fol. 7005] the public good and the public purpose; if the expression of Congress in the legislation which it has enacted is supposed to be the public will speaking (and I think it is) because these laws have only in recent years been passed by Congress, which shows that it is the policy of the United States Government to have domestic banks like the Philadelphia National Bank get into this international investment corporation thing; and this merger will permit us to do that kind of thing. We have the corporation formed, but we are too small to do anything real with it at the present time.

The formation of an international banking corporation, the use of full-time representatives abroad, and the opening of foreign branches—all of this in turn, because nothing succeeds like success, will enable the merged bank to attract large customers in the national market who require these specialized services.

Now to answer and to anticipate what Mr. Reycraft will say, Your Honor will remember that witness after witness stated that this would not adversely affect existing relationships between these large customers and other Philadelphia banks; that this would create new customers.

The public would benefit from the additional large customers which the merged bank would secure.

Your Honor will remember that an analysis we had of [fol. 7006] the accounts of the largest customers of each bank, and it showed over the year 1960 that those customers on the average maintained deposits which exceeded their loans by a very substantial margin. In the case of Philadelphia National average deposits were twice as large as average loans; and in the case of Girard average deposits were more than one and one half times the amount of the average loan.

This is the type of customer that the banks seek to acquire and hold by this merger and the excess of deposits over loans thereby produced, Professor Smith and his formula to the contrary notwithstanding (and I am not

going to get into that) will constitute additional credit available in Philadelphia to all sizes of business borrowers and so will be of help and interest to the small and medium-sized borrower about whom the Department of Justice presumes to be so concerned.

Now the Department not only implied, they explicitly stated this morning that other methods than merger might be used to establish a lending limit of the size commensurate with the needs of the Delaware Valley community. Well, a bank in Philadelphia, if Your Honor please, of the size of the proposed merged one cannot possibly be achieved by the sale of additional stock or by retained earnings within any reasonable period of time. It is not [fol. 7007] only additional capital (I don't have to argue this to Your Honor, I know you know it). That isn't the thing that is necessary. What is necessary are additional deposits. We have plenty of capital. As a matter of fact, both of these banks have more capital than the average. They don't need more capital, but additional capital must be supported by deposits which, in turn, will produce earnings. Otherwise, there would be an unwarranted diminution of earnings per share to the detriment of the presently existing shareholders; and I say to you it would take years to build up sufficient deposits for Philadelphia National to support $70 million of additional capital, which is the amount necessary to increase the lending limit from $8 million to $15 million.

Now Mr. Reycraft this morning (it is not in the record but I have no objection to that) mentioned in passing what our friends, The First Pennsylvania Company, are preparing to do and I have seen it too in the press. I don't think it would be proper for me to comment on that here except to say that it is not all to be by the sale of stock—part of it is to be by transfer from undivided profits into capital.

I think I can say that they haven't sold the stock yet, and perhaps they will; but they are going to have to get a lot of deposits to support that.

Now I don't want to go outside the record, but our [fol. 7008] friend, Mr. MacLaren, the vice president and comptroller of the Philadelphia National Bank, has furnished me with a complete memorandum of what we would

have to do, and if Your Honor cares to have me go into that to show what the effect of it would be——

The Court: I think it has been gone into. I think Mr. Brown testified in that regard, that all that you would do if you put in more capital was dilute the stockholders. He said the same thing, you had to have deposits to support earnings.

I think that is completely in evidence here.

Mr. Littleton: Sure, so I will just——

The Court: I believe he testified. If it wasn't he, it was someone else.

Mr. Littleton: Let me say then——

The Court: There is testimony in this record to that effect.

Mr. Littleton: The Philadelphia Bank could raise its lending limit to $10 million by offering shareholders the right to subscribe to one new share for every ten shares held and by transferring approximately $6,800,000 from undivided profits to surplus; but the $10 million lending limit is not enough competitively for a bank such as the Philadelphia Bank, with its relatively large number of [fol. 7009] national accounts.

Beyond that, Philadelphia National Bank doesn't need additional capital. It is already stronger than the average, capitalwise. The earnings, if it did this, would be diluted by about 8 per cent and a fair estimate, a conservative estimate, is that it would take from $45 million to $65 million in new deposits to restore earnings to their 1960 rate; and on the basis of past deposit growth it would take seven to ten years to accomplish this.

Now to reach a $15 million lending limit, which is what we will get through this merger, through the sale of additional shares would be simply impossible at Philadelphia National Bank. Let me tell you why.

First, shareholders would have to be given the right to subscribe for one new share for each two shares held and, as Your Honor well knows, there would be many, many shareholders (small shareholders) who couldn't afford to exercise the right.

The earnings would be so diluted that no careful investor would be interested in the deal and the management couldn't even recommend it to the board; and knowing

the board I would say that even if the management should be so foolish to recommend it, the board, I don't think, would approve.

[fol. 7010] Now if the stock could be sold at 45, to give some theoretical value, the proceeds would be $59,600,000 and then you would have to transfer $10,400,000 from undivided. That would leave the bank in pretty thin condition, with only $7,200,000 of undivided remaining.

If, instead of selling at 45, we sold it at 50, only $3,800,000 of undivided would have to be transferred and an adequate $13,800,000 of undivided profits would remain.

But—and here is the big "but"—the future earnings wouldn't support either price. Assuming for the purposes of argument (and it is a pretty violent assumption) that the new funds would earn 5 per cent (I would say that would be at least 2 per cent high because, of course, the loan and investment cost would increase substantially) earnings per share would decline 25 per cent and it would take $275 million to $350 million of new deposits to restore earnings per share to the 1960 level. Just impossible; just incomprehensible to talk about.

Assume the funds earned 3 per cent, which is more realistic; then it would be even worse.

Now the other great point that has been made constantly, and I think Your Honor must have gotten sickened to death with it because we all talked about it so much, is this question of participation. Over line participations in [fol. 7011] the true sense are used almost exclusively by small country banks which maintain balances with city correspondents like the Philadelphia National or the Girard sufficient to justify the participation in the over line loan by the large city bank, where they let their correspondents in on it.

The Court: I have come to the conclusion that that was a suggestion of non-bankers to bankers how to run their business, so don't go into it.

Mr. Littleton: All right. I won't go into it at all.

Now a further benefit to the Philadelphia area lies in the possibility that a bank in Philadelphia which is large enough to compete effectively on the national and international markets will serve as an inducement to the location the new business and industries in Philadelphia and that,

Mr. Graves of the P.I.D.C. and the Chamber of Commerce and the Mayor were very, very definite about.

The Department argues that the need for the merger and the benefits which will result from the merger are not relevant to the issues in this case but, if Your Honor please, these factors at the very least show that the proposed merger is motivated by proper business reasons and not by any intent or purpose to restrain trade or achieve a monopoly.

In addition, these facts establish that it would be a [fol. 7012] reasonable merger in view of the public interest to be served. I quote the Appalachian Coal case:

> "In applying this test a close and objective scrutiny of the particular conditions and purposes is necessary in each case. Realities must dominate the judgment. The mere fact that the parties to an agreement eliminate competition between themselves is not enough to condemn it. The question of the application of the statute is one of intent and effect and is not to be determined by arbitrary assumptions."

Now since the Department of Justice has failed to show any restraints, the merger here in my opinion is even more clearly not subject to attack under Section 1. Think of it, Your Honor, in this case the Government has not shown that this merger will hurt other banks, they have not shown that it will hurt any customers, they have not shown that it would create a monopoly.

What is left to them? They must be arguing that this a per se violation of Section 1; and how in Heaven's name can they argue that it is a per se violation of Section 1 when Congress passed the Bank Merger Act of 1960? I ask you that.

Now my presentation has been to attempt to demonstrate that while we don't believe that the Sherman Act is appli- [fol. 7013] cable, nevertheless, if it is, this merger does not offend or fly in the face of the Sherman Act prohibition. I will go further. Even if the antitrust statutes are applicable, the public interest requires that this merger be approved.

After all, the antitrust statutes, like all laws enacted by Congress, are presumably the expression of the public

will. In the administration of them they should not be interpreted in a particular case such as this bank merger by a careless analogy to industries which are not comparable, nor by an easy application of rigid and universal formulae.

The Sherman Act was not enacted to provide a doctrinaire exercise for the Department of Justice and the Antitrust Division. The antitrust statutes were enacted in the interest of the public which has to live by them and I urge Your Honor in the public interest to so interpret them as to approve this merger, which is a merger desired by customers of the banks, by the other banks in the Philadelphia area, by the representatives of business and industry, by the officials of the City; in short, by the entire public with the glaring exception of the Attorney General of the United States.

Thank you, Your Honor.

[fol. 7014] The Court: We have had an hour and five minutes. Suppose we take a short recess.

(A recess was had.)

The Court: Mr. Price.

ARGUMENT BY MR. PRICE

Mr. Price: With Your Honor's permission, I should like to consider three aspects of this case:

No. 1 the Clayton Act.

No. 2 the 1960 Amendment to the Banking Act and the extent of the authority to act of the Comptroller.

Then, finally, a brief review of the type of evidence that was offered by the Government in this case to establish what is contended to be a violation of both the Sherman Act and the Clayton Act.

First, it is our position that the Clayton Act has no significance in this case and that in no circumstances can a violation of it occur by virtue of the merger which has been proposed.

But I should first refer to the Firstamerica case which was adverted to previously this morning, and the reason why that is of no significance here is twofold—(1) that suit arose under the Bank Merger Act, which contains an

express saving clause, saving the operation of the antitrust laws even though——

The Court: Wasn't that under the Holding Company Act? [fol. 7015] Mr. Price: Yes, sir, under the Holding Company Act, and the Holding Company Act contains a saving clause in favor of the antitrust laws; and (2), of course, it was a stock acquisition because it was a holding company operation rather than a merger such as this.

Now we have in this case, of course, a precise and direct interpretation of the language of the Clayton Act which, if this were not a bank, would be applicable; and that was in the Arrow-Hart case which has been referred to, where the Supreme Court of the United States construed the language of Section 7 of the Clayton Act as originally enacted in 1914. That was that no corporation engaged in commerce should acquire the stock or other share capital of another corporation and so on.

That was expressly held in the Arrow-Hart case not to apply to a merger. The Court said the statute does not forbid the acquirement of property or the merger of corporations; so that the Supreme Court there declared that that language, as it then existed, did not apply to a merger.

So far as the du Pont case, which was referred to also this morning, is concerned, that was the first case in which the Supreme Court of the United States held that a vertical merger came within the scope of the Clayton Act. All the [fol. 7016] opinions that had been rendered before by the F.T.C. and others were that that did not apply to a vertical merger, and that is the only significant point in that decision so far as this case is concerned; but this is not a vertical merger. This is not the creation of a subsidiary as it might have been under the Holding Company Act. This is a merger and that has been declared to be an asset acquisition as distinguished from a stock acquisition.

Of course, the reason why the Government would like to make the Clayton Act applicable is because the Department of Justice considers it doesn't have to prove so much under the Clayton Act, and they tried to get the Clayton Act construed in such a way as to extend to this type of operation in the Celanese case; but there the Court said Section 7 was not intended to apply to the acquisition by one corporation of the assets of another, or the open unit-

ing of the business of two or more corporations by legitimate reorganizations, consolidations, or merger. That case was decided in 1950, so that the Department of Justice tried then to get the Court to accept its interpretation of the Clayton Act as being applicable to the acquisition of assets in a merger.

Between the time of the Arrow-Hart decision in 1934 and 1950, when the Clayton Act was amended by the Celler-[fol. 7017] Kefauver Act, there were a number of efforts made to get Congress to change the language of the Clayton Act, of Section 7, and during the period between 1921 and 1949 there were 21 separate bills offered to accomplish that result. They were always rejected by Congress, so that until 1950 Congress had consistently refused to accept this notion that stock acquisitions, that asset acquisitions, should be subject to the Clayton Act.

[fol. 7018] Now, in 1950 the amendment that was then adopted provided that the asset acquisitions should be subject to the Clayton Act, except that it would apply only to corporations that were subject to the jurisdiction of the Federal Trade Commission, and under the Federal Trade Commission Act banks are expressly exempted from that provision of the statute, and therefore the effect of the 1950 amendment was to exclude banks from the new provision which made asset acquisitions subject to the provisions of the statute and left them in precisely the same position as they had been before.

The Court: Just a moment. Doesn't that say that:

> "No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital, where, in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition or tend to create a monopoly," without reference to the Federal Trade Commission?

Mr. Price: No, sir, you are reading now the original form of the Clayton Act, Section 7, as adopted in 1914.

[fol. 7019] The Court: All right.

Mr. Price: Now, in 1950 the amendment added words which the Department of Justice has not seen fit to print in its brief. They have been omitted, but they are, ". . . and

no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire . . ."

The Court: This is the 1950 amendment that I am now reading.

Mr. Price: ". . . stock or other share capital, and no corporation subject to the jurisdiction of the Federal Trade Commission . . ."

The Court: It says that too, but doesn't it also include corporations engaged in any line of commerce?

Mr. Price: Oh, yes.

The Court: Well, if this is engaging in a line of commerce without reference to the Federal Trade Commission, isn't that subject to the provisions of the Act?

Mr. Price: It would be if it were a stock acquisition.

The Court: That is just the point that they are arguing in this case, that it is.

Mr. Price: Yes, sir, and I am going to come to that in a moment as a question of what the facts are, but I think that should be clear before I get to the distinguishing facts, [fol. 7020] what the Act itself provides, because the Government has left out of its quotation, in the early part of its brief, the section, the statute, the significant words that no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets.

That is the assets clause which was added for the first time in 1950. Between 1914 and 1950 it applied only to stock acquisitions, so that the only change that took place pertinent to this controversy in 1950 was the inclusion for the first time of an asset acquisition, but——

The Court: I don't understand that the Government is arguing that in this case, the asset acquisition. Maybe I am wrong. They are talking under the Clayton Act of stock acquisitions.

Mr. Price: That is right. They are claiming that this is a stock acquisition.

The Court: They say, and I think they expressly disaffirmed this morning, if this were an asset purchase as they view it, they wouldn't be here.

Mr. Price: Well, that is the position they take now, but the fact that this change took place in 1950 I think has this significance, because Your Honor asked this morning why

the Department of Justice had not brought suit before this.

[fol. 7021] The Court: That is right.

Mr. Price: In similar circumstances. Now, the reason why they didn't bring suit before this in similar circumstances is that they consistently and frequently announced that they had no authority to bring such suits under the Clayton Act, and that has been the position of the Department of Justice for a great many years.

The Court: They said the same thing in 1917 about the acquisition of General Motors stock—do you remember—by duPont. Since then they changed their minds.

Mr. Price: They did, but as far as the Department of Justice is concerned, they have been appealing to Congress for a number of years to make the change in Section 7 of the Clayton Act which would enable them to bring suit, for the purpose of being able to advance a philosophical doctrine or an economic doctrine which has not yet found acceptance in Congress.

Attorney General Brownell in 1957, for example, said:

> "On the basis of these provisions the Department of Justice has concluded, and all apparently agree, that asset acquisitions by banks are not covered by Section 7 as amended in 1950."

[fol. 7022] Now, asset acquisitions were what the Supreme Court in the Arrow-Hart case called what happened when you had a merger. The merger consisted in an asset acquisition as distinguished from a stock acquisition, so that accepting that, the Justice Department has consistently for five or six years taken that position and they have appealed constantly to Congress to amend Section 7 in order to make it possible to bring the kind of suit which they now for the first time claim they can bring anyhow.

In 1955 Attorney General Barnes took the same position. In 1956 he appealed again to Congress to amend the law. In 1958 Assistant Attorney General Bicks appealed to Congress, in the consideration of this Bank Merger Act—

The Court: The same expert in this case?

Mr. Price: Bicks?

The Court: Yes.

Mr. Price: Bicks was the one who expressed an opinion in this case which the Attorney General now relies upon

as an expert, but he was at that time a partisan asking Congress to accept an economic theory which nobody had been willing to accept and hasn't yet for that matter, but in 1959 Deputy Attorney General Walsh made the same appeal, and Attorney General Rogers in 1959, in a telegram to Senator Robertson, when they were considering the present Bank Merger Act, made the same appeal and said [fol. 7023] that they desired Section 7 to apply to mergers so that they could follow the course which they now profess to be able to pursue, but Congress uniformly rejected that appeal, and on pages 8131 (volume 105) and 12927 (volume 107, daily edition) of the Congressional Record Senator Robertson reiterated the position of Congress that Section 7 of the Clayton Act does not apply to the acquisition of bank assets which, under the Arrow-Hart case, is a merger.

Now, in order, therefore, to justify the argument which the Government through the Attorney General is presently making, they have to pretend in some fashion that this particular merger is different from every other merger that has ever taken place and that it is a stock acquisition as distinguished from an asset acquisition. That is a little like trying to determine whether it is Monday or Thursday by a process of pure reasoning. The only way you can determine that kind of question is to look at the calendar, and here that means looking at the agreement. The agreement is not a stock acquisition; and to use the illustration that Your Honor offered this morning of the stockholders of Girard coming into the bank building and offering their shares of stock, if they merely offered them and a clerk on the other side of the table stamped with a rubber stamp the name of the new company and the proportion of shares that each one of those certificates represented, precisely [fol. 7024] the same result would have been accomplished as has been provided for under the terms of this agreement. All that the agreement says is that the stockholders may exchange their certificates by giving them to a clerk in the new bank, who will give them another piece of paper with their name and address typed on it, and I suggest here that even looking at the contract even carelessly, no one could reasonably come to the conclusion that this is anything other than an asset acquisition.

The stockholders of the Girard have not been required by this agreement to do anything except have an exchange of the shares represented by their present ownership for the shares with the new name on them, but they correspond with the proportional share of the assets of the company which had been transferred by operation of law under the Banking Act. The Banking Act itself says in so many words that this shall constitute automatically a transfer of assets.

The Court: Well, actually, anyone that doesn't want to go along can make some money by dissenting and asking the Comptroller to fix the value of the shares, can't he?

Mr. Price: That is right; that is right. So it is quite different from a stock acquisition which the Attorney General is now trying to pretend that this transaction is, and the only way that he could get in under the Clayton Act is to have somebody say this is a stock acquisition.

[fol. 7025] The Court: He says it.

Mr. Price: He says it.

The Court: Yes.

Mr. Price: The contract doesn't. The Supreme Court has said that this kind of transaction isn't a stock acquisition.

The Court: He said your contract as drawn makes it.

Mr. Price: All I can say is look at the contract, and I suggest that the contract doesn't say any such thing, and therefore Section 7 of the Clayton Act does not apply, because it applies only in the event of asset acquisitions which are made by companies that are subject to the Federal Trade Commission.

The Court: Well, he admits that you are not subject to that.

Mr. Price: That is right, and having admitted that, that takes us out from under the provisions of the Clayton Act.

The Court: He doesn't agree with you.

Mr. Price: I know.

The Court: But you say that it does?

Mr. Price: I say that it does, and I refer Your Honor, [fol. 7026] not to the Department of Justice's statement as authority, but to the contract itself.

Of course, if the Clayton Act did apply to this kind of situation, a bank acquiring assets in this manner, it would create the rather startling if not absurd situation of requiring the Federal Reserve Board to adopt one test for the

purpose of approving a merger where the resulting bank was a state bank, as distinguished from a national bank, and yet that same Federal Reserve Board is required under the terms of the Act to enforce the provisions of it, and if, therefore, the test of enforcement is the Sherman Act or the Clayton Act or some antitrust act, the Federal Reserve Board would be in the position of bringing an action, as it did in the Transamerica case, bringing an action to enforce what it considered to be the provisions of the antitrust laws, which applied to the transaction, in contradistinction to its own action approving a merger under the tests that are applied in the 1960 amendment to the Banking Act.

That comes about only because the Federal Reserve Board is charged with the duty of enforcing the provisions of the statute, along with the Attorney General, but they can do it independently of the Attorney General and don't have to rely on either the Attorney General's assistance or advice, but can do it on their own entirely, so they would be required to apply two different tests to the same trans- [fol. 7027] action if the Clayton Act should apply; and that brings me to the question of whether or not the amendment of the Banking Code in 1960 indicates that Congress had a different point of view toward this entire problem, and I pass over the question of whether or not the Clayton Act would apply, whether the Clayton Act has been violated, even if it would apply, because Mr. Littleton has covered fully the factual aspects of the case, but in doing so I will refer only to the two decisions which indicate that the Government, in prosecuting their case under the Clayton Act, has to prove a great deal more than they have proven here.

The reference in the U. S. versus duPont Company in 1957—that was the General Motors case—was that under Section 7 the Government must prove the likelihood that competition may be foreclosed in a substantial share of the effective market. Mr. Littleton has pointed out that there has been no testimony from anyone familiar with this market that such a result would be accomplished; and then, so far as the purely mathematical test is concerned, the Court of Appeals of our circuit, in the Erie Sand and Gravel Company case, 291 Fed. 2d, said, where there was sub-

stantially less than one-half of the total commerce in concrete involved, that the conclusion might be that there [fol. 7028] had been some violation of the Clayton Act, but that result is far from obvious, therefore indicating that there had to be some affirmative testimony to show that such a mathematical relationship was significant in itself, before there could be a legal determination that the Clayton Act had been violated.

Now, so far as 1960 is concerned and the amendment of the Bank Code in that year: The tests that had been incorporated in the statute under that amendment are quite different from the tests that would be applied under any of the antitrust laws. That Act adopts a public interest standard for the approval of a merger, rather than an exclusively antitrust standard. The significant elements which the Comptroller and the F.D.I.C. and the Federal Reserve must look to in determining whether or not a merger should be approved are, of course, the financial history and condition of the banks, adequacy of capital structure, future earnings prospects, and character of its management, and so on; but then there is also the requirement that they consider the convenience and needs of the community to be served.

That is something which the Department of Justice now says is a matter of no consideration whatever, and when we offered evidence to show that this was advantageous to [fol. 7029] the community, this merger would be advantageous to the community, they took the position that that was immaterial under the terms of the antitrust laws; but Congress has said that that shall be a test to determine whether or not the merger should be approved in the first place.

Then, in addition to that—in addition to that, not in substitution for it—the statute goes on to say that they shall also take into consideration the effect of the transaction on competition, including any tendency toward monopoly, and then that the merger shall not be approved unless, after considering all of such factors, not just one of them, not just the one relating to competition, but all of such factors, he finds the transaction to be in the public interest.

Now, in order to determine whether the transaction is in the public interest, after weighing all of the several factors,

including the possible effect on competition, the Comptroller is directed to request a report on competitive factors from the Attorney General, also from the Board of Governors of the Federal Reserve system and from the F.D.I.C., so that the Comptroller will be advised by those three others of their opinion, so that he may weigh their opinion and his own opinion and such facts as he may have against all the other factors that are involved in the re-[fol. 7030] quirements of the Banking Act, and then after he has weighed them all and concluded that the result is in the public interest, then, if he finds it is in the public interest, he approves the merger. If he finds it is not, whether it is contrary to some suggestion of the Attorney General on the subject of competition, if he finds it is not in the public interest on any ground, then he disapproves it.

So I say to Your Honor that this statute now shows a purpose on the part of Congress to adopt a public interest standard in determining whether a merger shall be approved or disapproved, rather than the more limited antitrust standard, which is the only test that is being offered now as the basis for a disapproval of this proposed merger. Antitrust policies are simply things that are considered and should be considered and quite properly should be considered, but Congress itself has said that it is not the sole standard, and that is the only standard that could be applied if the test offered now by the Attorney General is accepted.

The Court: Isn't there, running through both House hearings, and even in some of the reports, at least the inference, if not the statement, that any bank merger is subject to the Sherman Act? Doesn't that appear time and time again? As I recall reading those reports and the hearings, and so forth, at least Senators, Congressmen, [fol. 7031] have said time and time again that in their opinion bank mergers were subject to the Sherman Act. Isn't that the fact?

Mr. Price: Some of them undoubtedly did, and I have quoted one or two on the brief where that statement was made.

Since the question has been raised here, and since it was also raised by this statement in the Department's reply brief, "Nevertheless, there was unanimous agreement that

enactment of S-1062 would not in any way affect the applicability of the Sherman Act or the Clayton Act to bank mergers," I should like to take a little time now to call your attention——

The Court: I didn't understand it was unanimous agreement on that.

Mr. Reycraft: In the report, sir.

Mr. Price: That is the statement in the reply brief.

The Court: What report?

Mr. Reycraft: I beg your pardon for interrupting, but it is in the House report.

The Court: The House report? I have it right here. What page?

Mr. Reycraft: Page 9.

The Court: All right. Let me check it, Mr. Price, if you don't mind.

[fol. 7032] Mr. Price: Yes. I would be glad to have you do that, if you would.

Mr. Reycraft: It is at the bottom of the first paragraph, sir.

The Court: "S-1062 would not in any way affect the applicability of the Sherman Act or the Clayton Act to bank mergers."

Here it is.

Mr. Price: Now may I call Your Honor's attention to the Senate report, where the Senate Committee said:

> "The committee wants to make crystal clear its intention that the various banking factors in any particular case may be held to outweigh the competitive factors and that the competitive factors, however favorable or unfavorable, are not in and of themselves controlling on the decision."'

So that the Senate consistently took the position that the amendment which was ultimately adopted—suggested by the House and adopted—did not change this philosophy, which was that the public interest standards should be accepted rather than the narrower antitrust standards.

Senator Fulbright, when he was speaking of the con-[fol. 7033] currence in the House amendments, said:

> "S-1062 was a clear statement for the third time of the Senate's view that the provisions of Section 7 of

> the Clayton Act should not apply to bank mergers. The amendments to 1062 made by the House do not change this aspect of the bill. The House has agreed with the Senate that bank mergers should be controlled by the Federal banking agencies on the basis of both banking factors and competitive factors and that Section 7 of the Clayton Act should continue to be inapplicable to bank mergers."

So that at least Senator Fulbright believed that the Senate, in passing this bill, had preserved this same position of antagonism to making bank mergers subject to the restrictive provisions of Section 7 of the Clayton Act.

Now, that is an emphasis on the public interest standard which the Senate certainly thought it was adopting in the adoption of this 1960 amendment which was then called S-1062.

Your Honor will remember, from having read not only the reports, but I guess some of the Congressional Record of the debates which followed the adoption of the reports, that there was a suggestion by one or more of the Senators, [fol. 7034] at least, that there did not have to be a precise amendment adopted to change the tests that might have been applied to bank mergers before under the Sherman Act, but that the later statute, showing an inconsistent view, would be sufficient to be controlling.

Of course, the Supreme Court of the United States has recognized that, and in the case of Minneapolis and St. Louis Railroad against the United States, the Court said:

> ". . . there can be little doubt that the Commission is not to measure proposals for all-rail or all-motor consolidations by the standards of the antitrust laws."

And I submit, sir, that this amendment of 1960 of the Banking Code accomplishes the same result, and therefore the Courts thereafter should not measure bank mergers by the standards of the antitrust laws but by the standards that are set up in this amendment, which are the public interest standards, which require the Comptroller in this case to consider the benefits to the community of the proposed merger.

Your Honor I think referred this morning to the general subject of whether competition was something that should be accepted as a rule of conduct in this country, and I call Your Honor's attention to the case of FCC versus [fol. 7035] RCA Communications, where the Supreme Court of the United States said:

> "That there is a national policy favoring competition cannot be maintained today without careful qualification. It is only in a blunt undiscriminating sense that we speak of competition as an ultimate good."

Following that view the Senate report also said this about the method to be followed by the banking agencies in determining whether mergers were good or bad:

> "The basis for handling banking through banking laws, specially framed to fit the particular needs of the field, instead of relying on unrestricted competition and the antitrust laws, is set forth in 'Banking Under the Antitrust Laws,'" and it referred to an article by Mr. Berle.

But the Senate report itself said:

> "But it is impossible to require unrestricted competition in the field of banking, and it would be impossible to subject banks to the rules applicable to ordinary industrial and commercial concerns, not subject to regulation and not vested with a public interest."
>
> "Because banking is a licensed and strictly super- [fol. 7036] vised industry that offers problems acutely different from other types of business, the bill vests the ultimate authority to pass on mergers in the Federal bank supervisory agencies, which have a thorough knowledge of the banks, their personnel, and their types of business. For the same reason, the bill requires consideration of the six banking factors now listed in Section 6 of the Federal Deposit Insurance Act."

So that the approach that was made I think more vociferously and clearly and conclusively by the Senators who

were discussing this subject indicates that the antitrust laws were subsidiary to the general welfare test and the public interest test which the amendment provided for.

Let me call Your Honor's attention to the statement by Senator Fulbright which appeared on page 8144 (volume 105) of the Congressional Record, May 14, where he said:

> "With respect to court review—" this is apropos of whether or not the antitrust laws should be applied and therefore get into court, and it followed the suggestion of Senator O'Mahoney that resulted in the rejection of an amendment that he offered, which I will refer to in a moment—but Senator Fulbright said, just *before this bill* was adopted by the Senate: "With [fol. 7037] respect to court review, I submit that the evaluation of such factors as the banking agencies must consider, such as character of the management, adequacy of the capital structure, and convenience and needs of the community, are not factors capable of court determination. They necessarily involve evaluation based upon specialized experience and knowledge which neither the Attorney General nor the courts possess.
>
> "The committee bill, as amended, gives the Attorney General a voice in the only question in which he has a legitimate interest—competition. The O'Mahoney amendment gives him a veto, because he could throw the whole question into public hearings and court review which no bank would risk."

Now, the philosophy back of that statement, I submit, sir, makes sense, because the Comptroller here has, from his own records, from the experience of his office, from the reports of the Federal banking examiners, all the information which it took two months to present to Your Honor last spring.

The Comptroller knows the answers to all these questions that are now presented for decision, and by virtue of the expertese, or whatever term you wish to apply to it, by virtue at least of his experience, should be as well able [fol. 7038] as any other agency, and certainly better able than the Attorney General, who has not access to information of this sort, to make a proper determination between

the relative weight to be given the antitrust features of a proposed merger and the public interest features of a proposed merger.

Now, the Congress can accept the antitrust standards if they choose, but I submit that by virtue of this amendment they have not done so. The language of the amendment indicates that they do not want to exalt the antitrust standards. They want to subordinate them and make them at least no greater in importance than the public interest standards. They are named together in a group of six standards that are to be considered, and one is certainly not said to be of greater importance than another, to say that the Comptroller shall go through all the inquiry that is necessary to enable him to reach an intelligent conclusion based upon all of these factors, and then say, well, maybe you thought that was the answer, but we are going to sue anyhow and try to get a court to determine this question, not on the basis of the standards chosen by Congress for this particular purpose, but on the basis of standards applied by Congress in certain situations which arise in connection with ordinary business—manufacturing and selling, companies that are not charged with a public interest, that [fol. 7039] are not subject to the kind of regulation that banks are subject to. Certainly nothing in the ordinary conflict that Mr. Littleton referred to this morning, the kind of situation which allows two companies to compete until one goes broke, exists in respect to banks. Congress has indicated that they recognize that distinction and prefer, in view of the control that may be exercised by the regulatory agencies and by Congress itself, to allow the Comptroller, in cases of bank mergers, where the surviving bank is a national bank, to reach a conclusion as to the propriety or impropriety based on a consideration of all these factors, on the basis of a weighing of them by him, and not on the basis of the application of the tests which are suitable for manufacturing and selling companies but which are inappropriate for banks.

[fol. 7040] So after that statement by Senator Fulbright the Act was passed.

Now the significance of the O'Mahoney Amendment is also something that I think that I should refer to. This was a suggestion by Senator O'Mahoney that the whole

matter should be thrown into the ordinary antitrust pot, giving the Attorney General the right of review and, in effect, providing for public hearings and subsequently a determination under the purely antitrust standards.

Now that was rejected and so far as the House was concerned, apparently the opinion of important members of the House, whatever language there might have been in the record, accorded with that. Mr. Spence, speaking on page 7257 (volume 106) of the Congressional Record of 1960 said,

> "This puts control in the banking agencies, which have expert knowledge of the problems involved. At the same time, they will be required to get a report from the Attorney General, whose experience in the antitrust field qualifies him to furnish valuable advice in the administration of the bill."

Then he said,

> "This puts the responsibility for acting on a proposed merger where it belongs—in the agency charged with supervising and examining the bank——"

[fol. 7041] Namely, the Comptroller.

Also from the House Record on page 7259 (volume 106) in 1960, Mr. Multer said, speaking of the language of S.1062,

> ". . . makes it clear that the competitive and monopolistic factors are to be considered along with the banking factors and that after considering all of the factors involved, if the resulting institution will be in the public interest, then the application should be approved and otherwise disapproved."

So, sir, I think that although you can find by reference to all of the statements that have been made on this subject in the House debates and in the Senate debates and in the reports of the House and Senate Committees, and perhaps in the Conference report, statements which may be antagonistic to this view, if you are attempting to weigh them or try to evaluate the final opinion of the Congress when that was adopted, I think that you will be forced to come to the conclusion that what Congress thought it was doing

(whether it did, of course, is up to the Courts to decide ultimately) was to establish a different standard for bank mergers than would normally be applied under the anti-trust laws to mergers of ordinary business concerns, manufacturing and selling companies; and that because of the peculiar nature of banks, the type of regulation to which they were subject, and the type of control that could be [fol. 7042] exercised in this case by the Comptroller over future suggested mergers, there was no reason to be concerned as one might be in the case of manufacturing companies where there was no control that could be exercised except by lawsuit.

Here every merger has to be approved by a Federal regulatory agency, so that if this dreadful situation which the Department of Justice now contemplates of all the banks trying to merge into just one bank arises, if anybody tried that one on and it was considered to be contrary to the public interest, the Comptroller is there to prevent it, the F.D.I.C. is there to prevent it, and the Federal Reserve Board is there to prevent it.

So that it isn't a free situation in which the will of the participants is given free rein, but the control continues.

Another illustration of the type of control that is to be exercised is that in these mergers under this Act the Comptroller is charged with the obligation of reporting annually to the Congress of the mergers that he has approved.

Why? So that Congress can see annually, from time to time, whether the Comptroller is acting within the terms of the statute and of the authority given him, or whether [fol. 7043] he is exceeding it or doing something of which Congress disapproves.

Now an illustration by way of passing may be found in the original Clayton Act, Section 7, which failed to refer to asset acquisitions because back in 1914, when one company was going to take over another they usually just bought up the stock, they didn't buy the assets or they didn't merge in the present form; but as soon as that became subject to the Clayton Act suddenly the practice changed and it was only because Congress found that there was a different approach to the subject of merger in the ordinary business deal, that they amended the Clayton Act, Section 7, to include after that "Asset acquisitions, except for

banks;" so that both types of acquisitions would be covered.

Now Congress has retained the control here itself by requiring annual reports so that the Senate and the House can see exactly where this act is leading and determine whether or not any further amendments are necessary; but in the meantime they have given the Comptroller and the other two agencies the authority to decide this in the first place until Congress acts again.

Now I can say that there is a perfectly good reason why they selected the Comptroller for one type of bank and the F.D.I.C. for another. The Comptroller, through the bank-[fol. 7044] ing examiners, is much more likely to be familiar with the conditions of national banks than any other agency, so he determines it when the surviving bank will be a national bank.

When it is a state bank, a member bank, the Federal Reserve is charged with that duty, and when it is not a member bank then the F.D.I.C.; so that the three banking agencies are those which were given the authority to make this final determination, not the Attorney General. The Attorney General's advice is directed to be sought, but his determination or his decision or his opinion is not binding. He is not given the authority to enforce the Act. That is something entirely outside of his field, except within the limits of the 1960 Amendment.

Now one more thing about the 1960 Amendment as to the purpose of this language, and I will call Your Honor's attention to page 9713 (volume 106) of the 1960 Congressional Record, where there was put into the Congressional Record in order to make clear to the banking agencies which will administer this Act the understanding and intention of the Senate in accepting the amendments of the House and passing the amended bill.

There were then introduced into the record six questions and six answers, and it is not my purpose to read them all or even a substantial part of them, but I would like to call [fol. 7045] attention to one or two.

First, as to the question of size, the question was whether such a merger would increase the extent, quality, and efficiency of services rendered to the public, enhance local, regional, or national competition, and meet all the other specific tests in the bill, would not such a merger be con-

sidered to be in the public interest under this bill regardless of size?

The answer was, yes; size has nothing to do with this in itself. That is merely something to be considered and, therefore, the adding machine test which the Attorney General has applied to this merger does not prove anything by itself. It must be accompanied by some evidence to show that the particular size which results will have a deleterious consequence.

Included in the answer is this sentence:

> "But it is not controlling. If a merger of two large banks qualifies under the tests set forth in the bill, it should be approved and it will be approved, no matter how big the two banks may be."

As to the competitive factor, it was suggested that that was something which the Attorney General should give advice about, but it was merely one of the six.

On the subject of the needs of the community, the ques-
[fol. 7046] tion was:

> "In considering a proposed merger should the needs of the community and the area and the country as a whole for increased financial services resulting from an expanding economy be considered"?

That is the situation which has been shown to exist in Philadelphia. The answer to that was yes:

> "This would not, of course, be the controlling factor any more than any other single factor and, of course, other means of providing increased financial services would be borne in mind.
>
> "But there is no question that the Federal banking agency should give due regard to the adequate accommodation of the growing capital requirements of an expanding economy."

That is what the Comptroller has done here. He has given consideration to that, and yet the Department of Justice now says that convenience, good, benefit to the community are something that should be ignored and have no basis for consideration under the antitrust laws. He may be

right so far as the antitrust laws are concerned, when you get beyond the rule of reason; but the Senate has said differently so far as the applicability of this statute is concerned.

So that the six questions and answers are there for Your [fol. 7047] Honor to consider and they point up, I think, perhaps as clearly as anything else that appears in the Congressional Record the purpose of the Senate and the purpose of the Congress in adopting this new type of regulation, new form of approval to be given to mergers, so that the control would be in the banking agencies where they belong rather than kicked around from pillar to post, subject to suits by the Attorney General whenever he got around to it; and, as in this case, after trying for five or six years to get the Congress to amend the law, unsuccessfully, now suddenly there is a rash of suits brought to try to accomplish the same purpose, the same economic purpose of the Department of Justice, indirectly by subjecting the banks to the additional expense and hazards of litigation after they have followed the course plotted by Congress for their approval.

Only one more thing on this. In the House Report, referring to this same general subject, the House Report said Congress by no means intended that the approvals of mergers by the banking agencies would be left completely without any independent scrutiny. The reason for the requirement of annual reports of approvals to the Congress was to permit the Congress to review the administration of the Act on a case-by-case basis, thus recognizing that there was continuing control, even though not subject to the Sherman Act.

[fol. 7048] Now I would like to review very briefly the kind of evidence that was offered in this case by the Government to establish what it asserted to be the issues that the suit raised, whether competition would be diminished and concentration would be too great.

On page 38 of their brief their position is stated in this language:

> "It is the government's position in this case that the fundamental illegality in this merger is its substantial suppression and elimination of competition between nationally-ranked leaders in a local market already

highly concentrated. It is asserted that this merger may, and in fact will, substantially lessen competition and tend to monopoly."

Now that raises the question first, how would this all be accomplished. What is there in the evidence in this case which would indicate first that those results would occur; and, second, if they did occur, what harm would they do?

Your Honor will remember that they called nine bankers, none from Philadelphia. The closest was MacMillen from New York; the next closest was Brumbaugh from a small town upstate, but he had been Commissioner of Banking. Your Honor will remember that he disclaimed the ability [fol. 7049] to express an opinion on the validity of this merger or the usefulness of the merger and said he hadn't studied it and couldn't do it.

The others, however, were men from little towns scattered all over the United States, who had been presidents or past presidents or other officers of the Independent Bankers Association, which Your Honor will recall had what they called a creed, which was antimerger.

But the kind of people that they called, the kind of people that these were, were presidents of small banks in small towns, the Bank of Granite Falls, North Carolina, with a population of 3,000; Mr. DuBois, Sauk Centre, Minnesota, with a population of 3,500; and he was so pleased with himself that he said, after he sat here for a week, he thought he could express an opinion about banking in Philadelphia. Then Mr. Hansen, Elk Point, South Dakota, population 1,500; Mr. Hardin of Pleasanton, California, population 4,000.

Those are the people that the Department of Justice produced in order to show that something in Philadelphia might be wrong. Now all of those men knew their own little communities, no doubt; but all disclaimed any knowledge whatever of Philadelphia and I suggest to Your Honor that the failure of the Government to produce any-[fol. 7050] body more substantial than that indicates that they were totally unable to find any competent evidence of damage that would result from this merger, from the banking point of view.

We called, in contradistinction to them, presidents or chief executives or other officers of banks in Philadelphia,

all of whom contradicted the charge made in the complaint in this case; and I don't propose to review the type of evidence. I merely call your attention to the fact of the quality of the witnesses themselves who testified.

So that so far as the banks were concerned, the banking competitors of the two merging banks in Philadelphia, who were called here, all testified that in their opinion competition would be increased by this merger, not diminished.

Now if the Government had thought that there was to be any deleterious effect from this merger they could have brought somebody not from Pleasanton, California, but somebody from San Francisco, California because San Francisco furnishes a very similar situation to Philadelphia in two respects: One, San Francisco is a great seaport, as Philadelphia is. It differs from Philadelphia, however, in that it is not a large manufacturing community. It is slightly smaller than Philadelphia; its population in the metropolitan area is only 2,200,000, whereas Philadelphia's is 3,700,000.

[fol. 7051] Instead of bringing somebody from San Francisco to say we have a somewhat similar situation here, with one or two very large banks and a lot of small banks, and this is the result, they didn't; they brought the little fellow from Pleasanton who, although he was in competition with the Bank of America, which has a lending limit of $55 million, said that he was doing just fine in competition with that bank.

Yet, upon the over-all picture San Francisco would have been a very good illustration if there was any basis for this contention because there are four banks in San Francisco with large lending limits—the Bank of America, with $55 million; the next bank is $15 million, the next is $12 million, and the fourth is $10 million; and then there are 13 or 14 other banks, so that the number of banks in the community is about the same as Philadelphia.

But unlike Philadelphia, although it is smaller, it has four banks vastly greater in size than any in Philadelphia and the two largest would be larger even after this merger if it is approved than the merged bank; so that community has a situation which is perfect for illustrating the contentions of the Department if the contentions have any foundation in fact whatever; and yet they didn't bring anybody from that community.

[fol. 7052] The communities that were referred to by Mr. Littleton this morning, which are set forth in our requests for findings of fact, showing the number of cities with much greater concentration than there would be in Philadelphia after this merger—not a single witness came from those areas.

It is not a question of whether Philadelphia would just like to be as big as other areas. That isn't the point of this question of whether they produced the evidence or not.

The question is whether the evil which is predicted would result from the situation which would exist after this merger took place; and yet, with all the opportunities that they had for producing evidence of that sort, they failed to produce any; and that is the significance of this situation in other communities, not that Philadelphia is entitled to concentration, as Mr. Reycraft said. They are not entitled to concentration.

I say that the business community in Philadelphia is entitled to service, adequate service from the banks; but that is not a question of being entitled to concentration just because some other area has concentration. It is because the concentration in banking is not an evil word as the Attorney General suggests; it is merely an indication of a [fol. 7053] size adequate to take care of the needs of the community.

Your Honor will no doubt remember that Mr. Jennings testified that in his experience, which was a very large one in the Comptroller's office, the concentration which had developed over the years in certain areas was a natural and to-be-expected result of the demands of the business community. As the business community grew banks had to grow with them; so that concentration (not an evil word or a word connoting something bad or wrong or to be avoided) is merely an indication of the requirements of the community, and these four banks in San Francisco couldn't possibly exist in that size if there weren't a need for them; and if they were destructive of the small banks, the other 14 or 15 banks in San Francisco, there would have been evidence of it, but they are all continuing there and have been, each meeting its own need.

There is a much greater discrepancy in that city than there is in Philadelphia, but because of our distribution of

banking concentration, size of banks, if you will, it is much more gradual from the top to the bottom than it is in San Francisco.

When we consider that in New York there are 17 banks with a lending limit in excess of $1 million and four banks that have a lending limit greater than the entire combined [fol. 7054] lending limit of all the Philadelphia banks, we see that this bugaboo of concentration is meaningless in itself.

Now so far as this merger is concerned, the community wants it. The competitors have all said that it will improve their situation and that they would be glad to have it.

We called representatives of big business and little business to show that in their opinions this would be beneficial to the community, so that the ordinary situation of elimination of competition, destroying the opportunity to get service, doesn't exist.

The Government suggests (and you will remember how much time was spent considering) Sylvan Pools, and all the evidence about Sylvan Pools and whether they could get adequate banking service came from inter-office memoranda, but not a single representative from Sylvan Pools was called to say that he thought there would be something wrong with the merger and they wouldn't be able to get adequate banking service.

So that the only evidence in the case, as distinguished from estimates, from people like Professor Goodman, whom even the Government has abandoned now, and from Professor Smith, who came up with an algebraic formula in order to prove something which was rather obscure—he [fol. 7055] said that his formula was rather hard to follow, if you remember, and he made assumptions which the evidence showed to be untrue, but since they were not in accordance with his theory he rejected the evidence and went on with his assumptions.

That is the only evidence that the Government has except what can be produced by an adding machine, and I suggest that because banks are service institutions which have to meet the demands of the community, the Court, in considering whether or not this merger violates any law, should look at the facts of the case and not simply columns

of figures where you reach a certain percentage and say, well, if it is that big it must be wrong.

Everybody in this area wants the merger who has testified and the Government hasn't produced anybody to say they don't want it. As Mr. Dilworth put it, the Government is trying to freeze Philadelphia into a position of inferiority to New York; "Keep them in short pants," I think was his phrase.

But if this merger is not approved then they will remain in that position of inferiority to New York and allow all of the business which normally and rightfully belongs in Philadelphia to gravitate to that larger community simply because they have the capacity to render the service that the local community needs but can't get.

[fol. 7056] What the Department of Justice is trying to do here is not to enhance competition, but to stifle it. It is trying to make it impossible for two banks here who have the energy and will to try to go out and meet the competition that now comes from New York, to try to serve the members of the business community (in the larger business community), give them the kind of service which they have asked for and said they would like to have—that, they are trying to prevent; in other words, telling the business people here, the banking people here, you have got to do your business the way we say you ought to do it, because we think that's better than the way you want to do it yourselves.

I submit that there is nothing in the antitrust laws, even if they are applicable, to sustain that position; and certainly nothing under the terms of the Banking Act, Amendment of 1960, which adopts the public interest standard as distinguished from the narrow antitrust standard.

Closing Argument by Mr. Reycraft

Mr. Reycraft: I will be brief, Your Honor.

I would like to hand Your Honor a handbook. All of the material in this handbook, I might say, consists of the legislative history of the Clayton Act and the House and Senate reports and opinions on the Clayton Act, which might be convenient for Your Honor.

[fol. 7057] The Court: Do you mean I can take that along with me?

Mr. Reycraft: Yes, sir.

After hearing Mr. Price and Mr. Littleton talk about the Bank Merger Act of 1960 I have re-read, I must say, the introductory paragraph to the Senate report on the Bank Merger Act and it describes the purpose of the amendment,

> "To provide safeguards against mergers and consolidations of banks which might lessen competition unduly or tend unduly to create a monopoly in the field of banking."

This hardly sounds like the kind of legislative intention to me to give an exception to banking, which is apparently what Mr. Price thinks it has done.

I would also like to call Your Honor's attention again to the fact that following the statement in the House Report that the bill would not in any way affect the applicability of the Sherman Act or the Clayton Act to Bank mergers, the House Report was unanimous, and that is a flat unequivocal statement and I don't see how the committee could have been any more clear in expressing their intentions.

The sponsor of the bill in the Senate and the Chairman of the Senate Committee on Banking and Currency, Senator Robertson, said,

[fol. 7058] "Any rights which the Attorney General has with respect to the antitrust laws, he would continue to have under the bill."

That is on page 70 of our brief.

The Senate Report also distinguishes the Interstate Commerce Act which does immunize from the antitrust laws certain mergers by saying that section provides an exemption from the Sherman Act, as well as the Clayton Act—a provision not contained in S.1062.

There has also been a good deal of discussion here of the public interest standard, which the Comptroller and the other bank regulatory agencies apply. This same standard is applied by the Federal Communications Commission, for example, and in the RCA case, U. S. versus RCA, in 358 U. S. 334, Chief Justice Warren made a statement:

"Appellees, like unregulated business concerns, made a business judgment as to the desirability of the exchange. Like unregulated concerns, they had to make this judgment with knowledge that the exchange might run afoul of the antitrust laws. Their decision varied from that of an unregulated concern only in that they also had to obtain the approval of a federal agency. But scope of that approval in the case of the FCC was limited to the statutory standard, 'public [fol. 7059] interest, convenience, and necessity' . . . the monetary terms of the exchange were set by the parties, and were of concern to the Commission only as they might have affected the ability of the parties to serve the public. Even after approval, the parties were free to complete or not to complete the exchange as their sound business judgment dictated. In every sense, the question faced by the parties was solely one of business judgment (as opposed to regulatory coercion), save only that the Commission must have found that the 'public interest' would be served by their decision to make the exchange. No pervasive regulatory scheme was involved."

In that same case, the Supreme Court said that the Federal Communications Commission had no power to decide antitrust issues as such, and I submit that the same considerations apply in this case—that the Comptroller has no power to decide antitrust issues as such, was not given any such power, and does not have the power to immunize any merger from the antitrust laws.

As far as the characterization of a restraint of trade which Mr. Littleton has repeatedly made, I have tried my best to state that the restraint of trade we are talking about is the restraint which occurs from the elimination of all competition between the banks. Mr. Littleton talks about [fol. 7060] combining in order to restrain trade on the theory that he thinks we are saying that after these banks merge we have the view that they are going to go out and restrain somebody's trade.

The competition which we are talking about and which is entitled to be protected is the competition existing between the two banks. We think, in addition, that the transaction

will have a tendency to monopoly and that other banks in the Philadelphia area will follow precisely the same arguments as these two banks are making here before Your Honor; and if Your Honor should permit this particular merger I see no way in which the same argument could be turned down for other banks in the area.

The Court: Why not?

Mr. Reycraft: Pardon me, sir?

The Court: Why not?

You have made a statement and I am asking you why not.

Mr. Reycraft: It would appear to me to be quite illogical for Your Honor to say——

The Court: They may have reached that point that I talked about.

Mr. Reycraft: In other words, that might be the point?

[fol. 7061] The Court: They may have reached it now. That point might have been reached in another merger.

Mr. Reycraft: In other words,——

The Court: There has to be a certain mark——

Mr. Reycraft: In other words, the point may already have been reached in Philadelphia where any further merger might have a tendency to monopoly?

The Court: Yes.

Mr. Reycraft: That's very good. I certainly think it tends in that direction.

I recall Mr. Graves testifying here and reference has been made to his testimony about some aluminum company that might have located in Philadelphia if something had been different; I am not sure what.

Mr. Graves did not give us the name of the company at that time and we did not press him for it. We have ascertained on our own, however, without violating anybody's confidence (and it is a public fact) that the Reynolds Aluminum Company located in Chester on Front Street in 1961, and I must say that we rather suspect that this might be the aluminum company that Mr. Graves was talking about, and if it is located in Chester it is hardly a loss to the Delaware Valley area.

[fol. 7062] Once again, on the Celanese case, this case was decided in June of 1950. The Celler-Kefauver Act was passed in December of 1950, and the Supreme Court said in the du Pont case in 1957 that that amendment was to

make clear that the Clayton Act applied to all corporate mergers, vertical and horizontal as well as conglomerate.

I would also like to refer to some of the statements which are quoted in the defendants' brief, made by representatives of the Department of Justice.

I know from Your Honor's questioning of Mr. Price that Your Honor understands the distinction that we make between asset and stock acquisitions. Mr. Brownell, at page 22 of the defendants' brief, is quoted as saying asset acquisitions by banks are not covered by Section 7. We don't dispute that.

Assistant Attorney General Barnes said asset acquisitions do not come within amended Section 7 as far as banks are concerned.

Now Assistant Attorney General Barnes, since he has been quoted by the defendants, also said in 1956 that to apply the same Clayton Act standards to bank asset acquisitions as are now applied to bank stock mergers is our prime aim. This is also consistent with our position.

The Court: Didn't the Congress refuse to go as far as [fol. 7063] the proponents of this merger act wanted them to go?

Mr. Reycraft: Yes, sir.

The Court: Didn't they ask them to spell it out, to set up standards?

Mr. Reycraft: The proponents of the act?

The Court: Yes.

Mr. Reycraft: Yes, sir.

The Court: In the Senate Reports they very definitely state that as far as the Comptroller is concerned, the bill sets up no standards, no specific standards.

Mr. Reycraft: They are very vague; that's right. They are very vague.

The Court: It does the same thing for F.D.I.C. and the Federal Reserve Board.

Mr. Reycraft: They are very vague. It is like the Federal Communications Commission standard in the RCA case I just quoted from. They say if it is in the public interest approve it; if it it not, don't approve it.

The Comptroller's report which Your Honor has does not spell out in any way what is in the public interest and what isn't.

The Court: Nevertheless, Congress left the judgment in him.

[fol. 7064] Mr. Reycraft: As to what he would do, but——

The Court: No.

Mr. Reycraft: Yes.

The Court: Congress gave him the authority to issue approval.

Mr. Reycraft: Approval, yes.

The Court: It restrained the Attorney General, the F.D.I.C., and the Federal Reserve Board from vetoing it.

Mr. Reycraft: No.

The Court: They certainly didn't give them permission to veto it. The Comptroller must make a report; that's all they said.

Mr. Reycraft: Under the Bank Merger Act it requires the Attorney General to make a report on the competitive factors.

The Court: It required the others also to give their thinking.

Mr. Reycraft: That is precisely right, and as I——

The Court: Just as the Comptroller was precluded from interfering in an F.D.I.C. affair or Federal Reserve Board matter, doesn't he also have to give a report?

Mr. Reycraft: The Comptroller reports to the Federal Reserve Board in a merger which is of two state banks [fol. 7065] who are members of the Federal Reserve; that's right.

The Court: Yes, but he also makes a report.

Mr. Reycraft: That's right.

The Court: But he has no power.

Mr. Reycraft: That's right. That's right.

The Court: Now why did the Congress do that?

Mr. Reycraft: I think they were probably trying to promote uniform standards of enforcement.

The Court: I see. They probably were. I think that is a laudable ambition.

Mr. Reycraft: Yes.

The Court: Why didn't they make it a board and high man win? They put it back on one man.

Mr. Reycraft: As far as the bank merger statute is concerned.

The Court: You and two others disagreed, so now you are putting the problem up to me; is that it?

Mr. Reycraft: Well, as the Congress said, S.1062 does not affect the applicability of the Sherman Act or the Clayton Act in any way, like the Federal Communications Commission and the RCA case, like the Supreme Court said all that was given was a license to go ahead in their judgment if they wished to do it, with a risk that they would run afoul of the antitrust laws on something that was a matter of busfness judgment.

[fol. 7066] The Comptroller has no power to decide antitrust issues, just as the Federal Communications Commission doesn't and I submit, Your Honor, that that RCA case is very directly in point on this same issue.

It arose in this District, in this Court. I know that Your Honor is familiar with it and I think it is directly in point here.

I believe the reference that Your Honor made to the Pennsylvania Railroad case versus the ICC, although I haven't checked it, may involve Section 10 of the Clayton Act, which is a criminal statute involving failure to get——

The Court: I think probably it is. I think it is.

Mr. Reycraft: The statement was also made by Mr. Price that the Federal Reserve Board——

The Court: Although the annotation is under 18, which is the section we were talking about.

Mr. Reycraft: Yes, but,——

The Court: It is annotated under that. I just happened to see it this morning. That is why I asked the question.

Mr. Reycraft: I would think that the standards of a criminal statute would not be applicable to a civil case such [fol. 7067] as this.

Mr. Price mentioned that it would seem inconsistent that Congress would ask the Federal Reserve Board to apply two different standards, that is, to apply one under the Bank Merger Act and another one under the Clayton Act, which it also has concurrent jurisdiction with the Attorney General to enforce.

I point out that at the present time the Federal Reserve Board administers the Bank Holding Company Act and its standards under the Bank Holding Company Act. There are five banking factors which are very similar to the ones

that are spelled out for the regulatory agencies under the Bank Merger Act, and there is another where the acquisition would tend to increase the size of the bank holding company unduly or beyond what is necessary for the public interests.

So the Federal Reserve Board has to apply that standard in the Bank Holding Company Act matter, which involves the competitive standards; and they also have the duty to enforce the Clayton Act under Section 7, so they do now have exactly this problem of applying two different standards in bank stock acquisitions.

[fol. 7068] So it may not seem to some of us to be the best statutory scheme that could be devised, but it is the situation that they are in, and I submit that that type of argument does not mean that there isn't the same concurrent jurisdiction at the moment.

Mr. Price has also referred to what he calls a rash of suits since the Bank Merger Act. Well, I think it probably is in the F.D.I.C. report that is in the record that there have been over 250 bank mergers since this Bank Merger Act was passed, and there have been four suits instituted by the Attorney General involving mergers under the Act, one in Lexington, one here, one in New York, involving the Manufacturers and Hanover, and one in Chicago involving the Continental-Illinois and City Bank, so I respectfully submit that this hardly is a rash of suits, in view of the number of mergers which have taken place.

I have nothing further, Your Honor. I appreciate your patience.

The Court: All right. Now we will take it under advisement.

Mr. Littleton: If Your Honor please, this looks ominous (indicating), but I hope it is helpful. This is an index of all the testimony by witness, by volume, by subject (handing to the Court).

[fol. 7069] The Court: Thank you for all the help I can get.

May I say, gentlemen, now that the suit is concluded and I must take it under advisement and decide it, that I appreciate the thoroughness of the work on both sides. It has been a splendid presentation of two divergent viewpoints, presented, as I view it, with complete intellectual

integrity. It has been a pleasure to receive a case on that basis.

Mr. Price: Thank you.

Mr. Littleton: Thank you.

Mr. Reycraft: Thank you very much.

Reporter's Certificate to foregoing transcript omitted in printing.

[fols. 7070-7071] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

UNITED STATES OF AMERICA, Plaintiff,

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK, Defendants.

* * * * * * * *

[fol. 7072] OPINION—January 15, 1962

CLARY, Ch. J.

This is a civil action instituted under Section 4 of the Act of Congress of July 2, 1890, as amended, 15 U.S.C. Section 4, (commonly known and hereinafter referred to as the "Sherman Antitrust Act"), and Section 15 of the Act of Congress of October 15, 1914, as amended, 15 U.S.C. Section 25, (commonly referred to and hereinafter designated as the "Clayton Antitrust Act"), in which the United States (hereinafter referred to as "government" or "plaintiff") seeks an injunction to restrain the defendants, The Philadelphia National Bank (hereinafter referred to as "PNB") and Girard Trust Corn Exchange Bank (hereinafter referred to as "Girard"), from carry-

ing out an agreement of consolidation. This agreement of consolidation was drawn up after the passage of Public Law 86-463, (commonly referred to as "The Bank-Merger Act of 1960"), amending 74 Stat. 129, approved May 13, 1960, found at 12 U.S.C. Section 1828(c), and is subject to the provisions thereof. Plaintiff herein alleges that the proposed consolidation violates Section 1 of the Sherman Antitrust Act, as amended, 15 U.S.C. Section 1, and Section 7 of the Clayton Antitrust Act, as further amended by the Act of Congress of December 29, 1950, 15 U.S.C. Section 18, (commonly known as "The Celler-Kefauver Anti-Merger Act").

[fol. 7073] The proposed merger sought to be enjoined was approved by the Directors of the banks involved on November 15, 1960, and by the Comptroller of the Currency on February 24, 1961. This action was instituted on February 25, 1961.

Generally, the complaint alleges that commercial banking and several of its integral parts comprise interstate commerce; that commercial banking with its integral parts fills an essential and unique role in the nation's economy with a combination of services unduplicated by other financial institutions; that existing and potential competition in commercial banking in the Philadelphia area would be substantially and unreasonably lessened; that the merger would substantially and unreasonably increase concentration in banking in the Philadelphia area and that existing and potential competition in the commerce and industry served by commercial banks in the Philadelphia area would be substantially and unreasonably lessened. Parenthetically it may be noted at the outset that the last of these averments has not been seriously presented by the plaintiff and, for all practical purposes, has been abandoned.

The net effect of the above, the plaintiff contends, is a violation of both Section 1 of the Sherman Act and Section 7 of the Clayton Act. The plaintiff contends further that competition in commercial banking is absolutely vital and necessary to the preservation of the financial structure [fol. 7074] and security of the nation; that undue concentration of banking powers would have the effect of increasing costs and interest rates both to depositors and bor-

rowers; would result in a decrease in the credit facilities available to the general public and, in effect, would destroy the very foundation of the banking system of the United States which, according to the Government's witnesses, rests entirely upon a number of independently-owned banks serving the community, which system they felt strengthened competition, and a merger such as this would tend to destroy it.

Initially, it would help to review, in extremely brief outline, what Congress has done in this field. The Sherman Act, supra, enacted in 1890, was designed to prevent combinations in restraint of trade or commerce among the several states or with foreign nations. That this was an exposition of the common law doctrine is revealed by the decision in *United States* v. *American Tobacco Company*, 221 U. S. 106 (1911) at pages 179-180 where the Supreme Court of the United States declared:

> "Applying the rule of reason to the construction of the statute, it was held in the Standard Oil Case that, as the words 'restraint of trade' at common law and in the law of this country at the time of the adoption of the anti-trust act only embraced acts or contracts or agreements or combinations which operated to the prejudice of the public interests by unduly restricting competition, or unduly obstructing the due course of trade, or which, either because of their inherent nature or effect, or because of the evident purpose of the acts, etc., injuriously restrained trade, that the words as used in the statute were designed to have [fol. 7075] and did have but a like significance . . . the words 'restraint of trade' should be given a meaning which would not destroy the individual right to contract, and render difficult, if not impossible, any movement of trade in the channels of interstate commerce,—the free movement of which it was the purpose of the statute to protect."

Citing Standard Oil Co. v. U.S. 221 U. S. 1 (1911).

It will therefore be seen that the Supreme Court judged the key factor and purpose of the Sherman Antitrust law to be the perpetuation of and protection of free competition. An examination of both the Clayton Act and the

Federal Trade Commission Act, both passed in the year 1914, and the case law decided thereunder, again stresses the principle of law that competition should be encouraged as a national policy, and it is the destruction of this free competition which is proscribed.

The Miller-Tydings Amendment to the Clayton Act and the Robinson-Patman Amendment were both designed to insure free and fair competition. The Celler-Kefauver Amendment of 1950 was designed to prevent asset acquisitions thereby plugging a loophole in the Clayton Act which previously prevented stock acquisition only, and did not cover the area in which asset acquisitions might tend to destroy competition. The legislative history of this latter Act clearly indicates the intent of the Congress to preserve competition as defined by the Supreme Court.

Since competition and the preservation of competition [fol. 7076] permeates each of the aforementioned Acts and is the common bond between each of them, it would appear that 71 years after the passage of the first Antitrust law, the Court should have (but does not) a clear legal definition of competition as used in each of the Acts. Congress has given the Court at least one idea of what it means in the use of the word when it refers to "vigorous" competition. What then is the real definition of competition and what are the standards of competition required by these Acts? The Webster definition reads as follows:

> "Com. & Econ. The effort of two or more parties, acting independently, to secure the custom of a third party by the offer of the most favorable terms; also, the relations between different buyers or different sellers which result from this effort."

In *United States* v. *Aluminum Company of America*, 91 Fed. Supp. 333, at 355 (S.D. N.Y. 1950), Chief Judge Knox defined competition as follows:

> "Commercial competition, theoretically, is the independent endeavor of two or more persons or organizations within the realm of a chosen market place, to obtain the business patronage of others by means of various appeals, including the offer of more attractive terms or superior merchandise."

It seems to the Court that the Congress, by the use of the word "competition", intended to preserve free and open markets wherein the rivalry of the commercial firms, in the same line of endeavor, for the patronage of the common customer, would be demonstrated by a business at- [fol. 7077] mosphere where free purchasers and free sellers, under no obligation to buy, and under no obligation to sell, would enter into contracts of purchase and sales (or service contracts) because of the actual inducements offered, such as quality of product, terms, delivery, and the many other factors which make for good business relations, having in mind the peculiar situations, facts and circumstances which govern the particular transactions between individuals or organizations.

It is also apparent that in any antitrust action, including the instant one, a Judge called upon to decide the case must, of necessity, take the facts that are presented to him and determine on those peculiar facts whether the particular circumstances involved will, or will not, destroy the free competition which the Congress intended to preserve, and with particular scrutiny of the industry or part thereof charged with violations.

The Government here has brought an action—the first of its kind—to prevent the merger of two strong Philadelphia banks, and on the ground that this merger will (1) violate the Sherman Act by restraining trade, and (2) violate the Clayton Act by lessening and or destroying competition and tending toward a monopoly. The Court believes that the Government's general theory of the case should be set out in brief, broad outline before coming to the specifics.

The Government's case was predicated upon the premise [fol. 7078] that the banks involved were legally restricted to having offices in geographic limits. Starting with that assumption, the Government introduced a wealth of statistical data, the accuracy of which has not been questioned, which would show that a very large percentage of the deposits and loans originated in the restricted geographical area. Based strictly upon this premise, and applying the principles heretofore enunciated in industrial cases, the Government argues that these percentages are all persuasive, show a high degree of concentration of

the market involved, and that it is therefore the duty of the Court to prevent this clear, apparent restraint of trade, destruction of, or restriction of competition, and tendency to monopoly by prohibiting the merger.

The Court accepts the statistics introduced as showing exactly what they demonstrate on the figures used, but, as will be pointed out later when discussing the specifics, refuses to accept the conclusions which the Government asks the Court to draw.

In support of its contention that this merger is illegal, the Government attempted to show by the testimony of two university professors that the merger would have a profound adverse effect upon the banking system of this area, actually restrict credit, and permit price fixing for banking services. This attempt was far from successful. [fol. 7079] The professors had individual theories of the effect of the merger on the monetary system of the United States and of this area, which were completely destroyed on cross-examination, particularly as relating to the Philadelphia situation. The Government also attempted to establish, by opinion testimony of small town bankers, that the contemplated merger would adversely affect not only the banking situation in Philadelphia, but generally throughout the country, including their own small towns. Their testimony was practically a rehash of the testimony they gave before both the House and Senate Committees considering the Bank Merger Act of 1960. There they strongly urged the Congress of the United States to forbid further bank mergers and to maintain the status quo of the banking system of the United States. They attempted to have Congress limit prospective mergers to the very narrow situations where economic necessity would make a merger absolutely imperative. For example, they conceded that where a bank was on the verge of insolvency, a merger should be permitted with a strong solvent bank for the protection of depositors and the general public. They also agreed that where ineffectual management was demonstrated, again it would be in the public interest to merge the bank with a strong progressive bank, again for protection of depositors and the public. With these two and other minor exceptions, not necessary to outline [fol. 7080] here, they fought vigorously to have the Con-

gress absolutely forbid all other mergers. This the Congress refused to do, and, in the opinion of this Court, properly so.

Commercial banking, despite the attempt of the Government in this case to have the Court consider it an ordinary line of commercial endeavor, comparable to the ordinary industrial organizations, is a specialized branch of what the Court chooses to term the financial industry. It is completely regulated. It may not, as an industrial plant might, establish a branch of operations where it pleases. By virtue of both state and federal authority, it must keep its assets liquid, as will be hereinafter discussed. It may charge for its principal services (lending of money) a maximum prescribed by law. It may not pay interest on demand deposits and is limited by law to the amounts which it may pay for savings or time deposits. It may not go out and buy raw materials and manufacture products and attempt to extend its market. Its stock in trade is money and the only way that it can generate its stock in trade—money—is to create demand deposits which it may lend to individuals, corporations or organizations. It is the commercial bank, even though strictly regulated, which comprises the backbone of the monetary system of the United States. To place it in and consider it as part of the commercial and industrial field, as contrasted with the financial, would be to ignore the realities of the situation.

[fol. 7081] Both the Government and the defendants have, in support of their respective contentions, cited the only antitrust case law available and all such cases were decided under the Sherman and subsequent Acts. All involve only commercial and industrial organizations. While the Court recognizes the validity of the broad principles of law therein enunciated, it certainly does not follow that those principles should be applied with the same force and effect to a regulated industry as to one in the so-called "free enterprise" field. The Congress of the United States has, in fact, in the industrial and commercial field, usually exempted regulated industries from the application of the antitrust law and in the public interest.

It is significant to note that in the Bank Merger Act, the Congress of the United States has included as one

of the controlling elements, and an important one, for consideration in the determination of Governmental approval of bank mergers, that same public interest. This Court does not believe, as the Government would have it, that this was a mere passing reference without practical significance and actually completely irrelevant to a decision of this case, but, on the contrary, feels that the inclusion of this public interest concept is an important element in the Congressional approach to monetary regulation.

The only question involved in this case is—Will this proposed merger of two Philadelphia banks, in the City [fol. 7082] and County of Philadelphia, Commonwealth of Pennsylvania, substantially lessen competition, tend toward monopoly, and/or restrain trade and commerce, in violation of the Clayton and Sherman Acts?

Coming now to the specifics of this case and expanding upon the allegations of the complaint, it avers, inter alia, that commercial banks fill an essential and unique role in the nation's economy with a combination of services unduplicated by other financial institutions; that commercial banking in Philadelphia and the surrounding metropolitan area is heavily concentrated in a few banks; that PNB and Girard compete with each other, and with other banks in the Philadelphia area, in the performance of commercial banking functions; that as of June 30, 1960, PNB accounted for approximately 22% and Girard for approximately 15% of the total deposits in Philadelphia commercial banks; and, that as a result of the proposed merger PNB would become the largest commercial bank in the Philadelphia area and would be approximately 50% larger than its closest competitor.

Further, it is charged that defendants have been engaged in an unlawful combination in unreasonable restraint of trade and commerce in commercial banking in violation of Section 1 of the Sherman Act, and that the effect of the merger may be substantially to lessen competition, or tend to create a monopoly in violation of Section 7 of the Clayton Act.

PNB is a banking association, engaged in interstate [fol. 7083] commerce, organized under the laws of the United States, having its principal place of business at

Philadelphia, Pennsylvania. Girard is a banking association, engaged in interstate commerce, organized under the laws of the Commonwealth of Pennsylvania, having its principal place of business at Philadelphia, Pennsylvania.

On November 15, 1960 the Boards of Directors of PNB and Girard approved a proposed merger of the two banks. On the same day, an application for approval of the merger was filed with the Comptroller of the Currency in accordance with the provisions of the 1960 amendment to the Federal Deposit Insurance Corporation Act, 12 U.S.C. Section 1828(c), commonly known as the Bank Merger Act.

On December 20, 1960, the two Boards approved a written agreement of consolidation to be effected in accordance with the provisions of the national banking statutes, 12 U.S.C. Section 215. On February 24, 1961 the Comptroller of the Currency approved the proposed merger. He did so despite the fact that in the reports submitted to the Comptroller by the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Attorney General, as was required by the Bank Merger Act, both the Attorney General and the Federal Reserve Board concluded that the merger would result in a substantial lessening of competition and a tendency toward monopoly, and the Federal [fol. 7084] Deposit Insurance Corporation concluded that the merger would be adverse as to Philadelphia and the immediate suburbs, but not adverse in the regional, national, and international fields of competition.

The next day the Department of Justice filed the complaint in this action. On May 9, 1961, meetings of the shareholders of the two banks were held and the agreement of consolidation was approved. The trial of this case began on June 5, 1961, without a jury, and was concluded on August 3, 1961.

PNB was chartered on October 20, 1864 under an Act of Congress of June 3, 1864. In 1926 it merged with Girard National Bank, and in 1928 it merged with Franklin-Fourth Street National Bank. Until 1951 PNB engaged in what has been termed a "wholesale" banking business, at which time it was decided to enter the "retail" banking and trust fields. Since 1951 PNB has acquired

9 additional banks. As of March 10, 1961, PNB conducted a general commercial banking business through 27 offices, 10 of which are located in Philadelphia County, 5 in Delaware County, 5 in Bucks County, and 7 in Montgomery County. As of June 30, 1960, PNB had total assets of $1,064,335,000, total deposits of $924,495,000, and total loans of $523,612,316 of which approximately 57% in dollar amount were in commercial and industrial loans.

Girard was chartered as a state bank on March 17, 1836 by the Pennsylvania legislature. It was primarily engaged [fol. 7085] in the trust business and accompanying banking services until 1940 at which time efforts were begun to develop commercial business and consumer credit loans. Until 1950 Girard had only one office. In the past 10 years it has engaged in 6 mergers. Girard now conducts a general commercial banking business through 39 offices, of which 21 are located in Philadelphia, 12 in Delaware County, and 6 in Montgomery County. As of June 30, 1960 Girard had total net assets of $740,920,000, total net deposits of $650,790,000 and total net loans of $399,362,000, of which approximately 49% in dollar amount were in the commercial and industrial category.

With this brief introduction it now becomes necessary, before discussing in detail the factual questions presented and the law applicable thereto, to decide two purely legal questions which have been raised, one relating to the Bank Merger Act, the other to the applicability of the Clayton Act to this action.

Bank Merger Act of 1960

The defendants contend that the approval of the merger by the Comptroller of the Currency is the final and exclusive determination of its legality and that the Bank Merger Act of 1960 precludes a review of the proposed merger under the antitrust laws. 12 U.S.C. Section 1828(c) reads in relevant part:

[fol. 7086] "No insured bank shall merge or consolidate with any other insured bank or, either directly or indirectly, acquire the assets of, or assume liability to pay any deposits made in, any other insured bank without the prior written consent (i) of the Comp-

troller of the Currency if the acquiring, assuming, or resulting bank is to be a national bank or a District bank, . . . In granting or withholding consent under this subsection, the Comptroller, . . . shall consider the financial history and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, and whether or not its corporate powers are consistent with the purposes of this chapter. In the case of a merger, consolidation, acquisition of assets, or assumption of liabilities, the appropriate agency shall also take into consideration the effect of the transaction on competition (including any tendency toward monopoly), and shall not approve the transaction unless, after considering all of such factors, it finds the transaction to be in the public interest."

Defendants claim that the above statute makes it clear that it was the intent of Congress that the Comptroller test the validity of bank mergers by a *public interest* standard which is broader than and essentially different from an exclusively antitrust standard. Since Congress decided to apply antitrust policies to such mergers only to the limited and subordinate extent of being a single factor for consideration, it is argued, it must follow that the practical implementation of this congressional decision necessarily precludes an antitrust action to prevent a merger which has been approved by the executive agency charged with applying the public interest standard in determining whether approval should be given.

[fol. 7087] In support of this argument, it is submitted that the legislative history of the Bank Merger Act (hereinafter referred to as the "Act"), emphasizes the fact that the competitive factors are not to be controlling in the public interest determination to be made by the Comptroller. For example, at page 24 of the *Senate Report, Senate Report No. 196*, 86th Cong., 1st Sess. on S. 1062 (1959), the following statement appears:

"Under S. 1062 the competitive factors involved in the merger are only one element of several to be con-

> sidered in passing on the application. The committee wants to make crystal clear its intention that the various banking factors in any particular case may be held to outweigh the competitive factors, and that the competitive factors, however favorable or unfavorable, are not, in and of themselves, controlling on the decision."

And, in the House Report at pages 9 and 10, *House Report No. 1416,* 86th Cong. 2d Sess., (1960), this statement appears:

> "Because banking is a licensed and strictly supervised industry that offers problems acutely different from other types of business, the bill vests the ultimate authority to pass on mergers in the Federal bank supervisory agencies, which have a thorough knowledge of the banks, their personnel, and their types of business."

It is true that one can find statements in the legislative history of the Act which, when read alone, indicate that Congress intended to preclude the application of the anti trust laws to bank mergers. It is most difficult, however, to accept defendants' contention when faced with unequivocal statements to the contrary in the reports of both the [fol. 7088] Senate and the House. This statement appears at page 9 of the House Report:

> "S. 1062 would not in any way effect the applicability of the Sherman Act or the Clayton Act to bank mergers."

And, at page 3 of the Senate Report:

> "S. 1062 would not affect in any way the applicability of the Sherman Act to bank mergers and consolidations."

These statements cannot possibly be reconciled with defendants' interpretation of the legislative intent of Congress.

In support of their position, the defendants place a great deal of weight on the *public interest,* as opposed to the antitrust, standard written into the Act. Why, they

ask, would Congress arm the Comptroller with such a comprehensive standard if it intended that the Department of Justice could supersede his determination by a mere showing of anticompetitive effects? This argument of the defendants, while persuasive, does not convince the Court that it should enunciate the rule of law requested that public interest is the controlling factor in any particular merger. There is no doubt that the public interest factor, while not controlling, does, in this type of antitrust litigation, play more than a casual or secondary role, particularly where it involves a highly regulated field. The Court cannot conclude that merely because a public interest standard was written in the statute as one of the factors to be [fol. 7089] considered, that a Court is rendered incompetent to review the action of the individual or department charged with the administration of the Act. Had Congress so intended, it certainly would have been specifically set out and in plain terms in the language of the statute. The Court does not find that intendment here.

Defendants also press the argument on another ground as well. They say that Congress intended to exclude the antitrust laws because the Act contains no provision such as is found in Section 11 of the Bank Holding Company Act of 1956, 12 U.S.C. Section 1841 et seq., which explicitly preserves the application of the antitrust laws to the subject matter of the statute. It is pointed out that Congressman Celler proposed specific language for such an amendment in the House hearings on the bill, but nevertheless it was not included in the amendment by the House or Senate 1062 as previously passed by the Senate. The following statement, however, clearly indicates that Congressman Celler did not consider that the antitrust laws would be excluded by the failure to insert such a provision:

> "While such a provision would not add to the bill from a substantive standpoint, it would avoid needless controversy and possible litigation involving the contention that the strictures of the Sherman and Clayton Acts had been nullified by the provisions of the pending bill." Hearings before the Subcommittee No. 2 [fol. 7090] of the Committee on Banking and Currency, H.R., 86th Cong., 2d Sess. on S. 1062 (1960), pages 131 and 132.

Moreover, the Court finds the antithetical argument proffered by the plaintiff equally, if not more persuasive, than that of the defendants. The Government argues that a creation of an exemption from the antitrust laws requires clear and explicit language in the exempting statute such as is found in Section 5(11) of the Interstate Commerce Act, 49 U.S.C. Section 5(11)

In light of this difference of opinion, the Court is constrained to return to the statements made in both the Senate and House reports concerning the applicability of the Clayton and Sherman Acts. It is the opinion of this Court that defendants have failed in their attempt to nullify the plain meaning of these words. They are much too explicit to be ignored or explained away.

Applicability of Section 7 of Clayton Act

The Celler-Kefauver Anti-Merger Act, 15 U.S.C. Section 18, reads in relevant part:

> "No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly."

[fol. 7091] The Celler-Kefauver amendment was enacted in 1950 as the original Section 7 proved ineffective in preventing mergers, primarily because of the failure of the statute to include asset as well as stock acquisitions. Because banks are exempted from the jurisdiction of the Federal Trade Commission, under the provisions of the Federal Trade Commission Act, 15 U.S.C. Section 45(a), the Celler-Kefauver amendment can only apply if the bank merger is consummated through a stock acquisition. Therefore, if the Clayton Act is to apply at all to the merger presently under consideration, the plaintiff must

show that the proposed consolidation of the defendants involves a stock acquisition.

Before considering the argument advanced by the plaintiff with respect to this question, it is necessary, so that the transaction can be placed in the proper perspective, to set forth certain pertinent provisions of the agreement of consolidation entered into by the defendant banks:

Section 1

"Girard and Philadelphia National (the 'Consolidating Banks') shall be consolidated pursuant to the provisions of the aforesaid statute,[1] under the charter of the Philadelphia National Bank, which shall continue after the effective date of the consolidation as defined below."

[fol. 7092] Section 5

"The corporate existence of Girard shall be merged into and continued in Philadelphia National, which shall continue in existence as the Association, and the Association shall be deemed to be the same corporation as each of the Consolidating Banks. All rights, franchises, and interests of each bank in, and to every type of property and choses in action, including those held by it as fiduciary, as they exist at the Effective Date shall be vested in the Association without any conveyance or transfer; and the Association shall be responsible for all of the liabilities of every kind and description, including liabilities arising out of the operation of the Trust Department, of each bank existing as of the Effective Date."

"Girard shall contribute to the Association acceptable assets having a book value, over and above its liability to its creditors, of at least $74,059,392 . . ."

"At the Effective Date Philadelphia National shall have on hand acceptable assets having a book value, over and above its liability to its creditors, of at least $93,306,684 . . ."

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[1] 12 U.S.C. Section 215.

Section 6

"Upon the statutory consolidation becoming effective: . . . (i) each holder of an outstanding certificate representing shares of Philadelphia National stock shall retain his certificate, which shall automatically remain a certificate representing shares of stock in the Association, . . . and (ii) each holder of an outstanding certificate representing shares of Girard stock shall surrender the same to the Association promptly after the Effective Date and receive in exchange therefor certificates representing the full number of whole shares of stock in the Association to which such shares of stock in Girard shall have been converted, . . ."

The plaintiff contends that under the provisions of Section 6 of the agreement, PNB shall acquire shares of Gir- [fol. 7093] ard stock which shall be converted into shares of stock in the Association. It is argued that as a result of the merger, the Girard shareholders would give up certain rights (e.g., the right to have a voice in its management, the right to share in its profits, and the right to receive and divide its total capital less debt upon liquidation) to PNB and receive in exchange an equitable ownership in the very different property of PNB. From this it is concluded that the merger would be accomplished by a stock acquisition on the part of PNB in violation of the Celler-Kefauver amendment to Section 7 of the Clayton Act. The Court cannot agree with the plaintiff's conclusion that the transaction here involved is a stock acquisition falling within the scope of the statute.

Plaintiff has misinterpreted the terms of the agreement. Under the provisions of Section 5, the corporate existence of Girard is being merged with that of PNB to form an Association, each bank contributing all its assets. It is true that the Association being created will continue under the national bank charter already held by PNB. However, this in no way alters the fact that the corporate character of PNB, as it is today, will cease to exist. PNB might be designated the "surviving bank" but it nevertheless survives as a vastly different entity. PNB is acquiring nothing. Rather, the two banks are creating a national banking association by the consolidation of their assets. Sec-

[fol. 7094] tion 6 merely outlines the procedures to be followed with respect to the shareholder's evidence of ownership in the Association once the consolidation becomes a reality. The Association itself is exchanging the certificates representing shares of Girard stock for certificates representing shares of stock in the Association. The entire transaction is patterned in conformity with the applicable federal statute relating to bank consolidations and mergers of assets. The fact that certificates representing shares of stock are exchanged for new ones is merely incidental to the transaction, and in no way affects or alters its character.

As defendants point up in their brief, the proposed merger differs from a stock acquisition in several ways under the provisions of the applicable federal statute. 12 U.S.C. Section 215, which must be adhered to in carrying out the consolidation, provides that it may be effected upon the affirmative vote of at least two-thirds of the capital stock outstanding. In a stock acquisition, there would be no power in Girard, or any group of shareholders, to compel any shareholder to sell his stock. Subsections (b), (c) and (d) of Section 215 provide for the right of a dissenting shareholder to receive the appraised value of his shares in cash; he would not have any comparable right in an acquisition of stock. Subsection (e) of the same statute provides that all of the assets of the indi-
[fol. 7095] vidual banks "shall be transferred to and vested in the consolidated national banking association by virtue of such consolidation without any deed or other transfer," which again differs from the procedure with respect to an acquisition of stock.

Moreover, the House Committee on Banking and Currency, when reporting on the Bank Merger Act of 1960, recognized the very problem with which we are confronted here:

> "Section 7 of the Clayton Act prohibits acquisitions of bank stock 'where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly.' Because Section 7 is limited, insofar as banks are concerned, to cases where a merger is accomplished through acquisition of stock,

and because bank mergers are accomplished by asset acquisitions rather than stock acquisitions, the act offers 'little help' in the words of Hon. Robert A. Bicks, acting head of the Antitrust Division, in controlling bank mergers." House Report No. 1446, 86th Cong., 2d Sess., (1960), p. 9.

This Court is of the opinion that the Celler-Kefauver Anti-Merger Act of 1950 does not apply to a bank merger of this nature. Any extension of the statute is a function peculiar to the Congress of the United States.

However, it should be noted here that because it is essential to the parties that a final determination of this matter be reached in as short a period of time as is possible, this Court will proceed on the assumption that the Clayton [fol. 7096] Act is applicable in all respects.

Commercial Banking

Before discussing the questions involved with respect to the Clayton and Sherman Acts, it is necessary to point up the principal characteristics and functions of a commercial bank.

A "commercial bank," as distinguished from other bank and non-bank financial institutions, is an institution authorized to receive both demand and time deposits, to make loans of various types, to engage in trust services and other fiduciary functions, to issue letters of credit, to accept and pay drafts, to rent safety deposit boxes, and to engage in many similar activities. Commercial banks are the only institutions authorized to receive demand deposits. "Demand deposits" are funds accepted by a bank which are subject to immediate withdrawal. They represent the largest element in the money supply of the United States. No interest is paid on demand deposits, as is the case with time and savings deposits.

Commercial banks offer a wider variety of services than any other financial institution. They have been termed the "department stores of finance." Some of their major functions include the receiving of demand deposits, the lending of funds to individuals, partnerships and corpora- [fol. 7097] tions, the receiving and administering of time

and savings deposits; and the performance of personal trust services.

Because commercial banks are the principal reservoir of other people's money, they are regulated to a relatively high degree. Aside from state banking authorities, they may be subject to the jurisdiction of the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Comptroller of the Currency. This governmental regulation necessarily limits to an extreme degree the scope and character of competition among commercial banks.

Demand deposits held by commercial banks account for approximately 80% of the money supply of the United States. For the commercial banking system as a whole, two-thirds of total deposits are demand in nature. In June of 1960, more than 83% of the total deposits of PNB and Girard combined were in the form of demand deposits.

In addition to demand deposits, the area of commercial and industrial loans is one in which great emphasis is placed. Because of this concentration in demand deposits on the part of commercial banks, these commercial and industrial loans are necessarily short term in nature. As has been pointed out previously, PNB, as of June 30, 1960, had approximately 57% in dollar amount of its total loans in the commercial and industrial area, and Girard had ap- [fol. 7098] proximately 49% in dollar amount of its loans in this same category.

Small and medium size borrowers rely to a great extent on commercial banks to meet their financial needs. In fact, a substantial proportion of loans made in the United States are made to smaller size businesses. In 1955, for example, out of a total of 1,103,000 loans made by member banks of the Federal Reserve, 918,000 were made to businesses with total assets under $250,000. It was testified at the trial of this case that a Philadelphia businessman would find it very difficult to procure an unsecured, short-term loan from any source other than a commercial bank.

Commercial banks are restricted in the nature, amount, volume and purpose of loans they are permitted to make. All national banks and banks chartered in Pennsylvania and most other states are, in general, not permitted to have outstanding loans to any one customer in an amount in excess of 10% of their capital and surplus. This is

what is known as the "lending limit." In addition, those commercial banks which are members of the Federal Reserve must maintain on deposit with the Federal Reserve Bank, or in currency in their own bank, reserves equal to 16.5% of their total demand deposits, if they are located in certain areas (including Philadelphia), and 12% if they are so-called country banks. The principal factors in competition among commercial banks are convenience, quality [fol. 7099] of service, personal relationships, and the capacity to meet the requirements of the customer. The foregoing remarks are not intended to present a comprehensive analysis of commercial banking but all bear on the problem of whether or not the proposed merger violates the statutes.

The initial problem in litigation of this nature, in either a Sherman Act or Clayton Act case, involves a determination of the relevant market within which the defendants compete. *United States* v. *duPont & Co.*, 353 U. S. 586 (1957); *United States* v. *Columbia Steel Co.*, 334 U. S. 495 (1948). To find this area of effective competition, the plaintiff must establish a product market (line of commerce) and a geographic market (section of the country).

The Product Market

The plaintiff contends that the appropriate lines of commerce in which to gauge the effects of this proposed merger under Section 7 of the Clayton Act are the following: Commercial banking, commercial and industrial loans, installment lending to individuals, single payment loans to individuals, real estate loans, personal trusts, time deposits of partnerships and corporations, time and savings deposits, demand deposits, and IPC (Individual, Partnership and Corporation) demand deposits.

[fol. 7100] At the outset, the Court is confronted with the problem of deciding which test to apply in determining the appropriate line or lines of commerce. The plaintiff contends that the relevant legal standard for delineating the lines of commerce in which a merger may substantially lessen competition or tend to create a monopoly is whether the products (services) "have sufficient peculiar characteristics and uses to constitute them products sufficiently distinct from all others . . ." This was the test applied in

United States v. *E. I. duPont deNemours*, 353 U. S. 586, pp. 593-4 (1957). The plaintiff argues that the record in this case shows that the general services, as well as certain specialized services, of commercial banks are either not supplied at all or at best supplied only peripherally and imperfectly by other sources.

The defendants suggest another test. They claim that the proper legal standard to be applied in defining the product market is to determine whether the products are "reasonably interchangeable for the purposes for which (they) are produced—price, use and qualities considered." The Supreme Court utilized this test in the so-called *Cellophane* case. *United States* v. *E. I. duPont deNemours*, 351 U. S. 377, 404 (1956). Defendants contend that commercial banking in its entirety is not a product line. Rather, they submit it is a business which has two major [fol. 7101] subdivisions—the acceptance of deposits in which the bank is the debtor, and the making of loans in which the bank is the creditor. Both of these major divisions are further divided by distinct types of deposits and loans. As to many of these functions, there are different types of customers, different market areas, and, most importantly, different types of competitors and competition. With the possible exception of demand deposits, there is an identical or effective substitute for each one of the services which a commercial bank offers. From this the Court is to conclude that because the services offered by other financial institutions are reasonably interchangeable with those offered by commercial banks, the separate lines of commerce suggested by the plaintiff cannot be limited merely to commercial banks, but must include in each and every case the services of other financial institutions as well.

Despite the fact that the rule suggested by the plaintiff was enunciated in litigation involving the Clayton Act, while the other was formulated in a Sherman Act case, and recognizing that the parties here imply that the standards are not consistent, it is nevertheless the opinion of this Court that they are nothing more than expressions of the same rule in different language. As judge Herlands stated in *United States* v. *Columbia Pictures Corp.*, 189 [fol. 7102] F. Supp. 153, pp. 183-4 (S.D.N.Y. 1960).

"To determine whether or not there is a reasonable probability of a substantial lessening of competition, Section 7 of the Clayton Act demands an examination into economic realities. All competition must be considered, including competition faced by the product in question from other products.

"The tests enunciated by the authorities are consistent. Effectively, the test 'reasonable interchangeability for the purposes for which (the products) are produced—price, use and qualities considered', and the test 'sufficient peculiar characteristics and uses to constitute them products sufficiently distinct . . . to make them a line of commerce within the meaning of the Clayton Act' are but different verbalizations of the same criterion.

"They require the same accumulation and scrutiny of facts and application of judgment. The task is to find the area of effective competition. The 'characteristics and uses' formulation does not limit the court's inquiry to physical attributes and foreclose inquiry into the competitive situation."

For example, applying this reasoning to the instant case, if a commercial bank has sufficient peculiar characteristics and uses to constitute it sufficiently distinct from all other financial institutions, then a commercial bank cannot reasonably be interchanged with other financial institutions by the individual or business firm. Conversely, if a commercial bank can reasonably be interchanged, then its characteristics and uses must not have those sufficient peculiar characteristics and uses necessary to constitute it sufficiently distinct from other financial institutions.

In attempting to justify its choice of "lines," the plain- [fol. 7103] tiff has endeavored to describe the uniqueness of each one. The defendants have challenged this approach by showing that many other institutions offer very similar services. Thus, plaintiff asserts that only a commercial bank makes unsecured, short-term commercial and industrial loans, while the defendants argue that insurance companies, factors and finance companies make commercial and industrial loans.

Defendants attack the suggested line "installment loans to individuals" on the ground that mutual savings banks, savings and loan associations, credit unions, finance companies, as well as other institutions, all engage in installment lending. Therefore, they argue, it is impossible to gauge the effect that the merger would have without knowing not only the percentage figures for PNB and Girard but also the percentage figures for all these other institutions. This reasoning is used in denouncing almost all of the suggested lines.

It is argued that insurance companies are in direct competition with commercial banks in the making of single payment loans to individuals. And, PNB and Girard contend that several other institutions make real estate loans; that individuals are in direct competition with commercial banks in the personal trust field; that time deposits of partnerships and corporations face competition from many [fol. 7104] alternatives, including United States Government obligations, commercial paper, tax-free securities, and banker's acceptances; that savings deposits are not an appropriate line because many other institutions receive savings funds.

Finally, plaintiff claims that demand deposits and IPC demand deposits are a separate product line because only commercial banks are authorized to receive them.

It seems quite apparent that both plaintiff's and defendants' positions have some merit. However, it is not the intention of this Court to subdivide a commercial bank into certain selected services and functions. An approach such as this, carried to the logical extreme, would result in many additional so-called lines of commerce. It is the conglomeration of all the various services and functions that sets the commercial bank off from other financial institutions. Each item is an integral part of the whole, almost every one of which is dependent upon and would not exist but for the other. The Court can perceive no useful purpose here in going any further than designating commercial banking a separate and distinct line of commerce within the meaning of the statute. It is undoubtedly true that some services of a commercial bank overlap, to some degree, with those of certain other institutions. Nevertheless, the Court feels quite confident in

holding that commercial banking, viewed collectively, has [fol. 7105] sufficient peculiar characteristics which negate reasonable interchangeability.

Section of the Country

The plaintiff contends that the relevant geographic area for each line of commerce in which to gauge the impact of the proposed merger on competition is the four-county area (Philadelphia, Montgomery, Bucks and Delaware Counties). Under Pennsylvania banking laws, commercial banks may open offices in the political community where their main office is situated, in some other political community within their home county, or in any county contiguous to the county in which the main office is located. At the present time, PNB has offices in Philadelphia and the three contiguous counties of Bucks, Montgomery and Delaware. Girard has offices in Philadelphia, Montgomery and Delaware counties. Plaintiff submits that the phrase "section of the country" in Section 7 must be determined with respect to buyers and sellers. Recognizing that it is as unlikely that any given group of sellers would have all their sales within any specific area, as it is that potential customers in such an area would buy from them to the exclusion of all others, plaintiff argues that the antitrust laws are satisfied if buyers and sellers in a distinguishable area are significantly limited to that area.

[fol. 7106] The defendants suggest that the plaintiff has proposed the four-county area in order to inflate the percentage figures. They contend that a relevant geographic market for banking services must take into consideration not only the location of the bank and the location of its customers, but also the different types of customers and the location of alternative choices available to them.

Plaintiff has presented a multitude of statistical information showing the source of the defendants' business, which the Court will not reiterate here. A few examples should be sufficient. As of September, 1960, combining the figures for the two banks, commercial and industrial loans outstanding in the four-county area amounted to 57% of the total dollar amount; loans to individuals in the four-county area amounted to 72% of the total dollar amount; lines of credit outstanding amounted to 49% of

the total dollar amount; personal trusts originating within the four-county area amounted to 83.1% of the total; and, demand deposits originating within the four-county area amounted to 75.4% of the total dollar amount.

Notwithstanding the fact that some of these percentage figures, at first blush, appear to be substantial, it is the opinion of the Court that the plaintiff has failed to establish that the four-county area is the appropriate section of the country in which to test the legality of the [fol. 7107] merger.

Commercial bank markets are extremely complex. It is difficult to pin point a specific locale as the relevant geographic market. PNB and Girard compete in the international, national, regional, as well as the local, markets depending upon the particular service and the customer involved.

In addition, the relevant geographic market is a bilateral concept. Not only must the Court consider the origin of the bank's business, but equally as important are the alternatives available to the customer. Borrowers are not limited by political boundaries, although the smaller ones are limited in range. The alternatives available necessarily depend on the size and financial condition of the customer.

The larger customers definitely have alternatives ranging from regional to national. It was very surprising to learn at the trial of this case that not only New York banks solicit and receive substantial business from customers within the four-county area, but also large banks from all the larger cities in the nation do likewise. Further, the Court is satisfied that PNB and Girard derive a substantial amount of business from without the four-county area.

What then is the "section of the country"? At the very least, it must include the entire Delaware Valley (i.e. Philadelphia, Bucks, Montgomery, Delaware, Chester, Cam- [fol. 7108] den, Burlington and Gloucester counties, the last three being in New Jersey), or the ten-county area referred to by the defendants and definitely New York City. However, it probably would be more accurate to state that the relevant geographic market in which PNB and Girard compete includes the greater part of the northeastern United States.

Unfortunately, the Court does not have comparative figures on the relative size of the defendant banks' business in these areas as contrasted with local banks. Plaintiff has confined its proof almost solely to the four-county area. For this reason, the Court could terminate its discussion of the Clayton Act at this point. The legality of a merger cannot be tested without a relevant market. However, the Court will assume, although it holds otherwise, for the remainder of the opinion that the plaintiff has proved that the four-county area is the "section of the country."

The Clayton Act

With this arguendo assumption (i.e. that plaintiff has established the four-county area as the relevant geographic market), the issue arising under the Clayton Act can now be stated: Whether the proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in commercial banking in the four-county area, in violation of Section 7 of the Clayton Act. [fol. 7109] The plaintiff contends that the proposed merger is in violation of Section 7 because of the following reasons: (1) the undeviating trend toward banking concentration in the four-county area; (2) the direct, substantial competition which will be eliminated; (3) the unlikelihood of substantial new entrants into the business; and (4) the much larger resources the merged bank would have.

Plaintiff places considerable weight on the second reason above listed. Cited is the often quoted section of the House Report which reads in relevant part:

> "The bill is intended to permit intervention in such a cumulative process when the effect of an acquisition may be a significant reduction in the vigor of competition, even though this effect may not be so far-reaching as to amount to a combination in restraint of trade, create a monopoly, or constitute an attempt to monopolize. Such an effect may arise in various ways, such as elimination in whole or in material part of the competitive activity of an enterprise which has been a substantial factor in competition, . . ." H. R. Rep. No. 1191, 81st Cong. 1st Sess. (1949), p. 8.

It is the plaintiff's position that the elimination of Girard, which defendants readily admit is in direct competition with PNB, will substantially suppress and lessen competition with the consequent tendency to monopoly.

Defendants, on the other hand, submit that the legislative history of the 1950 amendment to Section 7 of the Clayton Act discloses clearly that Congress did not intend [fol. 7110] that a merger or acquisition would be unlawful merely by reason of the elimination of competition between two business enterprises. It is argued that the basic test is whether, after considering all of the relevant factors, there is a reasonable probability of a significant reduction in the vigor of competition.

It is the opinion of this Court that the defendants have correctly stated the proper test. As mentioned previously, the key factor in all the antitrust laws is the preservation of vigorous competition. Unfortunately, Congress has not spelled out any definite formula for judging the legality of a merger under Section 7. Consequently, several different tests have been used or suggested, many of which have been subjected to severe criticism. However, the most practical one, from this Court's point of view, is that recognized in *American Crystal Sugar Co.* v. *Cuban-American Sugar Co.*, 259 F. 2d 524, 527 (1958):

> "And the ban on a substantial lessening of competition 'in any line of commerce in any section of the country,' requires, for determination of a violation, first, a definition of a relevant market in which a lessening of competition has probably occurred and, second, analysis of the nature and extent of the competition within that market. Consequently, the parties are agreed that an acquisition is not illegal because of its impact on competition between the corporations involved: that the proper test is one of the *qualitative* substantiality of the resulting effect on competition in the relevant market. We too agree. We hold that [fol. 7111] only an acquisition which in the long run may reasonably be expected to substantially lessen competition within a relevant market, will violate Section 7 as amended." (Emphasis supplied)

The "qualitative substantiality" test, in contradistinction to "quantitative substantiality", requires an appraisal of all the relevant factors, not merely a determination of the aggregate share of the market which would be held by the merged banks. A qualitative analysis is the only procedure which this Court feels justified to follow. This type of an approach, however, is not without difficulty. Involved is a selection of those factors which can be considered relevant.

The Court will discuss and answer the following relevant questions: (1) How much of an increase in concentration will be brought about by the merger? (2) Will the increase in concentration give the merged bank the power to control the price and supply of banking services? (3) Will the merger eliminate a substantial competitor from the market? (4) What is the competitive situation among commercial banks in the relevant market today? (5) What will probably be the competitive situation after the merger? (6) What is the probability of a new commercial bank coming into existence in the four-county area? (7) What is the history of defendants with respect to prior mergers? [fol. 7112] The Court is not unmindful of the fact that the relevancy of many of these factors has been challenged more than once. Nevertheless, the Court believes that the answers to these questions, considered collectively, rather than individually, will be valuable in predicting the vigor of competition in the relevant market after the merger. Perhaps other questions might also be posed. The Court, however, thinks that those presented are sufficient to give the correct answer. It should be noted that in this discussion, the Court will not advert to the benefits of the proposed merger. The Court is convinced that the merger will definitely benefit the community, but does not consider this particularly relevant in the present discussion of the question posed. The questions and discussions thereon follow:

(1) Increase in Concentration: As of December 31, 1960, there were 41 commercial banks with head offices in the four-county area, operating 284 commercial banking offices throughout Philadelphia, Bucks, Montgomery and Delaware counties. The largest bank, as of June 30, 1960, had total assets equal to 22.9% of the assets of all commercial

banks with head offices in the four-county area. PNB ranked second with 21% and Girard third with 16.1%. After the merger, the defendants would have approximately 37.1% of all the assets of all commercial banks within the four-county area.

[fol. 7113] PNB, as of October 3, 1960, had total net loans equal to 19.8% of the total loans made by all commercial banks with head offices in the four-county area. Girard had 14.6% of the total. The remaining three largest commercial banks in the four-county area, as of the same date, had 23.8%, 10.2%, and 9.1% respectively, of total net loans of all commercial banks with head offices in the four-county area. The combined bank would hold approximately 34% of all the loans of all commercial banks with head offices in the four-county area.

PNB, as of October 3, 1960, had total deposits equal to 21.3% of the total deposits of all commercial banks with head offices in the four-county area. Girard had 14.5% of the total. The other three largest commercial banks, as of the same date, had total deposits representing 22.1%, 9.9% and 9.3%, respectively, of total deposits of all commercial banks with head offices in the four-county area. The combined bank would hold approximately 36% of all the deposits of all commercial banks with head offices in the four-county area.

The defendants rebut this increase in concentration charge with some figures of their own. Although the Court does not consider concentration in other cities decisive in this case, some of the percentage figures are nevertheless worthy of mention and consideration. If the 53 reserve and central reserve cities of the Federal Reserve System are ranked in the order of the percentage of total com-
[fol. 7114] mercial banking assets in each city held by the largest commercial bank in that city as of June 1956, Philadelphia would, after the proposed merger, rank 32nd with 36.16%. Of the 224 cities in the United States with populations over 500,000 in 1956, 190 had a commercial bank with 35% or more of the total commercial banking assets in the city. There are four commercial banks in the United States, each with a lending limit greater than the aggregate of the lending limits of all the commercial banks in Philadelphia. Each of 20 commercial banks in the United

States has a lending limit greater than that of any commercial bank in Philadelphia, and 9 of these are in cities smaller than Philadelphia. 13 such banks, 4 of which are in cities smaller than Philadelphia, have a lending limit greater than that of the proposed merged bank. The Court finds that no dangerously potential concentration will result from this merger.

(2) Power to Control Price and Supply of Banking Services: The plaintiff has not pressed this point in its post-trial brief. However, Dr. Oscar Goodman, Professor of Finance at the Graduate School of Business of Northwestern University, testified for the plaintiff that the merged bank would have the power to affect the price and supply of available bank credit within the four-county area. The Court is satisfied, however, that defendants have proved this to be impossible. Entirely too much [fol. 7115] competition exists at all levels to permit such an occurrence. The merged bank would lose a substantial amount of business in a brief period of time if it attempted to dictate the price and/or control the supply of credit in the four-county area. The increase in size would not be sufficient for market domination. Because there are so many alternative choices for borrowers of all sizes, the merged bank would be unable to cause its competitors to raise service charges or interest rates, or prevent any borrower from having his banking needs met by other commercial banks.

(3) Elimination of a Substantial Competitor: Defendants do not (indeed they cannot) deny that substantial direct competition will be eliminated by the merger. PNB and Girard compete in the offering of banking services as well as in the acquisition of branch sites in the contiguous three counties. A substantial part of the transcript of testimony is directed to this area. However, the figures previously set out speak for themselves: Nothing would be gained in reciting the additional facts with respect to this phase of the case. Suffice it to state that the plaintiff has established that PNB and Girard do engage in substantial direct competition one with the other, but the Court, as discussed more fully infra, finds that the elimination of one competitor will not result in a lessening of vigorous competition in the commercial banking field.

[fol. 7116] (4 and 5) Competition: It is fair to say that competition among commercial banks in the four-county area is extremely vigorous. The plaintiff has not suggested otherwise; but, notwithstanding the established fact that Girard, a substantial competitor of all commercial banks in the four-county area, would be eliminated by the merger, the defendants contend that competition in the four-county area would be intensified *after the merger*.

Defendants produced several witnesses, including many representatives of other Philadelphia commercial banks, who testified that competition, after the merger, would be increased rather than lessened. For example, W. Carlton Harris, Emeritus Professor of Finance at the University of Pennsylvania and a director of the Broad Street Trust Company, testified that the merger would sharpen and probably increase competition among Philadelphia banks. He stated that this was the effect of previous mergers in the area. Samuel Weinrott, Chairman of the Board of Industrial Valley Bank and Trust Company, asserted that banking competition in Philadelphia today is greater than it was ten years ago. It was his opinion that competition would be increased by the merger. Mr. Weinrott stated, as did many of the other bankers, that he expected to acquire new business from defendants' customers who might have accounts with both PNB and Girard, or who might not approve of the merger for one reason or another. He [fol. 7117] also testified that smaller banks can and do compete actively with larger banks, and that previous mergers have not hindered the growth of the smaller banks. This opinion was substantiated by the exhibits produced, charting the rate of growth of the small commercial banks. Albert T. Mason, President of Liberty Real Estate Bank and Trust Company, Hubert J. Horan, Chairman of the Board of Broad Street Trust Company, and S. Harry Galfand, Chairman of the Board of Citizens and Southern Bank, all repeated in substance the testimony of Mr. Weinrott.

Lewellyn A. Jennings, Senior Vice-President of the Republic National Bank of Dallas, and former Acting Comptroller of the Currency, testified that competition among commercial banks was never keener and that all commercial banks are after mass banking business, competing for

small and medium size loans. It was also his opinion that the merger will increase existing and potential competition in commercial banking in the Philadelphia area.

Dr. Warren Smith, Professor of Economics at the University of Michigan, however, testified that the elimination of a large lender will significantly reduce the degree of competition because an important alternative source of credit for many borrowers, over a rather wide area, will be eliminated. Indeed, this is the crux of the plaintiff's case. He, Professor Smith, without any banking experi- [fol. 7118] ence, stands alone in this forecast which the Court does not accept.

It is true that one alternative source of credit will be eliminated. It should be noted, however, that borrowers would have available the following alternatives after the merger: 41 commercial banks for loans up to $10,000; 39 for loans up to $25,000; 35 for loans up to $50,000; 27 for loans up to $100,000; 18 for loans up to $250,000; 10 for loans up to $500,000; 7 for loans up to $1,000,000; 4 for loans up to $2,500,000; 3 for loans up to $5,000,000; 2 for loans up to $7,000,000; and 1, as a result of the merger, for a loan up to $15,000,000. If these alternative sources intend to compete more vigorously than before, thereby increasing rather than decreasing the competitive pressure, Dr. Smith's conclusion that the merger will significantly reduce the degree of competition does not necessarily follow. Moreover, the main bone of contention here is that the merger will have its most serious effects on small and medium size borrowers. The above figures, however, indicate to the Court that there are more than an adequate number of sources for these types of borrowers. In fact, it has been established that a borrower turned down by three banks would be unable, with few exceptions, to obtain a loan at another commercial bank. And, of course, those borrowers in need of larger loans are not limited to the few banks in Philadelphia capable [fol. 7119] of making such a loan.

It is the conclusion of this Court that all indications are that competition will be even more vigorous after the merger than before.

(6) Probability of New Entrant: Plaintiff contends that it is very unlikely a substantial competitor will enter the

market. Although the number of commercial banks in the four-county area has decreased from 108 in 1947 to 42 in 1960, it is nevertheless a fact that a commercial bank has been established in the last decade just outside Philadelphia, the Bank of Old York Road, which has experienced rapid and substantial growth. It would be pure conjecture on the part of this Court, however, to predict that a substantial competitor will not likely enter the market in the future.

(7) Past Acquisitions; It has been established that a substantial part of the present size of both PNB and Girard has been achieved as the result of merger and consolidation in the last ten years. However, it has been shown that mergers with existing banks in the suburbs of Philadelphia were, in many cases, the only feasible way for larger banks to follow the migration of many of their customers into these areas. In addition, in many cases, it appears that small banks in the four-county area have found mergers with larger banks to be a solution to their problems of inadequate banking services, rising costs, and [fol. 7120] management succession.

In summary, it can be said that although the merger will increase concentration to the percentage figures given, the merged bank would have no power to control the price and supply of credit, nor could it dominate the market in any manner. And, although a direct substantial competitor will be eliminated, the only competent testimony upon the subject establishes that competition will be more vigorous after the merger. Also, although the commercial banking field is not an easy one to enter, it cannot be concluded that a new bank will not be established in the four-county area in the future. Finally, although the defendants have engaged in prior mergers, these mergers have had valid business purposes as the motivating force.

Viewing all this collectively, the Court can see no reasonable probability that competition among commercial banks in the four-county area will be substantially lessened.

Moreover, it is difficult to perceive a reasonable probability that this merger will tend to create a monopoly in commercial banking in the four-county area. Certainly, every time one bank in an area is eliminated, the path toward an eventual monopoly or oligopoly is shortened.

This can be said for the most insignificant combination. But this does not mean that a monopoly is inevitable. Especially is this true in the area of bank mergers. Every future merger in the four-county area will be subject to [fol. 7121] the close scrutiny of the appropriate state and federal agency. At some point any trend, if discernible in the future, will be checked. Although some of plaintiff's witnesses, for the most part independent bankers from smaller communities throughout the country, were of the opinion that approval of this merger would trigger others in the four-county area, as well as the remainder of the United States, this Court is not prepared to concur. The competitive situation that exists in the four-county area, with the many alternatives available to a prospective customer, leads to the inescapable conclusion that any tendency to monopoly or oligopoly at this stage is non-existent. What happens in the future must be left to the appropriate federal banking agency, and, if necessary, to another Court at another time. All that is being said is that this particular merger will not tend to create a monopoly.

The Sherman Act

This Court has also been called upon to decide whether the combination of PNB and Girard will result in an unreasonable restraint of trade or commerce in commercial banking in the four-county area in violation of Section 1 of the Sherman Act. Of course, the same assumption with respect to the relevant geographic market applies here as it did when the Clayton Act was considered.

Very briefly it can be stated that a merger which does [fol. 7122] not violate the Clayton Act can hardly be held to violate the more stringent standards of the Sherman Act.

Even aside from any consideration of the Clayton Act, however, the plaintiff has failed to establish by a fair preponderance of the evidence that the proposed merger constitutes an unreasonable restraint of trade or commerce. To warrant an injunction restraining an alleged violation of Section 1, there must be a definite factual showing of illegality. *Standard Oil Co.* v. *United States*, 283 U. S. 163, 179 (1931).

In *United States* v. *Columbia Steel Co.*, 334 U. S. 495, 527-528 (1948), the Supreme Court laid down some guidelines to be considered when an acquisition of assets is being challenged under the proscriptions of the Sherman Act:

> "It is first necessary to delimit the market in which the concerns compete and then determine the extent to which the concerns are in competition in that market. If such acquisition results in or is aimed at unreasonable restraint, then the purchase is forbidden by the Sherman Act. In determining what constitutes unreasonable restraint, we do not think the dollar volume is in itself of compelling significance; we look rather to the percentage of business controlled, the strength of the remaining competition, whether the action springs from business requirements or purpose to monopolize, the probable development of the industry, consumer demands, and other characteristics of the market. We do not undertake to prescribe any set of percentage figures by which to measure the reasonableness of a corporation's enlargement of its activities by the purchase of the assets of a competitor. The relative effect of percentage command of a market varies with the setting in which that factor is placed."

[fol. 7123] The Court does not intend to repeat the facts considered when discussing the alleged violation of the Clayton Act. Suffice it to state that a re-evaluation of them, in light of what has been said above, convinces the Court that the proposed merger meets the "reasonable" test and does not violate Section 1 of the Sherman Act.

Findings of Fact and Conclusions of Law

The Government has submitted 600 proposed Findings of Fact and numerous proposed Conclusions of Law. The Court has reviewed these in great detail. Many of them have to do with separate lines of commerce which clearly are not applicable since the Court has found that the line of commerce is commercial banking in all its integral parts. An inordinate number refer to the four-county area which the Court has determined not to be the relevant market. Many have no bearing on the decision of the action.

The Court, therefore, makes the following rulings on the Government's proposed Findings of Fact:

Nos. 1 to 8 incl. affirmed; 9 and 10 refused as stated; 11, 12, 13 affirmed; 14 refused as stated; 15, 16, 18 affirmed; 19 refused as stated; 20 to 23 incl. affirmed; 24, 25 refused as stated; 26, 27, 28 affirmed; 29, 30, 31 refused as stated; 32 affirmed; 34 refused as stated; 35 affirmed; 36 refused as stated; 37 affirmed; 38 refused as stated; 39, 40 affirmed; [fol. 7124] 41 refused as stated; 42 affirmed; 43 refused as stated; 44 to 47 incl. affirmed; 48 refused as stated; 49 affirmed; 51, 52, 53 refused as stated; 54 to 68 incl. affirmed; 69 refused as stated; 70 affirmed; 71 refused as stated; 72, 73, 74, affirmed; 75 refused as stated; 76 to 82 incl. affirmed; 83 refused as stated; 84, 85 affirmed; 86, 87 refused as stated; 88, 89, 90 affirmed; 91 to 157 incl. refused as stated as not pertinent to the decision of this case; 158 to 231A refused as stated, since these requests are designed to establish separate lines of commerce, and the Court has determined commercial banking, in all its relevant integral parts, is the line of commerce involved; 232 to 285 incl., the statistical tables are approved; the conclusions therefrom which the plaintiff asked the Court to draw are denied, and the remaining parts are refused as stated; 286 to 290 incl. affirmed; 291 refused as stated; 292 to 297 incl. affirmed; 298 refused as stated; 299 to 318 incl. affirmed; 319 refused as stated; 320 to 325 affirmed; 326 refused as stated; 327, 328 affirmed; 329, 330, 331 refused as stated; 332 affirmed; 333 to 335 incl. refused as stated; 336 to 345 affirmed; 346 refused as stated; 347, 348, 349 affirmed; 350 refused as stated; 351 affirmed; 352 refused as stated; 353 affirmed; 354 refused as stated; 355, 356 affirmed; 357 refused as stated; 358 affirmed; 359 refused as stated; 360 affirmed; 361, 362 refused as stated; 363 to 384 incl. affirmed; 385, 386 refused as stated; 387, [fol. 7125] 388, 389 affirmed; 390, 391 denied; 392, 393, 394 affirmed; 395, 396 refused as stated; 397 to 401 incl. denied; 402 to 431 incl. refused since they presuppose a four-county relevant market which the Court has found to be nonexistent; 432 to 458 affirmed; 459 refused as stated; 460, 461 affirmed; 462 denied; 463 to 471 affirmed; 472, 473 refused as stated; 474 affirmed; 475 to 600 incl. refused as stated; these requests are argumentative, do

not completely reflect the situations developed by the testimony, and do not reflect the findings of the Court as set forth in the Opinion.

The Conclusions of Law submitted by the plaintiff are refused as stated.

The affirmation of plaintiff's proposed Findings is subject to the Findings of the Court as to the facts of the case set forth in the Opinion, and in the event of any possible conflict between the proposed Findings of Fact and statements made in the Opinion, the language of the Opinion shall govern.

Of the defendants' requested Findings of Fact, Requests Nos. 54, 55, 58 to 92, and Request No. 162 are refused as stated and the remainder Requests are affirmed.

In the event of any possible conflict between defendants' requested Findings of Fact and statements made in the Opinion, the language of the Opinion shall govern.

[fol. 7126] All Conclusions of Law requested by the defendants are refused as stated.

Resume

As before stated, this is the first action tried after the passage of the Bank Merger Act of 1960. The controversy inherent in the case between co-ordinate branches of the Executive Department of Government is to be regretted. Congress, in passing the Bank Merger Act, deliberately fixed the responsibility of approving or disapproving proposed mergers of national banks in the Comptroller of the Currency. This responsibility was fixed despite vigorous protests of individual bankers and the Department of Justice. The Comptroller of the Currency then, by Act of Congress, was of necessity required to consider the reports of the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Attorney General, with respect to the competitive factors involved. All three of these Departments of Government reported that in the opinion of their experts, the consummation of the proposed merger would adversely affect competition in the Philadelphia area. The Federal Deposit Insurance Corporation concluded that the merger would not be adverse in the regional, national and international field of competition. With these reports available to him, and after

considering them, the Comptroller, in pursuance of his [fol. 7127] statutory duty, reviewed them and despite their content, approved the merger as not involving undue concentration of banking power, not tending toward a monopoly, not destructive of competition in the commercial banking field, and definitely in the public interest. The Court, after a full trial, agrees completely with the conclusions of the Comptroller of the Currency.

This is one of the few instances in which one Department of the Government, after having been consulted and its advice not being followed, has challenged in the Court the findings of a co-ordinate Department of the Executive Branch of the Government on the basis of disagreements between Departments of our Government. And what is the expertise of these three dissenting co-ordinate branches of the Executive Department that prompted this challenge? The Courts have uniformly held that once Congress has reposed its confidence in the expertise of a particular Department, the Courts should not substitute its judgment in the place and stead of the Department involved. The Government has asked this Court, without the production of a single shred of evidence, and on the basis of reports no more illuminating than that of the Comptroller of the Currency, to give legal effect to the conclusions of the dissidents, rather than the Department charged with the responsibility.

This Court fails to see how any court, without some fac- [fol. 7128] tual basis being laid therefor, could accede to any such request and this is all the more true in this particular case where experienced, substantial bankers throughout this entire area have appeared in open court, subjected themselves to searching cross-examination, and have unanimously demonstrated that the proposed merger would not cause an undue concentration of banking, would not tend toward a monopoly, and definitely would increase the vigor of competition which the Congress of the United States from the passage of the Sherman Act down to the present date has, by law, attempted to foster.

The Court was not impressed with the attempts of the Government to show that banking is of minor importance in the life of a community generally and of almost absolute unimportance in the business life of the community.

The Government, in its attempt to establish this contention by testimony—that no single particular individual industrial organization had ever entered a particular territory because of the presence or absence of banking facilities, has ignored the industrial history of the United States. Should one ever speculate as to whether any industry would enter a community without banking facilities, the answer would be completely obvious. Historically, banking facilities have preceded industry in every community.

The Government also attempted to show that by combining the lending limits of all Philadelphia banks, bor- [fol. 7129] rowers in the larger categories could be well accommodated. This ignores again the realities of the situation and the positive testimony that in the larger industries, there is a decided reluctance on the part of financial officers to be made the subject of participating loans. With the originating bank, there is also an aversion to these loans as it requires considerable negotiation and technical handling which is to be avoided wherever possible.

The evidence demonstrated beyond peradventure of doubt that the Philadelphia area, plus parts of Delaware and New Jersey, and also New York City, as well as most of the northeastern part of the United States, is the area of active competition for Philadelphia commercial banks and for the proposed merged bank. The testimony discloses that the competitive effect upon all Philadelphia commercial banks will be minimal. The larger bank, however, will be able to compete on better terms and in a better atmosphere with the banks of other cities and states that have been draining this area of banking business which might well be and perhaps properly should be handled here, and which cannot be handled under present circumstances. That it will benefit the city and area has been established clearly by a fair preponderance of the evidence, as has been set forth in the Findings of Fact of the defendants previously affirmed.

There is nothing in this record which supports the aver- [fol. 7130] ments of the complaint that the proposed merger involves an unlawful combination in restraint of trade; would result in or tend toward monopoly, or violate the provisions of the Clayton Act, if applicable; and the

proposed merger certainly violates no provision, either express or implied, contained in the Bank Merger Act of 1960.

Since the proposed merger contains none of the defects alleged in the Government's case and will be in the public interest, it follows that judgment must be entered in favor of the defendants and against the plaintiff.

Conclusions of Law

1. The Court has jurisdiction of the parties and of the subject matter.

2. The Bank Merger Act of 1960 does not, by its terms, remove bank mergers from the application of either the Sherman Antitrust Act or the Clayton Act.

3. The approval of the merger by the Comptroller of the Currency, under the Bank Merger Act, is not the final and exclusive determination of its legality.

4. The proposed merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank is not within the scope of Section 7 of the Clayton Act.

5. Plaintiff has failed to prove that the merger would violate Section 7 of the Clayton Act, even assuming the [fol. 7131] same to be applicable, because the preponderance of credible evidence shows:

(a) That the four-county area is not the relevant geographic market (see plaintiff's requests 5, 6, and 372);

(b) Even assuming that the four-county area is the relevant geographic market, credible evidence shows that the proposed merger will not substantially lessen competition or tend to create a monopoly in commercial banking in the four-county area.

6. The plaintiff has failed to prove by a fair preponderance of credible evidence that the merger will unreasonably restrain trade and commerce in commercial banking either in the relevant geographic market or in the four-county area.

7. Defendants are entitled to judgment dismissing the complaint in its entirety on the merits.

An order dismissing the action with prejudice will be filed concurrently with this opinion.

[fol. 7132] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

UNITED STATES OF AMERICA, Plaintiff,

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK, Defendants.

JUDGMENT—January 15, 1962

And Now, to wit, this 15th day of January, 1962, for the reasons set forth in the Opinion filed concurrently herewith, it is Ordered, Adjudged and Decreed that the prayers in the Complaint of the plaintiff, United States of America, that the agreement of consolidation between defendants, The Philadelphia National Bank and Girard Trust Corn Exchange Bank, be adjudged and decreed to be unlawful, in violation of Section 1 of the Sherman Act and Section 7 of the Clayton Act, and that the defendants, The Philadelphia National Bank and Girard Trust Corn Exchange Bank, be enjoined from carrying out the said agreement of consolidation, be and they are hereby Denied; further, that the action be and it is hereby Dismissed on the Merits, with prejudice.

By the Court:

Thomas J. Clary, Ch. J.

[fol. 7133] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

[Title omitted]

STIPULATION—Filed February 2, 1962

It is hereby stipulated and agreed by and between the parties to the above entitled action that:

1. The motion filed by the United States on January 15, 1962 to stay all proceedings on the Final Judgment entered in this action on January 15, 1962 is hereby withdrawn.

2. Defendants, The Philadelphia National Bank and Girard Trust Corn Exchange Bank, agree that they will not merge or consolidate until after March 12, 1962 or until after decision by the Supreme Court of the United States on an appeal by the United States if such appeal is taken from the said Final Judgment on or before March 12, 1962.

3. The following schedule will be adhered to in the filing of any of the papers indicated with respect to any appeal by the United States:

(a) Jurisdictional statement—March 12, 1962;
(b) Motion to affirm—April 11, 1962;
(c) Reply to motion to affirm—May 2, 1962.

Donald G. Balthis, Attorney, Department of Justice. Philip Price, Attorney for Girard Trust Corn Exchange Bank. Arthur Littleton, Attorney for The Philadelphia National Bank.

Approved, February 2nd, 1962:

Thomas J. Clary, Chief Judge.

[fol. 7134] IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

NOTICE OF APPEAL TO THE SUPREME COURT OF THE UNITED STATES—Filed February 26, 1962

I. Notice is hereby given that the plaintiff, United States of America, hereby appeals to the Supreme Court of the United States from the final judgment entered in this action on January 15, 1962, dismissing the complaint. This appeal is taken pursuant to 15 U.S.C. 29.

II. The clerk will please prepare a certified transcript of the record in this cause for transmission to the Clerk of the Supreme Court of the United States, and include therein the entire record before the district court, including the pleadings, the transcript of testimony, the exhibits submitted by the parties and this notice of appeal.

III. The ultimate question presented by this appeal is whether the proposed consolidation of the Philadelphia National Bank and Girard Trust Corn Exchange Bank is a combination in unreasonable restraint of trade in violation of Section 1 of the Sherman Act, or has effects which may substantially lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act.

This includes, but is not limited to, the following subsidiary questions:

(a) Whether the four-county area in which the defendants maintain offices and from which they derive most of their business is an appropriate geographical market in which to measure the effects of the consolidation upon competition.

[fol. 7135] (b) Whether the proposed consolidation constitutes an acquisition of stock or other share capital within the meaning of Section 7 of the Clayton Act, and, hence, is subject to that section.

/s/ George D. Reycraft. /s/ John M. O'Donnell. /s/ P. Jay Flocken. /s/ Charles A. Degnan, Attorneys for Plaintiff.

Dated: February 23, 1962

[fol. 7136] Proof of service omitted in printing.

[fol. 7137] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil No. 29287

UNITED STATES OF AMERICA, Plaintiff,

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK, Defendants.

ORDER—February 28, 1962

And Now, to wit, February 28th 1962, it is Ordered that the original record in this case be transmitted to the Supreme Court of the United States, upon plaintiff's appeal.

It Is Further Ordered that upon the termination of the proceedings in the Supreme Court of the United States said record be returned to this Court.

By the Court:

Thomas J. Clary, Chief Judge.

Consent to the entry of the foregoing Order is hereby stipulated.

Donald G. Balthis, Attorney, Department of Justice. Arther Littleton, Attorney, The Philadelphia National Bank. Philip Price, Attorney, Girard Trust Corn Exchange Bank.

[fol. 7138] SUPREME COURT OF THE UNITED STATES, OCTOBER TERM, 1961

No. 799

UNITED STATES, Appellant,

vs.

THE PHILADELPHIA NATIONAL BANK, et al.

ORDER NOTING PROBABLE JURISDICTION—May 21, 1962

Appeal from the United States District Court for the Eastern District of Pennsylvania.

The statement of jurisdiction in this case having been submitted and considered by the Court, probable jurisdiction is noted.

May 21, 1962.

Mr. Justice Frankfurter and Mr. Justice White took no part in the consideration or decision of this case.

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In the Supreme Court of the United States

OCTOBER TERM, 1961

No.

UNITED STATES OF AMERICA, APPELLANT

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

JURISDICTIONAL STATEMENT

OPINION BELOW

The opinion of the district court (App., *infra*, 1a-49a) is not yet reported.

JURISDICTION

The judgment of the district court was entered on January 15, 1962 (App., *infra*, 50a). The notice of appeal was filed by the United States on February 26, 1962. The jurisdiction of this Court is conferred

by Section 2 of the Expediting Act of February 11, 1903, 32 Stat. 823, as amended, 15 U.S.C. 29. *United States* v. *Columbia Steel Co.*, 334 U.S. 495; *United States* v. *duPont & Co.*, 353 U.S. 586.

QUESTION PRESENTED

The ultimate question presented by this appeal is:

1. Whether the proposed consolidation of The Philadelphia National Bank and Girard Trust Corn Exchange Bank violates the antitrust laws because it is a combination in unreasonable restraint of trade, in violation of Section 1 of the Sherman Act, or its effect may be substantially to lessen competition or to tend to create a monopoly, in violation of Section 7 of the Clayton Act.

Subsidiary to the appraisal of the effects of the consolidation upon competition are the following questions:

2. Whether the four-county area in which the defendants maintain offices and from which they derive most of their business is an appropriate geographical market in which to measure the effects of the consolidation upon competition.

3. Whether the proposed consolidation constitutes an acquisition of stock or other share capital within the meaning of Section 7 of the Clayton Act, and, hence, is subject to that section.

STATUTES INVOLVED

Section 1 of the Sherman Act, 26 Stat. 209, as amended, 15 U.S.C. 1, provides in pertinent part:

> Sec. 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal * * *. Every person who shall make any contract or engage in any combination or conspiracy declared * * * to be illegal shall be deemed guilty of a misdemeanor * * *.

Section 7 of the Clayton Act, 38 Stat. 731, as amended, 64 Stat. 1125, 15 U.S.C. 18, provides in pertinent part:

> Sec. 7. No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly.
>
> * * * * *

STATEMENT

The proposed consolidation of The Philadelphia National Bank ("PNB") and Girard Trust Corn Exchange Bank ("Girard") was approved by their boards

of directors on November 15, 1960 (Fdg. 22[1]). As required by the Federal Deposit Insurance Act, 74 Stat. 129, 12 U.S.C. (Supp. II) 1828(c), the proposed merger was submitted to the Comptroller of the Currency for his approval (see 12 U.S.C. (Supp. II) 215(a)).

The Attorney General (Ex. G-162), the Federal Reserve Board (Ex. G-161), and the Federal Deposit Insurance Corporation (Ex. G-163) all reported that the merger would have substantial anticompetitive consequences in the four-county Philadelphia metropolitan area; the Comptroller, however, approved the merger on February 24, 1961 (Fdgs. 27, 463, 464). The complaint in the present case, filed on February 25, 1961, charged that the proposed consolidation was a combination in unreasonable restraint of trade and commerce and, if carried out, would eliminate all competition between defendants, in violation of Section 1

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[1] "Fdg." refers to those findings proposed by the government which were specifically adopted by the district court (App. 43a-45a). "Govt. Prop. Fdg." refers to those proposed findings (Govt. Prop. Fdgs. 402-431), setting forth statistics concerning the defendants' share of business in the four-county Philadelphia metropolitan area which the government contended was the relevant geographical market (see *infra*, pp. 15-19). The statistics were rejected by the court not because of any dispute as to their accuracy, but solely because the court considered them irrelevant "since they presuppose a four-county relevant market which the court has found to be nonexistent" (App. 44a). In its opinion, the court explicitly accepted the correctness of the statistics (App. 6a-7a) and utilized them in its arguendo analysis of the four-county market (App. 34a-35a; see *infra*, pp. 10, 11). Those statistics are therefore relied upon here without reference to underlying exhibits. "Defts. Fdgs." refers to those findings proposed by defendants which were specifically adopted by the district court (App. 45a).

of the Sherman Act; and that the effect of the proposed merger might be substantially to lessen competition or to tend to create a monopoly, in violation of Section 7 of the Clayton Act. The consolidation has not yet taken place, and, in accordance with a stipulation entered into by defendants and the government, the consolidation will not take place pending the outcome of this appeal.

After extensive discovery, the case was tried before Chief Judge Clary from June 5 to August 3, 1961. The trial record consists of a 4,000-page transcript of testimony and approximately 300 exhibits, most of which are internal documents of the defendants and various statistical analyses. The parties presented evidence on the nature of commercial banking as compared to other financial institutions, and the nature of competition between commercial banks; the origin of defendants' business and other factors relevant to establishing the geographical market; the scope of defendants' business and the competition between them which would be eliminated by the proposed merger; the present concentration of commercial banking, the increase which would result from the merger, and the impact of the merger upon competition; the prior mergers of the defendants; and an appraisal of the reasons advanced by the banks for the proposed consolidation.

1. *The merging banks.*—PNB is the second largest commercial bank and Girard is the third largest commercial bank in the four-county Philadelphia metropolitan area. As of June 30, 1960, PNB had total

assets of $1,086,147,170, deposits of $946,306,784, and loans of $523,612, 316, and Girard had total assets of $740,920,000, deposits of $650,790,000, and loans of $399,362,000. Each conducts a general commercial banking business—PNB through 28 offices (11 located in Philadelphia and 17 in Delaware, Bucks, and Montgomery Counties) and Girard through 38 offices (20 located in Philadelphia and 18 in Delaware and Montgomery Counties).[2] (Fdgs. 7-8, 12-13; 394; PNB Answer, Par. 8; Girard Answer, Par. 9.) The percentage of the dollar volume of PNB and Girard, respectively, which originated in these four counties was as follows: 54% and 63% of their commercial and industrial loans; 75% and 79% of their loans to individuals; 74% and 84% of their real estate loans; 41% and 62% of their lines of credit; 94% and 72% of their personal trusts; 81.4% and 94% of their time and savings deposits; 55.8% and 77.2% of their demand deposits (Fdgs. 258-282).

As of June 1960, of the more than $5 billion in assets held by the 42 commercial banks with head offices in the four-county Philadelphia metropolitan area, PNB had 21%, Girard, 14.7%, and the consolidated bank would have had about 35.7%. Of almost $1.25 billion in commercial and industrial loans of the 42 banks, PNB had 24.3%, Girard, 16.5%, and the consolidated bank would have had 40.8%. As of October 1960, of the total deposits of more than $4.6 billion in the 42 banks,

[2] Pennsylvania law permits banks to open offices in their home county and in any contiguous county (7 Pa. Stat. 819-204.1 (Purdon's ed. Supp.); Tr. 2301). PNB and Girard, with home offices in Philadelphia County (coincident with the City of Philadelphia), may open branches only in Philadelphia, Delaware, Bucks, and Montgomery Counties.

PNB had 21.3%, Girard, 14.5%, and the consolidated bank would have had 35.8%. (Govt. Prop. Fdgs. 404-405, 410-411, 419.) [3]

Defendant banks have played an active role in the substantial increase in the concentration of commercial banking in recent years. From 1947 to 1960, the number of commercial banks with head offices in the four-county area dropped from 108 to 42 (App. 39a-40a). Since 1950, PNB has acquired 9 banks operating 18 offices in the four-county area, while Girard has acquired 6 banks operating 32 offices. For PNB and Girard, respectively, these acquisitions have accounted, during the decade 1950-1959, for 63% and 91% of the deposit growth, 12% and 37% of loan growth, and 59% and 85% of asset growth (Fdgs. 432-458).

The proposed consolidated bank will alter radically the existing competitive situation among all commercial banks with head offices in the four-county area. Instead of two front-running banks of approximately equal size—First Pennsylvania Banking & Trust Co. and PNB—with smaller competitors of decreasing size beginning with Girard, the proposed consolidated bank

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[3] Other statistics showing the positions of PNB, Girard, and the proposed consolidated bank among commercial banks in the four-county area are as follows, using 1960 data in the record (Govt. Prop. Fdgs. 402-431):

	PNB (%)	Girard (%)	Total (%)
Number of offices	9.5	13.4	22.9
Capital funds	19.6	15.5	35.1
Total loans	19.8	14.6	34.4
Loans to individuals	10.8	15.4	26.2
Real estate loans	20.1	10.4	30.5
Personal trusts (omitting 7 banks with small trust activities)	3.8	23.5	27.3
Total IPC deposits (of individuals, partnerships, and corporations)	16.8	15.6	32.4
Time deposits	14.7	15.2	29.9
Demand deposits	21.9	14.7	36.6
IPC demand deposits	18.2	15.9	34.1

will be far larger than any of its competitors. With respect to total deposits, the merged bank will be 1.6 times the size of its nearest rival and 3.6 times the size of the next largest bank; with respect to total net loans, the bank will be 1.5 times the size of its nearest rival and 3.3 times the size of the next largest bank; with respect to total capital funds, the bank will be twice the size of its nearest rival and three times the size of the next largest bank (Ex. G-196).[4]

2. *The agreement of consolidation.*—The agreement of consolidation between the two banks (Ex. G-119) was made pursuant to the authority given by, and in accordance with the express terms of, 12 U.S.C. (Supp. II) 215. Under Section 1 of the agreement, the two banks are to be consolidated under the PNB charter. Section 5 provides that the resulting consolidated "Association shall be deemed to be the same corporation as each of the Consolidating Banks * * *," but that "[t]he corporate existence of Girard

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[4] The effect of the proposed consolidation on the relative size of the six largest banks in the four-county area, as of 1960, will be as follows (Ex. G-196):

Banks	Relative size (largest equals 100) Total deposits	Total net loans	Total capital funds
Before Consolidation			
First Pa. B & T Co.	100	100	100
PNB	97	83	99
Girard	65	62	79
Provident Tradesmens B & T Co.	45	43	61
Fidelity Phila. Trust Co.	42	38	46
Central-Pa. Nat'l Bank	24	25	26
After Consolidation			
Consolidated Bank (PNB & Girard)	100	100	100
First Pa. B & T Co.	62	69	56
Provident Tradesmens B & T Co.	28	30	34
Fidelity Phila. Trust Co.	26	26	26
Central-Pa. Nat'l Bank	15	17	15
Broad Street Trust Co.	8	10	7

shall be merged into and continued in Philadelphia National, which shall continue in existence as the Association * * *." All property rights, franchises, and interests of the two banks are to be vested in the consolidated bank without any conveyance or transfer, and the consolidated bank is to be responsible for all the liabilities of the two banks. Under Section 6, each share of outstanding PNB stock "shall remain outstanding as one share of the capital stock of the [consolidated] Association * * *," and each share of outstanding Girard stock "shall be converted into 1.2875 shares of the capital stock of the Association * * *." Section 6 further provides that each holder of outstanding PNB stock "shall retain his certificate, which shall automatically remain a certificate representing shares of stock in the Association * * *." On the other hand, "each holder of an outstanding certificate representing shares of Girard stock shall surrender the same to the Association promptly after the Effective Date and receive in exchange therefor certificates representing the full number of whole shares of stock in the Association to which such shares of stock in Girard shall have been converted * * *."

3. *The district court's decision.*—The district court considered two preliminary issues with respect to the coverage of bank mergers under the antitrust laws. The court decided, favorably to the government, that approval of the merger by the Comptroller of the Currency does not exempt it from the antitrust laws (App. 12a-17a). The court further held, however, that the merger was not subject to Section 7 of the Clayton

Act (App. 17a-21a) on the ground that no acquisition of "stock or other share capital" was involved. For purposes of discussing the remaining issues, the court assumed *arguendo* that Section 7 of the Clayton Act was applicable (App. 21a).

Turning to the delineation of the relevant market, the court held that commercial banking as a whole—with its conglomeration of services and functions—constitutes a separate and distinct line of commerce for purposes of the Clayton Act, or a relevant product market for purposes of the Sherman Act (App. 24a-28a). The court decided, however, that the government had failed to prove that the four-county Philadelphia metropolitan area in which defendants maintain offices was a relevant section of the country for purposes of the Clayton Act, or a relevant geographical market for purposes of the Sherman Act (App. 29a-31a). It stated that the relevant section of the country must include "at the very least" the entire Delaware Valley and New York City, and probably includes the greater part of the northeastern United States. No statistics as to the competition of outside banks in the larger market area were offered by either the government or the defendant-banks. In considering the remaining issues, the court assumed that the four-county area was the appropriate relevant market (App. 31a), just as it had previously assumed the applicability of Section 7 of the Clayton Act.

The competitive impact of the consolidation in the four-county area was discussed primarily in terms of Section 7 of the Clayton Act. The court posed as the

ultimate question, "whether, after considering all of the relevant factors, there is a reasonable probability of a significant reduction in the vigor of competition" (App. 32a-33a), and discussed a number of subsidiary factors which it considered relevant.[5]

The court cited the percentages of PNB, Girard, and the proposed consolidated bank in assets, loans, and deposits among the other banks with head offices in the four-county area and noted, as defendants' rebuttal, the concentration figures in other cities, indicating that in many other cities the leading bank has higher percentages. Although the defendants' statistics were said to be "not decisive" (but "worthy of mention and consideration"), those statistics were the only basis indicated for the court's conclusion that "no dangerously potential concentration will result from this merger" (App. 34a-36a).[6]

The district court found that "PNB and Girard do engage in substantial direct competition one with the other" which would be eliminated. But it also found

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[5] The court stated seven subsidiary "relevant questions," as follows (App. 34a): (1) How much of an increase in concentration will be brought about by the merger? (2) Will the increase in concentration give the merged banks the power to control the price and supply of banking services? (3) Will the merger eliminate a substantial competitor from the market? (4) What is the competitive situation among commercial banks in the relevant market today? (5) What will probably be the competitive situation after the merger? (6) What is the probability of a new commercial bank coming into existence in the four-county area? (7) What is the history of defendants with respect to prior mergers?

[6] On the second question posed, the court found that the merged bank will not have the power to control the price and supply of banking services in the four-county area (App. 36a-37a). The government had not contended that it would have such power.

that "elimination of one competitor will not result in a lessening of vigorous competition in the commercial banking field" (App. 37a). For this conclusion, the court relied upon testimony by defendants' witnesses that the vigorous competition between commercial banks in the Philadelphia area would not be lessened, but would be intensified. Even though an important competitor would be eliminated, the court considered the remaining 40 commercial banks as representing available alternatives up to their respective lending limits (the maximum amount which can be loaned to any one borrower, fixed by law at 10% of a bank's capital and surplus). It found that small and medium-size borrowers have adequate sources for their loans and that the larger borrowers are not limited to Philadelphia (App. 37a-39a).

As to the remaining factors, the court noted the decline in the number of commercial banks in the four-county area, but, on the basis of the successful establishment of one new bank in the last decade, it declined as "pure conjecture" to find that entry of a substantial new competitor in the market was unlikely (App. 39a-40a). The defendants' prior mergers were explained as motivated by valid business reasons—to follow customers into suburban areas and to solve problems of the smaller merged banks (App. 40a). In concluding the Clayton Act discussion, the court stated (App. 40a-41a): "Viewing all this collectively, the Court can see no reasonable probability that competition among commercial banks in the four-county area will be substantially lessened. * * * [T]his particular merger will not tend to create a monopoly."

Finally, the court turned briefly to consideration of the Sherman Act and held (App. 41a-43a) that "a merger which does not violate the Clayton Act can hardly be held to violate the more stringent standards of the Sherman Act." Citing *United States* v. *Columbia Steel Co.*, 334 U.S. 495, 527-528, for the guidelines to be considered, the court stated without further discussion that "the proposed merger meets the 'reasonable' test and does not violate Section 1 of the Sherman Act."

THE QUESTIONS ARE SUBSTANTIAL

The proposed merger of the second and third largest commercial banks in the four-county Philadelphia metropolitan area with assets of one billion and three quarter billion dollars, respectively, would result in their becoming the largest bank in the area, far ahead of other banks, with approximately 35% of the business. The validity of this merger presents questions of marked importance in the application of the antitrust laws to horizontal combinations of competitors, and specifically, in this case, to horizontal combinations in the field of commercial banking. If the decision below represents the law, the antitrust laws will be largely impotent to cope with the current wave of commercial bank mergers. Because of the significance of the present case and the errors committed by the district court, probable jurisdiction should be noted.

The merger in the present case is a classical horizontal combination between direct substantial competitors, of a kind which this Court has not considered since the railroad merger cases in the 1920's. Moreover, the decision below is the first ruling on the merits

in an antitrust action filed by the Department of Justice against a proposed bank merger.[7] Two subsequent suits are now pending against bank mergers in which the government alleges violation of both the Sherman Act and Section 7 of the Clayton Act;[8] another suit is pending against a bank merger in which the government alleges only a violation of the Sherman Act;[9] and another pending complaint challenges under Section 7 the acquisition of two banks by a holding company.[10] The unique and essential role of commercial banking in the nation's economy makes preservation

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[7] In *Transamerica Corp.* v. *Board of Governors*, 206 F. 2d 163 (C.A. 3), certiorari denied, 346 U.S. 901, the Federal Reserve Board sought to enforce Section 7 of the Clayton Act as authorized by Section 11 of that Act (15 U.S.C. 21). The court reversed on the ground that the Board's conclusion as to lessening of competition in a five-state area was inconsistent with its finding that the areas of effective competition were the banks' local communities. In *United States* v. *Firstamerica Corp.*, Civil Action No. 38139, U.S.D.C. N.D. Calif. (1959), acquisition of a bank by the defendant was challenged under Section 1 of the Sherman Act and Section 7 of the Clayton Act. The district court denied a motion to dismiss which sought to bar the action on the ground of prior approval by the Federal Reserve Board. This Court denied a motion for leave to file a petition for a writ of certiorari (361 U.S. 928). The *Firstamerica* suit was subsequently resolved by entry of a stipulation pursuant to which Firstamerica undertook to divest itself of a newly-formed bank with approximately 67 bank offices and $600,000,000 of deposits.

[8] *United States* v. *Continental Illinois Bank and Trust Co. of Chicago, et al.*, Civ. Action No. 61-C-1441, N.D. Ill.; *United States* v. *Manufacturers Hanover Trust Co.*, Civ. Action No. 61-C-3194, S.D.N.Y. Trial has been completed in the New York case.

[9] *United States* v. *First National Bank and Trust Co. of Lexington, et al.*, Civ. Action No. 1424, E.D. Ky. Trial has been completed in this case.

[10] *United States* v. *Bank Stock Corp. of Milwaukee, et al.*, Civ. Action No. 61-C-54, E.D. Wis.

of competition in this field vital to the preservation of a competitive economy.

The district court dismissed the complaint upon holding that the merger was not subject to the Clayton Act; that the government had failed to show that the four-county area in which defendants maintain offices was an appropriate geographical market; and that, assuming *arguendo* the government's position on these points, the merger would not violate the Clayton Act or the Sherman Act. The government contends that the four-county area is a relevant geographical market, that the merger would violate Section 1 of the Sherman Act, and that it also is subject to and would violate Section 7 of the Clayton Act. These positions are, at the least, substantial and worthy of full presentation to the Court.

1. *The Relevant Geographical Market.*

The government presented to the court below evidence of defendants' position among commercial banks located in the four Pennsylvania counties—Philadelphia, Delaware, Bucks, and Montgomery—in which defendants and other Philadelphia-based banks may legally maintain offices. PNB has offices in all four counties; Girard in all except Bucks. The district court denied the significance of statistics for the four-county area upon the ground that the relevant market was "the greater part of the northeastern United States" in order to include virtually the entire territory "in which PNB and Girard compete". (App. 31a). It is true, of course, that PNB and Girard are direct and very substantial competitors wherever they oper-

ate—be it on the local, regional, national or international level—because they are both engaged in precisely the same business. The significant question for purposes of the antitrust laws, however, is what geographical market or markets are appropriate for measuring the substantiality of the competition to be eliminated between the two banks by the merger.

The Sherman Act proscribes restraint of "any part" of commerce, a term which "has both a geographic and a distributive significance." *Standard Oil Co. v. United States*, 221 U.S. 1, 61. Geographically, the Court has been satisfied in Sherman Act cases with finding sufficient "volume in the area which the alleged restraints affect" (*United States* v. *Columbia Steel Co.*, 334 U.S. 495, 520), or, in similar terms, that the subject of the restraint is "an appreciable segment" of commerce (*United States* v. *Yellow Cab Co.*, 332 U.S. 218, 226).[11] The same approach was adopted by Congress in enacting the present geographical standard in Section 7 of the Clayton Act. As stated in the Senate Report on the 1950 amendment, a "section of the country" may be separately considered so long as it contains an "[a]ppreciable segment of the trade." S. Rep. No. 1775, 81st Cong. 2d Sess., p. 6.

In the present case, the four-county area proposed

[11] The Court has limited the "relevant competitive market" in an acquisition case to eleven states within which the acquired company did business (*United States* v. *Columbia Steel Co.*, 334 U.S. 495, 519-520), and in conspiracy cases, to eight states in which the parties' papers were published and principally circulated (*Farmer's Guide Co.* v. *Prairie Co.*, 293 U.S. 268, 278-279), to four cities for which taxicabs were purchased for use by defendant companies, and to one city in which several defendants operated (*United States* v. *Yellow Cab Co.*, 332 U.S. 218, 226, 229).

by the government was a highly appropriate geographical market for determining the effect of the merger on competition. In their reports and analyses of the merger to the Comptroller of Currency, both the Federal Reserve Board and the Federal Deposit Insurance Corporation regarded the four-county area as a distinct local market appropriate for purposes of analyzing the merger. As the Board stated, "[I]t is in the four-county area where the principal competitive impact of the proposal will fall and not in the out-of-State areas * * *. In all cases involving Philadelphia, Camden, Trenton and Wilmington banks, the [bank] examiners indicate that the primary competition is represented by the banks in the city where the subject institution is located. * * * The principal competitive effects of the proposal will, therefore, be local and not international or national." (Ex. G-161, pp. 1-2.) The banking agencies compared total resources and business of the defendants with those of the other banks with head offices in the four-county area, just as the government did in the court below.

The district court itself found that commercial banking as a whole was the relevant product market or line of commerce (App. 24a-28a). One would expect to find that most of the business of banks, both in terms of total dollar volume and in terms of customers served, is located in the local banking areas in which the banks have their head offices and branches. (See, *e.g.*, Tr. 369, 411, 1500-1501, 2055, 3246-3251; cf. *Transamerica Corp. v. Board of Governors*, 206 F. 2d 163, 167 (C.A. 3)). Small and medium size customers perforce do business in the local banking areas (Tr. 3815-3817); there

is testimony that loans below $1,000,000 normally would not be made outside the four-county area (Tr. 3817). Only in the local banking area does a bank effectively provide many of the required commercial banking services for all its customers, large and small alike (Tr. 882, 2558-2565, 3260, 3547-3549, 3815-3817, 3936). Even PNB and Girard's largest customers have headquarters or substantial business operations which require a variety of commercial banking services in the four-county area (Tr. 2504-2510, 2830-2833). So close is the identity of the four-county area with the major share of the business of the two banks, that neither PNB nor Girard derives any substantial portion of its business from Camden, New Jersey, which is just across the river from Philadelphia.[12] In fact, an official of one of the two largest commercial banks in Camden, with assets of more than $140 million, testified that his ability to compete effectively in the Philadelphia area was adversely affected by the legal restrictions on his locating branch offices there (Tr. 3228, 3249-3251, 3261).[13] Finally, as indicated by the sta-

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[12] Camden is one county in the ten-county Delaware Valley area proposed as the relevant market by defendants, which includes the four-county area advanced by the United States (Defs. Fdg. 50). Camden and the other five additional counties combined accounted for only about 7% of defendants' commercial and industrial loans, 2% of individual demand deposits, 4% of their demand deposits of partnerships and corporations (Fdgs., Tables 3, 14, 17, pp. 50, 63, 66).

[13] On this point, defendants' arguments in the court below were inconsistent. At the same time as they sought to expand the geographical market to include other areas, defendants contended that branch expansion was vital to their service of suburban areas outside Philadelphia and that existing branches of PNB and Girard a few miles apart are not really competitive with each other (Com-

tistics in the Statement (*supra*, p. 6), most of the business of PNB and Girard originates in the four-county Philadelphia metropolitan area.[14] On the basis of these facts, the four-county area was clearly a relevant geographical market for purposes of the Sherman Act (or a relevant section of the country for purposes of the Clayton Act), and the district court's contrary ruling was plainly erroneous.

2. *Unreasonable Restraint of Trade under the Sherman Act.*

The significance of the present case is that it involves the elimination of substantial and direct competition between the second and third largest commercial banks in the four-county Philadelphia metropolitan area. The direct competition between PNB and Girard is not an incidental effect, involving a small part of their activities, but rather runs throughout the entire range of their respective businesses, including the handling

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pare Defs. Fdgs. 52, 53, 99, 104, 105 with Defs. Fdg. 127). Moreover, in seeking to show the needs of the Philadelphia area for a larger bank, defendants implicitly assumed that, for certain of the banking needs of businessmen in the area, banks elsewhere are not satisfactory alternatives (Defs. Fdgs. 175-178, 180, 189, 204-205, 207).

[14] Comparable percentages of other companies' activities have been relied upon to determine relevant regional or local markets. *E.g.*, *United States* v. *Bethlehem Steel Corp.*, 168 F. Supp. 576 (S.D.N.Y.); *American Crystal Sugar Co.* v. *Cuban-American Sugar Co.*, 152 F. Supp. 387 (S.D.N.Y.), affirmed, 259 F. 2d 524 (C.A. 2); *Crown Zellerbach Co.* v. *Federal Trade Commission*, 296 F. 2d 800 (C.A. 9). If the court below be correct in defining the market to include virtually all of defendants' business, a single loan by one of the defendants' banks in New York City would apparently require the inclusion in the statistical analysis of all of the loans of the massive New York City banks.

of $1 billion and $650 million in deposits, the making of $500 million and $400 million in loans, and the administration of $400 million and $2.5 billion in trust funds (see the Statement, *supra*, pp. 5-6; Fdgs. 286, 287, 289, 308-316, 321, 337-345, 348, 355-356, 363-372). The Federal Reserve Board pointed out in its report to the Comptroller of Currency (Ex. G-161, pp. 2-3, 10) that the two consolidating banks are strong competitors "essentially * * * engaged in the same type of business * * *. [T]hey are competing for essentially the same types of business and the same types of customers." The merger would eliminate a substantial amount of "existing and potential competition," and would give the new bank "a dominant position * * * strongly adverse to the preservation of effective competition." The district court agreed that the merger would eliminate substantial and direct competition between the two defendant banks (App. 37a; see Fdgs. 320, 332, 336, 347, 351, 358, 360, 373).

(a). The railroad cases.—The closest analogy, in prior decisions of this Court, to the horizontal merger of direct competitors here presented is found in those cases which considered the validity of railroad mergers under the Sherman Act. Three cases involved mergers of transcontinental railroads (*United States* v. *Southern Pacific Railroad Co.*, 259 U.S. 214; *United States* v. *Union Pacific Railroad Co.*, 226 U.S. 61; *Northern Securities Co.* v. *United States*, 193 U.S. 197), and two involved the merger of railroads serving Pennsylvania's anthracite coal fields (*United States* v. *Reading Co.*, 253 U.S. 26; *United States* v. *Lehigh Valley Rail-*

road, 254 U.S. 255). Each merger was struck down on the ground that it eliminated substantial direct competition between the merged companies. As one commentator concluded from these cases: "[T]he unification of control and management of two giant companies doing a substantial proportion of the total business in a field, with a consequent elimination of competition between them, is unlawful notwithstanding that a monopoly is not attained, and notwithstanding further that no predatory methods are employed, and competitors are left unrestrained * * *." Handler, *A Study of the Construction and Enforcement of the Federal Antitrust Laws,* TNEC Monograph No. 38, S. Comm. Print, 76th Cong., 3d Sess., p. 58. In the railroad cases, there was no question but that the merged companies remained subject to vigorous competition by other railroads. In the *Reading* and *Lehigh Valley* cases, for example, the merged companies occupied only one-fifth to one-third of their relatively limited geographical market. See Handler, *supra,* pp. 48-49, 58-59, 66-71. As this Court held in *United States v. Southern Pacific Railroad Co., supra,* 259 U.S. at 230, "Such combinations * * * [are] not the result of normal and natural growth and development" in a competitive economy, and are unreasonable restraints of trade regardless of the continued existence of competition from other firms. Under the authority of these decisions, therefore, the proposed merger in the present case constitutes an unreasonable restraint of trade on the conceded facts.

(*b*). *The Columbia Steel case.*—Even if the proof of the proposed elimination of competition between

the two giant banks were not alone enough to demonstrate a violation of the Sherman Act, the proposed merger is plainly unlawful when judged on the basis of the factors enunciated by this Court in its most recent discussion of the applicability of the antitrust laws to horizontal mergers or acquisitions by competitors, *United States* v. *Columbia Steel Co.*, 334 U.S. 495. The factors to be considered are: dollar volume, although that factor is not "in itself of compelling significance"; "the percentage of business controlled" in the relevant market, the relative effect of which varies "with the setting in which that factor is placed"; "the strength of the remaining competition" both with respect to the competition eliminated between the merged companies and with respect to the competition from other companies; "the probable development of the industry" including the past history of the industry and the relevance of that history for the future development of the industry; and other subsidiary factors (*id.* at 527, 528).

(1). *Dollar volume.*—Although dollar volume is not "in itself of compelling significance" (334 U.S. at 527), it would be substantial in the proposed consolidated bank. The total assets of the consolidated bank would amount to about $1.75 billion; the total deposits would amount to over $1.5 billion; and the total loans would be close to $1 billion (see the Statement, *supra*, pp. 5-6).

(2). *The percentage of the business controlled.*—The proposed consolidation would bring about a marked concentration of commercial banking in the four-

county area. PNB-Girard would have over 35% of all the assets held by commercial banks in the area, over 35% of total deposits, about 35% of total loans, and over 40% of all commercial and industrial loans (see the Statement, *supra*, pp. 6-7 & n. 3, p. 7).

(3). *The strength of the remaining competition.*— In addition to eliminating substantial and direct competition between the two consolidating banks throughout the entire range of their businesses (see *supra*, pp. 19-20), the proposed consolidated bank will alter radically the existing competitive situation among all commercial banks with head offices in the four-county area. Instead of the present situation of two front-running banks of approximately equal size, with smaller competitors of decreasing size, the proposed consolidated bank will be far larger than any of its competitors, being at least 1.5 times the size of its nearest competitor (see the Statement, *supra*, pp. 7-8 & n. 4, p. 8).

The court below glossed over this consequence on the ground that "the vigor of competition" was assured by the continued activities of the other 40 commercial banks in the four-county area.[13] These banks

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[13] On the basis of statistics concerning commercial banking in other cities in which the leading bank had equal or higher market percentages than the proposed PNB-Girard bank, the district court also found that "no dangerously potential concentration will result from this merger" (App. 35a-36a). But the statistics were presented without analysis or proof in the record concerning the amount of banking business in these other markets, the absolute size of the lending banks, the relative size of their competitors, the existence (or not) of a trend to concentration, or other pertinent facts, such as whether the size of the leading bank is attributable to mergers or internal growth. In any event, the possible existence

were erroneously considered equivalent competitive alternatives to PNB-Girard up to their respective lending limits per borrower (App. 39a). Although there are 27 banks which are legally permitted to lend up to $100,000 to any one borrower (Ex. D-15),[16] many of these banks would quickly deplete their lendable funds if they were to make any substantial number of loans at the limit. The lending limit is fixed by law at 10% of capital and surplus; the funds available for lending are derived primarily from deposits, secondarily from capital and surplus (Tr. 2572, 2613-2615). Thus, of the 27 banks with a $100,000 lending limit, only 7 have total outstanding net loans (and lendable funds)[17] in excess of $100,000,000. Fifteen of the 27 banks have total net loans of less than $25,000,000, 9 have less than $10,000,000, and 1 has less than $700,000 (Ex. D-15). The smaller banks cannot be compared in economic power and influence—and as competitors for $100,000 loans—with the merging banks which together have almost $1 billion in outstanding loans (Govt. Prop. Fdg. 408), and cover the

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elsewhere of a high degree of concentration, or even an unprosecuted violation of the antitrust laws, could not justify a merger if shown to be unlawful in the present case.

[16] In the four-county Philadelphia area, as the court noted, there would be after the merger 41 banks with lending limits up to $10,000, 27 up to $100,000, 10 up to $500,000, 7 up to $1,000,000, 4 up to $2,500,000 and the new consolidated bank with a lending limit of $15,000,000 (App. 39a).

[17] Defendant Girard's president testified that commercial banks generally lend no more than about 60% of deposits, a ratio considered consistent with sound banking practice (Tr. 2614). The net loans of the Philadelphia area banks shown on Ex. D-15 are close to this ratio and, therefore, approximate the banks' lending capacities.

four-county area with 65 offices (Fdgs. 8, 293-295, 393; Govt. Prop. Fdg. 402; Tr. 884, 2056). Moreover, although large banks in New York and elsewhere solicit business in Philadelphia and although the proposed merged bank might be able, by reason of its increased size, somewhat to enhance competition for large loans on the regional and national markets,[18] these factors cannot outweigh or ameliorate the chief and overriding effect of the transaction, which is the elimination of competition between the defendants and the undue concentration of commercial banking within the four-county area.[19]

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[18] The record does not support the claim (App. 48a) that defendants must unite to provide adequate service for the benefit of the Philadelphia area. The main aim of the merger is allegedly to provide a higher lending limit; evidently a matter of civic prestige (Tr. 1460, 3189-3190, 3905). The merged bank will be able to lend up to $15,000,000 to any one borrower, in place of PNB's $8,000,000 and Girard's $6,000,000 limits. However, the president of PNB could cite only five borrowers in the Philadelphia area in 1960 who stated that they obtained loans from other cities "due to the inadequate lending limits of Philadelphia National or Girard" (Tr. 1415-1418). As of December 1960, PNB had only two loans outstanding at its present limit; Girard had none (Tr. 1489). PNB had received only five requests in the last five years for loans in excess of its limit, three of which were satisfied by PNB with the cooperation of other banks (Exs. G-146, G-147). Girard had similarly fulfilled its lone request for a line of credit beyond its limit and had experienced no requests for loans of that size (Ex. G-199; Tr. 2842, 3813). And most of defendants' largest customers do not utilize their present lines of credit with defendants (Ex. D-26; Tr. 2854-2878; Ex. D-40; Tr. 2788-2789).

[19] The decision below is hardly supported by the testimony of local bankers that the vigor of competition will continue, or even increase (App. 37a-38a). Some of the witnesses based these conclusory opinions upon the prior experience that after large mergers there is some shift in patronage (Tr. 2314, 2770-2772, 3172-3173, 3274-3275). But this effect offers only a transitory competitive opportunity. To the extent that the bankers expressed their per-

(4). *The probable development of the industry.*— In the present case, the number of competitive units in the market has been marked by a steady decline during the last 15 years, a decline which shows every sign of continuing. The fact cited below (App. 40a), that one commercial bank has been established in the Philadelphia area during this period and has grown to assets of about $15,000,000, deposits of $14,000,000, and loans of $7,500,000 (Ex. D-15), is more than outweighed by the disappearance, between 1947 and 1960, of 66 of 108 independent banks in the area (see the Statement, *supra*, p. 7). The trend towards concentration is clear. The district court plainly erred in refusing to find that there was no real possibility of entry of new competition to replace that which would be eliminated by the merger of defendants.

The unlawful impact of the proposed merger is confirmed by a comparison of the facts in the present case with those of *Columbia Steel*. There, the Court

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sonal intention to compete energetically in the future (Tr. 3050), the testimony is hardly material.

One of the banker witnesses relied upon below (App. 38a) was Albert T. Mason, president of Liberty Real Estate Bank and Trust Co. in Philadelphia, who stated that small banks such as his did not suffer from previous mergers and would not be disadvantaged by the PNB-Girard consolidation (Tr. 3050-3051). Since the judgment below, an application to merge signed by Mr. Mason and others was filed by Liberty and another small bank in the four-county area, Bridgeport National Bank, with the Federal Deposit Insurance Corp. The banks asserted, as a reason for the merger, that "the aggressiveness of the banking industry has intensified competition so that the smaller banks must combine so as to remain effective in their area" (Application, p. 4-A, on file with F.D.I.C.; cf. Fdgs. 437-438).

sustained the acquisition by United States Steel of the assets of the Consolidated Steel Co., the horizontal effect of which was limited to structural steel fabrication, and held that, on the basis of the factors enumerated (see *supra*, p. 22), the acquisition was not an unreasonable restraint of trade.[20] United States Steel had aggregate sales of $1.5 billion and Consolidated Steel had annual sales of structural steel, which was its only product, of only $20 million. The sales with respect to that portion of structural steel fabrication as to which the two companies were in direct competition, however, represented only a small portion of the annual sales figures. (334 U.S. at 500, 528-529.) As to the percentage of business controlled, the government offered evidence to indicate that, within the purported relevant market of eleven western states (see 334 U.S. at 514), "United States Steel could be expected in the future to sell 13% of the total of structural steel products in the Consolidated trade area and that Consolidated could be expected to sell 11%" (*id.* at 529). The combined total would therefore be only 24% of the business controlled in the market. The Court raised serious questions about the validity of these figures, because of the doubtful, speculative nature of the alleged horizontal competition between the two companies with respect to structural steel

[20] The Court's opinion was largely devoted to the questions raised by the alleged effects of the vertical integration which actually motivated the asset acquisition. United States Steel purchased Consolidated's assets as a market for the ingot output of a rolled steel plant at Geneva, Utah, which it had previously acquired from the War Assets Administration; the latter sale had been approved by the Attorney General as not violating the antitrust laws (334 U.S. at 503-507).

fabrication, but made the "doubtful assumption" of their accuracy for purposes of discussion (*ibid.*). Even on the basis of these figures, however, the Court held that there was no unreasonable restraint, in view of "the present unusual conditions of the western steel industry" and its prospective development (*ibid.*; see *id.* at 512-516, 529). These "unusual conditions" in the industry—which included changes in the industry structure resulting from World War II and a new basic freight rate pattern—tended to indicate an expanding number of market participants and to reduce the significance of previous or existing market positions (334 U.S. at 514, 529-530). The contrast of the factual setting of the present case with that of *Columbia Steel* is obvious and indicates that under the tests this Court has laid down the proposed merger here must be found to create an unreasonable restraint of trade.

3. *The Applicability of Section 7 of the Clayton Act.*

(*a*). *The effect of the merger.*—If the government be correct in its contention that the proposed merger is a combination in unreasonable restraint of trade, in violation of Section 1 of the Sherman Act, then the same analysis is sufficient, *a fortiori*, to establish that the effect of the proposed merger may "be substantially to lessen competition" or "to tend to create a monopoly," in violation of Section 7 of the Clayton Act. Moreover, even if a violation of the Sherman Act were not established, the market analysis and the appraisal of the effect of the merger on competition shows that the court below plainly erred in hold-

ing that the proposed merger might not substantially lessen competition or tend to create a monopoly.

Congress clearly intended that a merger or consolidation would violate Section 7 of the Clayton Act well before it could violate the Sherman Act. See S. Rep. No. 1775, 81st Cong., 2d Sess., pp. 4-5. Once a merger eliminates "in whole or in material part * * * the competitive activity of an enterprise which has been a substantial factor in competition" (H. Rep. No. 1191, 81st Cong., 1st Sess., p. 8), a violation of Section 7 occurs, providing the other criteria of the Section are met (see, *e.g., Crown Zellerbach Corp.* v. *Federal Trade Commission*, 296 F. 2d 800 (C.A. 9); *United States* v. *Bethlehem Steel Corp.*, 168 F. Supp. 576 (S.D.N.Y.); *United States* v. *Koppers Co.*, 1962 Trade Cases § 70,194 (W.D. Pa.)). Since the proposed merger will eliminate substantial and direct competition between PNB and Girard, a basic criterion for establishing a violation of Section 7 has been satisfied.

(*b*). *The scope of Section 7.*—Another substantial question is raised by the court's refusal to find that the proposed merger in the present case satisfied the other criteria of Section 7. Section 7 prohibits acquisitions of "the whole or any part of the stock or other share capital" or of "the whole or any part of the assets of another corporation," if the acquisitions have the prescribed anticompetitive consequences. Although all integrate mergers or consolidations cannot be described literally in terms of simple acquisitions of stock or assets, the fact is that today there can be no question that Section 7, under either its "stock" or

"assets" clause, covers all types of mergers and consolidations as well as acquisitions. In *United States v. du Pont & Co.*, 353 U.S. 586, 590, this Court, quoting from H. Rep. No. 1191, 81st Cong., 1st Sess., p. 11, pointed out that "the 1950 amendment [to Section 7 adding the "assets" clause] was purposed '. . . to *make it clear* that the bill applies to all types of mergers and acquisitions, vertical and conglomerate as well as horizontal'" (emphasis by the Court. Although the Court in this quotation was concerned with making it clear that even before the 1950 amendment Section 7 had applied to vertical as well as horizontal acquisitions (see 353 U.S. at 590), it is plain that the Court also assumed that Section 7 applied to mergers as well as to acquisitions and therefore that the 1950 amendment had put to rest the dictum in *Arrow-Hart & Hegeman Elec. Co. v. Federal Trade Commission*, 291 U.S. 587, 595, that Section 7 did "not forbid * * * the merger of corporations pursuant to state laws." This previous exclusion of mergers from the coverage of Section 7 was an improperly restricted reading of the reference to acquisitions in Section 7.

In Section 7, the differentiation between the acquisitions of "stock" and "assets" becomes important with respect to bank mergers because only the "stock" acquisition clause is applicable to bank mergers. The "stock" clause applies to acquisitions by "any corporation engaged in commerce," whereas the "assets" clause applies only to acquisitions by corporations "subject to the jurisdiction of the Federal Trade Commission," from which banks are excluded by Section 11 of the Clayton Act, 15 U.S.C. 21 (cf. Section

5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a)).

The court below held that the "acquisition" in the present case was one of "assets" and was therefore outside the scope of Section 7 (App. 17a-21a). But an assets acquisition refers to the typical purchase of property, such as the purchase of Consolidated's assets by United States Steel in *United States* v. *Columbia Steel Co., supra.* A merger or consolidation of going concerns, on the other hand, may be viewed as combining two distinct and successive acquisitions: (1) an acquisition by the newly consolidated company of all of the stock of the merging companies for which stock of the consolidated company is issued; and (2) an acquisition of assets, in which the subsidiaries are absorbed into the parent consolidated company. In the statutory consolidation proposed between PNB and Girard, under the express terms of 12 U.S.C. (Supp. II) 215(e), "[t]he corporate existence of each of the consolidating banks * * * shall be merged into and continued in the consolidated national banking association and such consolidated national banking association shall be deemed to be the same corporation as each bank or banking association participating in the consolidation." Under the agreement of consolidation, PNB and Girard are to be consolidated under the PNB charter, and the consolidated bank is to "be deemed the same corporation as each of the Consolidating Banks * * *." All property rights, franchises and interests of the two banks are to be vested in the consolidated bank, which in turn is to be responsible for all of the liabilities of the two

banks. (See Secs. 1 and 5 of the agreement; the Statement, *supra*, pp. 8-9.) Although, under the Act and agreement of consolidation, the two "acquisitions" of stock and assets occur in a single step, the transaction nevertheless must be broken down into its component elements and analyzed as separate acquisitions for purposes of applying Section 7. A bank merger therefore may be characterized as involving both an acquisition of "assets", which is outside the scope of Section 7, and an acquisition of "stock", which is within the scope of Section 7. Since a vital element of the bank merger would be an acquisition of stock, the proposed merger is clearly within the scope of Section 7.

Under the original Section 7 (which covered only stock acquisitions), this Court held in *Arrow-Hart & Hegeman Elec. Co.* v. *Federal Trade Commission*, *supra*, that, if an illegal acquisition of stock were followed by a merger of assets, the Commission would no longer have power to grant relief. The holding of the case, however, rested explicitly upon the statutory limitations applicable to the Commission (see 291 U.S. at 598-599). *Arrow-Hart* would hardly have relevance in the present case, for the powers of a court of equity are not circumscribed as are the powers of the Federal Trade Commission. Indeed, the Court in *Arrow-Hart* itself stated (291 U.S. at 599) that "if any remedy for such violation is afforded, a court and not the Federal Trade Commission is the appropriate forum." See the dissenting opinion of Mr. Justice Stone in *Arrow-Hart*, 291 U.S. at 608; *Northern Securities Co.* v. *United States*, 193 U.S. 197, 356-358. *Arrow-Hart* thus does not stand in the way of the district court granting

effective relief against the proposed merger in the present case.[21]

CONCLUSION

For the foregoing reasons, the questions presented by this appeal are substantial and of public importance in the enforcement of the antitrust laws. Probable jurisdiction should be noted.

Respectfully submitted,

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MARCH 1962.

[21] Even if the merger were not directly subject to Section 7, the Section nevertheless has relevance to this case. The Court has stated that the policy of Section 7 illuminates the Sherman Act and should be taken into consideration in a Sherman Act case. *United States* v. *Columbia Steel Co.*, *supra*, 334 U.S. at 507, n. 7; *Times-Picayune* v. *United States*, 345 U.S. 594, 610-611. The Sherman Act's standard of proof has been said to be "more stringent" in the case of tying agreements (*Times-Picayune*, *supra*). For mergers, however, the Court has noted only that the Sherman Act standard "differs somewhat from the specific language" of the Clayton Act (*Columbia Steel*, *supra*, 334 U.S. at 522, n. 19). At the least, therefore, mergers of substantial competitors should not be favored by the Sherman Act over loose combinations or agreements.

APPENDIX

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 29287

UNITED STATES OF AMERICA, PLAINTIFF,

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK, DEFENDANTS

* * * * *

OPINION

CLARY, CH. J. January 15, 1962.

This is a civil action instituted under Section 4 of the Act of Congress of July 2, 1890, as amended, 15 U.S.C. Section 4, (commonly known and hereinafter referred to as the "Sherman Antitrust Act"), and Section 15 of the Act of Congress of October 15, 1914, as amended, 15 U.S.C. Section 25, (commonly referred to and hereinafter designated as the "Clayton Antitrust Act"), in which the United States (hereinafter referred to as "government" or "plaintiff") seeks an injunction to restrain the defendants, The Philadelphia National Bank (hereinafter referred to as "PNB") and Girard Trust Corn Exchange Bank (hereinafter referred to as "Girard"), from carrying out an agreement of consolidation. This agreement of consolidation was drawn up after the passage of Public Law 86-463, (commonly referred to as "The Bank Merger Act of 1960"), amending 74 Stat. 129, approved May

13, 1960, found at 12 U.S.C. Section 1828(c), and is subject to the provisions thereof. Plaintiff herein alleges that the proposed consolidation violates Section 1 of the Sherman Antitrust Act, as amended, 15 U.S.C. Section 1, and Section 7 of the Clayton Antitrust Act, as further amended by the Act of Congress of December 29, 1950, 15 U.S.C. Section 18, (commonly known as "The Celler-Kefauver Anti-Merger Act").

The proposed merger sought to be enjoined was approved by the Directors of the banks involved on November 15, 1960, and by the Comptroller of the Currency on February 24, 1961. This action was instituted on February 25, 1961.

Generally, the complaint alleges that commercial banking and several of its integral parts comprise interstate commerce; that commercial banking with its integral parts fills an essential and unique role in the nation's economy with a combination of services unduplicated by other financial institutions; that existing and potential competition in commercial banking in the Philadelphia area would be substantially and unreasonably lessened; that the merger would substantially and unreasonably increase concentration in banking in the Philadelphia area and that existing and potential competition in the commerce and industry served by commercial banks in the Philadelphia area would be substantially and unreasonably lessened. Parenthetically it may be noted at the outset that the last of these averments has not been seriously presented by the plaintiff and, for all practical purposes, has been abandoned.

The net effect of the above, the plaintiff contends, is a violation of both Section 1 of the Sherman Act and Section 7 of the Clayton Act. The plaintiff contends further that competition in commercial banking is absolutely vital and necessary to the preservation of the

financial structure and security of the nation; that undue concentration of banking powers would have the effect of increasing costs and interest rates both to depositors and borrowers; would result in a decrease in the credit facilities available to the general public and, in effect, would destroy the very foundation of the banking system of the United States which, according to the Government's witnesses, rests entirely upon a number of independently-owned banks serving the community, which system they felt strengthened competition, and a merger such as this would tend to destroy it.

Initially, it would help to review, in extremely brief outline, what Congress has done in this field. The Sherman Act, supra, enacted in 1890, was designed to prevent combinations in restraint of trade or commerce among the several states or with foreign nations. That this was an exposition of the common law doctrine is revealed by the decision in *United States v. American Tobacco Company*, 221 U. S. 106 (1911) at pages 179-180 where the Supreme Court of the United States declared:

> "'Applying the rule of reason to the construction of the statue, it was held in the Standard Oil Case that, as the words 'restraint of trade' at common law and in the law of this country at the time of the adoption of the anti-trust act only embraced acts or contracts or agreements or combinations which operated to the prejudice of the public interests by unduly restricting competition, or unduly obstructing the due course of trade, or which, either because of their inherent nature or effect, or because of the evident purpose of the acts, etc., injuriously restrained trade, that the words as used in the statute were designed to have and did have

but a like significance . . . the words 'restraint of trade' should be given a meaning which would not destroy the individual right to contract, and render difficult, if not impossible, any movement of trade in the channels of interstate commerce,—the free movement of which it was the purpose of the statute to protect."

Citing Standard Oil Co. v. U.S. 221 U. S. 1 (1911)

It will therefore be seen that the Supreme Court judged the key factor and purpose of the Sherman Antitrust law to be the perpetuation of and protection of free competition. An examination of both the Clayton Act and the Federal Trade Commission Act, both passed in the year 1914, and the case law decided thereunder, again stresses the principle of law that competition should be encouraged as a national policy, and it is the destruction of this free competition which is proscribed.

The Miller-Tydings Amendment to the Clayton Act and the Robinson-Patman Amendment were both designed to insure free and fair competition. The Celler-Kefauver Amendment of 1950 was designed to prevent asset acquisitions thereby plugging a loophole in the Clayton Act which previously prevented stock acquisition only, and did not cover the area in which asset acquisitions might tend to destroy competition. The legislative history of this latter Act clearly indicates the intent of the Congress to preserve competition as defined by the Supreme Court.

Since competition and the preservation of competition permeates each of the aforementioned Acts and is the common bond between each of them, it would appear that 71 years after the passage of the first Antitrust law, the Court should have (but does not) a clear legal defi-

nition of competition as used in each of the Acts. Congress has given the Court at least one idea of what it means in the use of the word when it refers to "vigorous" competition. What then is the real definition of competition and what are the standards of competition required by these Acts? The Webster definition reads as follows:

> "Com. & Econ. The effort of two or more parties, acting independently, to secure the custom of a third party by the offer of the most favorable terms; also, the relations between different buyers or different sellers which result from this effort."

In *United States* v. *Aluminum Company of America*, 91 Fed. Supp. 333, at 355 (S.D. N.Y. 1950), Chief Judge Knox defined competition as follows:

> "Commercial competition, theoretically, is the independent endeavor of two or more persons or organizations within the realm of a chosen market place, to obtain the business patronage of others by means of various appeals, including the offer of more attractive terms or superior merchandise."

It seems to the Court that the Congress, by the use of the word "competition", intended to preserve free and open markets wherein the rivalry of the commercial firms, in the same line of endeavor, for the patronage of the common customer, would be demonstrated by a business atmosphere where free purchasers and free sellers, under no obligation to buy, and under no obligation to sell, would enter into contracts of purchase and sales (or service contracts) because of the actual inducements offered, such as quality of product, terms, delivery, and the many other factors which make for good business relations, having in mind the peculiar

situations, facts and circumstances which govern the particular transactions between individuals or organizations.

It is also apparent that in any antitrust action, including the instant one, a Judge called upon to decide the case must, of necessity, take the facts that are presented to him and determine on those peculiar facts whether the particular circumstances involved will, or will not, destroy the free competition which the Congress intended to preserve, and with particular scrutiny of the industry or part thereof charged with violations.

The Government here has brought an action—the first of its kind—to prevent the merger of two strong Philadelphia banks, and on the ground that this merger will (1) violate the Sherman Act by restraining trade, and (2) violate the Clayton Act by lessening and/or destroying competition and tending toward a monopoly. The Court believes that the Government's general theory of the case should be set out in brief, broad outline before coming to the specifics.

The Government's case was predicated upon the premise that the banks involved were legally restricted to having offices in geographic limits. Starting with that assumption, the Government introduced a wealth of statistical data, the accuracy of which has not been questioned, which would show that a very large percentage of the deposits and loans originated in the restricted geographical area. Based strictly upon this premise, and applying the principles heretofore enunciated in industrial cases, the Government argues that these percentages are all persuasive, show a high degree of concentration of the market involved, and that it is therefore the duty of the Court to prevent this clear, apparent restraint of trade, destruction of,

or restriction of competition, and tendency to monopoly by prohibiting the merger.

The Court accepts the statistics introduced as showing exactly what they demonstrate on the figures used, but, as will be pointed out later when discussing the specifics, refuses to accept the conclusions which the Government asks the Court to draw.

In support of its contention that this merger is illegal, the Government attempted to show by the testimony of two university professors that the merger would have a profound adverse effect upon the banking system of this area, actually restrict credit, and permit price fixing for banking services. This attempt was far from successful. The professors had individual theories of the effect of the merger on the monetary system of the United States and of this area, which were completely destroyed on cross-examination, particularly as relating to the Philadelphia situation. The Government also attempted to establish, by opinion testimony of small town bankers, that the contemplated merger would adversely affect not only the banking situation in Philadelphia, but generally throughout the country, including their own small towns. Their testimony was practically a rehash of the testimony they gave before both the House and Senate Committees considering the Bank Merger Act of 1960. There they strongly urged the Congress of the United States to forbid further bank mergers and to maintain the status quo of the banking system of the United States. They attempted to have Congress limit prospective mergers to the very narrow situations where economic necessity would make a merger absolutely imperative. For example, they conceded that where a bank was on the verge of insolvency, a merger should be permitted with a strong solvent bank for the protection

of depositors and the general public. They also agreed that where ineffectual management was demonstrated, again it would be in the public interest to merge the bank with a strong progressive bank, again for protection of depositors and the public. With these two and other minor exceptions, not necessary to outline here, they fought vigorously to have the Congress absolutely forbid all other mergers. This the Congress refused to do, and, in the opinion of this Court, properly so.

Commercial banking, despite the attempt of the Government in this case to have the Court consider it an ordinary line of commercial endeavor, comparable to the ordinary industrial organizations, is a specialized branch of what the Court chooses to term the financial industry. It is completely regulated. It may not, as an industrial plant might, establish a branch of operations where it pleases. By virtue of both state and federal authority, it must keep its assets liquid, as will be hereinafter discussed. It may charge for its principal services (lending of money) a maximum prescribed by law. It may not pay interest on demand deposits and is limited by law to the amounts which it may pay for savings or time deposits. It may not go out and buy raw materials and manufacture products and attempt to extend its market. Its stock in trade is money and the only way that it can generate its stock in trade—money—is to create demand deposits which it may lend to individuals, corporations or organizations. It is the commercial bank, even though strictly regulated, which comprises the backbone of the montetary system of the United States. To place it in and consider it as part of the commercial and industrial field, as contrasted with the financial, would be to ignore the realities of the situation.

Both the Government and the defendants have, in

support of their respective contentions, cited the only antitrust case law available and all such cases were decided under the Sherman and subsequent Acts. All involve only commercial and industrial organizations. While the Court recognizes the validity of the broad principles of law therein enunciated, it certainly does not follow that those principles should be applied with the same force and effect to a regulated industry as to one in the so-called "free enterprise" field. The Congress of the United States has, in fact, in the industrial and commercial field, usually exempted regulated industries from the application of the antitrust law and in the public interest.

It is significant to note that in the Bank Merger Act, the Congress of the United States has included as one of the controlling elements, and an important one, for consideration in the determination of Governmental approval of bank mergers, that same public interest. This Court does not believe, as the Government would have it, that this was a mere passing reference without practical significance and actually completely irrelevant to a decision of this case, but, on the contrary, feels that the inclusion of this public interest concept is an important element in the Congressional approach to monetary regulation.

The only question involved in this case is—Will this proposed merger of two Philadelphia banks, in the City and County of Philadelphia, Commonwealth of Pennsylvania, substantially lessen competition, tend toward monopoly, and or restrain trade and commerce, in violation of the Clayton and Sherman Acts?

Coming now to the specifics of this case and expanding upon the allegations of the complaint, it avers, inter alia, that commercial banks fill an essential and unique role in the nation's economy with a combination of services unduplicated by other financial institutions;

that commercial banking in Philadelphia and the surrounding metropolitan area is heavily concentrated in a few banks; that PNB and Girard compete with each other, and with other banks in the Philadelphia area, in the performance of commercial banking functions; that as of June 30, 1960, PNB accounted for approximately 22% and Girard for approximately 15% of the total deposits in Philadelphia commercial banks; and, that as a result of the proposed merger PNB would become the largest commercial bank in the Philadelphia area and would be approximately 50% larger than its closest competitor.

Further, it is charged that defendants have been engaged in an unlawful combination in unreasonable restraint of trade and commerce in commercial banking in violation of Section 1 of the Sherman Act, and that the effect of the merger may be substantially to lessen competition, or tend to create a monopoly in violation of Section 7 of the Clayton Act.

PNB is a banking association, engaged in interstate commerce, organized under the laws of the United States, having its principal place of business at Philadelphia, Pennsylvania. Girard is a banking association, engaged in interstate commerce, organized under the laws of the Commonwealth of Pennsylvania, having its principal place of business at Philadelphia, Pennsylvania.

On November 15, 1960 the Boards of Directors of PNB and Girard approved a proposed merger of the two banks. On the same day, an application for approval of the merger was filed with the Comptroller of the Currency in accordance with the provisions of the 1960 amendment to the Federal Deposit Insurance Corporation Act, 12 U.S.C. Section 1828(c), commonly known as the Bank Merger Act.

On December 20, 1960, the two Boards approved a

written agreement of consolidation to be effected in accordance with the provisions of the national banking statutes, 12 U.S.C. Section 215. On February 24, 1961, the Comptroller of the Currency approved the proposed merger. He did so despite the fact that in the reports submitted to the Comptroller by the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Attorney General, as was required by the Bank Merger Act, both the Attorney General and the Federal Reserve Board concluded that the merger would result in a substantial lessening of competition and a tendency toward monopoly, and the Federal Deposit Insurance Corporation concluded that the merger would be adverse as to Philadelphia and the immediate suburbs, but not adverse in the regional, national, and international fields of competition.

The next day the Department of Justice filed the complaint in this action. On May 9, 1961, meetings of the shareholders of the two banks were held and the agreement of consolidation was approved. The trial of this case began on June 5, 1961, without a jury, and was concluded on August 3, 1961.

PNB was chartered on October 20, 1864 under an Act of Congress of June 3, 1864. In 1926 it merged with Girard National Bank, and in 1928 it merged with Franklin-Fourth Street National Bank. Until 1951 PNB engaged in what has been termed a "wholesale" banking business, at which time it was decided to enter the "retail" banking and trust fields. Since 1951 PNB has acquired 9 additional banks. As of March 10, 1961, PNB conducted a general commercial banking business through 27 offices, 10 of which are located in Philadelphia County, 5 in Delaware County, 5 in Bucks County, and 7 in Montgomery County. As of June 30, 1960, PNB had total assets of $1,064,335,000, total deposits of $924,495,000, and total loans of $523,612,316 of

which approximately 57% in dollar amount were in commercial and industrial loans.

Girard was chartered as a state bank on March 17, 1836 by the Pennsylvania legislature. It was primarily engaged in the trust business and accompanying banking services until 1940 at which time efforts were begun to develop commercial business and consumer credit loans. Until 1950 Girard had only one office. In the past 10 years it has engaged in 6 mergers. Girard now conducts a general commercial banking business through 39 offices, of which 21 are located in Philadelphia, 12 in Delaware County, and 6 in Montgomery County. As of June 30, 1960 Girard had total net assets of $740,920,000, total net deposits of $650,790,000 and total net loans of $399,362,000, of which approximately 49% in dollar amount were in the commercial and industrial category.

With this brief introduction it now becomes necessary, before discussing in detail the factual questions presented and the law applicable thereto, to decide two purely legal questions which have been raised, one relating to the Bank Merger Act, the other to the applicability of the Clayton Act to this action.

Bank Merger Act of 1960

The defendants contend that the approval of the merger by the Comptroller of the Currency is the final and exclusive determination of its legality and that the Bank Merger Act of 1960 precludes a review of the proposed merger under the antitrust laws. 12 U.S.C. Section 1828(c) reads in relevant part:

> "No insured bank shall merge or consolidate with any other insured bank or, either directly or indirectly, acquire the assets of, or assume liability to pay any deposits made in, any other insured

bank without the prior written consent (i) of the Comptroller of the Currency if the acquiring, assuming, or resulting bank is to be a national bank or a District bank, . . . In granting or withholding consent under this subsection, the Comptroller, . . . shall consider the financial history and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, and whether or not its corporate powers are consistent with the purposes of this chapter. In the case of a merger, consolidation, acquisition of assets, or assumption of liabilities, the appropriate agency shall also take into consideration the effect of the transaction on competition (including any tendency toward monopoly), and shall not approve the transaction unless, after considering all of such factors, it finds the transaction to be in the public interest."

Defendants claim that the above statute makes it clear that it was the intent of Congress that the Comptroller test the validity of bank mergers by a *public interest* standard which is broader than and essentially different from an exclusively antitrust standard. Since Congress decided to apply antitrust policies to such mergers only to the limited and subordinate extent of being a single factor for consideration, it is argued, it must follow that the practical implementation of this congressional decision necessarily precludes an antitrust action to prevent a merger which has been approved by the executive agency charged with applying the public interest standard in determining whether approval should be given.

In support of this argument, it is submitted that the legislative history of the Bank Merger Act (herein-

after referred to as the "Act"), emphasizes the fact that the competitive factors are not to be controlling in the public interest determination to be made by the Comptroller. For example, at page 24 of the *Senate Report, Senate Report No. 196,* 86th Cong., 1st Sess. on S. 1062 (1959), the following statement appears:

> "Under S. 1062 the competitive factors involved in the merger are only one element of several to be considered in passing on the application. The committee wants to make crystal clear its intention that the various banking factors in any particular case may be held to outweigh the competitive factors, and that the competitive factors, however favorable or unfavorable, are not, in and of themselves, controlling on the decision."

And, in the House Report at pages 9 and 10, *House Report No. 1416,* 86th Cong. 2d Sess., (1960), this statements appears:

> "Because banking is a licensed and strictly supervised industry that offers problems acutely different from other types of business, the bill vests the ultimate authority to pass on mergers in the Federal bank supervisory agencies, which have a thorough knowledge of the banks, their personnel, and their types of business."

It is true that one can find statements in the legislative history of the Act which, when read alone, indicate that Congress intended to preclude the application of the antitrust laws to bank mergers. It is most difficult, however, to accept defendants' contention when faced with unequivocal statements to the contrary in the reports of both the Senate and the House. This statement appears at page 9 of the House Report:

> "S. 1062 would not in any way affect the applicability of the Sherman Act or the Clayton Act to bank mergers."

And, at page 3 of the Senate Report:

> "S. 1062 would not affect in any way the applicability of the Sherman Act to bank mergers and consolidations."

These statements cannot possibly be reconciled with defendants' interpretation of the legislative intent of Congress.

In support of their position, the defendants place a great deal of weight on the *public interest*, as opposed to the antitrust standard written into the Act. Why, they ask, would Congress arm the Comptroller with such a comprehensive standard if it intended that the Department of Justice could supersede his determination by a mere showing of anti-competitive effects? This argument of the defendants, while persuasive, does not convince the Court that it should enunciate the rule of law requested that public interest is the controlling factor in any particular merger. There is no doubt that the public interest factor, while not controlling, does, in this type of antitrust litigation, play more than a casual or secondary role, particularly where it involves a highly regulated field. The Court cannot conclude that merely because a public interest standard was written in the statute as one of the factors to be considered, that a Court is rendered incompetent to review the action of the individual or department charged with the administration of the Act. Had Congress so intended, it certainly would have been specifically set out and in plain terms in the language of the statute. The Court does not find that intendment here.

Defendants also press the argument on another

ground as well. They say that Congress intended to exclude the antitrust laws because the Act contains no provision such as is found in Section 11 of the Bank Holding Company Act of 1956, 12 U.S.C. Section 1841 et seq., which explicitly preserves the application of the antitrust laws to the subject matter of the statute. It is pointed out that Congressman Celler proposed specific language for such an amendment in the House hearings on the bill, but nevertheless it was not included in the amendment by the House of Senate 1062 as previously passed by the Senate. The following statement, however, clearly indicates that Congressman Celler did not consider that the antitrust laws would be excluded by the failure to insert such a provision:

> "While such a provision would not add to the bill from a substantive standpoint, it would avoid needless controversy and possible litigation involving the contention that the strictness of the Sherman and Clayton Acts had been nullified by the provisions of the pending bill." Hearings before the Subcommittee No. 2 of the Committee on Banking and Currency, H.R., 86th Cong., 2d Sess. on S. 1062 (1960), pages 131 and 132.

Moreover, the Court finds the antithetical argument proffered by the plaintiff equally, if not more persuasive, than that of the defendants. The Government argues that a creation of an exemption from the antitrust laws requires clear and explicit language in the exempting statute such as is found in Section 5 (11) of the Interstate Commerce Act, 49 U.S.C. Section 5(11).

In light of this difference of opinion, the Court is constrained to return to the statements made in both the Senate and House reports concerning the applicability of the Clayton and Sherman Acts. It is the opinion of

this Court that defendants have failed in their attempt to nullify the plain meaning of these words. They are much too explicit to be ignored or explained away.

Applicability of Section 7 of Clayton Act

The Celler-Kefauver Anti-Merger Act, 15 U.S.C. Section 18, reads in relevant part:

> "No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly."

The Celler-Kefauver amendment was enacted in 1950 as the original Section 7 proved ineffective in preventing mergers, primarily because of the failure of the statute to include asset as well as stock acquisitions. Because banks are exempted from the jurisdiction of the Federal Trade Commission, under the provisions of the Federal Trade Commission Act, 15 U.S.C. Section 45(a), the Celler-Kefauver amendment can only apply if the bank merger is consummated through a stock acquisition. Therefore, if the Clayton Act is to apply at all to the merger presently under consideration, the plaintiff must show that the proposed consolidation of the defendants involves a stock acquisition.

Before considering the argument advanced by the plaintiff with respect to this question, it is necessary, so that the transaction can be placed in the proper perspective, to set forth certain pertinent provisions

of the agreement of consolidation entered into by the defendant banks:

Section 1

"Girard and Philadelphia National (the 'Consolidating Banks') shall be consolidated pursuant to the provisions of the aforesaid statute,[1] under the charter of the Philadelphia National Bank, which shall continue after the effective date of the consolidation as defined below."

Section 5

"The corporate existence of Girard shall be merged into and continued in Philadelphia National, which shall continue in existence as the Association, and the Association shall be deemed to be the same corporation as each of the Consolidating Banks. All rights, franchises, and interests of each bank in, and to every type of property and choses in action, including those held by it as fiduciary, as they exist at the Effective Date shall be vested in the Association without any conveyance or transfer; and the Association shall be responsible for all of the liabilities of every kind and description, including liabilities arising out of the operation of the Trust Department, of each bank existing as of the Effective Date."

"Girard shall contribute to the Association acceptable assets having a book value, over and above its liability to its creditors, of at least $74,059,392 . . ."

"At the Effective Date Philadelphia National shall have on hand acceptable assets having a book value, over and above its liability to its creditors, of at least $93,306,684 . . ."

[1] 12 U.S.C. Section 215.

Section 6

"Upon the statutory consolidation becoming effective: . . . (i) each holder of an outstanding certificate representing shares of Philadelphia National stock shall retain his certificate, which shall automatically remain a certificate representing shares of stock in the Association, . . . and (ii) each holder of an outstanding certificate representing shares of Girard stock shall surrender the same to the Association promptly after the Effective Date and receive in exchange therefor certificates representing the full number of whole shares of stock in the Association to which such shares of stock in Girard shall have been converted; . . ."

The plaintiff contends that under the provisions of Section 6 of the agreement, PNB shall acquire shares of Girard stock which shall be converted into shares of stock in the Association. It is argued that as a result of the merger, the Girard shareholders would give up certain rights (e. g., the right to have a voice in its management, the right to share in its profits, and the right to receive and divide its total capital less debt upon liquidation) to PNB and receive in exchange an equitable ownership in the very different property of PNB. From this it is concluded that the merger would be accomplished by a stock acquisition on the part of PNB in violation of the Celler-Kefauver amendment to Section 7 of the Clayton Act. The Court cannot agree with the plaintiff's conclusion that the transaction here involved is a stock acquisition falling within the scope of the statute.

Plaintiff has misinterpreted the terms of the agreement. Under the provisions of Section 5, the corporate existence of Girard is being merged with that of PNB

to form an Association, each bank contributing all its assets. It is true that the Association being created will continue under the national bank charter already held by PNB. However, this in no way alters the fact that the corporate character of PNB, as it is today, will cease to exist. PNB might be designated the "surviving bank" but it nevertheless survives as a vastly different entity. PNB is acquiring nothing. Rather, the two banks are creating a national banking association by the consolidation of their assets. Section 6 merely outlines the procedures to be followed with respect to the shareholder's evidence of ownership in the Association once the consolidation becomes a reality. The Association itself is exchanging the certificates representing shares of Girard stock for certificates representing shares of stock in the Association. The entire transaction is patterned in conformity with the applicable federal statute relating to bank consolidations and mergers of assets. The fact that certificates representing shares of stock are exchanged for new ones is merely incidental to the transaction, and in no way affects or alters its character.

As defendants point up in their brief, the proposed merger differs from a stock acquisition in several ways under the provisions of the applicable federal statute. 12 U.S.C. Section 215, which must be adhered to in carrying out the consolidation, provides that it may be effected upon the affirmative vote of at least two-thirds of the capital stock outstanding. In a stock acquisition, there would be no power in Girard, or any group of shareholders, to compel any shareholder to sell his stock. Subsections (b), (c) and (d) of Section 215 provide for the right of a dissenting shareholder to receive the appraised value of his shares in cash; he would not have any comparable

right in an acquisition of stock. Subsection (e) of the same statute provides that all of the assets of the individual banks "shall be transferred to and vested in the consolidated national banking association by virtue of the consolidation without any deed or other transfer." which again differs from the procedure with respect to an acquisition of stock.

Moreover, the House Committee on Banking and Currency, when reporting on the Bank Merger Act of 1960, recognized the very problem with which we are confronted here:

> "Section 7 of the Clayton Act prohibits acquisitions of bank stock 'where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monoply.' Because Section 7 is limited, insofar as banks are concerned, to cases where a merger is accomplished through acquisition of stock, and because bank mergers are accomplished by asset acquisitions rather than stock acquisitions, the act offers 'little help' in the words of Hon. Robert A. Bicks, acting head of the Antitrust Division, in controlling bank mergers." House Report No. 1416, 86th Cong., 2d Sess., (1960), p. 9.

This Court is of the opinion that the Celler-Kefauver Anti-Merger Act of 1950 does not apply to a bank merger of this nature. Any extension of the statute is a function peculiar to the Congress of the United States.

However, it should be noted here that because it is essential to the parties that a final determination of this matter be reached in as short a period of time as is possible, this Court will proceed on the assumption that the Clayton Act is applicable in all respects.

Commercial Banking

Before discussing the questions involved with respect to the Clayton and Sherman Acts, it is necessary to point up the principal characteristics and functions of a commercial bank.

A "commercial bank," as distinguished from other bank and non-bank financial institutions, is an institution authorized to receive both demand and time deposits, to make loans of various types, to engage in trust services and other fiduciary functions, to issue letters of credit, to accept and pay drafts, to rent safety deposit boxes, and to engage in many similar activities. Commercial banks are the only institutions authorized to receive demand deposits. "Demand deposits" are funds accepted by a bank which are subject to immediate withdrawal. They represent the largest element in the money supply of the United States. No interest is paid on demand deposits, as is the case with time and savings deposits.

Commercial banks offer a wider variety of services than any other financial institution. They have been termed the "department stores of finance." Some of their major functions include the receiving of demand deposits, the lending of funds to individuals, partnerships and corporations, the receiving and administering of time and savings deposits, and the performance of personal trust services.

Because commercial banks are the principal reservoir of other people's money, they are regulated to a relatively high degree. Aside from state banking authorities, they may be subject to the jurisdiction of the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Comptroller of the Currency. This governmental regulation necessarily limits to an extreme degree the scope and character of competition among commercial banks.

Demand deposits held by commercial banks account for approximately 80% of the money supply of the United States. For the commercial banking system as a whole, two-thirds of total deposits are demand in nature. In June of 1960, more than 83% of the total deposits of PNB and Girard combined were in the form of demand deposits.

In addition to demand deposits, the area of commercial and industrial loans is one in which great emphasis is placed. Because of this concentration in demand deposits on the part of commercial banks, these commercial and industrial loans are necessarily short term in nature. As has been pointed out previously, PNB, as of June 30, 1960, had approximately 57% in dollar amount of its total loans in the commercial and industrial area, and Girard had approximately 49% in dollar amount of its loans in this same category.

Small and medium size borrowers rely to a great extent on commercial banks to meet their financial needs. In fact, a substantial proportion of loans made in the United States are made to smaller size businesses. In 1955, for example, out of a total of 1,103,000 loans made by member banks of the Federal Reserve, 918,000 were made to businesses with total assets under $250,000. It was testified at the trial of this case that a Philadelphia businessman would find it very difficult to procure an unsecured, short-term loan from any source other than a commercial bank.

Commercial banks are restricted in the nature, amount, volume and purpose of loans they are permitted to make. All national banks and banks chartered in Pennsylvania and most other states are, in general, not permitted to have outstanding loans to any one customer in an amount in excess of 10% of their capital and surplus. This is what is known as the "lending limit." In addition, those commercial banks

which are members of the Federal Reserve must maintain on deposit with the Federal Reserve Bank, or in currency in their own bank, reserves equal to 16.5% of their total demand deposits if they are located in certain areas (including Philadelphia), and 12% if they are so-called country banks. The principal factors in competition among commercial banks are convenience, quality of service, personal relationships, and the capacity to meet the requirements of the customer. The foregoing remarks are not intended to present a comprehensive analysis of commercial banking but all bear on the problem of whether or not the proposed merger violates the statutes.

The initial problem in litigation of this nature, in either a Sherman Act or Clayton Act case, involves a determination of the relevant market within which the defendants compete. *United States* v. *duPont & Co.*, 353 U. S. 586 (1957); *United States* v. *Columbia Steel Co.*, 334 U. S. 495 (1948). To find this area of effective competition, the plaintiff must establish a product market (line of commerce) and a geographic market (section of the country).

The Product Market

The Plaintiff contends that the appropriate lines of commerce in which to gauge the effects of this proposed merger under Section 7 of the Clayton Act are the following: Commercial banking, commercial and industrial loans, installment lending to individuals, single payment loans to individuals, real estate loans, personal trusts, time deposits of partnerships and corporations, time and savings deposits, demand deposits, and IPC (Individual, Partnership and Corporation) demand deposits.

At the outset, the Court is confronted with the problem of deciding which test to apply in determining the

appropriate line or lines of commerce. The plaintiff contends that the relevant legal standard for delineating the lines of commerce in which a merger may substantially lessen competition or tend to create a monopoly is whether the products (services) "have sufficient peculiar characteristics and uses to constitute them products sufficiently distinct from all others . . ." This was the test applied in *United States v. E. I. duPont deNemours,* 353 U. S. 586, pp. 593-4 (1957). The plaintiff argues that the record in this case shows that the general services, as well as certain specialized services, of commercial banks are either not supplied at all or at best supplied only peripherally and imperfectly by other sources.

The defendants suggest another test. They claim that the proper legal standard to be applied in defining the product market is to determine whether the products are "reasonably interchangeable for the purposes for which (they) are produced—price, use and qualities conisdered." The Supreme Court utilized this test in the so-called *Cellophane* case. *United States v. E. I. duPont deNemours,* 351 U. S. 377, 404 (1956). Defendants contend that commercial banking in its entirety is not a product line. Rather, they submit it is a business which has two major subdivisions—the acceptance of deposits in which the bank is the debtor, and the making of loans in which the bank is the creditor. Both of these major divisions are further divided by distinct types of deposits and loans. As to many of these functions, there are different types of customers, different market areas, and, most importantly, different types of competitors and competition. With the possible exception of demand deposits, there is an identical or effective substitute for each one of the services which a commercial bank offers. From this the Court is to conclude that because the services offered by other

financial institutions are reasonably interchangeable with those offered by commercial banks, the separate lines of commerce suggested by the plaintiff cannot be limited merely to commercial banks, but must include in each and every case the services of other financial institutions as well.

Despite the fact that the rule suggested by the plaintiff was enunciated in litigation involving the Clayton Act, while the other was formulated in a Sherman Act case, and recognizing that the parties here imply that the standards are not consistent, it is nevertheless the opinion of this Court that they are nothing more than expressions of the same rule in different language. As Judge Herlands stated in *United States* v. *Columbia Pictures Corp.*, 189 F. Supp. 153, pp. 183-4 (S.D.N.Y. 1960).

> "To determine whether or not there is a reasonable probability of a substantial lessening of competition, Section 7 of the Clayton Act demands an examination into economic realities. All competition must be considered, including competition faced by the product in question from other products.
>
> "The tests enunciated by the authorities are consistent. Effectively, the test 'reasonable interchangeability for the purposes for which (the products) are produced—price, use and qualities considered', and the test 'sufficient peculiar characteristics and uses to constitute them products sufficiently distinct . . . to make them a line of commerce within the meaning of the Clayton Act' are but different verbalizations of the same criterion.
>
> "They require the same accumulation and scrutiny of facts and application of judgment. The task is to find the area of effective competition.

> The 'characteristics and uses' formulation does not limit the court's inquiry to physical attributes and foreclose inquiry into the competitive situation."

For example, applying this reasoning to the instant case, if a commercial bank has sufficient peculiar characteristics and uses to constitute it sufficiently distinct from all other financial institutions, then a commercial bank cannot reasonably be interchanged with other financial institutions by the individual or business firm. Conversely, if a commercial bank can reasonably be interchanged, then its characteristics and uses must not have those sufficient peculiar characteristics and uses necessary to constitute it sufficiently distinct from other financial institutions.

In attempting to justify its choice of "lines," the plaintiff has endeavored to describe the uniqueness of each one. The defendants have challenged this approach by showing that many other institutions offer very similar services. Thus, plaintiff asserts that only a commercial bank makes unsecured, short-term commercial and industrial loans, while the defendants argue that insurance companies, factors and finance companies make commercial and industrial loans.

Defendants attack the suggested line "installment loans to individuals" on the ground that mutual savings banks, savings and loan associations, credit unions, finance companies, as well as other institutions, all engage in installment lending. Therefore, they argue, it is impossible to gauge the effect that the merger would have without knowing not only the percentage figures for PNB and Girard but also the percentage figures for all these other institutions. This reasoning is used in denouncing almost all of the suggested lines.

It is argued that insurance companies are in direct

competition with commercial banks in the making of single payment loans to individuals. And, PNB and Girard contend that several other institutions make real estate loans; that individuals are in direct competition with commercial banks in the personal trust field; that time deposits of partnerships and corporations face competition from many alternatives, including United States Government obligations, commercial paper, tax-free securities, and banker's acceptances; that savings deposits are not an appropriate line because many other institutions receive savings funds.

Finally, plaintiff claims that demand deposits and IPC demand deposits are a separate product line because only commercial banks are authorized to receive them.

It seems quite apparent that both plaintiff's and defendants' positions have some merit. However, it is not the intention of this Court to subdivide a commercial bank into certain selected services and functions. An approach such as this, carried to the logical extreme, would result in many additional so-called lines of commerce. It is the conglomeration of all the various services and functions that sets the commercial bank off from other financial institutions. Each item is an integral part of the whole, almost every one of which is dependent upon and would not exist but for the other. The Court can perceive no useful purpose here in going any further than designating commercial banking a separate and distinct line of commerce within the meaning of the statute. It is undoubtedly true that some services of a commercial bank overlap, to some degree, with those of certain other institutions. Nevertheless, the Court feels quite confident in holding that commercial banking, viewed collectively, has sufficient peculiar characteristics which negate reasonable interchangeability.

Section of the Country

The plaintiff contends that the relevant geographic area for each line of commerce in which to gauge the impact of the proposed merger on competition is the four-county area (Philadelphia, Montgomery, Bucks and Delaware Counties). Under Pennsylvania banking laws, commercial banks may open offices in the political community where their main office is situated, in some other political community within their home county, or in any county contiguous to the county in which the main office is located. At the present time, PNB has offices in Philadelphia and the three contiguous counties of Bucks, Montgomery and Delaware. Girard has offices in Philadelphia, Montgomery and Delaware counties. Plaintiff submits that the phrase "section of the country" in Section 7 must be determined with respect to buyers and sellers. Recognizing that it is as unlikely that any given group of sellers would have all their sales within any specific area, as it is that potential customers in such an area would buy from them to the exclusion of all others, plaintiff argues that the antitrust laws are satisfied if buyers and sellers in a distinguishable area are significantly limited to that area.

The defendants suggest that the plaintiff has proposed the four-county area in order to inflate the percentage figures. They contend that a relevant geographic market for banking services must take into consideration not only the location of the bank and the location of its customers, but also the different types of customers and the location of alternative choices available to them.

Plaintiff has presented a multitude of statistical information showing the source of the defendants' business which the Court will not reiterate here. A few examples should be sufficient. As of September, 1960,

combining the figures for the two banks, commercial and industrial loans outstanding in the four-county area amounted to 57% of the total dollar amount; loans to individuals in the four-county area amounted to 72% of the total dollar amount; lines of credit outstanding amounted to 49% of the total dollar amount; personal trusts originating within the four-county area amounted to 83.1% of the total; and, demand deposits originating within the four-county area amounted to 75.4% of the total dollar amount.

Notwithstanding the fact that some of these percentage figures, at first blush, appear to be substantial, it is the opinion of the Court that the plaintiff has failed to establish that the four-county area is the appropriate section of the country in which to test the legality of the merger.

Commercial bank markets are extremely complex. It is difficult to pin point a specific locale as the relevant geographic market. PNB and Girard compete in the international, national, regional, as well as the local, markets depending upon the particular service and the customer involved.

In addition, the relevant geographic market is a bilateral concept. Not only must the Court consider the origin of the bank's business, but equally as important are the alteratives available to the customer. Borrowers are not limited by political boundaries, although the smaller ones are limited in range. The alternatives available necessarily depend on the size and financial condition of the customer.

The larger customers definitely have alternatives ranging from regional to national. It was very surprising to learn at the trial of this case that not only New York banks solicit and receive substantial business from customers within the four-county area, but

also large banks from all the larger cities in the nation do likewise. Further, the Court is satisfied that PNB and Girard derive a substantial amount of business from without the four-county area.

What then is the "section of the country"? At the very least, it must include the entire Delaware Valley (i.e., Philadelphia, Bucks, Montgomery, Delaware, Chester, Camden, Burlington and Gloucester counties, the last three being in New Jersey), or the ten-county area referred to by the defendants and definitely New York City. However, it probably would be more accurate to state that the relevant geographic market in which PNB and Girard compete includes the greater part of the northeastern United States.

Unfortunately, the Court does not have comparative figures on the relative size of the defendant banks' business in these areas as contrasted with local banks. Plaintiff has confined its proof almost solely to the four-county area. For this reason, the Court could terminate its discussion of the Clayton Act at this point. The legality of a merger cannot be tested without a relevant market. However, the Court will assume, although it holds otherwise, for the remainder of the opinion that the plaintiff has proved that the four-county area is the "section of the country."

The Clayton Act

With this arguendo assumption (i.e., that plaintiff has established the four-county area as the relevant geographic market), the issue arising under the Clayton Act can now be stated: Whether the proposed merger of PNB and Girard may substantially lessen competition or tend to create a monopoly in commercial banking in the four-county area, in violation of Section 7 of the Clayton Act.

The plaintiff contends that the proposed merger is in violation of Section 7 because of the following reasons: (1) the undeviating trend toward banking concentration in the four-county area; (2) the direct, substantial competition which will be eliminated; (3) the unlikelihood of substantial new entrants into the business; and (4) the much larger resources the merged bank would have.

Plaintiff places considerable weight on the second reason above listed. Cited is the often quoted section of the House Report which reads in relevant part:

> "The bill is intended to permit intervention in such a cumulative process when the effect of an acquisition may be a significant reduction in the vigor of competition, even though this effect may not be so far-reaching as to amount to a combination in restraint of trade, create a monopoly, or constitute an attempt to monopolize. Such an effect may arise in various ways: such as elimination in whole or in material part of the competitive activity of an enterprise which has been a substantial factor in competition. . . ." H. R. Rep. No. 1191, 81st Cong. 1st Sess. (1949), p. 8.

It is the plaintiff's position that the elimination of Girard, which defendants readily admit is in direct competition with PNB, will substantially suppress and lessen competition with the consequent tendency to monopoly.

Defendants, on the other hand, submit that the legislative history of the 1950 amendment to Section 7 of the Clayton Act discloses clearly that Congress did not intend that a merger or acquisition would be unlawful merely by reason of the elimination of competition between two business enterprises. It is argued that the basic test is whether, after considering all of the rele-

vant factors, there is a reasonable probability of a significant reduction in the vigor of competition.

It is the opinion of this Court that the defendants have correctly stated the proper test. As mentioned previously, the key factor in all the antitrust laws is the preservation of vigorous competition. Unfortunately, Congress has not spelled out any definite formula for judging the legality of a merger under Section 7. Consequently, several different tests have been used or suggested, many of which have been subjected to severe criticism. However, the most practical one, from this Court's point of view, is that recognized in *American Crystal Sugar Co.* v. *Cuban-American Sugar Co.*, 259 F. 2d 524, 527 (1958):

> "And the ban on a substantial lessening of competition 'in any line of commerce in any section of the country,' requires, for determination of a violation, first, a definition of a relevant market in which a lessening of competition has probably occurred and, second, analysis of the nature and extent of the competition within that market. Consequently, the parties are agreed that an acquisition is not illegal because of its impact on competition between the corporations involved: that the proper test is one of the *qualitative* substantiality of the resulting effect on competition in the relevant market. We too agree. We hold that only an acquisition which in the long run may reasonably be expected to substantially lessen competition within a relevant market, will violate Section 7 as amended." (Emphasis supplied)

The "qualitative substantiality" test, in contradistinction to "quantitative substantiality", requires an appraisal of all the relevant factors, not merely a determination of the aggregate share of the market

which would be held by the merged banks. A qualitative analysis is the only procedure which this Court feels justified to follow. This type of an approach, however, is not without difficulty. Involved is a selection of those factors which can be considered relevant.

The Court will discuss and answer the following relevant questions: (1) How much of an increase in concentration will be brought about by the merger? (2) Will the increase in concentration give the merged bank the power to control the price and supply of banking services? (3) Will the merger eliminate a substantial competitor from the market? (4) What is the competitive situation among commercial banks in the relevant market today? (5) What will probably be the competitive situation after the merger? (6) What is the probability of a new commercial bank coming into existence in the four-county area? (7) What is the history of defendants with respect to prior mergers?

The Court is not unmindful of the fact that the relevancy of many of these factors has been challenged more than once. Nevertheless, the Court believes that the answers to these questions, considered collectively, rather than individually, will be valuable in predicting the vigor of competition in the relevant market after the merger. Perhaps other questions might also be posed. The Court, however, thinks that those presented are sufficient to give the correct answer. It should be noted that in this discussion, the Court will not advert to the benefits of the proposed merger. The Court is convinced that the merger will definitely benefit the community, but does not consider this particularly relevant in the present discussion of the question posed. The questions and discussions thereon follow:

(1) Increase in Concentration: As of December 31, 1960, there were 41 commercial banks with head offices in the four-county area, operating 284 commercial

banking offices throughout Philadelphia, Bucks, Montgomery and Delaware counties. The largest bank, as of June 30, 1960, had total assets equal to 22.9% of the assets of all commercial banks with head offices in the four-county area. PNB ranked second with 21% and Girard, third with 16.1%. After the merger, the defendants would have approximately 37.1% of all the assets of all commercial banks within the four-county area.

PNB, as of October 3, 1960, had total net loans equal to 19.8% of the total loans made by all commercial banks with head offices in the four-county area. Girard had 14.6% of the total. The remaining three largest commercial banks in the four-county area, as of the same date, had 23.8%, 10.2%, and 9.1% respectively, of total net loans of all commercial banks with head offices in the four-county area. The combined bank would hold approximately 34% of all the loans of all commercial banks with head offices in the four-county area.

PNB, as of October 3, 1960, had total deposits equal to 21.3% of the total deposits of all commercial banks with head offices in the four-county area. Girard had 14.5% of the total. The other three largest commercial banks, as of the same date, had total deposits representing 22.1%, 9.9% and 9.3%, respectively, of total deposits of all commercial banks with head offices in the four-county area. The combined bank would hold approximately 36% of all the deposits of all commercial banks with head offices in the four-county area.

The defendants rebut this increase in concentration charge with some figures of their own. Although the Court does not consider concentration in other cities decisive in this case, some of the percentage figures are nevertheless worthy of mention and consideration. If the 53 reserve and central reserve cities of the Federal

Reserve System are ranked in the order of the percentage of total commercial banking assets in each city held by the largest commercial bank in that city as of June 1956, Philadelphia would, after the proposed merger, rank 32nd with 36.16%. Of the 224 cities in the United States with populations over 500,000 in 1956, 190 had a commercial bank with 35% or more of the total commercial banking assets in the city. There are four commercial banks in the United States, each with a lending limit greater than the aggregate of the lending limits of all the commercial banks in Philadelphia. Each of 20 commercial banks in the United States has a lending limit greater than that of any commercial bank in Philadelphia, and 9 of these are in cities smaller than Philadelphia. 13 such banks, 4 of which are in cities smaller than Philadelphia, have a lending limit greater than that of the proposed merged bank. The Court finds that no dangerously potential concentration will result from this merger.

(2) Power to Control Price and Supply of Banking Services: The plaintiff has not pressed this point in its post-trial brief. However, Dr. Oscar Goodman, Professor of Finance at the Graduate School of Business of Northwestern University, testified for the plaintiff that the merged bank would have the power to affect the price and supply of available bank credit within the four-county area. The Court is satisfied, however, that defendants have proved this to be impossible. Entirely too much competition exists at all levels to permit such an occurrence. The merged bank would lose a substantial amount of business in a brief period of time if it attempted to dictate the price and/or control the supply of credit in the four-county area. The increase in size would not be sufficient for market domination. Because there are so many alternative choices for borrowers of all sizes, the merged bank would be un-

able to cause its competitors to raise service charges or interest rates, or prevent any borrower fom having his banking needs met by other commercial banks.

(3) Elimination of a Substantial Competitor: Defendants do not (indeed they cannot) deny that substantial direct competition will be eliminated by the merger. PNB and Girard compete in the offering of banking services as well as in the acquisition of branch sites in the contiguous three counties. A substantial part of the transcript of testimony is directed to this area. However, the figures previously set out speak for themselves. Nothing would be gained in reciting the additional facts with respect to this phase of the case. Suffice it to state that the plaintiff has established that PNB and Girard do engage in substantial direct competition one with the other, but the Court, as discussed more fully infra, finds that the elimination of one competitor will not result in a lessening of vigorous competition in the commercial banking field.

(4 and 5) Competition: It is fair to say that competition among commercial banks in the four-county area is extremely vigorous. The plaintiff has not suggested otherwise; but, notwithstanding the established fact that Girard, a substantial competitor of all commercial banks in the four-county area, would be eliminated by the merger, the defendants contend that competition in the four-county area would be intensified *after the merger*.

Defendants produced several witnesses, including many representatives of other Philadelphia commercial banks, who testified that competition, after the merger, would be increased rather than lessened. For example, W. Carlton Harris, Emeritus Professor of Finance at the University of Pennsylvania and a director of the Broad Street Trust Company, testified that the merger would sharpen and probably increase com-

petition among Philadelphia banks. He stated that this was the effect of previous mergers in the area. Samuel Weinrott, Chairman of the Board of Industrial Valley Bank and Trust Company, asserted that banking competition in Philadelphia today is greater than it was ten years ago. It was his opinion that competition would be increased by the merger. Mr. Weinrott stated, as did many of the other bankers, that he expected to acquire new business from defendants' customers who might have accounts with both PNB and Girard, or who might not approve of the merger for one reason or another. He also testified that smaller banks can and do compete actively with larger banks, and that previous mergers have not hindered the growth of the smaller banks. This opinion was substantiated by the exhibits produced, charting the rate of growth of the small commercial banks. Albert T. Mason, President of Liberty Real Estate Bank and Trust Company, Hubert J. Horan, Chairman of the Board of Broad Street Trust Company, and S. Harry Galfand, Chairman of the Board of Citizens and Southern Bank, all repeated in substance the testimony of Mr. Weinrott.

Lewellyn A. Jennings, Senior Vice-President of the Republic National Bank of Dallas, and former Acting Comptroller of the Currency, testified that competition among commercial banks was never keener and that all commercial banks are after mass banking business, competing for small and medium size loans. It was also his opinion that the merger will increase existing and potential competition in commercial banking in the Philadelphia area.

Dr. Warren Smith, Professor of Economics at the University of Michigan, however, testified that the elimination of a large lender will significantly reduce the degree of competition because an important alternative source of credit for many borrowers, over a

rather wide area, will be eliminated. Indeed, this is the crux of the plaintiff's case. He, Professor Smith, without any banking experience, stands alone in this forecast which the Court does not accept.

It is true that one alternative source of credit will be eliminated. It should be noted, however, that borrowers would have available the following alternatives after the merger: 41 commercial banks for loans up to $10,000; 39 for loans up to $25,000; 35 for loans up to $50,000; 27 for loans up to $100,000; 18 for loans up to $250,000; 10 for loans up to $500,000; 7 for loans up to $1,000,000; 4 for loans up to $2,500,000; 3 for loans up to $5,000,000; 2 for loans up to $7,000,000; and 1, as a result of the merger, for a loan up to $15,000,000. If these alternative sources intend to compete more vigorously than before, thereby increasing rather than decreasing the competitive pressure, Dr. Smith's conclusion that the merger will significantly reduce the degree of competition does not necessarily follow. Moreover, the main bone of contention here is that the merger will have its most serious effects on small and medium size borrowers. The above figures, however, indicate to the Court that there are more than an adequate number of sources for these types of borrowers. In fact, it has been established that a borrower turned down by three banks would be unable, with few exceptions, to obtain a loan at another commercial bank. And, of course, those borrowers in need of larger loans are not limited to the few banks in Philadelphia capable of making such a loan.

It is the conclusion of this Court that all indications are that competition will be even more vigorous after the merger than before.

(6) Probability of New Entrant: Plaintiff contends that it is very unlikely a substantial competitor will enter the market. Although the number of commercial

banks in the four-county area has decreased from 108 in 1947 to 42 in 1960, it is nevertheless a fact that a commercial bank has been established in the last decade just outside Philadelphia, the Bank of Old York Road, which has experienced rapid and substantial growth. It would be pure conjecture on the part of this Court, however, to predict that a substantial competitor will not likely enter the market in the future.

(7) Past Acquisitions: It has been established that a substantial part of the present size of both PNB and Girard has been achieved as the result of merger and consolidation in the last ten years. However, it has been shown that mergers with existing banks in the suburbs of Philadelphia were, in many cases, the only feasible way for larger banks to follow the migration of many of their customers into these areas. In addition, in many cases, it appears that small banks in the four-county area have found mergers with larger banks to be a solution to their problems of inadequate banking services, rising costs, and management succession.

In summary, it can be said that although the merger will increase concentration to the percentage figures given, the merged bank would have no power to control the price and supply of credit, nor could it dominate the market in any manner. And, although a direct substantial competitor will be eliminated, the only competent testimony upon the subject establishes that competition will be more vigorous after the merger. Also, although the commercial banking field is not an easy one to enter, it cannot be concluded that a new bank will not be established in the four-county area in the future. Finally, although the defendants have engaged in prior mergers, these mergers have had valid business purposes as the motivating force.

Viewing all this collectively, the Court can see no reasonable probability that competition among com-

mercial banks in the four-county area will be substantially lessened.

Moreover, it is difficult to perceive a reasonable probability that this merger will tend to create a monopoly in commercial banking in the four-county area. Certainly, every time one bank in an area is eliminated, the path toward an eventual monopoly or oligopoly is shortened. This can be said for the most insignificant combination. But this does not mean that a monopoly is inevitable. Especially is this true in the area of bank mergers. Every future merger in the four-county area will be subject to the close scrutiny of the appropriate state and federal agency. At some point any trend, if discernible in the future, will be checked. Although some of plaintiff's witnesses, for the most part independent bankers from smaller communities throughout the country, were of the opinion that approval of this merger would trigger others in the four-county area, as well as the remainder of the United States, this Court is not prepared to concur. The competitive situation that exists in the four-county area, with the many alternatives available to a prospective customer, leads to the inescapable conclusion that any tendency to monopoly or oligopoly at this stage is nonexistent. What happens in the future must be left to the appropriate federal banking agency, and, if necessary, to another Court at another time. All that is being said is that this particular merger will not tend to create a monopoly.

The Sherman Act

This Court has also been called upon to decide whether the combination of PNB and Girard will result in an unreasonable restraint of trade or commerce in commercial banking in the four-county area in violation of Section 1 of the Sherman Act. Of course, the

same assumption with respect to the relevant geographic market applies here as it did when the Clayton Act was considered.

Very briefly it can be stated that a merger which does not violate the Clayton Act can hardly be held to violate the more stringent standards of the Sherman Act.

Even aside from any consideration of the Clayton Act, however, the plaintiff has failed to establish by a fair preponderance of the evidence that the proposed merger constitutes an unreasonable restraint of trade or commerce. To warrant an injunction restraining an alleged violation of Section 1, there must be a definite factual showing of illegality. *Standard Oil Co. v. United States*, 283 U. S. 163, 179 (1931).

In *United States v. Columbia Steel Co.*, 334 U. S. 495, 527-528 (1948), the Supreme Court laid down some guidelines to be considered when an acquisition of assets is being challenged under the proscriptions of the Sherman Act:

> "It is first necessary to delimit the market in which the concerns compete and then determine the extent to which the concerns are in competition in that market. If such acquisition results in or is aimed at unreasonable restraint, then the purchase is forbidden by the Sherman Act. In determining what constitutes unreasonable restraint, we do not think the dollar volume is in itself of compelling significance; we look rather to the percentage of business controlled, the strength of the remaining competition, whether the action springs from business requirements or purpose to monopolize, the probable development of the industry, consumer demands, and other characteristics of the market. We do not undertake to prescribe any set of percentage figures by which to measure the reasonableness of a corporation's enlargement of its

activities by the purchase of the assets of a competitor. The relative effect of percentage command of a market varies with the setting in which that factor is placed."

The Court does not intend to repeat the facts considered when discussing the alleged violation of the Clayton Act. Suffice it to state that a re-evaluation of them, in light of what has been said above, convinces the Court that the proposed merger meets the "reasonable" test and does not violate Section 1 of the Sherman Act.

Findings of Fact and Conclusions of Law

The Government has submitted 600 proposed Findings of Fact and numerous proposed Conclusions of Law. The Court has reviewed these in great detail. Many of them have to do with separate lines of commerce which clearly are not applicable since the Court has found that the line of commerce is commercial banking in all its integral parts. An inordinate number refer to the four-county area which the Court has determined not to be the relevant market. Many have no bearing on the decision of the action.

The Court, therefore, makes the following rulings on the Government's proposed Findings of Fact:

Nos. 1 to 8 incl. affirmed; 9 and 10 refused as stated; 11, 12, 13 affirmed; 14 refused as stated; 15, 16, 18 affirmed; 19 refused as stated; 20 to 23 incl. affirmed; 24, 25 refused as stated; 26, 27, 28 affirmed; 29, 30, 31 refused as stated; 32 affirmed; 34 refused as stated; 35 affirmed; 36 refused as stated; 37 affirmed; 38 refused as stated; 39, 40 affirmed; 41 refused as stated; 42 affirmed; 43 refused as stated; 44 to 47 incl. affirmed; 48 refused as stated; 49 affirmed; 51, 52, 53 refused as stated; 54 to 68 incl. affirmed; 69 refused as

stated; 70 affirmed; 71 refused as stated; 72, 73, 74, affirmed; 75 refused as stated; 76 to 82 incl. affirmed; 83 refused as stated; 84, 85 affirmed; 86, 87 refused as stated; 88, 89, 90 affirmed; 91 to 157 incl. refused as stated as not pertinent to the decision of this case; 158 to 231A refused as stated, since these requests are designed to establish separate lines of commerce, and the Court has determined commercial banking, in all its relevant integral parts, is the line of commerce involved; 232 to 285 incl., the statistical tables are approved; the conclusions therefrom which the plaintiff asked the Court to draw are denied, and the remaining parts are refused as stated; 286 to 290 incl. affirmed; 291 refused as stated; 292 to 297 incl. affirmed; 298 refused as stated; 299 to 318 incl. affirmed; 319 refused as stated; 320 to 325 affirmed; 326 refused as stated; 327, 328 affirmed; 329, 330, 331 refused as stated; 332 affirmed; 333 to 335 incl. refused as stated; 336 to 345 affirmed; 346 refused as stated; 347, 348, 349 affirmed; 350 refused as stated; 351 affirmed; 352 refused as stated; 353 affirmed; 354 refused as stated; 355, 356 affirmed; 357 refused as stated; 358 affirmed; 359 refused as stated; 360 affirmed; 361, 362 refused as stated; 363 to 384 incl. affirmed; 385, 386 refused as stated; 387, 388, 389 affirmed; 390, 391 denied; 392, 393, 394 affirmed; 395, 396 refused as stated; 397 to 401 incl. denied; 402 to 431 incl. refused since they presuppose a four-county relevant market which the Court has found to be nonexistent; 432 to 458 affirmed; 459 refused as stated; 460, 461 affirmed; 462 denied; 463 to 471 affirmed; 472, 473 refused as stated; 474 affirmed; 475 to 600 incl. refused as stated; these requests are argumentative, do not completely reflect the situations developed by the testimony, and do not reflect the findings of the Court as set forth in the Opinion.

The Conclusions of Law submitted by the plaintiff are refused as stated.

The affirmation of plaintiff's proposed Findings is subject to the Findings of the Court as to the facts of the case set forth in the Opinion, and in the event of any possible conflict between the proposed Findings of Fact and statements made in the Opinion, the language of the Opinion shall govern.

Of the defendants' requested Findings of Fact, Requests Nos. 54, 55, 58 to 92, and Request No. 162 are refused as stated and the remainder Requests are affirmed.

In the event of any possible conflict between defendants' requested Findings of Fact and statements made in the Opinion, the language of the Opinion shall govern.

All Conclusions of Law requested by the defendants are refused as stated.

RESUME

As before stated, this is the first action tried after the passage of the Bank Merger Act of 1960. The controversy inherent in the case between co-ordinate branches of the Executive Department of Government is to be regretted. Congress, in passing the Bank Merger Act, deliberately fixed the responsibility of approving or disapproving proposed mergers of national banks in the Comptroller of the Currency. This responsibility was fixed despite vigorous protests of individual bankers and the Department of Justice. The Comptroller of the Currency then, by Act of Congress, was of necessity required to consider the reports of the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Attorney General, with respect to the competitive factors involved. All three of these Departments of Government reported that

in the opinion of their experts, the consummation of the proposed merger would adversely affect competition in the Philadelphia area. The Federal Deposit Insurance Corporation concluded that the merger would not be adverse in the regional, national and international field of competition. With these reports available to him, and after considering them, the Comptroller, in pursuance of his statutory duty, reviewed them and despite their content, approved the merger as not involving undue concentration of banking power, not tending toward a monopoly, not destructive of competition in the commercial banking field, and definitely in the public interest. The Court, after a full trial, agrees completely with the conclusions of the Comptroller of the Currency.

This is one of the few instances in which one Department of the Government, after having been consulted and its advice not being followed, has challenged in the Court the findings of a co-ordinate Department of the Executive Branch of the Government on the basis of disagreements between Departments of our Government. And what is the expertise of these three dissenting co-ordinate branches of the Executive Department that prompted this challenge? The Courts have uniformly held that once Congress has reposed its confidence in the expertise of a particular Department, the Courts should not substitute its judgment in the place and stead of the Department involved. The Government has asked this Court, without the production of a single shred of evidence, and on the basis of reports no more illuminating than that of the Comptroller of the Currency, to give legal effect to the conclusions of the dissidents, rather than the Department charged with the responsibility.

This Court fails to see how any court, without some factual basis being laid therefor, could accede to any

such request and this is all the more true in this particular case where experienced, substantial bankers throughout this entire area have appeared in open court, subjected themselves to searching cross-examination, and have unanimously demonstrated that the proposed merger would not cause an undue concentration of banking, would not tend toward a monopoly, and definitely would increase the vigor of competition which the Congress of the United States from the passage of the Sherman Act down to the present date has, by law, attempted to foster.

The Court was not impressed with the attempts of the Government to show that banking is of minor importance in the life of a community generally and of almost absolute unimportance in the business life of the community. The Government, in its attempt to establish this contention by testimony that no single particular individual industrial organization had ever entered a particular territory because of the presence or absence of banking facilities, has ignored the industrial history of the United States. Should one ever speculate as to whether any industry would enter a community without banking facilities, the answer would be completely obvious. Historically, banking facilities have preceded industry in every community.

The Government also attempted to show that by combining the lending limits of all Philadelphia banks, borrowers in the larger categories could be well accommodated. This ignores again the realities of the situation and the positive testimony that in the larger industries, there is a decided reluctance on the part of financial officers to be made the subject of participating loans. With the originating bank, there is also an aversion to these loans as it requires considerable negotiation and technical handling which is to be avoided wherever possible.

The evidence demonstrated beyond peradventure of doubt that the Philadelphia area, plus parts of Delaware and New Jersey, and also New York City, as well as most of the northeastern part of the United States, is the area of active competition for Philadelphia commercial banks and for the proposed merged bank. The testimony discloses that the competitive effect upon all Philadelphia commercial banks will be minimal. The larger bank, however, will be able to compete on better terms and in a better atmosphere with the banks of other cities and states that have been draining this area of banking business which might well be and perhaps properly should be handled here, and which cannot be handled under present circumstances. That it will benefit the city and area has been established clearly by a fair preponderance of the evidence, as has been set forth in the Findings of Fact of the defendants previously affirmed.

There is nothing in this record which supports the averments of the complaint that the proposed merger involves an unlawful combination in restraint of trade; would result in or tend toward monopoly, or violate the provisions of the Clayton Act, if applicable; and the proposed merger certainly violates no provision, either express or implied, contained in the Bank Merger Act of 1960.

Since the proposed merger contains none of the defects alleged in the Government's case and will be in the public interest, it follows that judgment must be entered in favor of the defendants and against the plaintiff.

Conclusions of Law

1. The Court has jurisdiction of the parties and of the subject matter.

2. The Bank Merger Act of 1960 does not, by its

terms, remove bank mergers from the application of either the Sherman Antitrust Act or the Clayton Act.

3. The approval of the merger by the Comptroller of the Currency, under the Bank Merger Act, is not the final and exclusive determination of its legality.

4. The proposed merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank is not within the scope of Section 7 of the Clayton Act.

5. Plaintiff has failed to prove that the merger would violate Section 7 of the Clayton Act, even assuming the same to be applicable, because the preponderance of credible evidence shows:

(a) That the four-county area is not the relevant geographic market (see plaintiff's requests 5, 6, and 372);

(b) Even assuming that the four-county area is the relevant geographic market, credible evidence shows that the proposed merger will not substantially lessen competition or tend to create a monopoly in commercial banking in the four-county area.

6. The plaintiff has failed to prove by a fair preponderance of credible evidence that the merger will unreasonably restrain trade and commerce in commercial banking either in the relevant geographic market or in the four-county area.

7. Defendants are entitled to judgment dismissing the complaint in its entirety on the merits.

An order dismissing the action with prejudice will be filed concurrently with this opinion.

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

CIVIL ACTION 29287

UNITED STATES OF AMERICA, PLAINTIFF,

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK, DEFENDANTS

ORDER

AND NOW, to wit, this 15th day of January, 1962, for the reasons set forth in the Opinion filed concurrently herewith, it is ORDERED, ADJUDGED AND DECREED that the prayers in the Complaint of the plaintiff, United States of America, that the agreement of consolidation between defendants, The Philadelphia National Bank and Girard Trust Corn Exchange Bank, be adjudged and decreed to be unlawful, in violation of Section 1 of the Sherman Act and Section 7 of the Clayton Act, and that the defendants, The Philadelphia National Bank and Girard Trust Corn Exchange Bank, be enjoined from carrying out the said agreement of consolidation, be and they are hereby DENIED; further, that the action be and it is hereby DISMISSED ON THE MERITS, with prejudice.

BY THE COURT:

/s/ THOMAS J. CLARY,
Ch. J.

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FILED
APR 16 1962
JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

October Term, 1962

No. [redacted]. 53

UNITED STATES OF AMERICA,

Appellant,

vs.

THE PHILADELPHIA NATIONAL BANK and GIRARD TRUST CORN EXCHANGE BANK.

On Appeal From the United States District Court for the Eastern District of Pennsylvania.

MOTION TO AFFIRM ON BEHALF OF THE PHILADELPHIA NATIONAL BANK, APPELLEE.

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IN THE

Supreme Court of the United States.

OCTOBER TERM, 1961.

No. 799.

UNITED STATES OF AMERICA,

Appellant,

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA.

MOTION TO AFFIRM ON BEHALF OF THE PHILADELPHIA NATIONAL BANK, APPELLEE.

Pursuant to paragraph 1(c) of Rule 16 of the Revised Rules of this Court, The Philadelphia National Bank (hereinafter called "PNB") moves that the judgment of the district court be affirmed on the ground that the questions are so unsubstantial as not to warrant further argument.

QUESTIONS PRESENTED.

In order to affirm the judgment of the district court at this stage, this Court does not have to examine all of the many questions which would be presented to it at full argument. It is necessary only to reach the following conclusions:

1. Mergers consummated under the national banking laws, such as the proposed one, are not subject to the provisions of Section 7 of the Clayton Act.

2. There is no showing that the proposed merger would constitute a restraint of trade under Section 1 of the Sherman Act.

These two determinations by the district court are so clearly correct as not to need further argument. The non-applicability of Section 7 of the Clayton Act, a purely legal question, has been previously determined by this Court and is clear from the language and legislative history of the applicable statutes. The non-violation of the more stringent provisions of Section 1 of the Sherman Act can also readily be determined inasmuch as appellant failed to produce any evidence or testimony that the proposed merger would constitute an unreasonable restraint of trade.

ARGUMENT.

The district court's opinion contains a complete review of the proceedings and no purpose will be served by repetition. It will be sufficient for the purposes of this motion to set forth the following conclusions upon which the district court based its judgment:

1. That the Bank Merger Act of 1960, 74 Stat. 129, amending 12 U. S. C. § 1828(c) (Supp. II, 1961), does not preclude a review of the proposed merger under the anti-trust laws (J. S. 12a-17a).[1]

2. That Section 7 of the Clayton Act, 15 U. S. C. § 18 (1958), does not apply to a bank merger of this nature (J. S. 17a-21a).

---

1. References to appellant's Jurisdictional Statement and Appendix are designated "J. S.". The requested findings of fact affirmed by the district court but not contained in the opinion are printed as a separate Appendix filed herewith by both appellees. References to pages in this Appendix are identified by the letter "b".

3. That commercial banking, as such, is a separate and distinct line of commerce, or a product market, for the purpose of testing the proposed merger under the antitrust laws (J. S. 24a-28a).

4. That the four-county area, consisting of Philadelphia and the three contiguous counties in Pennsylvania, is not a section of the country or a relevant geographic market for the purpose of testing the proposed merger under the antitrust laws (J. S. 29a-31a).

5. Assuming arguendo that Section 7 of the Clayton Act is applicable and that the four-county area is an appropriate section of the country, there is no reasonable probability that competition among commercial banks in the four-county area would be substantially lessened or that the proposed merger would tend to create a monopoly in commercial banking in the four-county area in violation of Section 7 of the Clayton Act (J. S. 31a-41a).

6. Assuming that the four-county area is the relevant geographic market, there is no evidence that the proposed merger would result in an unreasonable restraint of trade or commerce under Section 1 of the Sherman Act, 15 U. S. C. § 1 (1958) (J. S. 41a-43a).

Upon full argument of this case it would be necessary to examine each one of these points, but on this motion it is sufficient to review Conclusions 2 and 6 only. Obviously, if the Clayton Act is not applicable, and if it is readily evident that the Sherman Act has not been violated, this Court need go no further. Moreover, in order to simplify this motion, it will be assumed in considering the Sherman Act that commercial banking is a separate product market and that the four-county area is the relevant geographic market. Even with the issues thus limited, the decision of the district court is so obviously correct that further argument is unnecessary.

I. The Proposed Merger Is Not Within the Scope of Section 7 of the Clayton Act.

Appellant admits, as indeed it must, that the proposed merger is within the scope of section 7 only if it constitutes a stock acquisition rather than an acquisition of assets (J. S. 30). Accordingly the sole issue is whether the proposed merger encompasses an acquisition of stock.

Under the Agreement of Consolidation conforming to the national banking laws, 12 U. S. C. § 215 (Supp. II, 1961), "the corporate existence of Girard shall be merged into and continue in Philadelphia National which shall continue in existence as the Association, and the Association shall be deemed to be the same corporation as each of the consolidating banks." All of the property of each of the banks "shall be vested in the Association without any conveyance or transfer; and the Association shall be responsible for all the liabilities of every kind and description • • • of each bank existing as of the effective date" (J. S. 18a).

The Agreement of Consolidation also provides that immediately upon the merger becoming effective, the PNB stock certificates shall automatically represent shares of stock in the new Association, and that Girard certificates shall be surrendered to the Association in exchange for new certificates representing the number of shares in the Association "to which such shares of stock in Girard shall have been converted" (J. S. 19a).

Appellant contended before the district court that under the language of the Agreement PNB was acquiring the stock of Girard. It has abandoned this argument following the indisputable finding of the district court that (J. S. 20a):

> "The entire transaction is patterned in conformity with the applicable federal statute relating to bank consolidations and mergers of assets. The fact that certificates representing shares of stock are exchanged for new ones is merely incidental to the transaction, and in no way affects or alters its character."

Appellant now advances the equally remarkable contention that the merger "may be viewed" as consisting of an acquisition of stock by the new Association accompanied by an acquisition of the assets of the two banks by the new Association, both of which occur "in a single step" (J. S. 31-32). Quite possibly mergers have never been so "viewed" because this theoretical concept is directly contrary to the facts. In this merger, the assets and businesses of the two constituent companies will be combined by operation of law, and the interests of the shareholders of the two companies will automatically become proportionate interests in the new corporation without any transfer of stock. As the district court held, this transaction has entirely different indicia, mechanics and consequences than does an acquisition of stock (J. S. 20a-21a).

This Court has held in *Arrow-Hart & Hegeman Elec. Co. v. Federal Trade Commission*, 291 U. S. 587 (1934), construing the same language which appellant seeks to invoke here, that a statutory merger is not an acquisition of stock under section 7 of the Clayton Act. In that case, a holding company had acquired the common stock of two competitors, but, after the Federal Trade Commission had challenged the acquisition, the stock was transferred, the holding company was dissolved, and the two competitors were merged into a new corporation. In finding that the Commission had no jurisdiction under the Clayton Act, this Court said:

> "The statute does not forbid * * * the merger of corporations pursuant to state laws, nor does it provide any machinery for compelling * * * the distribution of physical property brought into a single ownership by [illegible].
>
> If, instead of resorting to the holding company device, the shareholders of Arrow and Hart & Hegeman had caused a merger, this action would not have been a violation of the Act." (291 U. S. at 595)

> "If the merger of the two manufacturing corporations and the combination of their assets was in any respect a violation of any antitrust law, as to which we express no opinion, it was necessarily a violation of statutory prohibitions other than those found in the Clayton Act. And if any remedy for such violation is afforded, a court and not the Federal Trade Commission is the appropriate forum." (291 U. S. at 599)

Furthermore, although the court divided 5 to 4 on a point not here involved, Mr. Justice Stone, speaking for the minority consisting of himself, Chief Justice Hughes, and Justices Brandeis and Cardozo, agreed:

> "It is true that the Clayton Act does not forbid corporate mergers but it does forbid the acquisition by one corporation of the stock of competing corporations so as substantially to lessen competition." (291 U. S. at 600)

A subsequent attempt by appellant to attack a statutory merger as a stock acquisition under section 7 of the Clayton Act was rejected by the District Court for the Southern District of New York, following "the clear mandate of the Arrow-Hart decision." *United States v. Celanese Corp.*, 91 F. Supp. 14, 16 (S. D. N. Y. 1950). In that case it was said that "Section 7 was not intended to apply to * * * the open uniting of the property of two or more corporations by legitimate reorganization, consolidation or merger" (91 F. Supp. at 17).

Appellant's argument that the decision of this Court in *United States v. duPont & Co.*, 353 U. S. 586 (1957) "put to rest the dictum" in *Arrow-Hart*, is totally unjustified. A reading of *Arrow-Hart* will show that the exclusion of corporate mergers from the impact of section 7 of the Clayton Act was not dictum. Moreover, it does not need argument to show that in the *duPont* case this Court was concerned

only with the question of whether section 7 applied to vertical as well as horizontal stock acquisitions.

Appellant's contention is most extraordinary in view of the fact that the Department of Justice advised Congress in connection with the passage of the Bank Merger Act of 1960 that the stock acquisition clause of the Clayton Act does not apply to bank mergers. Congressional acceptance of this view is evident from the legislative history. In the report of the House Committee on Banking and Currency on the Bank Merger Act of 1960, H. Rep. No. 1416, 86th Cong., 2d Sess. (1960), this statement appears at page 9:

> "Because Section 7 is limited, insofar as banks are concerned, to cases where a merger is accomplished through acquisitions of stock, and because bank mergers are accomplished by assets rather than stock acquisitions, the act offers 'little help,' in the words of Hon. Robert A. Bicks, acting head of the Antitrust Division, in controlling bank mergers."

The chairman of the House Committee on Banking and Currency, Representative Spence, subsequently reaffirmed this statement on the floor during debate on the bill:

> "The Clayton Act is ineffective as to bank mergers because in the case of banks it covers only stock acquisitions and bank mergers are not accomplished that way." (106 Cong. Rec. 7257 (1960)).

In the report of the Committee on Banking and Currency of the Senate on the same Act, S. Rep. No. 196, 86th Cong., 1st Sess. (1959), it is said at page 5:

> "In 1950 (64 Stat. 1125) section 7 of the Clayton Act was amended to correct these deficiencies. Acquisitions of assets were included within the section, in addition to stock acquisitions, but only in the case of corporations subject to the jurisdiction of the Federal

> Trade Commission (banks, being subject to the jurisdiction of the Federal Reserve Board for purposes of the Clayton Act by virtue of section 11 of that act, were not affected)."

And Senator Robertson, chairman of the Senate Committee on Banking and Currency, made the following statement on the floor of the Senate during debate on the bill:

> "In the opinion of the committee it is impossible to subject bank mergers to the simple rule of section 7 of the Clayton Act." (105 Cong. Rec. 8076 (1959)).

The language of Section 7 of the Clayton Act, the Agreement of Consolidation conforming to the national banking laws, the legislative history, and the decision of this Court in the *Arrow-Hart* case, are decisive. The non-applicability of Section 7 of the Clayton Act to the proposed merger should require no further argument before this Court.

II. There Is No Evidence That the Proposed Merger Will Constitute an Unreasonable Restraint of Trade in Violation of Section 1 of the Sherman Act.

The evidence which appellant presented to the district court was basically directed at proving a violation of Section 7 of the Clayton Act, with its test of "reasonable probability", rather than Section 1 of the Sherman Act. Appellant states that "The significance of the present case is that it involves the elimination of substantial and direct competition between the second and third largest commercial banks in the four-county Philadelphia area" (J. S. 19). This is a Clayton Act test, as appellant recognizes (J. S. 29). However, in view of the fact that Section 7 of the Clayton Act is not applicable to the proposed merger, appellant's evidence must meet the "more stringent" requirements of Section 1 of the Sherman Act by "a definite factual show-

ing of illegality". *Times-Picayune Pub. Co. v. United States*, 345 U. S. 594, 609-610 (1953); *Appalachian Coals, Inc. v. United States*, 288 U. S. 344, 377 (1933); *Standard Oil Co. v. United States*, 283 U. S. 163, 179 (1931).[2]

After thorough analysis, the district court found "nothing in this record" to support a finding of a violation of Section 7 under the reasonable probability test of the Clayton Act (J. S. 48a). Therefore the contention that the merger violates the more stringent standards of the Sherman Act does not present a substantial question.

A. *The Mere Elimination of Competition Between Appellees Will Not Constitute a Restraint of Trade.*

The district court found on the basis of all the evidence that "the elimination of one competitor will not result in the lessening of vigorous competition in the commercial banking field" (J. S. 37a), and further, that "the only competent testimony upon the subject establishes that competition will be more vigorous after the merger" (J. S. 40a). The district court's reference to "the only competent testimony" is based not only on the opinions of appellees' experts but on the testimony of officers from eight competing banks in Philadelphia and appellant's only expert who was familiar with Philadelphia banking (Tr. 2378, 3369, 3061-3, 3099-3100, 3191-2, 3238-9, 3274-5, 3453-5, 3551-3, 3845-7, 1608-9).

Despite this testimony and the findings based thereon, appellant continues to argue that the elimination of competition between appellees will constitute a violation of Section 1 of the Sherman Act, relying on the old railroad cases decided by this Court in the early 1920's (J. S. 20-21). Appellant cited these same railroad cases to this Court in

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2. Appellant itself acknowledges that the quantum of proof required to obtain an injunction under Section 1 of the Sherman Act is much greater than that required under Section 7 of the Clayton Act (J. S. 29).

United States v. Columbia Steel Co., 334 U. S. 495 (1948), where they received the following treatment (334 U. S. at 531):

> "The government cites four antitrust cases involving railroads to support its argument that control by one competitor over another violates the Sherman Act, even though the percentage of business for which they compete may be small. * * * The factual situation in all those cases is so dissimilar from that presented here that they furnish little guidance in determining whether the competition which will be eliminated through the purchase of Consolidated is sufficient to warrant injunctive relief requested by the government."

The railroad cases are even less applicable to the field of commercial banking in the four-county area than they were to the steel industry, particularly when it is recognized that there would still be 41 banks located in the four-county area, an additional 75 in the surrounding six counties, and many others located throughout the United States which also compete in the four-county area (J. S. 30a-31a, 39a; Def. Fdgs. 52, 158, App. 8b-9b, 20b).

Other than the mere fact of the merger, the only evidence in the record upon which appellant relies to justify the extraordinary relief of injunction consists of statistical compilations.[3] While the district court accepted these figures as being arithmetically correct, it refused "to accept

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3. The three agency reports to the Comptroller of the Currency under the Bank Merger Act of 1960 are evidence only of the fact that the procedures required by the Act were followed. The opinions contained in these reports are based on the same statistics which were introduced in evidence in this case and which are discussed hereafter. Moreover, these opinions, as such, are purely hearsay, since appellant failed to call a single representative of any of those agencies to testify in support thereof and to be cross-examined. See *United States v. International Harvester Co.*, 274 U. S. 693, 703 (1927). The district court concluded that it could not give legal effect to the opinions reached by these agencies since there was not "a single shred of evidence" to support them (J. S. 46a).

the conclusions" which appellant seeks to draw from them (J. S. 7a).

B. *Appellant's Statistics Do Not Constitute Evidence of a Restraint of Trade.*

The statistics upon which appellant relies disclose only the amount of business done by each bank with a head office in the four-county area. As such, they provide no information from which restraint of trade can be inferred.

These figures do not represent market shares and they are in no way comparable to those presented in the anti-trust cases cited by appellant. In the first place, they do not include the business done by the many banks from all over the United States which "solicit business in the Philadelphia area on an intensive and regular basis" and which "derive substantial business from Philadelphia" (Def. Fdg. 52, App. 8b-9b; J. S. 30a-31a). Furthermore, the figures for the banks located in the four-county area include all of their business done outside that area (J. S. 31a; Def. Fdgs. 50-51, App. 7b-8b). For example, 43% in dollar amount of appellees' commercial and industrial loans are made to customers outside of the four-county area, yet appellant includes all of these loans in the percentages which it claims show "concentration" in the four-county area. Such distortions are substantial and led the court to find that (Def. Fdg. 56, App. 9b):

> "Plaintiff has introduced no evidence bearing on defendants' proportion of the entire banking business done within the four-county area by all banks deriving business from that area, in any category of business."

In view of this finding, appellant's attempt to create a substantial question by its repeated use of the word "concentration" is unjustified.

In discussing the "strength of the remaining competition", appellant does not dispute the finding of the district

court that "The commercial banks in Philadelphia today are strong and vigorous competitors in offering commercial banking services to the public" (Def. Fdg. 123, App. 14b). Instead, it argues without reference to the testimony that "the proposed consolidated bank will alter radically the existing competitive situation among all commercial banks with head offices in the four-county area" (J. S. 23, 7). The merger will create a new bank which will be larger than any other in Philadelphia but still considerably smaller than its competitors in New York and elsewhere. This increased size, however, will not give the new bank a competitive advantage in the four-county area except for the large customers whose banking requirements cannot now be met by any local bank (Def. Fdg. 145, App. 18b).

On the basis of the uncontradicted testimony of experienced banking witnesses, the district court found that "Large commercial banks do not have a competitive advantage for business within the range of the resources of smaller banks" (Def. Fdg. 40, App. 6b). This finding reflects the inherent nature of commercial banking and the effect of an intensive scheme of governmental regulation which, as the district court found, has made "convenience, quality of service and personal relationships" the principal factors in competition (J. S. 8a, 22a-24a; Def. Fdgs. 9-43, App. 2b-6b). The testimony of bankers that small banks can compete as effectively as large banks for the customers within the range of their resources was confirmed by the fact that in the last decade virtually all of the banks in the four-county area which are smaller than appellees increased their deposits at a faster rate than did appellees (Def. Fdgs. 110, 113-122, App. 12b-14b). In addition, several of the smaller Philadelphia banks have successfully opened new branches in the center of the City in recent years, and an entirely new bank, established just outside the City limits, has experienced rapid and extensive growth (Def. Fdgs. 111-112, App. 12b-13b). Thus, all of the

testimony and other evidence in the record refutes appellant's argumentative inference that the size of the merged bank will give it a competitive advantage in the four-county area.

Final proof that appellant's statistics are totally lacking in probative value is provided by a comparison with statistics similarly computed for other cities. It was shown, for example, that there are 190 cities out of the 224 in the United States with more than 50,000 population, and 78 cities out of the 110 with populations over 100,000, in which the lead bank has a greater percentage of total bank assets than the merged bank would have in the four-county area (Def. Fdgs. 128-144, App. 15b-18b). These numbers are too large to be ignored.[4] They prove either that appellant's method of computing "concentration" on purely local bank figures is no measure of relative competitive strength or that a restraint of trade presently exists in most of the large cities of the United States. The failure of appellant to produce any evidence which would support the latter alternative, and the affirmative testimony of the former Deputy Comptroller that there is adequate competition in each of these cities, support the district court's finding that "no dangerously potential concentration will result from this merger" (Tr. 3327; J. S. 26a).

As for the trend toward concentration visualized by appellant, which again is a Clayton Act concept, the district court had this to say (J. S. 41a):

> "The competitive situation that exists in the four-county area, with the many alternatives available to a prospective customer, leads to the inescapable conclu-

4. In footnote 15 on page 23 of the Jurisdictional Statement, appellant attempts to dispose of the statistics showing the level of banking concentration in other cities by stating that they were presented without proof of certain surrounding facts which appellant considers to be important. Appellant has overlooked Exhibit D-21, in which these facts are set forth in detail.

sion that any tendency to monopoly or oligopoly at this stage is nonexistent."

The competitive situation in the four-county area to which the district court referred consists not only of the 41 other banks located therein, but also the banks from all over the United States which do business in the four-county area. The district court said, "It was very surprising to learn at the trial of this case that not only New York banks solicit and receive substantial business from customers within the four-county area, but also large banks from all the larger cities in the nation do likewise" (J. S. 30a-31a). The competitive significance of this statement is apparent from the fact that more than 68% in dollar volume of the appellee's commercial and industrial loans are made to, and at least 64% of the appellee's demand deposits from partnerships and corporations are received from, customers whose banking choices include commercial banks located outside the four-county area (Def. Fdg. 52, 9b). Thus, banks from all over the United States, as well as those in the four-county area, will be competing for the major share of the merged bank's business.

In fact, it is the inability of any Philadelphia bank to satisfy the banking needs of the larger local enterprises in the national market which has inspired this merger. Business leaders, competing bankers and city officials uniformly testified that Philadelphia needs a substantially larger bank to accommodate the requirements of its expanding industry, commerce and foreign trade. This is not a matter of "civic prestige", as appellant cynically argues; it is, as the district court found, a matter of importance to local businesses "because of the close contacts which are required between their top officers and the bankers" (Def. Fdg. 176, App. 22b). It is also of importance to appellees, which have been losing local business to larger banks located in other cities including such smaller cities as Cleveland, Pittsburgh, Boston and San Francisco (Def. Fdgs. 178-185, App. 23b-24b).

Although the district court was careful to avoid relying upon these public benefits as a ground for dismissal of the complaint, it nonetheless found that the merger "will definitely benefit the community" (J. S. 34a, 48a).

As opposed to all of this uncontradicted testimony and evidence which support the district court's conclusion that no unreasonable restraint of trade will result from the merger, there is only the appellant's argument that the merger itself will automatically cause a restraint. This unsupported assertion does not raise a substantial question and should not be allowed to delay further this merger which was approved by the Comptroller of the Currency more than a year ago.

CONCLUSION.

For the foregoing reasons, the questions presented by this appeal are unsubstantial and the district court's judgment should be affirmed.

Respectfully submitted,

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962

NO. 83

United States of America,
Appellant,

v.

The Philadelphia National Bank and
Girard Trust Corn Exchange Bank

MOTION OF GIRARD TRUST CORN EXCHANGE BANK TO AFFIRM

On Appeal from the United States District Court for the Eastern District of Pennsylvania

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1961

No. 799

UNITED STATES OF AMERICA, APPELLANT

v.

THE PHILADELPHIA NATIONAL BANK and GIRARD TRUST CORN EXCHANGE BANK

On Appeal From the United States District Court For the Eastern District of Pennsylvania

MOTION OF GIRARD TRUST CORN EXCHANGE BANK TO AFFIRM

Pursuant to paragraph 1(e) of Rule 16 of the Revised Rules of this Court, Girard Trust Corn Exchange Bank moves that the judgment of the district court be affirmed, on the ground that the questions on which the decision of the cause depends are so unsubstantial as not to need further argument, because:

1. Section 7 of the Clayton Act does not apply to the proposed merger under the terms of the Act and under settled legal principles enunciated by this Court; and

2. Appellant's failure to prove a violation of section 1 of the Sherman Act appears clearly on the face of the record.

STATEMENT.

Appellees are a national bank and a state bank with headquarters in Philadelphia. On February 24, 1961 the Comptroller of the Currency duly approved the proposed merger of the two banks in accordance with the Bank Merger Act of 1960, 74 Stat. 129, 12 U.S.C. (Supp. II) § 1828(c), but the merger has not been consummated pending the final disposition of this appeal.

Following the Comptroller's approval, appellant filed a complaint in the district court seeking to restrain the merger on the asserted grounds that it would violate section 1 of the Sherman Act and section 7 of the Clayton Act. After a trial the district court entered a judgment dismissing the complaint, and the present appeal ensued.

The record in this case consists of 4,000 pages of testimony and over 300 exhibits accumulated during two months of trial. Detailed requests for findings of fact and conclusions of law and comprehensive briefs were filed and both sides argued the issues orally. The 50-page opinion of the court analyzes all of appellant's contentions, affirms or refuses each one of appellant's 600 requests, and concludes "There is nothing in this record which supports the averments of the complaint. . . ." (J.S. 48a).*

This emphatic conclusion, at the end of such a lengthy trial, accurately reflects the nature of appellant's proof. In the trial court, as in its Jurisdictional Statement here, the appellant placed its primary reliance on mere statistical

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* References to appellant's Jurisdictional Statement and Appendix are designated "J.S.". Appellant's and appellees' requested findings of fact which were affirmed by the district court are printed in a Joint Appendix of Appellees. The findings of fact of appellees affirmed by the court are printed at pages 1b to 27b and are designated herein "Def. Fdg.". The findings of fact of appellant affirmed by the court are printed at pages 28b to 77b and are designated herein "Govt. Fdg.". There is also printed as an appendix to this motion, beginning at page 22, a summary of the evidence. References to the transcript of testimony are designated "Tr.".

data which are claimed to demonstrate two things: first, that the four-county area, consisting of Philadelphia and its three contiguous counties in Pennsylvania, is the relevant geographic market; and second, that the merged bank would have a large percentage of the business done by commercial banks which are physically located within that area. From this premise the district court was asked to reach the conclusion that the antitrust laws would be violated by the merger.

Appellant made no serious attempt to show the effect of the proposed merger and of the resulting allegedly undue concentration of assets on the banking or business community either in the four-county area or in any other area. There was likewise no suggestion that a like or greater concentration of banking assets elsewhere has ever produced any adverse effect on competition or on business. There was a total failure to indicate how it might be possible for the merged bank to control loans, deposits, interest rates, availability of credit or any other aspect of banks' activities in Philadelphia or in any other area. The appellant relied merely on the contention, unsupported by testimony or other evidence and contradicted in every material particular by appellees' witnesses, that if certain figures or combinations of figures exceeded a particular amount, a violation of the Sherman and Clayton Acts must have occurred.

The appellant's statistics themselves are so incomplete as to be valueless. They do not even suggest the total volume of banking business done either in Philadelphia or in the four-county area or in any other defined area, nor do they suggest the percentage of such business done either by PNB or Girard. They do not show the amount of business done in the four-county area by banks located elsewhere, nor, while purporting to show local business, do they exclude the business done elsewhere by Philadelphia banks.

Of the three economists whom appellant called to interpret its data (pp. 24-26), two, who had no familiarity with conditions in Philadelphia, and virtually none with banking elsewhere, testified only with respect to their personal theories of banking. The district court found their theories to have been "completely destroyed on cross-examination" and rejected them (J.S. 7a, 36a, 38a-39a). The third economist, the only one acquainted with commercial banking in the Philadelphia area, when asked his opinion whether the merger would have an adverse effect on competition, testified not that competition would be substantially and unreasonably lessened as charged but that "there would still be a considerable amount of competition within the Philadelphia area, knowing the other banks that are doing business following this merger" (Tr. 1609). Appellant's remaining opinion evidence, that of a number of small town bankers who had no knowledge of conditions in Philadelphia (pp. 22-24), was also rejected by the court below (J.S. 7a-8a).

Appellees' proof, on the other hand, included the testimony of a succession of witnesses who were well acquainted with commercial banking in Philadelphia and qualified to gauge the probable effects of the merger. These witnesses included chief executives of seven of appellees' competitors* (pp. 27-28), large and small customers of banking services (pp. 28-31), an economist who had studied Philadelphia banking all his life, a former First Deputy Comptroller of the Currency who also testified on the comparable competitive situation in other cities (pp. 27, 28, 30), and public officials of the City of Philadelphia (p. 30). These witnesses testified that the merger not only would not adversely affect competition in the Philadelphia area but would increase it. The court therefore concluded that,

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*Appellant called the president of one Philadelphia bank but refused to let him express his opinion on the effect of the merger (p. 24).

although the competition between Girard and PNB would be eliminated by the merger, "the only competent testimony upon the subject establishes that competition will be more vigorous after the merger" (J.S. 40a).

For the purpose of its decision on the facts the district court accepted every legal conclusion advanced by appellant. Thus the court held that the approval of the merger by the Comptroller under the Bank Merger Act did not preclude the application of the antitrust laws (J.S. 12a-17a). In determining as a matter of fact that the Clayton Act was not violated the court assumed that section 7 of the Act was applicable, even though it held to the contrary as a matter of law (J.S. 17a-21a). The court held that commercial banking as a whole was a proper line of commerce or product market, as argued by appellant (J.S. 24a-28a). The court assumed that the four-county area espoused by appellant was the relevant geographic market in which to measure the competitive effects of the merger, even though it held that the relevant market encompassed a much larger area (J.S. 29a-31a). The court assumed that appellant's concentration percentages for the four-county area had significance, even though it adopted a finding of fact as to their invalidity (J.S. 34a-35a; Def. Fdg. 56, p. 9b). Finally, the court analyzed the effect of the merger on competition without including the benefits which would result, even though the court was "convinced that the merger will definitely benefit the community" (J.S. 34a, 48a; Def. Fdgs. 190-207, pp. 25b-27b).

The factual basis for the decision of the court below appears from the opinion (J.S. 46a-47a):

> "The Government has asked this Court, without the production of a single shred of evidence, and on the basis of reports no more illuminating than that of the Comptroller of the Currency, to give legal effect to the conclusions of the dissidents, rather than the Department charged with the responsibility.

"This Court fails to see how any court, without some factual basis being laid therefor, could accede to any such request and this is all the more true in this particular case where experienced, substantial bankers throughout this entire area have appeared in open court, subjected themselves to searching cross-examination, and have unanimously demonstrated that the proposed merger would not cause an undue concentration of banking, would not tend toward a monopoly, and definitely would increase the vigor of competition which the Congress of the United States from the passage of the Sherman Act down to the present date has, by law, attempted to foster."

The trial judge accordingly concluded on the basis of the entire record before him that appellant had failed to prove any violation either of section 1 of the Sherman Act or of section 7 of the Clayton Act, even assuming its applicability.

ARGUMENT.

Summary of Argument.

In order that the judgment of the court below be affirmed, it is necessary to conclude only that: (1) section 7 of the Clayton Act is inapplicable and (2) appellant has failed to prove that the proposed merger of these two Philadelphia banks will constitute a violation of section 1 of the Sherman Act. These propositions are so clearly correct that further argument before this Court is unnecessary.

The inapplicability of section 7 of the Clayton Act is established by the plain language of the Act, by this Court's opinion in *Arrow-Hart & Hegeman Elec. Co.* v. *Federal Trade Commission*, 291 U.S. 587 (1934), by the legislative history of the amended Act and of the Bank Merger Act of 1960, and by opinions of former Attorneys General.

With respect to section 1 of the Sherman Act, this Court has held that an injunction should be granted only upon "a definite factual showing of illegality." *Appalachian Coals, Inc.* v. *United States*, 288 U.S. 344, 377 (1933); *Times-Picayune Pub. Co.* v. *United States*, 345 U.S. 594, 622 (1953). As opposed to this standard, the district court has found that "there is nothing in the record" and, again, there is not "a single shred of evidence" which supports the averments of the complaint (J.S. 48a, 46a). The findings of the trial court should not be set aside unless clearly erroneous. F. R. C. P. 52(a).

The pendency of bank merger cases in cities other than Philadelphia does not require a full hearing of this appeal. The appellant simply failed to prove its case with respect to Philadelphia, in which the banking situation is different than it is elsewhere. Other cases will not be decided by the failure of proof here.

On the basis of testimony of representative bankers, businessmen, and the Mayor of Philadelphia, the district

court found that the proposed merger would increase banking competition in and be of definite benefit to the Philadelphia area and would not lessen banking competition anywhere. Accordingly affirmance of the judgment will promote the purposes of the antitrust laws.

I. Section 7 of the Clayton Act is not Applicable to the Proposed Merger.

Section 7 of the Clayton Act, as amended by the Celler-Kefauver Anti-Merger Act of 1950, 64 Stat. 1125, 15 U.S.C. § 18 (1958), provides in pertinent part:

> "No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly."

Banks are not "subject to the jurisdiction of the Federal Trade Commission". Federal Trade Commission Act § 5(a)(6), 38 Stat. 719, as amended, 15 U.S.C. § 45(a)(6) (1958). Thus section 7 applies only to stock acquisitions by banks and not to asset acquisitions.*

The proposed merger is to take place pursuant to section 215 of the national banking laws, 73 Stat. 460, 12 U.S.C. (Supp. III, 1962) § 215, which provides in subsection (e):

> "The corporate existence of each of the consolidating banks or banking associations participating in

* Under the Bank Merger Act the Comptroller of the Currency approved this merger and the Federal Reserve Board had merely an advisory function. If bank mergers such as this constitute stock acquisitions, the Federal Reserve Board would also have had authority under Section 11 of the Clayton Act, 38 Stat. 734, as amended, 15 U.S.C. § 21 (1958), to set aside the merger.

such consolidation shall be merged into and continued in the consolidated national banking association and such consolidated national banking association shall be deemed to be the same corporation as each bank or banking association participating in the consolidation. All rights, franchises, and interests of the individual consolidating banks or banking associations in and to every type of property (real, personal, and mixed) and choses in action shall be transferred to and vested in the consolidated national banking association by virtue of such consolidation without any deed or other transfer."

In its effort to have section 7 of the Clayton Act applied to this merger, appellant argues that the merger involves first an acquisition of stock and then an acquisition of assets (J.S. 31). This, however, is directly contrary to the facts. Both the language of section 215(e), quoted above, and the terms of the agreement between the two banks show that the proposed merger does not involve an acquisition of stock (J.S. 17a-21a; Def. Fdg. 8, p. 2b).

Appellant's argument is also in conflict with well settled principles. In *Arrow-Hart & Hegeman Elec. Co.* v. *Federal Trade Commission,* 291 U.S. 587, 596, 598-9 (1934), this Court construed the same language which appellant seeks to invoke here and ruled that a merger is not an acquisition of stock under section 7 of the Clayton Act. Although the decision of that case was by a divided court, the dissenting opinion of Mr. Justice Stone agreed (at p. 600) that "It is true that the Clayton Act does not forbid corporate mergers . . ."

A subsequent attempt by appellant to attack a merger as a stock acquisition under section 7 of the Clayton Act was rejected by the District Court for the Southern District of New York, following "the clear mandate of the Arrow-Hart decision." *United States* v. *Celanese Corp.,* 91 F. Supp. 14, 16 (S.D. N.Y. 1950). In that case it was

said (at p. 17) that "Section 7 was not intended to apply to the acquisition by one corporation of the assets of another or the open uniting of the property of two or more corporations by legitimate reorganization, consolidation or merger."

Although the language of section 7 which this Court construed in the *Arrow-Hart* case was not changed by the 1950 amendment, and the additional clause relating to asset acquisitions was made inapplicable to banks, appellant now seeks to argue that section 7 has always applied to mergers as well as to stock acquisitions, relying on a quotation from *United States* v. *duPont & Co.*, 353 U.S. 586, 590 (1957) (J.S. 30). This Court decided in the *duPont* case only that section 7 had always applied to vertical as well as horizontal stock acquisitions. The decision had nothing to do with the holding of the *Arrow-Hart* case that a merger is not a stock acquisition within the meaning of the section.

Appellant's present argument is contrary to the position the Department of Justice has consistently taken since 1950. In the course of unsuccessful efforts to persuade Congress to amend the Clayton Act to accomplish the result which the appellant now seeks to achieve by means of a decision of this Court, Attorneys General have repeatedly stated to Congress that section 7 does not apply to bank mergers.* For example, during the first hearing

* *Hearings Before a Subcommittee of the Senate Committee on Banking and Currency on the Financial Institutions Act of 1957, 85th Cong., 1st Sess., Part 2,* at 1030, 1033 (1957); *Hearings Before the Antitrust Subcommittee of the House Committee on the Judiciary, 85th Cong., 1st Sess., Ser. 2,* at 13, 49, 72 (1957); *Hearings Before the Antitrust Subcommittee of the House Committee on the Judiciary, 84th Cong., 1st Sess., Ser. 3, Part 1,* at 244, 266 (1955); *Hearings on S. 3911 Before a Subcommittee of the Senate Committee on Banking and Curreney, 84th Cong., 2d Sess.,* at 61, 66 (1956); *Hearings Pursuant to S. Res. 231 Before the Subcommittee on Antitrust and Monopoly of the Senate Committee on the Judiciary, 85th Cong., 2d Sess.,* at 182 (1958); *Hearings on S. 1062 Before the Senate Committee on Banking and Currency, 86th Cong., 1st Sess.,* at 9 (1959).

cited in the footnote, Attorney General Brownell, speaking of bank mergers, told the Senate Committee on Banking and Currency that:

> "On the basis of these provisions the Department of Justice has concluded, and all apparently agree, that asset acquisitions by banks are not covered by section 7 as amended in 1950."

Even more significantly, in passing upon an application for informal clearance of a bank merger in 1955, the Department of Justice stated:

> "After a complete consideration of this matter, we have concluded that this Department would not have jurisdiction to proceed under section 7 of the Clayton Act. For this reason this Department does not presently plan to take any action on this matter."*

Congress itself has recognized that the stock acquisition clause of the Clayton Act does not apply to corporate mergers. The reports on the 1950 amendment of section 7 of the Act stated that the addition of the clause dealing with the acquisition of assets was necessary to change the existing law, which failed to prohibit acquisitions of assets by merger or otherwise. *H. Rep. No. 1191, 81st Cong., 1st Sess.*, 5, 11-12 (1949); *S. Rep. No. 1775, 81st Cong., 2d Sess.*, 2 (1950). The House Report said at page 12 with respect to the decision in the *Arrow-Hart* case:

> "Since the Commission could take action only against those asset acquisitions that were preceded by stock acquisitions, the possible reversal of decisions would in no way give the Commission the power to prevent those acquisitions of assets which do not involve the transfer of stock. No one has ever contended that the

* *Hearings on Current Antitrust Problems Before the Antitrust Subcommittee of the House Committee on the Judiciary, 84th Cong., 1st Sess., Ser. 3, pt. 3,* at 2141 (1955).

[illegible] under any possible construction of sec- [illegible] the power to prevent this latter type of [illegible]

[illegible] legislative history of the Bank Merger Act of [illegible] reveals Congress' view that section 7 is in- [illegible] to bank mergers. In the report of the House [illegible] on Banking and Currency, *H. Rep. No. 1416, [illegible] Sess.* (1958), it is said at page 9:

"[illegible] section 7 is limited, insofar as banks are [illegible], to cases where a merger is accomplished [illegible] acquisition of stock, and because bank mergers [illegible] accomplished by asset acquisitions rather than [illegible] acquisitions, the act offers 'little help,' in the [illegible] of Hon. Robert A. Bicks, acting head of the [illegible] Division, in controlling bank mergers."

[illegible] report of the Senate Committee on Banking and [illegible] on the same Act, *S. Rep. 196, 85th Cong., 1st [illegible]*, it is said at page 5:

"[illegible] (64 Stat. 1125) section 7 of the Clayton [illegible] was amended to correct these deficiencies. Ac- [illegible] of assets were included within the section, [illegible] to stock acquisitions, but only in the case [illegible] subject to the jurisdiction of the [illegible] Trade Commission (banks, being subject to [illegible] jurisdiction of the Federal Reserve Board for [illegible] of the Clayton Act by virtue of section 11 [illegible] Act, were not affected)."

[illegible] of the foregoing appellant's contention with [illegible] to the applicability of section 7 of the Clayton [illegible] and does not require further argu- [illegible] this Court. More especially is this so since [illegible] court assumed *arguendo* that the Clayton Act [illegible] and then found as a fact that it had not [illegible]

II. Appellant's Failure to Prove a Violation of Section 1 of the Sherman Act Appears Clearly on the Face of the Record.

Appellant's evidence was directed not to the extent or nature of existing competition or the effect the proposed merger would have on it, but merely to the total volume of the merged bank's business. Relative concentration of banking business following the merger was shown in the abstract, without any evidence that such concentration would adversely affect competition or that greater concentration, which was shown to have existed elsewhere for many years, has ever had that effect. Essentially appellant complains that the district court did not find, contrary to the only credible evidence in the case, that the numerical relationships that would exist after the merger would inevitably lessen competition and tend to create a monopoly in commercial banking in Philadelphia.

By calling the banks involved "two giant banks" (J.S. 22), by repeating the words "concentration" and "undue concentration," and by calling the business expected to be done by the merged bank "controlled" (J.S. 22), appellant obscures the absence of any evidence that the merged bank would in fact be able to control or limit the availability of credit or banking services in any way in any defined area, or affect in the slightest degree the ability of all banking customers in any area to obtain any banking accommodation they wish. By professing to find the antitrust laws rendered "impotent" by the decision of the district court (J.S. 13), appellant distracts attention from the affirmative evidence on which that decision was based and which shows that the merged bank itself would be impotent to impose its will on any other bank or on any customer of a bank, would be totally unable to restrict the freedom of action of its competitors or their customers, and would be wholly without power, either actual or potential, to lessen

competition or to create a monopoly even if it desired to do so (J.S. 36a-37a, 40a-41a). It was because the district court looked beyond the mere verbal characterizations offered by appellant that it was able to find, on the basis of the extensive evidence presented by the appellees (pp. 27-31), that competition not only would not be lessened but would actually be increased by the merger (J.S. 37a-39a).

Theories are no substitute for facts; mere labels do not supply a sound foundation for a court's judgment. Concentration in banking, great or small, without evidence of its effect, if any, on competition is meaningless. Appellant suggests no standard against which the size of banks may be measured in order to determine their ability to affect competition. Ratios alone do not furnish a reliable test for the power of banks to compete with one another. Violation of section 1 of the Sherman Act does not exist nor does competition in banking inevitably disappear and a tendency toward monopoly arise merely because one bank out of 41 is larger than any of the others in the Philadelphia area. All this has been made abundantly clear by *United States* v. *Columbia Steel Co.*, 334 U.S. 495, 527-8 (1948) and by *Tampa Electric Co.* v. *Nashville Coal Co.*, 365 U.S. 320 (1961), to name but two cases, and yet appellant seeks to prevent this merger merely because the merged bank will have a particular position in an arbitrary scale.

Whatever mere size may mean in any other business or whatever ability to control or influence the market size may have elsewhere, it has no such quality in banking because of the nature of that industry. Banks are dependent for funds with which to operate on the will, or whim, of their depositors. They do not own the funds they lend, they owe them, and are regulated to such an extent that competition among banks is, for practical purposes, restricted to service and limited by their capacity, closely controlled by law and regulation, to meet the requirements of the customer (J.S. 8a, 22a-24a; Def. Fdgs: 9-37, pp. 2b-5b).

Words and phrases used to describe competitive conditions and activities in manufacturing and selling are inapplicable to banking and their uncritical use is merely misleading. An example of this is the appellant's reference (J.S. 24) to "economic power and influence" of banks competing for modest loans as if that were a product of a bank's size. The record in this case clearly established this not to be the fact and the district court so found (J.S. 36a-37a).

Concentration* in banking is referred to as if it were something evil in itself, and yet no attempt was made to give it a precise meaning or even to show how it is harmful. Many cities were shown to have banks with greater percentages of local banking resources than the merged bank would have (Def. Fdgs. 132-139, pp. 16b-17b), yet not a word of testimony was offered to indicate that competition has been lessened in any such city. Appellant brought witnesses from small towns as far west as California to tell of their limited experience in banking (pp. 22-24), but offered not a single witness from any of the cities with concentration in banking equal to or greater than that predicted for Philadelphia to describe the effect, if any, of that concentration. Merely calling concentration "undue" (J.S. 25) proves nothing without evidence that the concentration complained of has lessened competition in the past or may be expected to do so in the future.** There was no such evidence in this case and there was much the other way (p. 30). There is simply no substance to appellant's assertions that the allegedly undue concentration proves something.

* As generally used by appellant the term "concentration" appears to mean the percentage of banking resources in a particular locality held by a bank or banks. See Govt. Fdgs. 374-384, pp. 64b-66b.

** One of the few available studies of banking competition is found in the Annual Report of the Federal Deposit Insurance Corporation for 1960 (Ex. D-48). That report says (at p. 59) that ". . . there is no fixed relationship between changes in concentration and changes in competition."

All that appellant's argument really amounts to is that the competition presently existing between PNB and Girard would be eliminated (J.S. 19). That this alone is not enough is shown by *Appalachian Coals, Inc.* v. *United States*, 288 U.S. 344, 360 (1933), *United States* v. *Columbia Steel Co.*, 334 U.S. 495 (1948) and *Erie Sand & Gravel Co.* v. *F. T. C.*, 291 F.2d 279, 283 (3rd Cir., 1961).* The elimination of the competition between PNB and Girard would be significant only if this might have some adverse effect on the ability of the public to obtain proper banking accommodation. The evidence clearly shows that it would not. Not only will there still be 41 banks in the Philadelphia area after the merger, but three was the largest number of alternate choices said by any witness to be necessary to provide every competitive advantage to a prospective borrower, and the district court so found (J.S. 39a; Def. Fdg. 159, p. 20b). Obviously the other major customer, a depositor, can go anywhere.

The merger would reduce the number of Philadelphia banks able to lend more than $5,000,000 from three to two (J.S. 39a). However, for the first time a Philadelphia bank would be able to lend more than $8,000,000 and thus compete with the many banks in other cities, particularly New York, which are taking from Philadelphia business that Philadelphia banks cannot now handle (J.S. 48a). The evidence shows that for loans over $1,000,000 a borrower can and frequently does go to a bank in some city other than Philadelphia and that New York banks are constantly seeking and obtaining business in Philadelphia (Def. Fdg. 52, pp. 8b-9b; J.S. 30a-31a). Barring the proposed merger would accordingly have no appreciable impact on competition in the Philadelphia area but would effectively prevent the creation of competition which does not now exist

* The railroad and coal cases relied on by appellant (J.S. 20-21) were not considered controlling even in *United States* v. *Columbia Steel Co.*, 334 U.S. 495, 531 (1948) and they have no application here.

and would preserve for the benefit of the larger banks in New York and elsewhere the substantial volume of large business which no Philadelphia bank is big enough to do (J.S. 48a). Although professing to be concerned lest the proposed merger lessen competition, what the appellant is seeking would actually stifle competition, not preserve or increase it.

The statistics furnished by the appellant fail to give the most elementary data necessary to determine the effect of the merger in any market, even the four-county area urged by appellant. There is nothing to show the total volume of banking business done within that area, or the percentage of that business done either by PNB or Girard (Def. Fdg. 56, p. 9b). There likewise is nothing to indicate the business done within the area by banks outside it or the total banking needs of customers, both within and without the area, who look to banks within it for their banking accommodation. The percentage of PNB's or Girard's own business done within the area signifies nothing with respect to competition unless there is also shown what percentage of the total business done in the area is done by each of those two banks. The fact that Philadelphia banks may establish branches only in the four-county area sheds little light on banking competition in that area (Def. Fdg. 48, p. 7b). Appellant's statistics, limited to the four-county area to show the largest possible percentage of certain types of business, are incomplete and misleading and may not validly be related to the percentages considered in the industrial and commercial cases on which appellant relies (J.S. 19 fn. 14, 20-21).

Appellant complains that the district court did not accept the views given to the Comptroller by the Attorney General, the Federal Reserve Board and the Federal Deposit Insurance Corporation (J.S. 20); but the district court considered them and concluded that they were an inadequate substitute for the evidence in the case (J.S. 45a-47a).

The statement that the proposed merger will alter the existing competitive situation (J.S. 7, 23) gains no strength from repetition. Appellant's proof simply fails to provide any basis for an informed finding that the proposed merger would lessen competition. Its attempt to sustain its burden in this regard failed* (J.S. 6a-8a) and the district court accepted instead the testimony of appellees' informed and experienced witnesses that competition would be increased by the merger. This evidence came from businessmen and bankers of the area who were best able to express an opinion on the subject (pp. 27-30).

The chief executives of seven smaller competitors of appellees testified that the increased size of the merged bank will not affect their ability to compete after the merger. Their testimony was unanimously supported by businessmen of the area and was contradicted by no one (pp. 27-30).

Expert opinions that the merger would not adversely affect competition were expressed both by an economist who was fully acquainted with commercial banking in Philadelphia and Pennsylvania and by a former First Deputy Comptroller of the Currency, who had comprehensive knowledge of banking conditions throughout the United States (pp. 27-28, 30).

The evidence demonstrates that past mergers have not affected the ability of commercial banks of all sizes in Philadelphia to compete effectively and to grow (Def. Fdgs. 108-122, pp. 12b-14b). Appellant emphasizes (J.S. 7) the fact that the number of commercial banks with head offices in the four-county area has diminished in the last 15 years. Appellant offered no evidence that the earlier number was the proper number or that the present number is inadequate. Appellant's only expert witness who was fa-

* This is a "not uncommon form of litigation casualty, from which the government is no more immune than others." *United States v. Yellow Cab Co.*, 338 U.S. 338, 341 (1949).

miliar with banking in the Philadelphia area testified that these mergers resulted from the needs of the four-county area and of its banks and were beneficial to the community and that competition is more vigorous now than it was 10 years ago (pp. 25-26).

Appellees' witnesses uniformly and emphatically stated that concentration *per se* is without significance and has no effect on banking competition or the ability of banking customers to obtain accommodation. Percentages for other cities show that even after the merger Philadelphia would rank far below the top of the list in the share of total bank assets held by its largest or its five largest banks (Def. Fdgs. 132-139, pp. 16b-17b). It was testified that each one of these other cities enjoys the benefits of vigorous banking competition, and there is not one word of testimony to the contrary (p. 30).

Appellant has ignored the essential fact, recognized by its only qualified expert witness (pp. 25-26), as well as by appellees' witnesses, that the growth of banks by merger is largely a product of the demand of larger business enterprises for increased banking accomodation, which has far outstripped the banks' natural growth. Appellant's suggestion that appellees are large enough for the business available (J.S. 25 fn. 18) was refuted by the evidence and rejected by the district court (J.S. 48a; Def. Fdgs. 177-180, pp. 22b-23b). Appellees showed the effect that larger resources would have, not only on the ability of the merged bank to attract and serve large customers in its own area, but also on its ability to continue to serve adequately expanding business customers of all sizes. They demonstrated the present need for a bank large enough to meet the requirements of the large enterprises and particularly the smaller expanding ones within the Philadelphia area (Def. Fdg. 179, p. 23b). It was also shown that a merger is the only feasible manner of achieving this result (p. 31; Def. Fdg. 189, p. 25b).

The fundamental theory of the appellant would result in banks being kept small irrespective of the demands made upon them. The incapacity of Philadelphia banks to care for the business needs of the community has produced a great flow of banking business to New York (pp. 29-30). The far greater size of New York banks makes it impossible for any Philadelphia bank to compete with them adequately for large business. If appellant's purpose in this case is accomplished that disparity will be preserved and the development of a healthy competition between New York and Philadelphia will be prevented.

The proposed merger is the first major effort to provide a Philadelphia bank which can be truly competitive with the larger banks in New York and other cities. The record shows how many cities smaller than Philadelphia have larger banks (Def. Fdgs. 181-182, pp. 23b-24b) which presently draw business from the Philadelphia area. To prevent the creation of a bank which could offer real competition in this field is to defeat, not to promote the purposes of the antitrust laws. This is particularly indefensible in the absence of any evidence whatever that local competition will be served thereby. All demands for smaller accommodation can be met more than adequately by the banks which will continue to serve the area after the merger. Demands for larger accommodation can be met for the first time in Philadelphia by the merged bank, competitively with large banks elsewhere. The evidence shows and the district court found that the only effect that preventing the merger will have on competition will be to inhibit it (J.S. 48a).

CONCLUSION.

There is no significant question presented by this appeal which requires review. The fact that the decision of the district court is the first ruling in a case brought

by the appellant to restrain a proposed bank merger does not change its inherent character. The decision was based on an evidentiary determination of the particular facts of this specific case following a thorough analysis of extensive evidence. That appellant's theories were found to be unsupported even by appellant's own evidence deprives those theories of any significance here.

The decision of the district court was a necessary consequence of appellant's failure to prove its case. The judgment below is correct, and there is no question which requires further consideration.

Respectfully submitted,

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SUMMARY OF EVIDENCE.

To support its contentions the appellant called as witnesses nine bankers unconnected with the appellees, of whom only one, Sienkiewicz (Tr. 2051), knew anything about Philadelphia and only one other, Brumbaugh (Tr. 643), knew anything about Pennsylvania. A third, MacMillen (Tr. 1217), was familiar with practices in New York, but the other six, all from small communities, were totally ignorant of conditions in Philadelphia and were apparently called mainly because of their opposition to mergers as such, which is the party line of the Independent Bankers Association (Ex. G-66), and their desire to participate in any anti-merger activity (Tr. 742, 744, 747-749).

Of these witnesses Clarke, president of Citizens Union Bank and Trust Co., of Lexington, Kentucky, population 125,000 (Tr. 376), said that there are five commercial banks in Lexington, a number which he considered ample since customers may go where they choose (Tr. 376, 393).

Forlines was president of the Bank of Granite, Granite Falls, N. C., population 3,000 (Tr. 401, 424), which, in spite of competition from larger banks, has quadrupled its assets in the last ten years (Tr. 426, 428). His business experience was revealed by his statement that no one in his area would know what to do with a million dollars (Tr. 430).

Brumbaugh was president of the First National Bank of Claysburg, Pennsylvania, population 3,000 (Tr. 643, 676). He had not supervised any merger of Philadelphia banks while he was Secretary of Banking (Tr. 676) and declared himself not qualified to express an expert opinion on the proposed merger (Tr. 658, 664, 669-671). His definition of a monopoly was four or five banks controlling the whole State of Pennsylvania (Tr. 693) and he did not consider that the proposed merger would affect banking in Pennsylvania to any great extent (Tr. 665). He also

took the defeatist view that there would be no benefit from the merger since New York banks were so much larger (Tr. 681).

DuBois, president of the First State Bank of Sauk Center, Minn., population 3,500 (Tr. 728), headed a family owned bank which has prospered in competition with a large bank (Tr. 730-732). He believed that a borrower should have at least two banking alternatives (Tr. 725) since there would be no monopoly with two banks in vigorous competition (Tr. 732). Having sat in the courtroom for a week he declared himself sufficiently well educated to express an opinion about banking in Philadelphia (Tr. 722).

Hansen was president of the Bank of Union County, Elk Point, S. D., population 1,500, which has a lending limit of $40,000 (Tr. 733, 743). He conceded that nearly half of the IBA banks are the only bank in town (Tr. 746) and said that officers and employees of small banks were bewildered when acquired by merger (Tr. 745-746).

Harding, president of the First National Bank of Pleasanton, Cal., population 4,000 (Tr. 1041), runs a family owned bank (Tr. 1003, 1022). Although his bank takes business from and competes vigorously with a branch of the Bank of America in Pleasanton (Tr. 1013, 1024, 1029, 1031) and has grown substantially in the last ten years (Tr. 1023), he said that competitive banking meant competition with another independent bank without interference from a large number of competitors nearby (Tr. 1020). His opinion was that there would be no monopoly with six banks in a city (Tr. 1037).

Taylor was president of the Waukesha State Bank, Waukesha, Wis., population 30,000 (Tr. 1280, 1304). Although not familiar with loan business in Philadelphia (Tr. 1287) and unable to indicate how the merger of PNB and Girard would restrict competition, except by eliminating one bank (Tr. 1303), he considered that the PNB-

Girard merger would have an effect in his area (Tr. 1300-1301). His bank has grown in competition with a much larger bank (Tr. 1306-1307).

MacMillen, former president of Colonial Trust Co., New York, testified about his experiences in New York but did not know the volume of business done by New York banks in the Philadelphia area or the banking needs of that area (Tr. 1245-6). His bank had competed successfully for loans during the period of mergers of large New York banks (Tr. 1273-4). He agreed that there is no rate competition for large borrowers (Tr. 1260-1) and that prime customers cannot be charged more than the prime rate (Tr. 1257). He also recognized the undesirability of making loans up to a bank's lending limit and agreed that a bank with a larger lending limit and more capital could take a greater risk and therefore lend more than could a small bank (Tr. 1267-9).

The last banker called was Sienkiewicz, president of Central Penn National Bank, the only Philadelphia banker of the nine. He testified that competition from New York is very strong (Tr. 2064). He said that his eighteen branches are important to maintain his bank's competitive position since it has to serve its customers wherever they are, that size is immaterial in competition for deposits, that competition in Philadelphia is keener than it used to be when there was a larger number of banks (Tr. 2057, 2063-4), that there is no price competition for loans (Tr. 2060-1, 2073-5) and that service charges are not an important factor (Tr. 2059, 2065-8). His bank's business comes from the Philadelphia area, including New Jersey (Tr. 2062). The appellant was unwilling to disclose Sienkiewicz's opinion about the proposed merger (Tr. 2062, 2075-6).

The bankers whom the appellant called furnished no support for its charges and theories.

In addition to the bankers the appellant called three professors, who likewise failed to give any support to the appellant's contentions.

Professor Smith, of the University of Michigan, had no business experience (Tr. 434-446) and had made no prior study of banking in the Philadelphia area (Tr. 555). He relied not on data about Philadelphia but on national figures (Tr. 504, 519, 523, 530, 532). He was uninformed about the Philadelphia area and had no basic information about banks or banking in the four county area (Tr. 555-62). In reaching his conclusion he discussed the problem not with any Philadelphia banker (Tr. 562) but with other professors and researchers (Tr. 550-3). On the basis of assumptions, without regard to the facts (Tr. 565-6, 3953, 3992) and rejecting the evidence of Ex. D-26, D-40 and D-43 (Tr. 3935, 3971-2, 3976-7, 3984) he sought to determine the effect of the larger loan limit of the merged bank on the availability of credit in Philadelphia (Tr. 564, 565, 571, 581-2, 3984, 3992). Relying on an algebraic formula (Ex. G-60), which was "kind of hard to follow" (Tr. 583), he concluded that the increased lending limit of the merged bank would not increase loanable funds but that the reverse would occur (Tr. 616, 3942, 3951, 3953, 3960-1). He had never traced the disposition of a large loan or participated in making one (Tr. 3943, 3946), and his conclusion was dependent on the assumption that 97% of the proceeds of local loans resulting from new credit lines would leave the area (Tr. 3980). He indicated that his mission was merely to refute the contention of the banks made in the Application to the Comptroller (Ex. G-57) that the larger lending limit of the merged bank would bring additional funds into and therefore benefit the Philadelphia area (Tr. 3951).

Professor Keith, of the University of Pennsylvania, had made a study of branch banking in the four-county area in 1956 and 1957 (Tr. 1539, 1541). Unlike the two other professors, he had based his study largely on discussions with bankers in the four-county area (Tr. 1569). He concluded that mergers resulted from the need for

...ng facilities in the surrounding counties ... the small suburban banks were unable ... competition (Tr. 1614-16) and that mergers ... the community and had increased com... (Tr. 1616-8). He said that banks ... national market must keep up with the ... in other cities (Tr. 1619) and that there ... lending capacity because banks could not ... the growth of business (Tr. 1624-5). He ... price competition a major factor among ... banks, and that mergers with Philadel... increased the competition in the three ... (Tr. 1631) and conceded that a ... number of competing banks need not ... competition (Tr. 1639). He said that the ... of PNB and Girard do not overlap ... that a considerable amount of competi... would still exist after the proposed ...

... of Northwestern University, was ... in opposition to the bank merger two ... had any opinion on the subject (Tr. ... and qualified as an expert on banking ... (Tr. 1725-7). He based his opinion on ... (Tr. 1728) and discussions with teachers and ... directors, but had none with any bankers ... in Philadelphia (Tr. 1732-35). He adopted ... approach, being wholly ignorant of condi... (Tr. 1736-8, 1822-4, 1826-30, 1832, ... 1834, 1836, 1838-9). His testimony was ... unreliable (Tr. 1871-6, 1887-91) and he ... discredited (Tr. 1882, 1884, 1902-4, 2030, ...). The appellant displayed so little con... that he was called upon at an ... hearing to request findings of ... and 60b.

The other witnesses called by the appellant were officers of the two banks: Beadle testified about branches (Tr. 804); Worstall, branches (Tr. 1041); Ridgway, service charges (Tr. 1124); Gillam, service charges (Tr. 1308); Beatty, credit information (Tr. 1316); Potts, general operations of PNB (Tr. 1331); Satterfield, consumer credit (Tr. 2079). Their testimony was in the nature of discovery, and much of it had little or no relation to the issues in the case.

This was the testimony offered by the appellant. Its additional evidence consisted of quantities of statistics in the form of exhibits showing numbers, amounts and percentages, the volume of selected classes of business from various selected areas, the number and location of branches and their volume of business, service charges, interest rates and other incidental items, and the supposed relative position of PNB and Girard in various classes of loans, deposits, assets, sources of business and other miscellaneous bases of comparison. There were also numerous letters, memoranda, papers, reports and other documents which were identified and offered in evidence, and most of which were never referred to again.

The appellees' evidence, after explaining the background of and the need for the merger, was directed toward two propositions: (1) competition would not be lessened by the merger in the Philadelphia area and competition presently non-existent would be created beyond that area; and (2) the resulting increase in concentration is both reasonable and necessary to provide business in the Philadelphia area with the banking accommodation to which it is entitled but which now it has to seek elsewhere because Philadelphia banks are too small to supply it.

To sustain the first proposition the appellees called thirteen witnesses, all experienced in Philadelphia banking. Brown is president of Girard and two, MacLaren and McDowell, are vice presidents of PNB. One of the other

ten, Harris, a public banking official, has had very wide banking experience and has been teaching banking for forty years (Tr. 2277-85). Another, Jennings, after twenty years as a national bank examiner and twelve years as a deputy comptroller of the currency, became First Deputy and served as such for eight years, during which time he considered over eight hundred mergers and their effect on competition and the local banking community (Tr. 3281-99, 3404-6). Of the remaining eight one is a vice president and seven are presidents or chief executive officers of other local banks. They testified that the merger is needed in Philadelphia and is in the public interest, that it would benefit local banks and could not harm them or their customers, could not affect interest rates, would be of advantage to the community generally, would meet more of the needs of large customers and keep business in Philadelphia that now goes to New York, would create competition for banks in New York and other cities that does not now exist, and would increase competition locally. They also testified that the banking alternatives available after the merger would be ample to meet all the needs of the community, since all banks must satisfy the requirements and desires of all classes of customers within the limits of the banks' resources. They also said that the past mergers were needed and increased competition, and they made it clear that the increased resources of the merged bank are necessary to provide adequate banking service to the community.

In support of the second proposition appellees called nine witnesses. Seven of these are executive officers of large business enterprises, all but one having their main offices in the Philadelphia area: Bradshaw, Atlantic Refining Co., and also president of the Philadelphia Chamber of Commerce; Merriwether, Rohm & Haas Co.; Andrews, Triangle Publications; Amsterdam, Bankers Securities Corporation; Wilson, Sun Oil Co.; Deasy, Automotive

Rentals, Inc.; and Oakes, Pennsylvania Power & Light Co. Graves was Executive Vice President of the Philadelphia Industrial Development Corporation, a non-profit company formed by civic leaders and the city to foster industrial development; and Dilworth was Mayor of Philadelphia.

These witnesses testified that it is essential to the well-being and proper development of an industrial area that its banks should keep pace with the growth of its businesses, but that Philadelphia banks have not done so and thus are unable to serve local business adequately. They showed how the inadequate resources of Philadelphia banks have prevented the banks' full development, explained the added services that the larger New York banks are able to give, the needs of local business, medium size and large, for a substantially larger bank than any now in Philadelphia, the additional business that they would give the merged bank, with their preference for doing banking business in Philadelphia, and their present necessity for seeking accomodation in New York. They stated their unwillingness to obtain large loans, which individual New York banks can readily handle alone, by seeking to combine the lending capacity of several Philadelphia banks, and their refusal to do their banking business in a way they consider unsatisfactory. They confirmed the extent to which local business is solicited by banks in New York and elsewhere and the amount of local business that goes to New York. They indicated how much larger deposit balances they could and would maintain in a Philadelphia bank large enough to supply the needs which cannot now be furnished locally, explained why neither customers nor banks are willing regularly to make loans up to the limit of the banks' lending capacity, and why customers require a bank with a lending limit greater than their currently anticipated needs. They showed that the limited lending capacity in Philadelphia is driving banking business to other cities, why they want a bank in Philadelphia large

enough to enable them to do more banking business at home and how they expect additional banking business to be brought to Philadelphia by the merged bank.

Graves and Dilworth explained the need for the merged bank in terms of the economic and political requirements of the Delaware Valley. They elaborated on the disadvantage the city suffers by its present dependence on New York for financial accomodation.

The testimony of Harris and Jennings, supplemented by exhibits, explained the nature of bank competition and its essential difference from that engaged in by manufacturing and selling companies, showed that other mergers have had no adverse effect on small banks, that small banks can compete effectively with large banks, that competition has been keener in Philadelphia after the mergers of the last few years than before, that small banks, particularly in the Philadelphia area, have grown more rapidly than the large banks, that the largest banks in a community have difficulty in maintaining their relative size, that increased concentration in large banks is offset by the growth of smaller banks, that banks should be large enough to serve local business needs but that Philadelphia banks, lagging behind business, have failed to grow rapidly enough to do this, that banking concentration is considerably lower in Philadelphia than in most other cities, that the banking concentration which the merger would produce would not be excessive and that adequate banking competition exists and businesses are adequately served in cities with far higher banking concentration than there would be in Philadelphia after the merger. Jennings said also that in his experience increased banking concentration is the natural result of a need for additional banking accomodation. In short these two witnesses described the actual, as distinguished from the purely theoretical, results of the merger and spoke from lifelong experience in the field of banking.

The appellees likewise showed by the former president of the Ambler National Bank, Reller (Tr. 3112), and by small businessmen outside of Philadelphia, Ferraro (Tr. 3723) and Rainer (Tr. 3853), the nature of the improvement in banking service offered small businessmen after cross-county mergers with a large city bank. Those witnesses and exhibits showed that before such mergers the local banks were unable to meet local needs, that the mergers made more funds available for local loans, that service charges were a negligible factor in competition, and that the independent country banks have grown more rapidly and local competition has become more intense since the mergers than before. They also indicated the importance to small and medium size business of the greater resources of a large bank.

Appellees also showed that the proposed merger is the only feasible method of increasing adequately the lending limit and resources of the two appellees because capital-deposit ratios would impose severe penalties on stockholders if large blocks of new stock were to be sold (Tr. 3797-3801). They also showed that the proposed merger has been uniformly approved by bankers and businessmen in Philadelphia and that without it the growth of Philadelphia and its local businesses will be hampered and businessmen in the Philadelphia area will be forced to continue to seek banking accommodation in New York and elsewhere. Appellees established that unless the merger is approved the position of inferiority in which Philadelphia now finds itself will be preserved and accentuated.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1961

NO. 999

United States of America,
Appellant,

v.

The Philadelphia National Bank and
Girard Trust Corn Exchange Bank

JOINT APPENDIX OF APPELLEES TO MOTIONS TO AFFIRM

On Appeal from the United States District Court for the Eastern District of Pennsylvania

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DEFENDANTS' REQUESTED FINDINGS OF FACT AFFIRMED BY THE COURT.

I. The Background of This Proceeding.

(1) This action was filed on February 25, 1961 to enjoin the proposed merger of The Philadelphia National Bank and Girard Trust Corn Exchange Bank, hereinafter referred to as PNB and Girard respectively. The Complaint was filed under Section 4 of the Sherman Act (15 U.S.C. § 4) and Section 15 of the Clayton Act (15 U.S.C. § 25) for injunctive relief against alleged violations of Section 1 of the Sherman Act (15 U.S.C. § 1) and Section 7 of the Clayton Act (15 U.S.C. § 18) respectively.

(2) PNB is a national bank chartered on October 20, 1864 under an Act of Congress approved June 3, 1864. Girard is a state bank chartered on March 17, 1836 by Act number 128 of the Pennsylvania Legislature.

(3) On November 15, 1960 the Boards of Directors of PNB and Girard approved a proposed merger of the two banks, and on December 20, 1960 the two Boards approved a written Agreement of Consolidation to be effected in accordance with the provisions of the national banking statutes, 12 U.S.C. § 215.

(4) On November 15, 1960, PNB and Girard filed an Application with the Comptroller of the Currency for approval of the proposed merger under the Bank Merger Act of May 13, 1960, 12 U.S.C. § 1828(c).

(5) As required by the Bank Merger Act the Comptroller requested and received from the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Attorney General advisory reports on the competitive factors involved in the proposed merger.

(6) Following receipt of these reports, the Comptroller, on February 24, 1961, approved the proposed merger after giving consideration to each of the seven factors set forth in the Bank Merger Act; he concluded with respect to competition that the merger would be beneficial to international and national competition and would not be unfavorable to local competition because an adequate number of alternative sources of banking service would remain after the merger.

(7) On May 9, 1961, the meetings of the shareholders of the respective banks were held and the Agreement of Consolidation duly approved.

(8) In the consummation of the proposed merger neither PNB nor Girard will acquire the stock or share capital of the other.

II. Nature of the Commercial Banking Business.

(9) By its nature, commercial banking is wholly different from industrial or commercial businesses.

(10) Banks are subject to extensive regulation by law and by the Federal Reserve Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and state banking authorities.

(11) The principal purpose of the extensive government regulation of commercial banks which prohibits unrestricted competition is to protect their depositors.

(12) Governmental regulation of commercial banking has the effect of sharply limiting the scope and character of competition among commercial banks.

(13) Commercial banks are not permitted to pay interest on demand deposits. The maximum interest which

commercial banks are permitted to pay on time and savings deposits is fixed by law.

(14) Banks are restricted in the nature, amount, volume and purpose of loans they are permitted to make. All national banks and banks chartered in Pennsylvania and most other states are in general not permitted to have outstanding loans to any one customer in an amount in excess of 10% of their capital and surplus.

(15) The amount of money and credit in the banking system is directly affected by the reserve requirements, the rediscount rate and the open market practices of the Federal Reserve System.

(16) Maximum interest rates on loans are fixed by law in Pennsylvania.

(17) Minimum interest rates on loans are directly affected by the reserve requirements and open market practices of the Federal Reserve Board, by the rediscount rate fixed by the Federal Reserve Banks, and by the "prime rate" established by the nation's largest banks for their customers with the highest credit standing.

(18) Neither PNB nor Girard has, nor would the merged bank have, any influence in connection with the matters covered by Requested Findings 15 and 17 above.

(19) Entry into the banking business and the opening of branches are strictly regulated in order to protect existing banks from excessive competition, and are permitted only upon a showing that there is adequate banking business in the area to support both the existing banks and the proposed bank or branch.

(20) As a result of restrictions on entry there are thousands of communities in the United States with but one commercial bank.

Respondents' Findings.

d and FDIC may establish branches only and the three Pennsylvania counties con- Bucks, Delaware and Montgomery).

mercial banks are subject to regulation to ir investments are of high quality.

are in practice subject to strict liquidity hich affect the type of assets a bank may ertain it may make.

banking practice establishes maximum ank's total loans to its capital, its deposits

are subject to inspection and control by es who make periodic and thorough exami- ations to determine compliance with bank- and who may require that changes be made or loan-deposit ratios or liquidity position ld decline substantially from accepted

e requirements, required ratios, liquidity minimum limitations and other require- ffect of reducing banks' profit margins and bank's ability to engage in price com-

great part of a bank's earnings are derived s, without which it could not conduct its iquidity are received from the bank's cus- e withdrawn by them at any time.

competition is of the most a minor factor in g commercial banks, and in most banking eas.

(29) Interest rates on loans generally fall between the maximum fixed by law and the prime rate.

(30) Within the maximum and minimum rates fixed by law and the operation of the banking system, the interest rate which a bank charges depends primarily upon the borrower's credit standing.

(31) Commercial banks do not generally compete in the evaluation of credit standing in the making of loans; lending officers base credit evaluations on the same factors and their evaluations are generally similar.

(32) Banks do not engage in significant interest rate competition; to do so would quickly exhaust a bank's lending capacity and cause it to become over-loaned.

(33) A bank cannot raise its interest rates above the going rates without losing borrowers to other banks.

(34) Price is of minor importance in competition among commercial banks for savings accounts.

(35) Price competition for time deposits is a minor factor as between commercial banks within the same state because all commercial banks pay the maximum allowed by law.

(36) Service charges are a minor factor in competition.

(37) The principal factors in competition among commercial banks are convenience, quality of service, personal relationships, and the capacity to meet the requirements of the customer.

(38) Commercial banks do not compete in expanding credit; it is an incident of their lending function and a function of the whole banking system in conjunction with the Federal Reserve System.

(39) Safety is no longer a factor in competition between small and large banks. Deposit insurance has enabled the smallest banks to compete with the largest in this respect.

(40) Large commercial banks do not have a competitive advantage for business within the range of the resources of smaller banks. In that range, small banks are able to compete as effectively as large banks.

(41) The growth of a small bank is not adversely affected by the existence of a large competing bank; in most cases small banks grow faster than large banks, which find it difficult to maintain their positions relative to small banks.

(42) Large banks do not treat small businesses less favorably than do small banks; having greater resources, large banks are willing to take greater credit risks than small banks.

(43) The ratio of loans to assets of a bank increases with its size.

III. Commercial Banking Markets.

A. Geographic Markets.

(44) Competition in commercial banking is comprised both of the active rivalry of commercial banks and other institutions seeking to sell their services, and of the existence of alternative sources of such services for the banks' customers. Both exist in competition for commercial banking services in Philadelphia and the Delaware Valley.

(45) Commercial banks sell their services in local, regional, national and international markets. These markets overlap and are difficult to define.

(46) The customer's geographic market for banking services is determined by the location of the alternative sources from which he can obtain these services.

(47) The geographic location of the customers of PNB and Girard does not determine the geographic market in which customers of the bank may obtain banking services.

(48) The fact that PNB and Girard branches are limited to the four-county area, consisting of Philadelphia, Bucks, Montgomery and Delaware Counties, does not limit either the geographic source of their business or the location of the alternatives available to their customers.

(49) Customers are not restricted by political boundaries in the choice of banks or other financial institutions.

(50) PNB and Girard draw substantial business from customers located outside the four-county area in which they operate branches. PNB, Girard and other Philadelphia area banks derive substantial business from the entire ten-county Delaware Valley area, consisting of the above four counties and Chester County, Pennsylvania; Burlington, Camden, Gloucester and Mercer Counties, New Jersey; and New Castle County, Delaware. Much of the merging banks' business originates outside the ten-county area.

(51) The four-county area has no better claim to be the primary geographic source of defendants' business than any of several other areas or combination of areas. For instance:

(a) Defendants, combined, derive a greater amount of their commercial and industrial loans from the northeast United States outside the Third Federal Reserve District than they do from Bucks, Delaware and Montgomery Counties.

(b) Defendants grant a greater dollar amount of lines of credit to customers outside than to customers inside the four-county area.

(c) Defendants draw less business time deposits from Bucks, Delaware and Montgomery Counties than from each of the following areas: the other six counties of the ten-county Delaware Valley area outside of Philadelphia, the rest of the Third Federal Reserve District outside Delaware Valley, and the northeast United States outside the Third Federal Reserve District.

(d) PNB derives a smaller amount of all its business demand deposits from Bucks, Delaware and Montgomery Counties than it does from the northeast United States outside the Third Federal Reserve District.

(e) Defendants make to customers outside the four-county area more than 80% of their loans (in dollar amount) to domestic banks, to foreign banks, to other financial institutions, and to purchase or carry securities, and more than 60% of their miscellaneous loans.

(52) In the areas from which PNB and Girard derive their business their customers have as active alternative choices not only other commercial banks in such areas but also commercial banks located outside such areas:

(a) Large banks from large cities throughout the country solicit business in the Philadelphia area on an intensive and regular basis.

(b) The business solicited by New York and other banks include loan, deposit and corporate trust services, correspondent bank business, personal trust and other business.

(c) Banks from New York and other cities derive substantial business from Philadelphia.

(d) In such fields as the financing of mobile homes, the financing of prefabricated houses, tuition financing, and real

estate mortgages Philadelphia banks compete with banks and other institutions located in many areas outside the four counties.

(e) At least 68% in dollar volume of defendants' combined commercial and industrial loans are made to, and at least 64% in dollar volume of defendants' combined demand deposits from partnerships and corporations are received from, customers whose banking choices include commercial banks located outside the four-county area.

(53) Taking into consideration both the location of PNB's and Girard's business and the location of the alternative choices available to their customers, the market area for every service offered by PNB or Girard other than savings deposits is larger than the four-county area, varying from the ten-county Delaware Valley area up to the entire United States or the world.

(56) Plaintiff has introduced no evidence bearing on defendants' proportion of the entire banking business done within the four-county area by all banks deriving business from that area, in any category of business.

(57) Plaintiff has introduced no evidence bearing on defendants' proportion of the entire banking business done in any selected area by all banks deriving business from that area, in any category of business.

IV. Commercial Banking in the Delaware Valley.

(93) As of June 30, 1960 PNB had assets of $1,064,335,000, deposits of $924,495,000 and loans of $523,612,000. As of the same date Girard had assets of $740,920,000, deposits of $650,790,000 and loans of $399,362,000.

(94) PNB does business through 28 banking offices of which 11 are located in Philadelphia, 5 in Bucks County, 5

in Delaware County and 7 in Montgomery County. Girard does business through 39 banking offices of which 21 are located in Philadelphia, 12 in Delaware County and 6 in Montgomery County.

(95) As of December 31, 1960 there were 17 commercial banks with main offices in Philadelphia (including Brown Brothers Harriman, a private bank with offices in New York and a substantial office in Philadelphia); in addition First Camden National Bank and Trust Company, with its main office in Camden, New Jersey, has an office in Philadelphia. There are 100 additional commercial banks with main offices in the 9 counties adjacent to Philadelphia, consisting of 9 in Bucks County, 1 in Delaware County, 14 in Montgomery County, 19 in Chester County, 17 in Burlington County, New Jersey, 9 in Camden County, New Jersey, 13 in Gloucester County, New Jersey, 10 in Mercer County, New Jersey, and 8 in New Castle County, Delaware. Many of these banks operate through multiple offices; there are 284 commercial banking offices in Philadelphia, Delaware, Bucks and Montgomery Counties and more than 400 banking offices in the ten counties described above.

(96) Notwithstanding the decrease in the number of banks in the four-county area, from 1947 to 1960 the number of banking offices in that area has risen from 178 to 283.

(97) The increase in population and the expansion of industry and commerce in the Philadelphia area led to a need for larger banks; many small banks were inadequate to care for the increasing banking needs of the communities in which they were located.

(98) Small banks in the Philadelphia area have found mergers with larger banks a solution to their problems of inadequate banking services, rising costs and management succession.

(99) Merger with existing banks in the suburban and rural areas around Philadelphia was in many cases the only feasible way for larger banks to follow their customers into these areas.

(100) PNB and Girard have opened new branch offices in the four-county area to serve existing customers and to participate in the growth of new communities.

(101) Prior to 1951, PNB and Girard Trust Company were wholesale banks dealing primarily with large customers, Girard Trust Company also having a large trust business.

(102) In response to significant changes in the location of their customers, the expansion of commerce and industry in the Philadelphia area, and the increase in importance of small customers, PNB and Girard Trust Company changed their policies; since 1951 PNB has begun retail banking services and entered the personal trust and consumer credit fields, and Girard embarked on many retail banking services following the merger in 1951 of Girard Trust Company with Corn Exchange National Bank and Trust Company.

(103) Following mergers by PNB and Girard with smaller banks in the neighboring communities, the banking services available to members of those communities have increased substantially; many of these services were not previously offered by the local banks.

(104) The size of loans, secured and unsecured, which PNB and Girard officers at branch locations may make on their own authority is substantially greater than the loans previously available at the local banks; as a result borrowers are able to obtain larger loans and obtain them more quickly from Girard and PNB branches than was previously the case at the local banks.

(105) Industries located in the areas served by PNB and Girard branches, which were not having their borrowing requirements met by the local banks, are now being taken care of.

(106) More funds are available for loans through PNB and Girard branches than were previously available through local banks; in each of PNB's branch divisions the ratio of loans to deposits is substantially higher than the ratios previously maintained by the local banks with which PNB merged.

(107) The effect of bank mergers in the Philadelphia area has been substantially to increase and sharpen competition among commercial banks; competition is more intense now than when there was a much greater number of banks.

(108) There is no evidence that any prior merger in the Philadelphia area restrained trade or handicapped the growth of smaller banks.

(109) During the period 1951 to 1960, PNB and Girard experienced deposit growth of 13.9% and 14.4% respectively, compared to an average of 21.9% of all 17 banks with head offices in Philadelphia (including Brown Bros. Harriman & Co.).

(110) During the period 1951 to 1960, 12 of the other 15 banks in Philadelphia, including 3 of the 4 smallest, experienced a percentage deposit growth greater than that of either PNB or Girard; 11 of these 12 experienced growth greater than the 21.9% average of all such banks and 6 of these experienced such growth in excess of 40%.

(111) A new bank has been established in the last decade just outside Philadelphia and has experienced rapid and substantial growth.

(112) Several of the smaller Philadelphia banks have opened new branches in the center of the city in recent years; these offices have successfully competed with the center city offices of the larger banks.

(113) During the period 1951 to 1960, every one of the 9 commercial banks with main offices in Bucks County experienced percentage deposit growth greater than that of either PNB or Girard, the smallest being 30.5% and the largest being 112.5%.

(114) During the period 1951 to 1960, the only commercial bank with a main office in Delaware County experienced percentage deposit growth of 95.4%, over six times as great as that of either PNB or Girard.

(115) During the period 1951 to 1960, 13 of the 14 commercial banks in Montgomery County experienced percentage deposit growth greater than that of either PNB or Girard, the smallest of the 13 being 18.7%, four being in excess of 90% and one being 1,116%.

(116) During the period 1951 to 1960, 17 of the 19 commercial banks with main offices in Chester County experienced percentage deposit growth greater than that of either PNB or Girard, the smallest of the 17 being 16.3%, nine being in excess of 40% and the largest being 128%. The remaining two of the 17 had growth of 13.1% and 14.0% compared to the 13.9% and 14.4% of PNB and Girard respectively.

(117) During the period 1951 to 1960, all of the 17 commercial banks with main offices in Burlington County, New Jersey, experienced percentage deposit growth greater than that of either PNB or Girard, all but two being in excess of 40%, nine being in excess of 80% and the largest being 195.6%.

(118) During the period 1951 to 1960, all of the 9 commercial banks with main offices in Camden County, New Jersey, experienced percentage deposit growth greater than that of either PNB or Girard, the smallest being 49% and the largest being 162.4%.

(119) During the period 1951 to 1960, all but one of the 13 banks with main offices in Gloucester County, New Jersey, experienced percentage deposit growth greater than that of either PNB or Girard, the smallest being 18.8%, ten of them being in excess of 50% and the largest being 282.8%.

(120) During the period 1951 to 1960, all of the ten commercial banks with main offices in Mercer County, New Jersey, experienced percentage deposit growth greater than that of either PNB or Girard, eight of them being in excess of 50%, six of them being in excess of 75%, and the largest being 132.6%.

(121) During the period 1951 to 1960, all but one of the eight commercial banks with main offices in New Castle County, Delaware, experienced percentage deposit growth in excess of that of either PNB or Girard, the smallest of them being 25.2%, three being in excess of 90% and the largest being 458%.

(122) During the period 1951 to 1960, 107 of the 115 banks with main offices in the ten-county Delaware Valley area (including Brown Bros. Harriman & Co.), other than PNB and Girard, experienced percentage deposit growth greater than that of either PNB or Girard.

(123) The commercial banks in Philadelphia today are strong and vigorous competitors in offering commercial banking services to the public.

(124) The 100 commercial banks in the nine counties adjacent to Philadelphia compete in varying degrees with

PNB and Girard in offering banking services comparable to those offered by PNB and Girard within the range of the resources of such banks.

(125) PNB makes a substantial number of small loans as a matter of policy, reviews all loan applications rejected by branch officers, and has set up special programs for making loans to small businesses.

(126) During times of tight money Girard cuts back on its loans to large businesses rather than its loans to small businesses.

(127) The branch systems of PNB and Girard cover generally complementary areas; outside the center city area of Philadelphia there is scarcely any overlap between service areas of Girard and PNB branches, except in the 69th Street area where it is planned to close the PNB branch after the merger.

V. Effect of the Merger on Competition.

A. Banking Concentration.

(128) Banking concentration in a community is a product of the need for a bank large enough to meet the banking needs of commerce and industry.

(129) The amount of concentration of banking assets within a city or other geographic area is not a measure of competition within that area.

(130) A large industrial community benefits economically from the existence of competitive banks of all sizes.

(131) Of the ten largest metropolitan areas in the United States, Philadelphia, which is the fourth in size, would after the merger rank ninth on the basis of the relation of population to the largest commercial bank in each such city.

(132) If the 53 reserve and central reserve cities of the Federal Reserve System are ranked in the order of the percentage of total commercial banking assets in each city held by the largest commercial bank in that city as of June, 1956:

(a) Philadelphia would, after the proposed merger, rank 32nd with 36.16%;

(b) 26 cities exceed 40%;

(c) 14 cities exceed 50%; and

(d) 5 cities exceed 60%.

(133) If the same 53 cities are ranked in the order of the percentage of the total commercial banking assets in each city held by the five largest commercial banks in that city as of June 30, 1956:

(a) Philadelphia, after the merger, would rank 43rd with 83.82%;

(b) 36 cities exceed 90%; and

(c) 21 cities exceed 95%.

(134) There are four commercial banks in the United States, each with a lending limit greater than the aggregate of the lending limits of all the commercial banks in Philadelphia.

(135) Each of 20 commercial banks in the United States has a lending limit greater than that of any commercial bank in Philadelphia, and nine of these are in cities smaller than Philadelphia. Thirteen such banks, four of which are in cities smaller than Philadelphia, have a lending limit greater than that of the proposed merged bank.

(136) Of 224 cities with populations in 1956 over 50,000, 190 had a commercial bank with 35% or more of the total commercial banking assets in the city, and 96 had a bank with 50% or more of such assets.

(137) If 110 cities in the United States with populations of 100,000 or more are ranked in the order of the

percentage of total commercial banking assets in each city held by the largest commercial bank in that city as of June 30, 1956:

(a) Philadelphia would, after the proposed merger, rank 79th with 36.2 %;

(b) 63 cities exceed 40%;

(c) 33 cities exceed 50%; and

(d) 12 cities equal or exceed 60%.

(138) Of the 34 most populous metropolitan areas in states, like Pennsylvania, with limited area branch banking, 17 would have a greater concentration of bank deposits in their five largest banks, 20 would have a greater concentration in their three largest banks, and 16 would have a greater concentration in their largest bank, than Philadelphia County would have after the proposed merger.

(139) Every city in Pennsylvania, and in the ten-county Delaware Valley area outside Pennsylvania, with a 1960 population over 100,000, has a commercial bank with a larger percentage of the commercial banking assets in that city, than Philadelphia would have after the proposed merger. There is adequate banking competition in each such city.

(140) Between 1940 and 1960:

(a) the percentage of deposits of all commercial banks in the United States held by the 100 largest banks decreased from 56.7% to 46.2%;

(b) the percentage of such deposits held by the 10 largest banks decreased from 26.4% to 20.3%; and

(c) the percentage of such deposits held by the largest one-half of 1% of banks decreased from 52.2% to 40.9%.

(141) In the 16 states which, like Pennsylvania, have limited area branch banking:

[illegible] Findings.

[illegible] of assets of all commercial banks [illegible] largest commercial bank decreased, [illegible] in 19 states; and

[illegible] of assets of all commercial banks [illegible] the largest commercial banks decreased [illegible] in 19 states.

[illegible] metropolitan areas [illegible] County) in states with limited [illegible] percentage of assets of all commercial held by the largest bank decreased [illegible] in 26 areas.

[illegible] evidence of adverse effects on banking [illegible] a result of banking concentration [illegible]

[illegible] evidence that there has been any [illegible] or any restraint of trade [illegible] in the United States of over which the local bank has had a [illegible] the total bank assets than the [illegible] in Philadelphia.

[illegible] for the Merger.

[illegible] would have no adverse effect on [illegible].

[illegible] stability of the merged bank to compete [illegible] will not adversely affect existing [illegible] customers in Philadelphia [illegible].

[illegible] result of the merger would be loss of [illegible] to other banks in the Philadelphia [illegible].

[illegible] existing banks would be [illegible] able to share in the new banking [illegible] it would bring to Philadelphia.

(149) The merger would not lead to an increase in service charges; the merged bank would have no power to cause other Philadelphia banks to raise their charges, or to impose on such banks its own charges.

(150) The merger would have no effect on interest rates on loans; the merged bank would have no power to cause other Philadelphia banks to raise their rates, or to impose on such banks its own interest rates.

(151) The merger would have no effect on interest rates paid on savings accounts.

(152) The merger would not affect the freedom of depositors to put their deposits in the bank of their choice; the merged bank would have no power to prevent or affect such free choice, or prevent its own depositors from withdrawing their deposits at any time.

(153) The merged bank would have no power to prevent any borrower from having his banking needs met by any other Philadelphia area bank.

(154) The merged bank would have no power to affect or control the total lendable money supply in the Philadelphia area.

(155) The merger would not adversely affect the availability of credit to small and medium-sized businessmen.

(156) The merged bank would have no competitive advantage over other banks in the opening of new branches.

(157) The proposed merger would have no adverse effect on competition in the Philadelphia area at the branch level.

(158) After the merger borrowers would have available the following alternative commercial banking choices

in Delaware Valley for the size of loan indicated, without regard to the number of banks outside that area which compete for the larger customer:

Loans	Number of Commercial Banks		
	Phila. Co.	4 Counties	10 Counties
Below $10,000	17	41	116
Up to $25,000	16	39	110
Up to $50,000	14	35	90
Up to $100,000	14	27	51
Up to $250,000	13	18	25
Up to $500,000	9	10	16
Up to $1,000,000	7	7	11
Up to $2,500,000	4	4	5
Up to $5,000,000	3	3	3
Up to $7,000,000	2	2	2
Up to $8,000,000	1	1	1
Up to $15,000,000	1	1	1

(159) Three accessible commercial banks are sufficient for a prospective borrower to determine whether a loan is bankable at the going rate of interest.

(160) The geographical distribution of banking offices in the Philadelphia area is ample to provide adequate competitive banking service to prospective customers throughout the area; this would not be affected by the merger.

(161) All types of customers, including small businessmen, would have ample alternative choices for commercial banking services after the merger.

(163) The merger would have no substantial adverse effect on competition in any geographic area for

(a) demand deposits of any type, including IPC demand deposits;

(b) time deposits of any type, including time deposits of partnerships and corporations;

(c) savings accounts;

(d) commercial and industrial loans;

(e) real estate loans;

(f) instalment loans to individuals;

(g) personal trust services;
(h) single-payment loans to individuals; or
(i) any other commercial banking service.

(164) There is no reasonable probability that the proposed merger would substantially lessen competition or tend to create a monopoly in any geographic area for any of the commercial banking services listed in Request 163 above.

(165) Even if commercial banking is treated as a whole, the proposed merger would have no substantial adverse effect on competition in commercial banking in any geographic area.

(166) There is no reasonable probability that the proposed merger would substantially lessen competition or tend to create a monopoly in commercial banking in any geographic area.

(167) With respect to commercial banking and each type of commercial banking service described in Request 163 above there would remain after the merger an adequate number of alternative choices for bank customers.

(168) Competition in commercial banking in the Philadelphia area would be even more intense after the merger than at the present.

(169) Competition in the regional, national and international markets would be increased by the merger by virtue of the new bank's increased ability to compete with large banks in other cities.

(170) The proposed merger is not motivated by an intent or purpose to restrain trade or adversely affect competition in any commercial banking service in any area.

(171) The proposed merger would not substantially and unreasonably increase concentration in commercial banking in the Philadelphia area.

(172) The proposed merger would not substantially and unreasonably lessen existing or potential competition in the commerce or industry served by commercial banks in the Philadelphia area.

VI. CONVENIENCE AND NEEDS OF THE PHILADELPHIA COMMUNITY.

A. Need for the Merger.

(173) Philadelphia is the fourth largest city and metropolitan area in the United States; its port is first in the country on the basis of bulk tonnage and value of imports.

(174) Philadelphia is the center of a highly developed and diversified industrial and commercial complex known as "Delaware Valley". The community contains a substantial number of large industries whose development is as important to the community as that of smaller industries.

(175) It is desirable for a community to have a bank large enough to meet normal banking needs of its large businesses.

(176) Large companies in the Philadelphia area want to be able to do business with Philadelphia banks because of their connections with the community and it is important that they do so because of the close contacts which are required between their top officers and the bankers.

(177) Banks in Philadelphia have lagged far behind the growth of industry in the area and have not been able to meet its industry's banking needs.

(178) There is presently no Philadelphia bank large enough to serve adequately the banking needs of large industry in the Philadelphia area.

(179) The sizes of PNB and Girard have prevented them from meeting the banking needs of their customers for the following reasons:

(a) It is important for borrowers to be able to deal with a bank whose lending limit is sufficient to meet their entire borrowing needs or a substantial portion of such needs even though they may not borrow this amount at any one time.

(b) Aside from the lending limit, the size of the resources of a bank imposes a maximum limit on loans to certain customers beyond which it would be unsafe or unwise for the bank to lend.

(c) Both Girard and PNB have experienced the loss of business customers which have outgrown Philadelphia banks and have moved on to larger banks in other cities. Customers may leave a bank even though their borrowing requirements are still well below its lending limit in order to maintain a margin between their lines or loans and the lending limit of the bank.

(d) PNB and Girard are not large enough to develop the specialization which large borrowers require for their business.

(e) PNB and Girard are not large enough to develop the foreign service which customers dealing abroad require.

(180) Many industries with headquarters in or near Philadelphia go to New York and other cities for their major banking needs because no bank in Philadelphia is large enough to provide the funds and services necessary to meet their needs.

(181) The largest bank in Philadelphia ranks twentieth in the United States and is smaller than one or more banks in San Francisco, Pittsburgh, Boston, Detroit,

Cleveland and Dallas, all of which are smaller in population than Philadelphia.

(182) When the twelve largest metropolitan areas in the United States are ranked on the basis of various measures of economic activity, Philadelphia ranks fourth or fifth, whereas Philadelphia ranks ninth on the basis of the size of its leading bank.

(183) There are 17 commercial banks in New York City, each with a lending limit of $1,000,000 or more.

(184) In losing lending business to banks in other cities, Philadelphia banks likewise lose substantial deposits, personal trust business, and other business, which normally follow corporate borrowings.

(185) The merger is necessary in order to prevent any further loss of banking business by Philadelphia banks.

(186) It is impractical and uneconomic to overcome the inadequacy of the lending capacities of PNB and Girard by participating loans to other banks for the following reasons:

(a) Supporting deposits are required by banks as prerequisites for loans.

(b) To take a participation the participating bank will require a compensating deposit from either the originating bank or the customer.

(c) Large banks like PNB and Girard keep their balances with their large correspondent banks in amounts sufficient to compensate those banks only for check clearances and like routine services and not in amounts necessary to support loans.

(d) The participation of loans by small banks to their large city correspondent banks is not comparable to participations by large banks. Small banks keep substantial balances on deposit with their correspondents as reserves and as compensation for specialized services. These bal-

ances support loans participated to the large city correspondent bank.

(e) Large borrowers prefer not to deal with a number of participating banks because of the administrative burden, the added cost of maintaining deposit balances with a number of banks, and the time required in developing a new banking relationship.

(f) A large bank would run a substantial risk of losing customers and deposits if it participated loans to other large banks.

(g) The participation of a loan exceeding its lending limit by a large bank is rare.

(187) The multi-bank loans now shared by large city banks are wholly different from the type of participating loans which small banks give to or receive from large city correspondents; multi-bank loans are arranged by the borrower, which determines the identity of the participating banks and the amount to be allocated to each.

(188) The rate of increase of deposits of PNB and Girard combined from 1949 to 1959 was 12.31% compared to 54.62% for all banks in the United States.

(189) Merger is the only feasible way in which PNB and Girard can become large enough to meet the banking needs of the community; an adequate increase in size by the sale of stock is not feasible because of the cost and because of the dilution of the earnings available for existing shareholders, and an increase in size by the accumulation of retained earnings would take many years.

B. Benefits to the Community from the Merger.

(190) The increased total resources of the merged bank would enable it to create special departments for types of loans and industry groups, increase its services

to correspondent banks, establish departments to develop new services and develop the use of electronic equipment.

(191) The increased total resources of the merged bank would enable it to develop more fully its foreign services through increased investment in PNB's international investment corporation, the formation of an international banking corporation, the use of full-time representatives abroad and the possible opening of foreign branches.

(192) The increased total resources of the merged bank would enable it to improve and expand existing services and make them available to many more customers.

(193) The increased total resources of the merged bank and its $15,000,000 lending limit would enable it to make larger loans to more large corporations.

(194) The increased total resources of the merged bank would enable it to compete more vigorously and effectively with banks in New York and other cities.

(195) The new and improved services the merged bank would be able to develop and offer to large businesses would enable it to attract the substantial deposits which are maintained by customers in return for such services.

(196) The merged bank would attract additional deposits from large customers as compensating balances for loans; many such deposits remain on deposit with the lending bank after the loans are paid off.

(197) Large customers as a group maintain average deposits in amounts substantially greater than their average loans.

(198) The increased size of the merged bank would give it increased prestige which would assist in attracting banking business from outside the Philadelphia area in the national and international fields of competition.

(199) The merged bank would have additional funds available for lending to local borrowers by reason of its increased ability to prevent loss of deposits to other larger banks and to attract business in the national and international fields.

(200) The merged bank would be able to serve more adequately the banking needs of large industries in the community.

(201) The increased resources of the merged bank would enable it to make greater risk loans and thereby give greater assistance to new or growing companies.

(202) The merged bank would be better able to assist smaller Philadelphia banks in making loans which exceed the smaller bank's lending capacity.

(203) The merged bank would obtain a greater share of the future banking business of large customers than both together now receive; such business will otherwise go to large banks in other cities.

(204) The attraction of such new business by the merged bank would bring with it other banking business in which other Philadelphia banks would share.

(205) The existence of the merged bank would assist in attracting new business to locate in the Philadelphia area.

(206) The merger would have a beneficial effect on commerce and industry in the Philadelphia area.

(207) The improved foreign services of the merged bank would be an important factor in the development of the port of Philadelphia.

PLAINTIFF'S REQUESTED FINDINGS OF FACT AFFIRMED BY THE COURT.

I. JURISDICTION.

(1) This is an action by the United States under Section 4 of the Sherman Act and Section 15 of the Clayton Act.

(2) Defendant Philadelphia National Bank (PNB) is a banking association organized under the laws of the United States with its principal place of business at Philadelphia, Pennsylvania.

(3) Defendant Girard Trust Corn Exchange Bank (Girard) is a banking association organized under the laws of the State of Pennsylvania with its principal place of business at Philadelphia, Pennsylvania.

(4) Both defendants are engaged in interstate commerce.

(5) PNB is engaged in interstate commerce. It receives substantial amounts of deposits from sources in foreign countries and in states other than Pennsylvania, and makes substantial amounts of loans to borrowers in such other states and in foreign countries and conducts other banking business with customers in other states. In effecting these transactions it utilizes the United States mails, telephone and telegraph.

(6) Girard is engaged in interstate commerce. It receives substantial amounts of deposits from sources in foreign countries and in states other than Pennsylvania, and makes substantial amounts of loans to borrowers in such other states and in foreign countries and conducts other banking business with customers in other states. In effecting these transactions it utilizes the United States mails, telephone and telegraph.

II. DEFENDANTS.

A. Philadelphia National Bank.

(7) The Philadelphia National Bank was chartered on October 20, 1864 under an act of Congress of June 3, 1864. It merged in 1926 with Girard National Bank. At that time these banks were the first and fourth largest banks, respectively, in Philadelphia. In 1928 it merged with Franklin Fourth Street National Bank. It remained as a wholesale bank until 1951 when a decision was made to enter the retail banking and trust fields. Since 1951 PNB has acquired nine banks. In so doing it has acquired $42,078,000 in loans, $172,968,000 in deposits, and 18 offices.

(8) As of March 10, 1961, PNB conducted a general commercial banking business through 27 offices, 10 of which were located in Philadelphia, five in Delaware County, five in Bucks County, and seven in Montgomery County. During the trial PNB opened another office in Philadelphia.

(11) The financial history of PNB is excellent; the bank's capital position is adequate; the future earnings prospects of the bank are good, and the bank's general management is good.

B. Girard Trust Corn Exchange Bank.

(12) Girard Trust Corn Exchange Bank began business in 1835. Girard was primarily engaged in the trust business and accompanying banking services until 1940 when efforts were begun to develop commercial business and consumer credit loans. Until 1950 Girard had only one office. By the end of 1950 its deposits totaled $216,000,000, its capital funds were $19,000,000 and its personal trust assets had an estimated market value of one billion dollars. In the past ten years Girard has engaged in six mergers, by which it acquired $142,318,000 in loans, $412,784,000 in deposits, and 32 offices.

(13) Defendant Girard conducts a general commercial banking business through 38 offices of which twenty are located in Philadelphia, twelve in Delaware County, and six in Montgomery County.

(15) Girard has able and sound management, and its financial condition is strong.

(16) In the period December 31, 1951 to December 31, 1960, the deposits of PNB increased by 29 per cent and the deposits of Girard increased by 38 per cent. This percentage increase for Girard is in addition to the increase attributable to the merger of The Girard Trust Company and the Corn Exchange National Bank, which had been completed in June, 1951.

III. The Proposed Merger.

(18) Merger of PNB and Girard was first discussed in the spring of 1956 but these discussion were discontinued in the summer because a fair basis of exchange of shares could not be determined, and also to allow both banks to work out operating problems resulting from prior mergers.

(20) Merger discussions between PNB and Girard were resumed in April 1960 by Geoffrey Smith, chairman of the board of Girard, and Frederick A. Potts, president of PNB.

(21) By November 1, 1960, representatives of the two banks had agreed on the basis for an exchange of shares.

(22) The proposal that the defendant banks merge was presented to the boards of directors of the respective banks on November 15, 1960, and was approved. On the same day the application was filed with the Comptroller of the Currency in Washington, D.C.

(23) On December 20, 1960, the boards of directors of the defendant banks approved a form of agreement of merger, and on the same date the agreement of merger was duly executed by the appropriate officers of the defendants.

(26) Pursuant to the provisions of Section 18(c) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1828(c)), the Comptroller of the Currency requested and received reports concerning the competitive factors involved in the proposed merger from the Board of Governors of the Federal Reserve System, the Attorney General, and the Federal Deposit Insurance Corporation.

(27) The Comptroller of the Currency approved the proposed merger on February 24, 1961.

(28) The complaint in this action was filed on February 25, 1961.

IV. TRADE AND COMMERCE.

A. Commercial Banking as an Institution.

(32) Commercial banks are the only financial institutions in the United States authorized to receive demand deposits.

(35) One of the factors inducing customers of commercial banks to finance their purchases of consumer items through their bank is the fact that the commercial bank also performs other financial services for the customers.

(37) No other financial institution can provide all the services, including demand deposit and commercial loan services, provided by commercial banks.

(39) The Federal Reserve System controls the volume of credit in the country by establishing the percentage of their deposits which member banks must maintain as reserves, by raising or lowering the discount rate at which

[illegible]: Findings.

[illegible] the Federal Reserve, and by [illegible] Government securities in

[illegible] which are members of the [illegible] must maintain on de- [illegible] Bank, or in currency in [illegible] of this per cent of their demand [illegible] reserve cities or reserve cities [illegible] and if they are so-called country

[illegible] transactions move into a reserve [illegible] bank which reduce their re- [illegible] In which case banks may [illegible] above the minimum by [illegible] Reserve Banks, or from corre- [illegible] liquidating short-term securities [illegible].

[illegible] deposits in commercial [illegible] banks of the bank, there are [illegible] not a limit can lead to any one [illegible] investment in corporate stock [illegible] of the highest grade, and many [illegible] to protect the depositor against

[illegible] throughout the United States [illegible] the Federal Deposit Insurance [illegible] to comply with all the rules and [illegible] relating to the conduct of their

[illegible] most of the commercial banks [illegible] than 50 per cent of commercial [illegible] and therefore regulated in part [illegible] Insurance Corporation. Virtually

all Philadelphia banks including PNB and Girard are insured by the FDIC.

(47) National banks and state banks do a comparable general commercial business.

B. Unique Features of Commercial Banks.

1. Demand Deposits.

(49) Commercial banks are the only financial institutions in the United States authorized to receive demand deposits.

a. Short terms of loans.

(54) The heavy concentration in demand deposits on the part of commercial banks tends to restrict their lending to shorter term loans since they must be prepared to meet possible heavy demand from depositors to withdraw these deposits.

(55) The necessity for a commercial bank to maintain liquidity tends to channel its lending activities in the field of short-term financing, especially commercial loans.

(56) Commercial banks do not care to make long-term real estate type loans.

b. Role in transfer of funds.

(57) Only commercial banks provide checking account services.

(58) Most payments at the present time are made by the transfer of commercial bank demand deposits from one customer to another by the use of checks. This function of commercial banks cannot be performed by any other institution.

c. Commercial banks hold primarily demand deposits.

(59) The central element in the success of a commercial bank is its ability to attract and retain as much deposits as possible.

(60) Deposit liabilities are the predominant liabilities of Girard and PNB as they are for the commercial banking system in general.

(61) For the commercial banking system as a whole, two-thirds of total deposits are demand deposits and one-third are time deposits. PNB and Girard's ratios of demand deposits to total deposits is somewhat higher than two-thirds.

(62) In June of 1960, the average total of time and savings deposits of PNB and Girard was $253,900,000, and demand deposits of the two banks for the same period were $1,300,000,000. Thus, more than 83% of the combined banks deposits were in the form of demand deposits.

2. Commercial and Industrial Loans.

(63) For commercial banks the area of commercial and industrial loans is the most important type of loan.

(64) Customarily commercial banks do not lend more than 60 percent of their deposits.

(65) Commercial banks in the United States concentrate an average of roughly 40% of their loans in the field of commercial and industrial loans. PNB and Girard specialize in commercial loans to an even greater extent than the average bank.

(66) PNB, as of June 30, 1960, had approximately 57% in dollar amount of its loans in the commercial and industrial category. Girard, as of June 30, 1960, had approximately 49% in dollar amount of its loans in the commercial and industrial category.

(67) Commercial banks make short-term loans to businesses and individuals for operating expenses, inventories, and similar purposes.

(68) Commercial banks specialize in making commercial loans to business.

(70) Commercial banks generally seek to have their borrowers maintain 20% of their borrowings on deposit in the lending institution as a so-called compensating balance.

(72) Unsecured, short-term commercial loans are readily available to Philadelphia businessmen only from commercial banks.

Reliance of small and medium size borrowers on commercial bank loans.

(73) For commercial loans of $50,000 and under there is very little competition other than commercial banks. For certain of these loans which might conceivably be secured by accounts receivable, sales finance companies or factors may provide some competition.

(74) Customers of commercial banks cannot normally obtain loans from banks which do not have knowledge of the customers' credit standing.

(76) The vast number of commercial loans made in the United States are made to smaller sized business. Thus, in 1955, member banks of the Federal Reserve System made 503,000 commercial loans to businesses of under $50,000 assets; 415,000 such loans to businesses between $50,000 and $250,000; 126,000 such loans to businesses between $250,000 and $1,000,000; 38,000 such loans to businesses between $1 million and $5 million; 11,000 loans to businesses of from $5 to $25 million; 4,000 loans to businesses between $25 and $100 million, and 6,000 commercial loans to businesses of over $100 million in assets. Substantially the same pattern appears in the 1957 survey.

(77) Generally, a small business is one with assets of less than $250,000 and fewer than 500 employees. How-

ever, these general guidelines may vary according to the nature of the business being considered. The definitions contained in the rules and regulations of the Small Business Administration are a reliable guide to the "small business" in various industries.

(78) Small and medium size business is more dependent on commercial banks for the funds it needs than any other segment of borrowers.

(79) The Philadelphia area business firm population is primarily one of small enterprises. Thus, the area has 35,000 retailing establishments with 159,000 employees and 6,100 industrial establishments with employees numbering 477,000. There are also 5,900 wholesaling establishments with 73,000 employees.

(80) Small and intermediate sized business has very little opportunity to obtain external funds from institutional investors such as insurance companies, pension funds, and other financial intermediaries, nor does it have any better opportunity to derive short-term working capital from savings and loan associations, mutual savings banks and similar savings institutions. The commercial bank is the primary, and in practice the only regular, source for the recurring short and intermediate-term financing needs of small and intermediate-sized business.

3. Other Functions Performed by Commercial Banks Which Cannot be Performed as Well, if at All, by Other Financial Institutions.

(81) Commercial banks provide a wide variety of trust services. Personal trust services include acting as investment manager and advisor, as trustee for employee benefit trusts, as executor, administrator, custodian, and in other capacities. Corporate trust services include acting as registrar or transfer agent, bond and coupon paying agent, and others.

(82) Some banks offer their corporate depositor customers an account reconciliation service, which includes making out checks for the depositor customer, sending out the checks, making up a statement for the depositor customer, and sending out the statements.

(84) Commercial banks are the channel through which most of the currency in circulation finds its way into the economy.

(85) Other services provided by commercial banks to corporate customers include money wire transfer, check collection, credit information, and payroll accounts.

4. Participations.

(88) Commercial banks frequently invite other banks to participate in loans which do not exceed their own lending limit if they are short of loanable funds or if they do not care to assume the entire risk of the requested loan.

(89) In a number of cases PNB has participated with other banks under a written agreement making loans which in total exceed PNB's lending limit or even the lending limit of any bank as well as loans which are well within PNB's limit. The interest rates on these loans vary.

(90) In a number of cases Girard has participated with other banks under a written agreement between the borrower and the banks for a loan in excess of Girard's lending limit or even the lending limit of any bank as well as loans well within Girard's limit. The interest rates on these loans vary.

V. The Four-County Area.

1. Loans, September 1960.

a. *Commercial and industrial loans.*

Table 1
(Ex. D-63, I)

COMMERCIAL AND INDUSTRIAL LOANS
I. GEOGRAPHICAL DISTRIBUTION OF PHILADELPHIA NATIONAL BANK'S LOANS

[000 omitted in following $ amounts

Size of loan	Under $50,000		$50,000-$99,999		$100,000-$499,999		$500,000-$999,999		Over $1,000,000		Total	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF BORROWER												
Philadelphia	7,377	33	5,040	[illegible]	27,347	43	18,786	44	56,479	34	115,029	38
Bucks, Delaware and Montgomery Counties	9,305	42	4,836	[illegible]	12,152	19	4,859	11	18,599	11	49,753	16
Total 4 counties	16,682	75	9,878	74	39,499	62	23,645	55	75,078	45	164,782	54
Rest of 10-county area	864	4	631	5	4,514	7	3,696	9	17,145	11	26,852	9
Rest of 3d F.R.D.			1,519	11	6,379	10	4,789	9	13,303	8	29,598	9
Northeast U.S. outside 3d F.R.D.	4,608	21	749	5	8,480	13	5,823	13	33,227	20	48,279	16
Rest of U.S.			616	5	4,049	7	5,928	14	25,730	16	36,323	12
Foreign					495	1					495	
Total	22,154	100	13,393	100	63,416	100	42,883	100	164,483	100	306,329	100

TABLE 2
(Ex. D-63, II)

COMMERCIAL AND INDUSTRIAL LOANS
GEOGRAPHICAL SOURCE OF GIRARD TRUST CORN EXCHANGE BANK'S LOANS

[000 omitted in following $ amounts]

Size of loan	Under $50,000		$50,000-$99,999		$100,000-$499,999		$500,000-$999,999		Over $1,000,000		Total	
LOCATION OF BORROWER	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
Philadelphia	16,167	51	7,658	56	33,872	57	13,199	46	28,429	46	99,325	51
Bucks, Delaware and Montgomery Counties	5,072	16	2,490	18	7,121	12	2,446	9	6,371	10	23,500	12
Total 4 counties	21,239	67	10,148	74	40,993	69	15,645	55	34,800	56	122,825	63
Rest of 10-county area	951	3	1,031	7	2,049	3	2,029	7	.....	.....	6,060	3
Rest of 3d F.R.D.	.....	.....	1,228	9	8,156	14	4,092	14	6,755	11	29,741	15
Northeast U.S. outside 3d F.R.D.	9,510	30	946	7	4,322	7	5,354	19	16,500	27	27,122	14
Rest of U. S.	.....	.....	255	2	1,788	3	.....	.....	2,130	3	4,173	2
Foreign	.....	.....	150	1	2,178	4	1,497	5	2,000	3	5,825	3
Total	31,700	100	13,758	100	59,486	100	28,617	100	62,185	100	195,746	100

TABLE 3
(Ex. D-63, III)

COMMERCIAL AND INDUSTRIAL LOANS
GEOGRAPHICAL DISTRIBUTION OF DEFENDANTS' COMBINED LOANS

[000 omitted in following $ amounts]

Size of loan	Under $50,000		$50,000-$99,999		$100,000-$499,999		$500,000-$999,999		Over $1,000,000		Total	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF BORROWER												
Philadelphia	23,544	44	12,698	47	61,219	50	31,965	45	84,908	37	214,354	43
Bucks, Delaware and Montgomery Counties	14,377	27	7,328	27	19,273	16	7,305	10	24,970	11	73,253	14
Total 4 counties	37,921	71	20,026	74	80,492	66	39,290	55	109,878	48	287,607	57
Rest of 10-county area	1,815	3	1,662	6	6,563	5	5,727	8	17,145	8	32,912	7
Rest of 3d F.R.D.			2,747	10	14,535	12	7,881	11	20,058	9	59,339	12
Northeast U.S. outside 3d F.R.D.	14,118	26	1,695	6	12,802	10	11,177	16	49,727	22	75,401	15
Rest of U.S.			871	3	5,837	5	5,928	8	27,860	12	40,496	8
Foreign			150	1	2,673	2	1,497	2	2,000	1	6,320	1
Total	53,854	100	27,151	100	122,902	100	71,500	100	226,668	100	502,075	100

b. *Loans to individuals, installment, September 1960.*

(261)

TABLE 4
(Ex. D-66, I)

LOANS TO INDIVIDUALS

GEOGRAPHICAL DISTRIBUTION OF GIRARD TRUST CORN EXCHANGE BANK'S LOANS TO INDIVIDUALS

[000 omitted in following $ amounts]

Type of loan	Consumer credit and other installment loans		Single payment loans to individuals		Total	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF BORROWER						
Philadelphia	20,098	36	39,039	58	59,137	48
Bucks, Delaware and Montgomery Counties	9,817	18	16,590	25	26,407	22
Total 4 counties	29,915	54	55,629	83	85,544	70
Rest of 10-county area	898	2	2,906	4	3,804	3
Rest of 3d F.R.D.	13,819	25	4,655	7	18,474	15
Northeast U.S. outside 3d F.R.D.	10 405	19	2,643	4	13,048	11
Rest of U.S.			1,542	2	1,542	1
Foreign						
Total	55,037	100	67,375	100	122,412	100

TABLE 5
(Ex. D-66, II)

LOANS TO INDIVIDUALS

GEOGRAPHICAL DISTRIBUTION OF PHILADELPHIA NATIONAL BANK'S LOANS TO INDIVIDUALS

[000 omitted in following $ amounts]

Type of loan	Consumer credit and other installment loans		Single payment loans to individuals		Total loans to individuals	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF BORROWER						
Philadelphia	10,258	18	6,635	33	16,893	22
Bucks, Delaware, and Montgomery Counties	31,897	57	8,594	43	40,491	53
Total 4 counties	42,155	75	15,229	76	57,384	75
Rest of 10-county area	5,830	10	4,771	24	10,601	14
Outside 10-county area	8,072	15			8,072	11
Total	56,057	100	20,000	100	76,057	100

TABLE 6
(Ex. D-66, III)

LOANS TO INDIVIDUALS

GEOGRAPHICAL DISTRIBUTION OF DEFENDANTS' COMBINED LOANS TO INDIVIDUALS

[000 omitted in following $ amounts]

Type of loan	Consumer credit and other installment loans		Single payment loans to individuals		Total	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF BORROWER						
Philadelphia	30,356	27	45,674	52	76,030	38
Bucks, Delaware and Montgomery Counties	41,714	38	25,184	29	66,898	34
Total 4 counties	72,070	65	70,858	81	142,928	72
Rest of 10-county area	6 728	6	7,677	9	14,405	7
Rest of 3d F.R.D.	21,891	20	4,655	5	26,546	14
Northeast U.S. outside 3d F.R.D.	10,405	9	2,643	3	13,048	7
Rest of U.S.			1,542	2	1,542	nom.
Foreign						
Total	111,094	100	87,375	100	198,469	100

d. *Real estate loans.*

(264)

TABLE 7
(based on Ex. D–64)

REAL ESTATE LOANS BY LOCATION OF BORROWER, SEPTEMBER 21, 1960

[add 000 to $ figures]

Size of loan	Four-county total	All other areas	Percent in four-county area
	PNB		
Under $50,000	$29,793	$5,258	85
$50,000 and over	17,742	11,426	61
Total	47,535	16,684	74
	Girard		
Under $50,000	$17,374	$537	97
$50,000 and over	11,126	4,806	70
Total	28,500	5,343	84
	Combined		
Under $50,000	$47,167	$5,795	89
$50,000 and over	28,868	16,232	64
Total	76,035	22,027	78

2. Lines of Credit, September 1960.

67

Table 8

LINES OF CREDIT $50,000 OR MORE
(based on Ex. G–17(a) and G–18(a))

[add 000 to $ figures]

	Four-county area	Other Pennsylvania	All other areas	Total
	PNB			
...ur... of lines	553	98	297	948
...ollar ...ume	$342,748	$51,538	$325,952	$721,238
...ro... total:				
...ber of lines	58.3	10.3	31.3	99.9
...ollar volume	47.7	7.1	45.2	100.0
	Girard			
...umber of lines	433	66	215	714
...ollar volume	$278,130	$44,095	$153,500	$475,725
...ercent of total:				
...Number of lines	60.6	9.3	30.1	100.0
Dollar volume	58.5	9.3	32.2	100.0

Table 9

ALL LINES OF CREDIT
(based on Ex. D–68)

[add 000 to $ figures]

	Four-county area	Outside four-county area	Percent in four-county area
...B	$394,597	$555,810	41
...rard	339,965	210,297	62
Combined	734,562	766,125	49

3. Personal Trusts.

(268)

Table 10
(based on Ex. D-69, III)

GEOGRAPHICAL SOURCE OF PERSONAL TRUST BUSINESS BY NUMBER OF ACCOUNTS

Type of trust account	Four-county total	All other areas total	Percent in four-county area
	Girard		
Exec'r & Adm'r	254	62	80.3
Tr. under deed	1,552	1,217	56.0
Tr. under will	2,270	473	82.7
Guardian	235	15	94.0
Active Life Ins.	236	82	74.2
Cemetery Trust	478	9	98.1
Inactive Life Ins.	1,252	429	74.4
Investm. Advisory	296	181	62.1
Custodian Acct.	386	224	63.3
Pension & Prof. Sh.	320	97	76.7
Total	7,279	2,789	72.3
	PNB		
Exec'r & Adm'r	119	8	93.7
Tr. under deed	487	35	93.3
Tr. under will	479	3	99.4
Guardian	307	7	97.8
Cemetery Trust	196	0	100.0
Investment Mg'mt	61	8	88.4
Custodian	102	64	61.4
Pension & Prof. Sh.	74	29	71.8
Consultation	1	1	50.0
Misc.	607	1	99.8
Total	2,433	156	94.0

4. Time and Savings Deposits.

(269) and (270)

Table 11
(From Ex. D-30, p. 1)

AMOUNT OF TIME AND SAVINGS DEPOSITS—DAILY AVERAGE FOR JUNE 1960 DISTRIBUTED ACCORDING TO LOCATION OF CUSTOMER

Type of deposit	In four-county area (millions)			Outside four-county area (millions)			Total (millions)			Percent outside four-county area			Percent inside[1] four-county area		
	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total
1. Savings deposits, individuals:															
Under $10,000 each	87.2	100.4	187.6	8.1	2.7	7.8	92.3	103.1	195.4	5.5	2.6	4.0	94.5	97.4	96.0
$10,000 each and over	3.0	.1	3.1	.....	.....	.....	3.0	1	3.1	.....	.....	.....	100.0	100.0	100.0
Total	90.2	100.5	190.7	5.1	2.7	7.8	95.3	103.2	198.5	5.3	2.6	3.9	94.7	97.4	96.1
2. Time deposits, partnerships and corporations:															
Under $10,000 each	.1	.1	.2	.....	.....	.....	.1	.1	.2	.....	.....	.....	100.0	100.0	100.0
$10,000 and over	6.0	7.0	13.0	4.5	1.8	6.3	10.5	8.8	19.3	42.9	20.5	32.6	57.1	79.5	67.4
Total	6.1	7.1	13.2	4.5	1.8	6.3	10.6	8.9	19.5	42.4	20.2	32.4	57.6	79.8	67.6
3. Time deposits, foreign banks (all over $10,000 each)	.....	.....	.....	13.4	1.7	15.1	13.4	1.7	15.1	100.0	100.0	100.0	.....	.....	.....
4. Time deposits, domestic banks (all over $10,000 each)	1.0	9.5	10.5	.....	1.3	1.3	1.0	10.8	11.8	.....	12.0	11.0	100.0	88.0	89.0
5. Time deposits, States and political subdivisions (all over $10,000 each)	5.0	3.5	8.5	.3	.2	.5	5.3	3.7	9.0	5.7	5.4	5.6	94.3	94.6	94.4
Total time and savings deposits	102.3	120.6	222.9	23.3	7.7	31.0	125.6	128.3	253.9	18.6	6.0	12.2	81.4	94.0	87.8

[1]Figures in this column have been computed from the percentage figures on the original exhibit supplied by the defendants.

Plaintiff's Findings.

(269) Total time and savings deposits:

	Inside four-county area		Outside four-county area	
	Million dollars	Percent	Million dollars	Percent
PNB	102.3	81.4	23.3	18.6
Girard	120.6	94.0	7.7	6.0
Combined	222.9	87.8	31.0	12.2

(270) Time deposits of partnerships and corporations:

	Inside four-county area		Outside four-county area	
	Million dollars	Percent of total	Million dollars	Percent of total
PNB	6.1	57.6	4.5	42.4
Girard	7.1	79.8	1.8	20.2
Combined	13.2	67.6	6.3	32.4

(271)

5. Demand Deposits.

Table 12
(From Ex. D-30, p. 2)

AMOUNT OF DEMAND DEPOSITS—DAILY AVERAGE FOR JUNE 1960 DISTRIBUTED ACCORDING TO LOCATION OF CUSTOMER

Type of deposit	In four-county area (millions)			Outside four-county area (millions)			Total (millions)			Percent outside four-county area			Percent inside[1] four-county area		
	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total	PNB	Girard	Total
1. Demand deposits, individual:															
Under $10,000 each	247.8	84.0	122.7	.5	2.8	10.3	48.3	94.7	143.0	1.0	10.3	7.2	99.0	89.7	92.8
$10,000 each and over	24.0	45.6	69.6	4.5	9.2	13.7	28.5	54.8	83.3	15.8	16.8	16.4	84.2	83.2	83.6
Total	71.8	129.5	202.3	5.0	19.0	24.0	76.8	149.5	226.3	6.5	12.7	10.6	93.5	87.3	89.4
2. Demand deposits, partnerships and corporations:															
Under $10,000 each	33.3	26.1	54.4	.3	3.0	3.3	28.6	29.1	57.7	1.0	10.3	5.7	99.0	89.7	94.3
$10,000 each and over	240.5	177.2	422.7	140.7	53.3	194.0	386.2	230.5	616.7	36.4	23.1	31.5	63.6	76.9	68.5
Total	273.8	203.3	477.1	141.0	56.3	197.3	414.8	259.6	674.4	34.0	21.7	29.3	66.0	78.3	70.7
3. Demand deposits, foreign banks				[2]19.0	4.7	23.7	[2]19.0	4.7	23.7	100.0	100.0	100.0			
4. Demand deposits, domestic banks:															
Under $10,000 each	.6	.6	.6	.4		.4	.4	.6	1.0	100.0		40.0		100.0	60.0
$10,000 or over	14.1	40.5	54.6	154.5	35.8	190.3	168.6	76.3	244.9	91.6	46.9	77.7	8.4	53.1	22.3
Total	14.1	41.1	55.2	154.9	35.8	190.7	169.0	76.9	245.9	91.7	46.6	77.6	8.3	53.6	22.4
5. Demand deposits, U.S. Government	47.0	23.2	70.2				47.0	23.2	70.2				100.0	100.0	100.0
6. Demand deposits, States and political subdivisions	26.7	6.2	32.9	23.8	3.4	27.2	50.5	9.6	60.1	47.1	35.4	45.3	52.9	64.6	54.7
Total demand deposits	433.4	404.3	837.7	343.7	119.2	462.9	777.1	523.5	1,300.6	44.2	22.8	35.6	55.8	77.2	64.4

[1] Figures in this column have been computed from the percentage figures on the exhibit supplied by the defendants.
[2] Includes 0.4 under $10,000.

(271) All demand deposits:

	Inside four-county area		Outside four-county area	
	Million dollars	Percent	Million dollars	Percent
PNB	433.4	55.8	343.7	44.2
Girard	404.3	77.2	119.2	22.8
Combined	837.7	64.4	462.9	35.6

(272)

TABLE 12A
(Compiled from Ex. D-30, p. 2)

IPC DEMAND DEPOSITS—DAILY AVERAGE, JUNE 1960

	Inside four-county area		Outside four-county area	
	Million dollars	Percent of total	Million dollars	Percent of total
PNB	345.6	70.3	146.0	29.7
Girard	333.8	81.6	75.3	18.4
Combined	679.4	75.4	221.3	24.6

6. All IPC Time and IPC Demand Deposits, June 1960.

(273) and (274)

Table 13
(Ex. D-61, p. 1)

TIME DEPOSITS

I. GEOGRAPHICAL DISTRIBUTION OF DEFENDANTS' SAVINGS AND BUSINESS TIME DEPOSITS

[000 omitted in following $ amounts]

Type of deposit	Savings deposits						Business time deposits					
	PNB		GTCXB		Combined		PNB		GTCXB		Combined	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF DEPOSITOR												
Philadelphia			60,713	58			5,626	53	6,863	77	12,488	64
Bucks, Delaware and Montgomery Counties			39,779	39			518	5	197	2	715	4
Total 4 counties	90,243	95	100,492	97	190,735	96	6,144	58	7,060	79	13,203	68
Rest of 10-county area	3,230	3	1,556	2	4,786	6	716	7			716	4
Rest of 3d F.R.D.	1,846	2	1,149	1	2,995	2	63	1	1,146	13	1,209	6
Northeast U.S. outside 3d F.R.D.							2,934	27	306	3	3,240	16
Rest of U.S.							240	2	89	1	329	2
Foreign							514	5	322	4	836	4
Total	95,319	100	103,197	100	198,516	100	10,611	100	8,922	100	19,533	100

(275)

TABLE 14
(Ex. D-60, p. 1)

DEMAND DEPOSITS

I. GEOGRAPHICAL DISTRIBUTION OF DEFENDANTS' DEMAND DEPOSITS OF INDIVIDUALS

[000 omitted in following $ amounts]

	Philadelphia National Bank		Girard Trust Corn Exchange Bank		Combined	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF DEPOSITOR						
Philadelphia	40,844	53	83,703	56	124,547	55
Bucks, Delaware and Montgomery Counties	30,952	40	46,788	31	77,740	34
Total, 4 counties	71,796	93	130,491	87	202,287	89
Rest of 10 county area	1,215	1	4,598	3	5,813	2
Rest of 3d Fed. Res. Dist.	1,288	2	10,397	7	11,685	5
Northeast U.S. outside 3d F.R.D.	1,374	2	2,700	2	4,074	2
Rest of U.S.	631	1	1,197	1	1,828	1
Foreign	531	1	92	.....	623	1
Total	76,835	100	149,475	100	226,310	100

(276) to (279)

TABLE 15
(Ex. D-60, p. 2)

DEMAND DEPOSITS, PHILADELPHIA NATIONAL BANK
II. GEOGRAPHICAL DISTRIBUTION OF DEMAND DEPOSITS OF PARTNERSHIPS AND CORPORATIONS

[000 omitted in following $ amounts]

Size of deposit	Under $10,000		$10,000-$49,999		$50,000-$99,999		$100,000-$499,999		$500,000 and over		Total	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF DEPOSITOR												
Philadelphia	15,610	55	22,647	51	14,562	47	51,584	46	110,886	56	215,309	52
Bucks, Delaware and Montgomery Counties	12,668	44	12,366	28	5,622	18	13,295	12	14,450	7	58,499	14
Total 4 Counties	28,276	99	35,013	79	20,204	65	64,979	58	125,336	63	273,808	66
Rest of 10-county area	220	1	1,421	3	1,386	4	5,560	5	13,450	7	22,037	5
Rest of 2d F.R.D.	94	nom.	1,122	3	1,917	6	3,481	3	6,086	3	12,650	3
Northeast U.S. outside 2d F.R.D.	.....	.....	4,917	11	5,771	18	21,465	19	30,203	15	62,456	15
Rest of U.S.	.....	.....	1,489	3	1,923	6	15,569	14	24,126	12	43,119	10
Foreign	.....	.....	124	1	69	1	462	1	.....	.....	655	1
Total	28,590	100	44,086	100	31,270	100	111,546	100	199,203	100	414,785	100

TABLE 16
(Ex. D-60, p. 3)

DEMAND DEPOSITS, GIRARD TRUST CORN EXCHANGE BANK
III. GEOGRAPHICAL DISTRIBUTION OF DEMAND DEPOSITS OF PARTNERSHIPS AND CORPORATIONS

[000 omitted in following $ amounts]

Size of deposit	Under $10,000		$10,000-$49,999		$50,000-$99,999		$100,000-$499,999		$500,000 and over		Total	
LOCATION OF DEPOSITOR	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
Philadelphia	16,078	55	29,697	70	19,963	66	45,861	62	58,659	71	170,258	66
Bucks, Delaware and Montgomery Counties	10,048	35	6,907	16	4,710	15	7,068	9	4,284	5	33,017	12
Total 4 counties	26,126	90	36,604	86	24,673	81	52,929	71	62,943	76	203,275	78
Rest of 10-county area	642	2	928	2	652	2	1,837	3	520	1	4,579	2
Rest of 3d F.R.D.	2,359	8	1,106	3	2,017	7	5,452	7	7,576	9	18,510	7
Northeast U.S. outside 3d F.R.D.	.....	.....	2,772	7	2,270	7	9,259	12	8,645	10	22,946	9
Rest of U.S.	.....	.....	923	1	729	2	4,452	6	2,879	4	8,983	3
Foreign	.....	.....	154	1	179	1	944	1	.....	.....	1,277	1
Total	29,127	100	42,487	100	30,520	100	74,873	100	82,563	100	259,570	100

Plaintiff's Findings.

TABLE 17
(Ex. D-60, p. 4)

DEMAND DEPOSITS, COMBINED

IV. GEOGRAPHICAL DISTRIBUTION OF DEFENDANTS' COMBINED DEMAND DEPOSITS OF PARTNERSHIPS AND CORPORATIONS

[000 omitted in following $ amounts]

Size of deposit	Under $10,000		$10,000 and over		Total	
	$ Amt.	Percent	$ Amt.	Percent	$ Amt.	Percent
LOCATION OF DEPOSITOR						
Philadelphia	31,688	55	353,879	57	385,567	57
Bucks, Delaware and Montgomery Counties	22,714	39	68,802	11	91,516	14
Total 4 counties	54,402	94	422,681	68	477,083	71
Rest of 10-county area	862	2	25,814	4	26,676	4
Rest of 3d F.R.D.	2,453	4	28,707	5	31,160	4
Northeast U.S. outside 3d F.R.D.	.....	.....	85,402	14	85,402	12
Rest of U.S.	.....	.....	52,102	8	52,102	8
Foreign	.....	.....	1,932	1	1,932	1
Total	57,717	100	616,638	100	674,355	100

(280)

Total IPC time and demand deposits	Inside four-county area		Outside four-county area	
	Million dollars	Percent	Million dollars	Percent
PNB	441.9	73.9	155.6	26.1
Girard	441.4	84.7	79.8	15.3
Combined	883.3	78.9	235.4	21.1

(282) 7. ALL TIME AND DEMAND DEPOSITS.

All time and demand deposits	Inside four-county area		Outside four-county area	
	Million dollars	Percent	Million dollars	Percent
PNB	535.7	59.3	367.0	40.7
Girard	524.9	80.5	126.9	19.5
Combined	1,060.6	68.2	493.9	31.8

VI. COMPETITION WHICH WOULD BE ELIMINATED BY THE MERGER.

A. General.

(286) At present there is substantial direct competition between the head offices of PNB and Girard and this competition will be eliminated if the merger is approved.

(287) Girard is an active and alert competitor of PNB throughout the area in which PNB has banking offices.

(288) Competition between commercial banks in Philadelphia is "fierce" at the present time and will, if the proposed merger is consummated, be "even more vicious."

(289) PNB competes in a variety of ways and on a regular basis to take customers away from Girard, as well as all the other banks in the Philadelphia area, utilizing calls and entertainment, the selling of new services and the bank's stature or lending limit, and every other competitive advantage available; and as PNB increases its services, it increases its ability to attract these customers and its officers expect to obtain more of these customers as a result.

(290) At the time of application to merge, November 15, 1960, PNB and Girard had the following mutual or common account customers who had deposit balances of $10,000 or more with the two banks or loan accounts of $50,000 or more with the two banks.

Type of account	Number of mutual accounts	Balance	
Checking accounts	392	PNB	$163,820,700
		Girard	$101,782,700
Time accounts	8	PNB	$1,149,400
		Girard	$3,094,000
Savings accounts	36	PNB	$736,400
		Girard	$589,500
Loans	67	PNB	$48,949,000
		Girard	$43,599,000

(292) PNB is an active competitor of Girard in the banking services which both banks render.

B. Branches.

(293) The Philadelphia banks compete to acquire banks in the three contiguous counties. The Philadelphia banks compete to acquire desirable branch sites.

(294) In order to maintain its competitive position Girard believes it must keep a strategic branch system.

(295) An important factor to PNB in viewing its relative position in the 69th Street area was the merger of Upper Darby National Bank into Girard. PNB stated:

> This merger will undoubtedly reduce our competitive ability in the area in that it will add a second bank in the area capable of offering its depositors the convenience of both downtown offices and local offices.

(296) At the time PNB decided to locate a branch at 69th Street a particularly important factor in its decision was the need to have a convenient location to protect and retain existing business.

(297) The 69th Street branch of PNB is located next door to a branch of Girard, another Girard branch is 2.9

miles away, and a third Girard branch is 3.8 miles away. The present PNB office at this address will be closed if this merger is approved.

(299) One of the reasons PNB established the Roosevelt Boulevard office was to serve more efficiently and conveniently the customers it had in the area.

(300) Three branches of Girard are within three miles of the Roosevelt Boulevard office of PNB, at distances of 1.6, 2.1, and 2.9 miles respectively.

(301) PNB's nearest branches to the Roosevelt Boulevard office are 5.5 miles and 4.5 miles away.

(302) In addition to the Girard, which eventually did acquire the Ambler National Bank, the Broad Street Trust Co. and PNB also wanted to acquire the Ambler Bank, and representatives of those banks discussed acquiring the bank with directors of the Ambler National Bank.

(303) The Suburban Station office of Girard is just one mile from PNB office at 3131 Market Street.

(304) The Girard has an office 1.25 miles from the Front Street Office of PNB.

(305) The Erie and Castor Avenue Office of PNB is just one mile from the nearest branch of Girard.

(306) The Front and Allegheny Office of PNB is only .875 of a mile from the Germantown and Lehigh Office of Girard.

(307) The Ardmore Office of PNB is proximate to several offices of Girard and some customers of the Girard reside in the area of the Ardmore office.

(308) Competition between the branches of the PNB and Girard is substantial, as shown by the following:

CITY OFFICES WITHIN 1 MILE OF EACH OTHER

(Add 000)

Girard offices	IPC deposits	IPC loans	PNB offices	IPC deposits	IPC loans
Main office and suburban stations	$311,000	$98,000	Main office	$221,000	$220,073
			421 Chestnut	70,552	51,881
			9th and Chestnut	9,841	421
			3 Penn Center Plaza	4,282	1,307
			3131 Market	2,659	695
2721 Germantown Ave.	10,100	3,000	7th and Dauphin	7,552	1,335
			Front and Allegheny	7,672	1,335
2d and Chestnut	28,400	17,300	421 Chestnut	70,552	51,881
2d and Arch			9th and Chestnut	9,841	421
Orthodox and Torresdale	29,600	4,300	Erie and Custer	17,798	6,288
427 N. 63d	4,400	2,000	6912 Market	780	311
12th and Spring Garden	11,000	4,100	9th and Chestnut	9,841	421
			3 Penn Center Plaza	4,282	1,307
SUBURBAN OFFICES WITHIN 2 MILES OF EACH OTHER					
Yeadon	11,508	2,900	6912 Market	780	311
Haverford and Ithan	5,101	9,000	75 St. James Pl.	3,001	2,087
18 East Wynnewood Rd.	15,631	5,500	75 St. James Pl.	3,001	2,087
6910 Market	21,400	16,900	6912 Market	780	311
Total	348,138	123,400		352,608	286,213

[1] Includes office at 4700 Frankford Avenue.

(309) There is a substantial amount of competition between most of the offices of PNB within Philadelphia and one or more of the offices of Girard.

(310) All eleven of the offices of Girard in the City of Philadelphia as shown on Exhibit D-12 are in competition with one or more offices of PNB.

(311) All of the branches of PNB and Girard located in Delaware County are at least potential competitors of a branch of the other bank.

(312) In Montgomery County, the branch of PNB at St. James Place, Ardmore, is in actual direct competition with the Wynnewood branch of Girard. All other branches of the two defendants in this county are at least potential competitors of a branch of the other bank.

(313) Commercial customers with accounts in the following offices of PNB as of November 22, 1960, also had accounts with Girard:

Office of Philadelphia National	*Number of accounts*
Bucks County	6
Chester-Cambridge	5
Montgomery Office	6
Penn Center Office	1
Ardmore Office	1
Gimbels Office	1
Lansdale Office	4
Conshohocken Office	7
Northeast	22
Hatboro Office	3
Total	56

(314) The branches of PNB are in substantial direct competition with the branches of Girard in the area of business loans of $50,000 and over.

(315) In the opinion of the vice president of the consumer credit department of Girard, branches of the Girard which are five miles from a branch of PNB compete with that branch for the making of personal loans.

C. Loans.

1. General.

(316) PNB competes with Girard for commercial and industrial loans, in single payment loans to individuals, in loans on residential property, in loans on business properties, in loans on securities, in installment loans on automobiles, in installment loans on consumer goods, and in a miscellaneous variety of other loans.

(317) The average rate charged for loans in the foreign department of PNB on November 15, 1960, was 4.849 per cent, and for Girard the average rate was 5.28 per cent. In the area of commercial loans, PNB's average rate was 5.45 per cent and Girard's average rates were 5.18 per cent on collateral loans and 5.26 per cent on other commercial loans. The average rate on loans in PNB's time credit department was 9.95 per cent and the average rate in Girard's consumer credit department was 9.06 per cent. All of the above rates are simple interest rates.

2. Commercial and Industrial Loans.

(318) Of the total commercial and industrial loans of PNB in the four-county area on October 5, 1955, 78.97 per cent were for $50,000 or less. Of the total commercial and industrial loans of Girard in the four-county area on October 5, 1955, 64.27 per cent were for $50,000 or less.

(320) The merger of PNB and Girard would completely eliminate all competition between them in commercial and industrial loans.

3. Loans to Individuals, Installment and Single Payment.

(321) Girard and other Philadelphia banks are competitors of PNB in the consumer credit field.

(322) In 1960 PNB had 17 per cent of its total loaned funds committed to loans to individuals for household, family, and other personal expenditures and Girard had 31 per cent of its total loaned funds committed to that category.

(323) PNB and Girard make personal loans; PNB competes with Girard for personal loan business. PNB and Girard are competitors for the consumer credit business.

(324) Both PNB and Girard offer an executive loan service, which is a form of personal loan service; PNB competes with Girard in offering such service.

(325) PNB will cut its interest rate to meet competition in some cases.

(327) Generally the interest rates charged by Girard on equipment loans are higher than those charged by PNB. Officers of the defendants have expressed uncertainty as to which of the two rates should be followed if this merger is approved. In this connection they pointed out to superiors that if the lower of the two rates are to be followed

the resulting bank's income will suffer, both on equipment loans and in other categories where rates vary.

(328) The recommendation of the equipment loans task force committee composed of officers of both defendants was that Girard's higher consumer credit interest rates be utilized by the resulting bank rather than the simple interest basis on which PNB makes equipment loans. The committee believed that competition would be such that the merged bank could obtain the higher rate.

(332) The merger of PNB and Girard would completely eliminate all competition between them in loans to individuals, both installment and single payment.

4. Real Estate Loans.

(336) The merger of PNB and Girard would completely eliminate competition between them in real estate loans.

D. Trusts.

(337) PNB competes with Girard for trust business.

(338) Since PNB entered the trust business in 1951, when it acquired the Ninth Bank and Trust Company and that bank's $17-million in trust assets, PNB's trust assets have grown to approximately $400 million. Girard administers approximately $2.5-billion of trust assets.

(339) PNB is a potential competitor of Girard in those trust services which it does not now provide.

(340) Both PNB and Girard offer common trust fund plans, a very popular form of investment for smaller trust assets. PNB competes with Girard for this type of business.

(341) Both PNB and Girard offer estate planning services to individuals. PNB competes with Girard for such business.

(342) PNB as of November 15, 1960, had 2,570 personal trust accounts and Girard had 7,755 such accounts for a total of 10,325. In dollar volume, the assets under these trusts amounted to $361,300,000 for PNB and $2,248,206,000 for Girard, or a total in excess of $2,600,000,000.

(343) Both PNB and Girard act as trustees in administering pension and profit-sharing funds for corporations. PNB competes with Girard for this business.

(344) PNB as of November 15, 1960, had 58 trustee and fiscal agency corporate trust accounts and Girard had 141 such accounts. The number of bond and coupon paying agencies were 65 and 158 for the respective banks, stock transfer agencies were 26 and 57 respectively, and PNB had 18 registrar accounts compared with 52 for Girard.

(345) Both PNB and Girard offer investment advisory services to individuals and corporations. PNB and Girard compete for such business.

(347) The merger of PNB and Girard would completely eliminate competition between them for trust business.

E. Deposits.

1. Time Deposits.

(348) PNB competes with Girard for time deposits of individuals, partnerships, and corporations, for time deposits of state and political subdivisions, and for time deposits of banks.

(349) On February 1, 1961, officers of the defendants compared seven existing practices of Girard with the practices of PNB in paying interest and assessing charges on savings accounts. In every instance the practice followed by Girard was more favorable to the bank than the practice of PNB. In every instance it was recommended

that the Girard practice or one even more lucrative for the resulting bank be adopted. It was estimated that these practices had resulted in a saving of $138,000 in the interest Girard paid its savings depositors in 1960.

(351) The merger of PNB and Girard would completely eliminate competition between them for time deposits.

(353) The merger of PNB and Girard would completely eliminate competition between them for time and savings deposits.

2. Demand Deposits.

(355) PNB and Girard offer all kinds of checking accounts, including regular checking and special checking accounts. PNB competes with Girard in offering such checking account services.

(356) On November 15, 1960, there were 392 checking accounts in which a depositor maintained a balance of at least $10,000 in either PNB or Girard and also carried a balance in the other; these mutual accounts totaled over $265 million, of which PNB held over $163 million, and Girard over $101 million.

(358) The merger of PNB and Girard would completely eliminate competition between them for demand deposits.

(360) The merger of PNB and Girard would completely eliminate competition between them for IPC demand deposits.

F. Other Areas of Competition.

(363) PNB competes with Girard for the business of correspondent banks.

(364) Both PNB and Girard offer their correspondent banks various services, including investment advice, clearance of checks, proof transactions, and collection of items.

(365) PNB competes with Girard in offering foreign department services to customers.

(366) PNB operates the largest foreign department of all banks in Philadelphia.

(367) Girard operates the second largest foreign department in Philadelphia.

(368) PNB competes with Girard in offering lock box services to corporate customers.

(369) Both PNB and Girard offer special tuition financing plans to individuals. PNB competes with Girard in offering such service.

(370) PNB provides a bank credit card service, and Girard provides a ready credit service, which are similar services and competitive.

(371) Both PNB and Girard offer account reconciliation services and compete with each other in offering such services.

(372) Both PNB and Girard compete actively in offering many services to customers in the four-county area and elsewhere.

(373) The merger of PNB and Girard would completely eliminate competition between them in the many services which they both offer.

VII. Increase in Concentration as a Result of the Merger.

A. Increase in Banking Concentration Generally.

(374) As of December 31, 1960: (1) the largest 100 banks in the United States representing 0.74% of all com-

mercial banks held $105,837,000,000 of deposits representing 46.2% of the deposits of all commercial banks in the United States, (2) the largest 10 banks representing 0.074% of all commercial banks held $46,436,000,000 of deposits representing 20.3% of the deposits of all commercial banks in the United States, (3) the largest commercial bank in the United States representing 0.0074% of all commercial banks in the United States held $10,285,000,000 of deposits representing 4.5% of the deposits of all commercial banks.

(375) As of June 30, 1956 in 124 cities with population between 50,000 and 100,000 there were 113 in which the largest bank had 35% or more and 66 in which the largest bank had 50% or more, of the banking resources in the city.

(376) As of June 30, 1956 in 38 cities with population between 100,000 and 150,000 there were 33 in which the largest bank had 35% or more, and 15 in which the largest bank had 50% or more, of the banking resources in the city.

(377) As of June 30, 1956 in 13 cities with population between 150,000 and 200,000 there were 11 in which the largest bank had 35% or more, and 3 in which the largest bank had 50% or more, of the banking resources in the city.

(378) As of June 30, 1956 in 9 cities with population between 200,000 and 250,000 there were 7 in which the largest bank had 35% or more, and 4 in which the largest bank had 50% or more of the banking resources in the city.

(379) As of June 30, 1956 in 6 cities with population between 250,000 and 300,000 there were 4 in which the largest bank had 35% or more of the banking resources in the city.

(380) As of June 30, 1956 in 5 cities with population between 300,000 and 350,000 there were 5 in which the largest bank had 35% or more, and 3 in which the largest bank had 50% or more, of the banking resources in the city.

(381) As of June 30, 1956 in 4 cities with population between 350,000 and 400,000 there were 3 in which the largest bank had 35% or more, and 1 in which the largest bank had 50% or more, of the banking resources in the city.

(382) As of June 30, 1956 in 7 cities with population between 400,000 and 500,000 there were 4 in which the largest bank had 35% or more of the banking resources in the city.

(383) As of June 30, 1956 in 18 cities with population of 500,000 and over there were 10 in which the largest bank had 35% or more, and 4 in which the largest bank had 50% or more, of the banking resources in the city.

(384) As of June 30, 1956 of 224 cities with population of over 50,000 there were 190 in which the largest bank had 35% or more, and 96 in which the largest bank had 50% or more, of the banking resources in the city.

(387) There were 69 commercial banks in Bucks, Montgomery and Delaware Counties in 1947; in 1956 there were only 39 such banks.

(388) The percentage of total bank assets controlled by the four largest banks in the four-county area was 49 per cent in 1947 and 64½ per cent in 1956.

(389) Of the 31 banks eliminated through acquisitions in Bucks, Montgomery and Delaware Counties from 1947 to 1956, 14 were acquired by other banks within their own counties and 17 were acquired by Philadelphia banks across county lines.

(392) In a number of mergers of four-county area banks with Philadelphia banks the terms offered by the latter were so attractive that stockholders of the local institution concluded their investment would be more profitable if they became part of the Philadelphia bank offering to merge than if they continued in their own locality as an independent bank.

(393) A Philadelphia bank which succeeds in locating a branch near a business firm located in a suburban area which also relies on downtown Philadelphia banks is in a better position to compete for the loan and other banking business of such a firm than is a Philadelphia bank which does not have such a branch or a much smaller local bank.

(394) At the present time, in terms of total assets, the largest bank in Philadelphia is The First Pennsylvania Banking & Trust Company, the second largest is PNB, and the third largest is Girard.

C. Prior Mergers by Defendants and Competition Eliminated by Such Mergers.

(432) A substantial part of the present size of both PNB and Girard has been achieved as the result of mergers and consolidations in the last ten years.

For PNB in the period December 31, 1949, to December 31, 1959, acquisitions and consolidations of other banks accounted for 63 per cent of total deposit growth, 12 per cent of total loan growth, and 59 per cent of total asset growth.

For Girard in the same period, acquisitions and consolidations accounted for 91 per cent of total deposit growth, 37 per cent of total loan growth, and 85 per cent of total asset growth.

(433) The largest share of the growth of PNB and Girard between Dec. 31, 1949, and Dec. 31, 1959, has been

by acquisition of other banks. The extent of this growth as a percentage of deposits, loans, assets and capital accounts on Dec. 31, 1949, is as follows:

	Deposits	Loans	Assets	Capital accounts
PNB	*Percent*	*Percent*	*Percent*	*Percent*
Growth by acquisition	26	28	26	26
Other growth	15	204	18	24
Total growth	41	232	43	50
GIRARD				
Growth by acquisition	186	170	185	163
Other growth	19	289	33	100
Growth by sale of stock				25
Total growth	205	459	218	288

PNB ACQUISITIONS.

(434) PNB launched its merger program in 1950 because of management's belief that if PNB was to maintain its position, the quality of its services, and its reputation, it could no longer confine itself solely to the wholesale banking business.

(435) The Philadelphia National Bank acquired the Ninth Bank & Trust Company on September 21, 1951.

At the time of its acquisition by PNB, the Ninth Bank & Trust Company competed with PNB in making certain loans to larger corporations in the northeast section of the city of Philadelphia.

Prior to the acquisition of the Ninth Bank & Trust Company in 1951, PNB was not in the so-called retail bank business; PNB was a wholesale bank and at the end of 1950, of its 11,000 to 12,000 accounts, 1,000 accounts were represented by correspondent banks and foreign accounts.

The acquisition in 1951 by PNB of the Ninth Bank & Trust Company marked the entry of PNB into the personal trust business.

At the time of this acquisition, both PNB and the Ninth Bank & Trust Company were engaged in the commercial and industrial loan business and competed with each other with respect to certain industrial corporations and large individual depositors.

(436) The PNB acquired the First National Bank of Conshohocken on September 25, 1953.

The move across county lines by PNB in acquiring the First National Bank of Conshohocken was opposed by various banks in Montgomery and Bucks Counties.

At the time of this acquisition, PNB and the First National Bank of Conshohocken were in direct competition for large corporate and borrowing accounts in Conshohocken.

The larger industrial corporations in Conshohocken maintained accounts in PNB's central city office, 15 or 16 miles distant.

(437) Aggressive expansion programs, including the acquisition of other banks, by the Pennsylvania Company for Banking & Trusts (now the First Pennsylvania Banking & Trust Co.) and the Girard had, by 1953, put these banks in a position to "breathe down the neck" of PNB, thus threatening its claim to being the largest bank in Philadelphia.

(438) PNB used the aggressive expansion programs of its nearest rivals, the Pennsylvania Company for Banking & Trusts (now the First Pennsylvania Banking & Trust Co.) and Girard, to justify in part its acquisition in 1953 of the National Bank of Conshohocken when discussing this acquisition with an official representative of the Comptroller of the Currency.

(439) PNB acquired the Chester-Cambridge Bank & Trust Company on February 20, 1954.

(440) PNB acquired the First National Bank of Lansdale on February 20, 1954.

At the time of this acquisition, both PNB and the First National Bank of Lansdale competed for the larger corporate accounts in the Lansdale area.

(441) PNB acquired the Montgomery National Bank of Norristown on February 20, 1954.

At the time of this acquisition, both PNB and the Montgomery National Bank of Norristown competed for the commercial and industrial loan business of the larger corporate concerns in the Norristown area.

(442) PNB acquired The Hatboro National Bank on December 9, 1955.

At the time of this acquisition PNB and The Hatboro National Bank competed for commercial and industrial loan business from corporations in the Hatboro area.

(443) PNB acquired The Citizens National Bank of Pottstown on December 9, 1955.

At the time of this acquisition PNB and The Citizens National Bank of Pottstown competed in the commercial and industrial loan area.

(444) PNB acquired The Delaware Valley Bank & Trust Company on November 9, 1956.

At the time of this acquisition, PNB and The Delaware Valley Bank & Trust Company competed in offering comercial and industrial loans.

(445) PNB acquired The Gimbel Brothers Bank & Trust Company on July 11, 1958.

At the time of this acquisition, PNB and The Gimbel Brothers Bank & Trust Company competed for savings and personal checking accounts.

(446) The nine acquisitions made by PNB since 1951 added the following offices, loans, and deposits:

Date	Bank	Number of offices	Loans (add 000)	Deposits (add 000)
9-21-51	9th Bank & Trust	5	$6,677	$50,739
9-25-53	1st Natl. Bank of Conshohocken	1	3,409	14,890
2-20-54	Chester-Cambridge Bank & Trust	2	6,647	26,978
2-20-54	1st Natl. Bank of Lansdale	1	5,627	14,472
2-20-54	Montgomery Natl. Bank of Norristown	1	1,788	10,401
12- 9-55	Hatboro Natl. Bank	1	2,795	9,118
12- 9-55	Citizens Natl. Bank & Trust of Pottstown	1	3,633	8,478
11- 9-56	Delaware Valley Bank & Trust	5	11,502	26,124
7-11-58	Gimbel Bros. Bank & Trust	1	.0	11,768

GIRARD ACQUISITIONS.

(447) By 1950 Girard decided that a program of bringing a more complete line of services to bank customers in areas not conveniently located near its main office by establishing new branch offices would be too costly and could not be completed in time to achieve the progress in the banking business which Girard desired.

(448) In 1950 Girard decided that it could rapidly and economically enlarge the retail bank services offered by it and increase the number of offices providing its services by merging with the Corn Exchange National Bank and Trust Company.

(449) By 1950 the Corn Exchange National Bank and Trust Company had established 12 offices in Philadelphia and had developed retail bank services such as consumer credit and special checking accounts.

(450) After the Girard Trust Corn Exchange merger was completed in 1951 that bank surveyed the Philadelphia area with a view to establishing offices in sections of the city in which it was not then represented. In furtherance of this purpose Girard merged with the National Bank of Germantown in the Germantown and Chestnut Hill areas in 1953 and with the North Philadelphia Trust

at Broad Street and Erie Avenue in 1954. When
)th of these banks had only one office.

Girard paid premiums for the offices it acquired
outside of Philadelphia County.

In order to retain some of its old customers
act the banking business of others who were
the Montgomery County area, contiguous to
Girard acquired in 1957 the National Bank
and the Ambler National Bank, both of which
g three offices in Montgomery County.

A few months prior to the time the respective
directors of the Ambler National Bank and
roved the merger of the two banks, and while
nks were still competitors to some extent, repre-
of the two banks discussed the advisability of
r National Bank proceeding to open a new
ce in a new industrial center; the purpose of this
was to determine whether this step would make
r National Bank attractive at a future time as
be acquired by a large Philadelphia bank. The
tional Bank subsequently did establish the pro-
nch, shortly before its merger with Girard.

One of the reasons Girard acquired the Ambler
ank was the fact that Fort Washington Indus-
was being established at the time and a newly
ch of Ambler National in this park presented
participate in the growth of business and
n the area.

er made to the Ambler National Bank by the
955 called for a premium amounting to 89%
urrent net worth and 100% over market value
bler National Bank.

55 Girard offered to pay the Ambler National
kholders a premium of $501,836, or 89% of the

real net worth of the Ambler National Bank if they would agree to merge with Girard. In terms of the fair market value of the stock of these two banks, the premium offered by Girard was twice the value of the Ambler National stock.

The Ambler National Bank was merged with Girard on October 11, 1957. Ambler National Bank operated offices in Ambler, Flourtown, and Fort Washington.

The Ambler office of Girard does a residential banking business, and serves commercial customers and industrial customers.

(455) Prior to the merger of National Bank of Narberth with Girard, Girard had existing business in the area served by the three offices of Narberth.

Girard and National Bank of Narberth were competitors in the commercial banking business.

(456) The Upper Darby National Bank merged with Girard on April 25, 1958.

At the time Upper Darby National Bank was merged with Girard, Upper Darby operated its main office at 6912 Market St. and eleven branches in Delaware County.

(457) All of the banks acquired by Girard were competitors of Girard.

(458) The six mergers of Girard in the past ten years added the following offices, loans, and deposits:

Date	Bank	Number of offices	Loans (add 000)	Deposits (add 000)
6-15-51	Corn Exchange Natl. Bank & Trust	12	$96,791	$288,618
9-11-53	Natl. Bank of Germantown & Trust	1	9,781	35,371
1-22-54	North Phila. Trust	1	5,409	19,146
10-11-57	Natl. Bank of Narbeth	3	4,467	12,539
10-11-57	Ambler Natl	3	3,568	8,799
4-25-58	Upper Darby Natl	12	22,302	48,311

(460) In the foreseeable future, the president of PNB does not know how big a bank is needed to serve the needs of Philadelphia.

(461) PNB and Girard have already made surveys of possible sites for the opening of additional branch offices should the merger be approved.

VIII. Opinions Submitted on the Proposed Merger Under Section 18(c) of the Federal Deposit Insurance Act, as Amended.

(463) Pursuant to the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended (12 U.S.C.A. § 1828(c)), the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Attorney General were required to submit reports on the competitive factors involved in the proposed merger to the Comptroller of the Currency. These reports were submitted; they have been admitted in this record as Exhibits G-161, G-163, and G-162.

(464) Each of these reports included an analysis of the effect of the proposed merger on banking competition in Philadelphia County and the three contiguous counties of Delaware, Montgomery and Bucks. Both of the banking agencies, as well as the Attorney General, concluded that the proposed merger would have a significant adverse effect on competition in the four county area. The conclusions of these reports are as follows:

A. Federal Reserve Board.

The Board of Governors of The Federal Reserve System asserted that the four counties of Philadelphia, Delaware, Montgomery, and Bucks is the primary banking area to be considered in appraising competitive factors of the proposed merger and concluded that the merger

would alter the present competitive balance between Philadelphia banks to a significant degree. The Board of Governors stated its conclusion as follows:

> The proposed consolidation of two of the three largest banks in the area would substantially lessen both existing and potential competition. The resulting bank would obtain a dominant position, with attending competitive advantages, strongly adverse to the preservation of effective competition.

B. Federal Deposit Insurance Corporation.

The Federal Deposit Insurance Corporation, in summarizing its appraisal of the competitive factors, stated that in Philadelphia and the three contiguous counties in which the Philadelphia banks can have branches, consummation of the proposal ". . . would adversely affect competition to a significant degree." The FDIC stated its final conclusion as follows:

> Therefore, it is concluded that the effect of the proposed consolidation on competition would be adverse as to Philadelphia and immediate suburbs but not adverse in the regional, national, and international fileds of competition.

C. The Attorney General.

The report on competitive factors submitted by the Attorney General of the United States concluded as follows:

> It is the conclusion of this Department that the proposed merger of The Philadelphia National Bank and the Girard Trust Corn Exchange Bank would result in a substantial lessening of commercial banking competition and a tendency toward monopoly in the ways described above. These adverse competitive effects of the merger would not be significantly offset by the

improved competitive position of the resulting bank in relation to the still larger banks in New York and a few other cities.

IX. Analysis of Reasons Advanced for the Merger.

A. Main Reasons Set Forth by Defendants.

Increased Lending Limit and Resources.

(465) PNB and Girard believe that by merging they will be able to increase the total deposits and lendable funds in Philadelphia through an increase in their financing of so-called national and international companies. As a result, they believe, they will have more money to meet the expanding credit needs of business and individuals in the Philadelphia area.

(466) The chief purpose the president of Girard envisioned in seeking to merge with PNB was the increase of deposits in Philadelphia banks which he thought would result from the enlarged bank's ability to attract regional and international business and keep Philadelphia business from going elsewhere for banking accommodations.

(467) The president of Girard considered that the extensive time and effort expended by Philadelphia banks each year in seeking to attract business away from their local competitors had resulted in little if any net gain for any of the banks.

(468) Defendants believe PNB-Girard combined would have the necessary capital resources to build business, improve personnel, increase advertising, establish specialized advisory departments, and better publicize the advantage to businessmen of establishing plants in the Philadelphia community. In their view PNB and Girard separately do not have the resources to be able to do all of these things.

FOREIGN DEPARTMENT OPERATIONS.

(469) PNB and Girard hope that through merger they will be able to expand the operations of their foreign department and in particular secure a larger share of the banking business connected with the port of Philadelphia.

COMPETITION FROM NEW YORK.

(470) PNB and Girard believe that through merger they will be better able to compete with the larger banks in nearby New York City for the business of large companies especially those located in or near Philadelphia.

B. Analysis.

(471) PNB and Girard are both substantial, well-run financial institutions.

(474) Both PNB and Girard are in strong financial condition at the present time and the decision to merge the two banks was not based on financial necessity.

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In the Supreme Court of the United States

OCTOBER TERM, 1963

No. 799

UNITED STATES OF AMERICA, APPELLANT

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

BRIEF OF THE UNITED STATES IN OPPOSITION TO THE MOTIONS TO AFFIRM

In the Jurisdictional Statement, it was demonstrated that substantial questions of major public importance are presented in this case. At issue are the standards of the Sherman Act governing horizontal mergers of competitors, in particular competing commercial banks, and their application to the proposed merger of the second and third largest commercial banks in the Philadelphia metropolitan area. Additional substantial questions in this case concern the applicability of Section 7 of the Clayton Act to bank mergers and, if applicable, the validity of the proposed merger under Section 7. It was further

ne Jurisdictional Statement that the district
d in rejecting, as a relevant geographic
e four-county Philadelphia metropolitan
ich appellees maintain offices, and in hold-
e merger would not violate the Sherman
not subject to, and would not violate, the

' motions to affirm are limited to arguing
ayton Act is not applicable and that the
uld not be an unreasonable restraint of
olation of the Sherman Act. These con-
re largely anticipated in the Jurisdictional
Accordingly, this brief in opposition to
s to Affirm will be limited to a few points
appellees' discussion of the effect of the
n competition, upon which supplementary
ay be helpful to the Court.

es' motions give the misleading impres-
issues here are primarily or wholly fac-
t the decision below can be affirmed on
that the district court believed their wit-
the contrary, the fundamental fault with
below, and with appellees' contentions, is
s underlying assumption as to the Sher-
dard governing the validity of horizontal

apparently believe that a merger cannot
ed under the Sherman Act because of any
ination of competition between merging
(PNB Mot. 8–9; Gir. Mot. 16)," or any

t." refers to PNB's Motion to Affirm; "Gir. Mot."
rd's Motion to Affirm.

resulting increase in size or market share (PNB Mot. 12; Gir. Mot. 14), unless and until the merged company attains the power to control or restrict the market. This proposition is explicitly advanced by Girard (Gir. Mot. 13–14) and underlies the reliance of both appellees upon testimony and market data concerning the continued existence of other competing Philadelphia area banks (PNB Mot. 9, 10, 12; Gir. Mot. 16, 18–19).

But Section 1 of the Sherman Act imposes a much more restrictive rule upon horizontal mergers. The power to control prices or exclude competitors is the touchstone of monopolization in violation of Section 2 of the Sherman Act,[2] not of a restraint of trade violating Section 1. The railroad cases reviewed in the Jurisdictional Statement, pp. 20–21, struck down mergers of competing companies on the express ground that the elimination of competition between the merging companies, in the circumstances, was sufficient to constitute an unreasonable restraint of trade notwithstanding the continued existence of other competitors. In *United States* v. *Columbia Steel Co.*, 334 U.S. 495, relied upon by appellees, the Court also examined the extent to which competition would be diminished. The Court did not rule that power to control the market was required in order to show a violation; nor did the Court even list such power among the factors pertinent to an appraisal of the validity of mergers under Section 1, namely, dollar volume, percentage of business controlled, strength of

[2] See *United States* v. *duPont & Co.*, 351 U.S. 377, 391.

remaining competition, purpose of the merger, and probable development of the industry (334 U.S. at 527–528). Stating that "[t]he relative effect of percentage command of a market varies with the setting" (*id.* at 528), the Court in *Columbia Steel* held that certain market conditions established the lawfulness of a combination of companies selling (it was doubtfully assumed) 13% and 11% of structural steel products in eleven western states (*id.* at 529–530). In the Jurisdictional Statement, pp. 22–28, it was shown that an analysis of the same factors considered by the Court in *Columbia Steel* leads to the finding of unreasonable restraint in the present case.

In *Columbia Steel*, as appellees note (PNB Mot. 9–10; Gir. Mot. 16, fn.), the Court distinguished the railroad merger cases cited by the government. Appellees ignore, however, that the Court likewise distinguished various merger cases cited by the steel companies and stated that the precedents relied upon by both parties were factually "so dissimilar * * * that they furnish little guidance" (334 U.S. at 531). *Columbia Steel* is not inconsistent with the railroad merger cases and does not impair their vitality in the analogous situation here presented, that of the merger of two great banks with assets of one billion and three-quarters billion dollars, which are directly competitive throughout their operations.[3]

[3] In addition to *Columbia Steel*, Girard, by citing two quite inapposite cases, seeks to support the proposition that elimination of competition is not enough to violate the Sherman Act. *Appalachian Coals, Inc.* v. *United States*, 288 U.S. 344, did not involve a merger but an association of firms to meet a depres-

2. Appellees are unduly modest when they describe the market position of the proposed merged bank as only "one bank out of 41 [which] is larger than any of the others in the Philadelphia area" (Gir. Mot. 14; see PNB Mot. 12). The fact is that the proposed merger of the second and third largest banks in the area would result in a leading bank more than one-and-a-half times the size of its nearest rival and more than three times the size of the next largest bank. The merged bank would have 35.7% of the assets held by the 41 commercial banks with head offices in the four-county Philadelphia area, 40.8% of their commercial and industrial loans, 35.8% of their deposits. (See Jur. St., pp. 5–8.)

Moreover, there is no substance in appellees' disclaimer that preponderant size offers no competitive advantage over the smaller Philadelphia banks (PNB Mot. 12; Gir. Mot. 14). Their argument in this regard conflicts with their own proposed findings as to some of the alleged benefits from the merger—for example, that the merged bank would be able to make "greater risk loans" (Defs. Fdg. 201). The merged bank would have power and influence commensurate with its size, far greater than the much smaller banks numbered by appellees among their 40

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sion-borne crisis in the coal industry. *Erie Sand & Gravel Co.* v. *Federal Trade Commission*, 291 F. 2d 279 (C.A. 3), involved the validity of a merger under Section 7 of the Clayton Act; but the Third Circuit did no more than remand to the Commission to reconsider its determination in the light of a necessary correction in the geographic market, conceded by the Commission.

competitors. Thus, PNB-Girard, with almost $1 billion in lendable funds, would be a controlling factor in a great number of economic decisions. Smaller banks, with a few million dollars in lendable funds, would exhaust their resources in a comparatively few transactions, and they could not provide effective competitive alternatives. (See Jur. St., pp. 23–25.)

Appellee Girard's idea of effective competition is aptly illustrated by its assertion (Gir. Mot. 16) that "three was the largest number of alternative [banking] choices said by any witness to be necessary to provide every competitive advantage to a prospective borrower." The only testimony is that access to three banks will determine whether a loan is "bankable" (see Tr. 2913–2914, 3362). Once bankable, however, there would still remain a wide range of possible credit appraisals, loan amounts, interest rates, repayment and other terms. Although Girard urges that "competition among banks is, for practical purposes, restricted to service" (Gir. Mot. 14), the importance of banking competition was recently reemphasized by the Federal Reserve Board. The Board denied an application to merge the Long Island Trust Co. with the Chemical Bank New York Trust Co., on the ground that the proposed merger "would reduce the opportunity for preserving a variety of banking alternatives of varying size, each offering its own advantages to the public. Competition throughout all the ranges of banking size and services is in the public interest. * * * The merger would eliminate a prosperous and sound alternative source of banking serv-

ices, and would substitute for it a large and powerful institution which would, in competing with other such institutions, diminish the prospects of smaller banks in the County." *In the Matter of the Application of Chemical Bank New York Trust Co.*, Federal Reserve Board, April 30, 1962, pp. 14, 15. Thus, the governmental authorities which supervise banks believe it imperative to preserve the precise kind of banking competition which appellees insist is insignificant.[4]

3. The discussion of "the percentage of business controlled"[5] by the proposed merged bank in the Jurisdictional Statement, pp. 5–8, 22–23, was based upon extensive statistical data in the record, which compared the two appellees and the proposed merged bank with the other commercial banks having head offices in the Philadelphia area. The district court accepted these data in its analysis of the four-county market (Jur. St. App. 6a–7a, 34a–35a).

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[4] Girard's confidence in the adequacy of three banks may be contrasted to the Congressional understanding of what constitutes effective competition, expressed in amending Section 7 of the Clayton Act in 1950. The Senate Report noted, quoting a Federal Trade Commission report, that a market containing only "three or four large concerns" is an oligopoly which "is likely to be characterized by avoidance of price competition and by respect on the part of each concern for the vested interest of its rival." S. Rep. No. 1775, 81st Cong., 2d Sess., p. 5. The policy of Section 7 is relevant to interpretation of the Sherman Act. See *United States* v. *Columbia Steel Co.*, 334 U.S. at 507, fn. 7; *Times-Picayune* v. *United States*, 345 U.S. 594, 610–611.

[5] *United States* v. *Columbia Steel Co.*, *supra*, 334 U.S. at 527.

Appellees challenge the government statistics on two grounds (PNB Mot. 11; Gir. Mot. 17). First, they object that the government utilized total figures for assets, loans, deposits, etc., of the Philadelphia-area banks, rather than only that part of the banks' business which originated within the area. But the predominant share of the proposed merged bank in the aggregate business done by Philadelphia-area banks does not appear materially different if confined to local business.[6] In any event, the government believes that total figures were properly used to present an accurate picture of the relative strength of the relevant banks.

Second, appellees contend that the government's statistics fail to account for business originating within the four-county Philadelphia area which is handled by banks in New York and elsewhere. But again, this characteristic of the statistics does not detract from the significance of PNB and Girard's market shares. Appellees' witnesses offered little more than speculation together with general statements concerning solicitation of business by outside banks from the Philadelphia area (*e.g.*, Tr. 3102, 3450–3451, 3709, 3751–3753). The only statistical information in the record indicates that in 1955 the large New York banks had only about

[6] The distribution of PNB and Girard business within and without the four-county area is shown in the record (Statistical Tables in Govt. Proposed Fdgs. 258–282), and there is no reason to believe that the other large banks have a much different distribution. The smaller banks are likely to have less activity outside the area, but the relative amount of their business is so small that it would not materially alter the shares of PNB and Girard utilized by the court below.

$113,000,000 in loans to Philadelphia customers (Ex. D–1, p. 65, n. 3; compare Jur. St. 6–7). Moreover, banks outside the area are competitive only for a very special kind of business, particularly large loans. As Girard's president stated, borrowers of under $1 million would not normally go beyond banks in the same city (Tr. 3817). The president of the Philadelphia area's fifth largest bank testified that he had not lost business to New York banks (Tr. 2071–2072). As a practical matter, banks elsewhere are certainly not available alternatives for the range of services comprising commercial banking, the line of commerce found by the district court.

In the Jurisdictional Statement, pp. 16–18, the four-county Philadelphia area was shown to be a proper geographic market in which to analyze the impact of the merger, and, as the Federal Reserve Board stated, "[T]he principal competitive effects of the proposal will * * * be local and not international or national" (Ex. G–161, p. 2). In examining these "principal competitive effects," the government properly focused on the "local" market comprising commercial banks in the Philadelphia area and presented statistics showing the relative positions of PNB, Girard and the proposed merged bank among the four-county banks. These data, and the other evidence in the record outlined in the Jurisdictional Statement, show that the proposed merger is an

unreasonable restraint of trade in violation of the Sherman Act.

For the foregoing reasons, and for the reasons set forth in the government's Jurisdictional Statement, probable jurisdiction should be noted.

Respectfully submitted.

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MAY 1962.

Girard's alleged "Summary of Evidence" (Gir. Mot. 22-24) is incomplete and misleading. To take one of many examples, Girard cites the president of Central Penn National Bank as saying that competition from New York is very strong (Gir. Mot. 24), but omits his testimony that he had not lost any loans or deposits to New York banks (Tr. 2071-2072).

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In the Supreme Court of the United States

OCTOBER TERM, 1962

No. 83

UNITED STATES OF AMERICA, APPELLANT

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

BRIEF FOR THE UNITED STATES

OPINION BELOW

The opinion of the district court (R. 3629) is reported at 201 F. Supp. 348.

JURISDICTION

The judgment of the district court was entered on January 15, 1962 (R. 3669) and the notice of appeal was filed on February 26, 1962 (R. 3671). This Court noted probable jurisdiction on May 21, 1962 (R. 3673; 369 U.S. 883).

The jurisdiction of this Court is conferred by Section 2 of the Expediting Act of February 11, 1903, 32 Stat. 823, as amended, 15 U.S.C. 29.

QUESTIONS PRESENTED

The principal questions presented are:

1. Whether the agreement to merge The Philadelphia National Bank and Girard Trust Corn Exchange Bank involves a combination in unreasonable restraint of trade prohibited by Section 1 of the Sherman Act.

2. Whether the proposed merger violates Section 7 of the Clayton Act because its effect may be substantially to lessen competition or to tend to create a monopoly.

The following subsidiary questions are also presented:

3. Whether the anti-competitive effects of the merger are to be measured by its effects in Philadelphia and the three contiguous counties, which is not only the area in which all of the defendants' offices are located but also the area for which their banking services are preponderantly rendered.

4. Whether the proposed merger is subject to Section 7 of the Clayton Act.

STATUTES INVOLVED

Section 1 of the Sherman Act, 26 Stat. 209, as amended, 15 U.S.C. 1, provides in pertinent part:

> SEC. 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal * * *. Every person who shall make any contract or engage in any combination or conspiracy declared * * * to be illegal shall be deemed guilty of a misdemeanor * * *.

Section 7 of the Clayton Act, 38 Stat. 731, as amended, 64 Stat. 1125, 15 U.S.C. 18, provides in pertinent part:

> SEC. 7. No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly.
>
> * * * * *

Section 18(c) of the Federal Deposit Insurance Act is set forth in the Appendix, *infra*, pp. 83–84.

STATEMENT

This is a civil proceeding brought by the United States under Section 4 of the Sherman Act and Section 15 of the Clayton Act, 15 U.S.C. 4, 25, to enjoin a proposed merger of The Philadelphia National Bank ("PNB") and Girard Trust Corn Exchange Bank ("Girard"). The government charged that the defendants had entered into an agreement to merge which constitutes a combination in unreasonable restraint of trade, in violation of Section 1 of the Sherman Act, and that the merger, if carried out, might have the effect of substantially lessening competition or tending to create a monopoly, in violation of Section 7 of the Clayton Act. The suit was in-

stituted immediately following consent to the proposed merger by the Comptroller of the Currency.[1]

Following trial of the issues, the district court dismissed the complaint upon the ground that no antitrust violation had been established. No actual merger has as yet been effected nor, under the stipulation of the parties, will there be any merger pending determination of the present appeal.

DEFENDANTS' LEADING POSITION AND THEIR GROWTH BY MERGER

PNB and Girard are old, established Philadelphia banks, and today rank second and third in size among the banks of that city (Fdgs. 7, 12, 394, R. 3326, 3327–8, 3416).[2] At the end of June 1960 PNB's total assets were over $1,000,000,000, and those of Girard over $740,000,000 (Fdg. 93a, R. 3501). Their combined assets constitute more than 39 percent of the total

[1] Under Section 18(c) of the Federal Deposit Insurance Act, as amended by the Bank Merger Act of 1960 (Appendix, *infra* p. 83) no bank insured under the Act may merge or consolidate with another insured bank (where the continuing bank is to be a national bank) without prior consent by the Comptroller.

[2] The findings of fact requested by the Government were numbered 1 to 600 (R. 3325–3478), and those requested by the defendants were numbered 1 to 207 (R. 3489–3518). The district court affirmed, by number, certain of the findings so requested (R. 3664–5). To distinguish affirmed Government-requested findings from affirmed defense-requested findings, as to the latter the letter "a" will follow the finding number. *E.g.*, Fdg. 1 refers to the finding numbered 1 in the Government's request and Fdg. 1a to the finding numbered 1 in the defendants' request.

GX will be used to designate Government exhibits, and DX to designate defense exhibits.

assets of all Philadelphia commercial banks (GX 8, R. 2362). Both have excellent management (R. 843) and are in a strong financial condition (Fdgs. 11, 15, R. 3327, 3328). They render, and compete with each other in rendering, all recognized types of banking service.[3]

Each bank has been a party to numerous mergers, which have enabled each vastly to increase its resources, to build up many aspects of its banking service, and to acquire many new branches and thereby comprehensively cover the four-county area outside of which a bank having Philadelphia headquarters is not permitted to operate.[4]

The defendants' merger history, as set forth in their application to the Comptroller for approval of their merger (GX 57, R. 2423), is, in brief outline, as follows:

In 1926 the fourth largest bank in Philadelphia merged with PNB, then "much the largest bank" in the city (R. 2440). There followed two years later a

[3] These include granting both secured and unsecured loans to corporations and individuals; handling demand deposits, time deposits, and savings accounts; administering trusts for both individuals and corporations (including pension and profit sharing funds); acting as correspondent for out-of-city banks; acting for corporations as fiscal agent, stock transfer agent, bond and coupon paying agent, etc. (Fdgs. 316–372, R. 3401–10).

[4] The district court correctly stated that Pennsylvania law permits a commercial bank to have offices only in the political community (county) in which its main office is situated and any county contiguous thereto (R. 3652). The counties to which a Philadelphia bank is thus confined are Philadelphia (coterminous with the city of Philadelphia), Bucks, Delaware and Montgomery (*ibid.*).

merger with another bank (itself the product of a recent merger), the merging banks being Philadelphia's "two biggest national banks" (R. 2441). During the years 1951–1958 PNB merged with nine additional banks, two of which had Philadelphia headquarters and the other seven, headquarters in one or the other of the three contiguous counties (R. 2441–4).

Girard's first significant merger came in 1951 and involved a Philadelphia bank which was ahead of Girard in total assets, in deposits, and in loans, and which also had 12 strategically located city offices (R. 2445–6). The merger path was resumed in 1953, again in 1954, and was further pursued in 1957 and 1958 (R. 2446–8). Thereby there came into the Girard fold two Philadelphia banks, two banks with offices in Montgomery County, and one bank with offices in Delaware County (R. 2446; Fdgs. 452, 456, R. 3440, 3442).

Most of the growth of each defendant since the early 1950's has been the result of mergers, that is, of the absorption of competitors. Thus, at the time the present action was commenced PNB had 27 offices, 18 of which, or two-thirds, had been acquired by merger (Fdgs. 7–8, R. 3326). Of Girard's 38 present offices, 32, or 84 percent, came to it by way of merger (Fdgs. 12–13, R. 3328). The showing as to assets is similar. For the 10-year period 1950–1959 inclusive, mergers contributed 59 percent of PNB's growth and 85 percent of Girard's growth (GX 197, R. 2904).[5]

[5] PNB: Total growth, $321,547,000; growth by merger, $189,840,000. Girard: Total growth, $515,919,000; growth by merger, $438,597,000 (R. 2904).

Coincident with the foregoing merger-attributable growth on the part of the defendants, there has been a steep, almost spectacular, decline in the number of commercial banks (1) in Philadelphia and (2) in the overlapping four-county area. There were 33 commercial banks with Philadelphia headquarters in 1950, 20 in 1955 and only 14 in 1960, a 58 percent decline in this 10-year period (GX 183, R. 2878). The number of commercial banks with headquarters in the four-county area fell from 108 in 1947 to 42 in 1960, a 61 percent decline (GX 184, GX 185, R. 2879).

THE PROPOSED MERGER AND THE ACTION TAKEN THEREON

The defendants had discussed a merger of their banks "seriously and at great length" early in 1956 (GX 57, R. 2437), following a 1955 merger of two other Philadelphia banks which ousted PNB from its position as the largest bank in Philadelphia (R. 843). The discussions were discontinued because in the opinion of both bank managements a further "shake-down period" was necessary for a sound evaluation of the respective banks' potential earning power, and to work out minor operating problems, following prior mergers to which both banks had been parties (GX 57, R. 2437–8).

Merger negotiations were resumed in April 1960 and eventuated in agreement (Fdgs. 20–21, R. 3331). The basic agreement was that the banks merge or consolidate under the charter of PNB, that PNB shares remain outstanding as shares of the merged bank, and that each Girard share be converted into 1.2875 shares

of the merged bank (GX 117, R. 2717; GX 119, R. 2719, 2721-2). The merger proposal thus negotiated was presented to and approved by the boards of directors on November 15, 1960, and application for consent of the Comptroller of the Currency was filed in Washington on the same day (Fdg. 22, R. 3331).

The Bank Merger Act (Appendix, *infra*, p. 83), makes bank mergers illegal without consent thereto by the Comptroller, the Federal Reserve Board, or the Federal Deposit Insurance Corporation ("FDIC"),* and requires the banking agency authorized to grant or withhold consent to take into consideration, in addition to certain specified banking factors,† "the effect of the transaction on competition (including any tendency toward monopoly)." Furthermore, the Act provides that "[i]n the interests of uniform standards," the agency whose consent is sought shall, before acting on a proposed merger, request a report on "the competitive factors involved" from the other two banking agencies empowered to pass on bank mergers and the Attorney General.

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* Where, as here, the resulting bank is to be a national bank the consent which is requisite is that of the Comptroller. About one-third of the banks in the United States are national banks. Mergers where the resulting bank is under state charter are subject to the consent of the Federal Reserve Board (if the resulting bank is a member of the Federal Reserve system) or of the Federal Deposit Insurance Co. (if the resulting bank is a nonmember insured bank).

† These factors are similar to those governing the issuance of certificates set forth in Section 6 of the Federal Deposit Insurance Act, 12 U.S.C. 1816. See S. Rep. 196, 86th Cong., 1st Sess., p. 2.

Since the Comptroller did not order a public hearing on the PNB-Girard application,* the facts and considerations which he had before him were those presented *ex parte* by the applicants, such further facts and views as his staff may have developed and presented, and the reports on competitive effect submitted by the Federal Reserve Board, FDIC, and the Attorney General.

The report of the Federal Reserve Board is GX 161 (R. 2822). The Board stated that the competitive effect of the proposed merger was to be judged with reference to competitive impact in the four-county Philadelphia area (R. 2823–4, 2828–30). It said that PNB and First Pennsylvania Banking & Trust are at present "fairly close to being equal in competitive power", and that the next three banks "are not so far behind as to be unable to furnish them with strong competition", but that on consummation of the proposed merger "this situation would change sharply," and the resulting bank "would be far ahead of any other bank" (R. 2831–3). The extent to which the present relatively balanced competitive situation would be altered should the merger be effected was illustrated, the Board said, by taking the total de-

*While the Bank Merger Act does not require a hearing on applications for consent to a merger, the Federal Reserve Board has ordered public hearings on certain applications involving interests of considerable magnitude (comparable to the PNB-Girard application), on the ground that it was in the public interest to afford interested persons an opportunity to express their views and opinions in a public hearing before the Board. Subsequent to the PNB-Girard merger, the Comptroller's office also has held public hearings on some important merger applications.

posits of the bank with the largest deposits as 100 and comparing them percentagewise, before and after merger, with the deposits of the nearest competitors. The comparison thus made showed (R. 2833):

	Before Merger	After Merger
Bank No. 1	100	100
Bank No. 2	97	62
Bank No. 3	65	28
Bank No. 4	45	26
Bank No. 5	42	15

The Board's conclusion was that the proposed merger "would substantially lessen both existing and potential competition"; and that the resulting bank "would obtain a dominant position, with attending competitive advantages, strongly adverse to the preservation of effective competition" (R. 2834).

The FDIC report (GX 163, R. 2845), while recognizing that the defendant banks serve the "Delaware Valley" area to some extent, stated that for the purpose of scheduling "competing banks" only those in the four-county Philadelphia area were to be included (R. 2848). The report noted that in the 10-year period, 1950–1959, inclusive, the number of banks in that area had fallen more than 50 percent and that the seven largest banks had increased their share of the area's total commercial bank resources from about 61 percent to about 90 percent (R. 2850). It concluded that merger of the second and third largest Philadelphia banks would "contribute further" to this "trend in concentration" and resulting "lessening of competition," and would "adversely affect competition to a significant degree" (R. 2857).

The Attorney General in his report (GX 162, R. 2834) reached the following conclusions concerning the competitive effect of the proposed merger in the four-county Philadelphia area: (1) The proposed new bank would obtain important competitive advantages over smaller banks and its creation would probably lead to further realignments by way of merger. (2) There would be a substantial increase in banking concentration and tendency toward monopoly. (3) An important alternative source of banking services would be eliminated. (4) The substantial existing competition between the applicant banks would be eliminated (R. 2844–2845).

The Comptroller gave his consent to the proposed merger on February 24, 1961, despite the adverse reports of the other agencies, and the United States filed its complaint the following day (Fdgs. 27–28, R. 3334). The Comptroller's statement of the basis for his approval of the merger, incorporated in his annual report to Congress, shows that he concluded that, in view of the "beneficial" effects of the merger upon international and national competition, "the over-all effect upon competition would not be unfavorable" (GX 164, R. 2861).* In this statement he fur-

*The Bank Merger Act requires each of the banking agencies authorized to act thereunder to set forth in its annual report to Congress the mergers to which it has given its consent, together with a "statement * * * of the basis for its approval" (App., *infra*, p. 84). We refer above to the Comptroller's "statement" concerning his PNB-Girard merger ruling, included in his annual report to Congress, because this statement furnishes the only information as to the grounds for the ruling. At the time the ruling was made it was not the

ther said that the bank created by merging Philadelphia's second and third largest banks "would be in the first rank of American financial institutions," and "would be far better able to serve the convenience and needs of its community by being of material assistance to its city and state in their efforts to attract new industry and to retain existing industry" (*ibid.*).

THE DISTRICT COURT'S DECISION

After a two-months trial commencing on June 5, 1961, the district court on January 15, 1962, filed an opinion holding that no antitrust violation had been established.

The court held, with respect to the applicability of the antitrust laws, (1) the Comptroller's consent to the merger of the defendants, as required by the Bank Merger Act, did not exempt the merger from the antitrust laws (R. 3638–42); and (2) the prohibitions of Section 7 of the Clayton Act do not run, as to banks, against asset acquisitions; the proposed merger involved an asset acquisition; and it therefore was not within Section 7 (R. 3642–6). Although the latter holding left open only the issue of violation of section 1 of the Sherman Act, the court stated that, in the interest of a final determination of all antitrust violations charged in the complaint, it would rule on these

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practice of the banking agencies to file any formal opinion or report in support of rulings on merger applications, and the letter notifying PNB of the Comptroller's favorable ruling merely stated that, after considering the various factors referred to in the Bank Merger Act, he had found that the merger "will be in the public interest" (DX 14, R. 3049).

charges on the *arguendo* assumption that the Clayton Act "is applicable in all respects" (R. 3646).

The court agreed with the government that commercial banking was a relevant product market, but rejected the government's contention that the relevant geographic market was the four-county Philadelphia area, and indicated that the market "at the very least" comprised five Pennsylvania and three New Jersey counties, "or the ten-county area referred to by the defendants[10] and definitely New York City"; and probably encompassed "the greater part of the northeastern United States" (R. 3653–4). The remainder of the court's decision was based on the *arguendo* assumption that the Philadelphia four-county area was the relevant geographic market (*ibid.*).

The court discussed what it considered to be the "relevant factors" under Section 7 of the Clayton Act (R. 3655–3661) and concluded that the merger would not violate Section 7 because:

> In summary, it can be said that although the merger will increase concentration to the percentage figures given,[11] the merged bank would have no power to control the price and supply of credit, nor could it dominate the market in any manner. And, although a direct substantial competitor will be eliminated, the only competent testimony upon the subject estab-

[10] This ten-county area comprised the four-county Philadelphia area and "portions" of six out-of-state counties, five in New Jersey and one in Delaware (GX 57, R. 2487).

[11] The reference is to the court's findings, at R. 3657, that the merged bank would have 37 percent of all the assets, 34 percent of all the loans, and 36 percent of all the deposits of all commercial banks with head offices in the four-county area.

lishes that competition will be more vigorous after the merger. Also, although the commercial banking field is not an easy one to enter, it cannot be concluded that a new bank will not be established in the four-county area in the future. Finally, although the defendants have engaged in prior mergers, these mergers have had valid business purposes as the motivating force.

The court summarily disposed of the Sherman Act charge by saying that a merger which does not violate the former statute "can hardly be held to violate the more stringent standards" of the latter (R. 3662). In addition, the court held that any restraint of trade resulting from the merger met the "reasonable" test of the Sherman Act (R. 3663) under the standards set forth in *United States* v. *Columbia Steel Co.*, 334 U.S. 495.

SUMMARY OF ARGUMENT

I

In the absence of immunity, banking is subject to the antitrust laws, like any other form of interstate and foreign commerce. No such immunity was provided in the Bank Merger Act. Congress imposed an additional check on banking concentration, by requiring consent of designated federal agencies for mergers, but made clear that this "would not in any way affect the applicability" of the antitrust laws. S. Rep. 196, 86th Cong., 1st Sess., p. 3. No implied exemption arises from the mere existence of regulatory approval of mergers. See *California* v. *Federal Power Commission*, 369 U.S. 482. Moreover, contrary to the be-

lief of the district court, the force of the antitrust laws as to mergers is not limited by the existence of regulatory control over some other aspects of banking.

II

Preliminary to determining whether the merger of Philadelphia National and Girard violates the antitrust laws, it is necessary to determine the area of effective competition—both as to the product market and the geographic market.

A. The district court correctly held that, in this case, commercial banking is the most relevant "product" market. PNB and Girard compete with each other in every aspect of their commercial banking business. From the standpoint of customers, commercial banking provides unique services which pervade its functions and no other financial institution is reasonably interchangeable with it.

B. Contrary to the decision below, the Philadelphia four-county area—in which defendants primarily operate—is the most relevant geographic market in which to consider the effects of the merger on competition. All of defendants' banking offices are located within the four-county area (as required by law), and by far the greater part of their deposits, loans and trust accounts originate within it. Defendants' justifications of their prior expansion by mergers demonstrate that banking customers need and deal generally with local banks. And in their reports on this merger, the Federal Reserve Board and the Federal Deposit Insurance Corp. stressed that the principal competitive impact would fall within the four-county area.

Since the great majority of banking customers in the four-county area can turn only to banks in this area for the services they need, the four-county area is the relevant market.

III

The proposed merger of the second and third largest banks in the market, which together control more than one-third the business, violates Section 1 of the Sherman Act.

A. The proposal to merge PNB and Girard would unite two huge, thriving banks which actively compete with each other for a vast volume of business. All of this competition, which embraces every aspect of defendants' business, would be completely eliminated by the merger. The record dramatizes this fact by showing the present vigorous competition between PNB and Girard and the adverse impact upon their customers from eliminating it.

The guiding principles under the Sherman Act are set out in a series of decisions from *Northern Securities Co.* v. *United States,* 193 U.S. 197, to *United States* v. *Southern Pacific Co.,* 259 U.S. 214, in which the Court invalidated mergers of major railroads because of the elimination of the merging companies' *inter sese* competition, without reference to the scope and strength of remaining competition. These authorities are determinative of illegality here.

The controlling force of the railroad merger cases is not diminished by the more recent decision in *United States* v. *Columbia Steel Co.,* 334 U.S. 495, upholding an acquisition by U.S. Steel of a western

steel fabricator. In dealing with the horizontal effects of that transaction, the Court did not hold that elimination of *inter sese* competition by merger can never of itself violate Section 1. Stressing the uncertainty and lack of significance of the government's showing as to the companies' market shares, the Court indicated various factors bearing upon the substantiality of competition which were to be considered. In these circumstances, the Court held that the factual situations in the railroad cases were too "dissimilar" to furnish guidance on whether "the competition which will be eliminated" in the case before it was "sufficient". Here, in contrast, there is no question that very substantial competition is being eliminated in the merger of PNB and Girard and this in itself is sufficient to establish the violation.

B. Moreover, even if *Columbia Steel* requires examination of other market factors, such examination confirms the conclusion that the proposed merger is unlawful. The merger would accelerate a dangerous trend towards concentration in banking. In ten years (1950–1960), mergers have reduced by 61 percent the number of commercial banks with head offices in the Philadelphia four-county area. If this merger of the second and third largest banks in the area is valid, the Sherman Act is no bar to elimination of all but a few firms.

The immediate dominance of the merged PNB-Girard is striking in absolute and relative terms. The merged bank would have 36 percent of all deposits, 34 percent of all net loans, and 37 percent of all bank-

ing assets. While 41 banks would remain in the area after this merger, by far the greater number of these are much smaller institutions and emergence of such a dominant firm would be to the detriment of banking customers and to the smaller competing banks. Finally, no mitigating factors justify the restraint on competition. Even if such factors were relevant, which we deny, the evidence refutes defendants' contentions that the merger will significantly increase competition for very large loans (above $8,000,000) or will substantially benefit Philadelphia by bringing new business to the area. Defendants' hypothetical benefits cannot outweigh the restraint to competition, and the injury to existing customers, which would clearly result from the merger.

IV

A. Section 7 of the Clayton Act applies to this merger. As amended in 1950, Section 7 prohibits stock and asset acquisitions having the proscribed anticompetitive effects, but the clause covering asset acquisitions is limited to corporations under the jurisdiction of the Federal Trade Commission and, therefore, does not extend to banks. The congressional purpose in 1950 to check the tide of mergers precludes treating a statutory merger as an "assets" acquisition since this would exempt banks and other important economic interests from the antimerger prohibitions contained in Section 7. Moreover, statutory mergers are very different from asset acquisitions. A merger provides for the bringing together of two going concerns by the exchange of stock; in essential elements, it closely re-

sembles stock acquisitions. A merger similar to the one here was treated by this Court as a stock acquisition for Section 7 purposes in *Brown Shoe Co.* v. *United States*, 370 U.S. 294.

B. In *Brown Shoe Co.*, this Court formulated the criteria governing the lawfulness of mergers under Section 7. Applying these tests, the proposed merger plainly violates Section 7.

ARGUMENT

I

BANK MERGERS, LIKE ANY OTHER MERGERS AFFECTING INTERSTATE COMMERCE, ARE SUBJECT TO THE PROHIBITIONS OF THE ANTITRUST LAWS

It is well settled that, in the absence of immunity, banking as well as every other form of interstate and foreign trade is subject to the antitrust laws. In *United States* v. *South-Eastern Underwriters Association*, 322 U.S. 533, 553, the Court said in describing the Sherman Act:

> Language more comprehensive is difficult to conceive. On its face it shows a carefully studied attempt to bring within the Act every person engaged in business whose activities might restrain or monopolize commercial intercourse among the states.
>
> A general application of the Act to all combinations of business and capital organized to suppress commercial competition is in harmony with the spirit and impulses of the times which gave it birth. * * *

Finding no conclusive evidence that Congress "specifically intended to exempt insurance companies from the all-inclusive scope of the Sherman Act" (p. 560), the Court held that they were subject to that Act because (p. 561):

> Having power to enact the Sherman Act, Congress did so; if exceptions are to be written into the Act, they must come from the Congress, not this court.

This precept is as applicable to banking as it is to insurance. It is also as true of the Clayton Act as it is of the Sherman Act. In *Transamerica Corp.* v. *Board of Governors of Federal Reserve System*, 206 F. 2d 163, 166 (C.A. 3), certiorari denied, 346 U.S. 901, in rejecting the claim that Congress did not intend the Clayton Act to apply to banks, the court said:

> We find nothing in the legislative history, however, to indicate that Congress did not intend by Section 7 to exercise its power under the commerce clause of the Constitution to the fullest extent. The avowed purpose of the Clayton Act was to supplement the Sherman Act, 15 U.S.C.A. §§ 1–7, 15 note, by arresting in their incipiency those acts and practices which might ripen into a violation of the latter act. Since the general language of the Sherman Act was designed by Congress "to go to the utmost extent of its constitutional power in restraining trust and monopoly agreements" * * * the supplemental general language of the Clayton Act was undoubtedly intended to have the same all inclusive scope.

A. THE BANK MERGER ACT, WHICH PROHIBITS BANK MERGERS UNLESS A DESIGNATED FEDERAL BANKING AGENCY HAS CONSENTED THERETO, DOES NOT EXEMPT FROM THE ANTITRUST LAWS MERGERS FOR WHICH THE REQUIRED CONSENT HAS BEEN GIVEN

1. The court below properly held that its jurisdiction under the antitrust laws was not impaired by passage of the Bank Merger Act of 1960. In so holding, the court relied primarily on the statements, contained in both the House and Senate Committee Reports on the bill, that the Act would not affect "in any way" the application of the antitrust laws to bank mergers; these statements, the court thought, were "much too explicit to be ignored or explained away" (201 F. Supp. at 357). We submit that the district court's decision, in this respect, was entirely correct.

The legislative history of the Bank Merger Act shows plainly that Congress considered the two sets of statutes to be complementary rather than repugnant. The Bank Merger Act was enacted because Congress was deeply concerned over the unchecked tide of bank mergers and because it was dissatisfied both with the liberality of the banking agencies in approving mergers and with the failure of the Department of Justice to attack bank mergers under the antitrust laws. Thus, the Senate Report (S. Rep. No. 196, 86th Cong., 1st Sess., 1959) stated:

> Bank mergers are generally considered to be covered by the restrictions of the Sherman Antitrust Act, but up to this year, no proceeding under the Sherman Antitrust Act had been instituted which involved a bank merger or consolidation. * * * [p. 4]

> In short, at the present time many, perhaps most, bank mergers can proceed with little or no consideration of competitive factors. [p. 2]
>
> * * * * * *
>
> The large numbers of mergers in recent years, the vast resources involved in these mergers, and the increases in the size of the largest banks, particularly those which have grown through mergers, all give rise to concern for the maintenance of vigorous competition in the banking system and in the industry and commerce served by the banking system. [p. 8]

Motivated by a purpose of imposing an *additional* check on the processes of concentration in the banking industry, Congress was careful to make it clear that the new act would not defeat the application of the most significant existing check, the antitrust laws. Thus, Senator Robertson, sponsor of the Bank Merger Act and Chairman of the Senate Committee on Banking and Currency, which reported the bill, stated:

> The bill seeks to make mergers of banks more difficult. As I have previously said, the bill does not affect in any way the present antitrust laws. [105 Cong. Rec. 8131.]

For these reasons both the Senate and House Committee Reports on the bill stated in virtually identical language that "S. 1062 would not in any way affect the applicability" of the antitrust laws to bank mergers. Senate Report, *supra*, at p. 3; H. Rep. No. 1416, 86th Cong., 2d Sess., 1960, p. 9.

In sum, the Bank Merger Act was addressed to the agencies with regulatory powers over banks, not to the courts in antitrust cases. Congress plainly

contemplated that particular mergers might pass muster under the Bank Merger Act and nevertheless be invalidated under the antitrust laws. Accordingly, there is no room for the argument that the antitrust laws were displaced in whole or part by the Bank Merger Act.[12]

2. Even if the legislative history of the Bank Merger Act were less clear, there would be no basis for the appellees' contention below that, despite the lack of a specific exemption, the Act impliedly exempted approved mergers from the antitrust laws because antitrust standards must be deemed to be

[12] Defendants also argued below that an intention to grant exemption could be inferred from the defeat of a proposed amendment to the Bank Merger Act which would have added an antitrust "savings" clause. Neither the debate on that clause nor its outcome establishes any such intention on the part of Congress. Indeed, Congressman Celler, the author of that proposal, specifically stated:

> In these circumstances, I suggest—*solely for the purpose of clarification*—an "antitrust savings" clause identical with that contained in section 11 of the Bank Holding Company Act and providing that nothing in the bill supersedes any provision of the antitrust laws.
>
> *While such a provision would not add to the bill from a substantive standpoint*, it would avoid needless controversy and possible litigation involving the contention that the strictures of the Sherman and Clayton Acts had been nullified by the provisions of the pending bill. [Hearings on S. 1062 before Subcommittee No. 2, House Committee on Banking and Currency, 86th Cong., 2d Sess., 1960, pp. 146–147; emphasis added.]

See also, Hearings on S. 1062 before the Senate Committee on Banking and Currency, 86th Cong., 1st Sess., 1959, p. 86. Compare this Court's treatment of the repeal of a previously enacted savings clause in *United States* v. *R.C.A.*, 358 U.S. 334, 344–345.

repugnant with the "public interest" standard under which the Comptroller grants or withholds approval. That contention is foreclosed by the decision in *California* v. *Federal Power Commission*, 369 U.S. 482, where the Court pointed to the heavy burden imposed upon those who seek to spell out antitrust exemptions by implication (369 U.S. at 485–486):

> Immunity from the antitrust laws is not lightly implied. * * * "When there are two acts upon the same subject, the rule is to give effect to both if possible." [Citing *United States* v. *Borden Co.*, 308 U.S. 188, 198.] * * * Here, as in *United States* v. *R.C.A.*, 358 U.S. 334, while "antitrust considerations" are relevant to the issue of "public interest, convenience, and necessity" (*id.*, at 351), there is no "pervasive regulatory scheme" (*ibid.*) including the antitrust laws that has been entrusted to the Commission. And see *National Broadcasting Co.* v. *United States*, 319 U.S. 190, 223. Under the Interstate Commerce Act, mergers of carriers that are approved have an antitrust immunity, as § 5(11) of that Act specifically provides that the carriers involved "shall be and they are hereby relieved from the operation of the antitrust laws * * *." See *McLean Trucking Co.* v. *United States*, 321 U.S. 67.
>
> There is no comparable provision under the Natural Gas Act. * * *

Finding no necessary conflict between the antitrust laws and the "public interest" standard under which the Commission, like the Comptroller here, was to pass on a proposed merger application, the Court

held that no antitrust exemption arises from the mere circumstance that the transaction was approved by an administrative agency under a "public interest" standard. The same result would follow in the present case even in the absence of the clear legislative history supporting that conclusion.

B. BANK MERGERS ARE SUBJECT TO THE ANTITRUST LAWS ALTHOUGH VARIOUS ASPECTS OF THE OPERATIONS OF BANKS ARE REGULATED BY STATE OR FEDERAL LAW

A number of findings proposed by the defendants and approved by the district court appear intended to attach particular significance to the fact that certain commercial banking practices are regulated by law (Fdgs. 28a–39a, R. 3492–3).[13] But neither the existence of regulation of aspects of the banking business nor the effects of regulation upon competition in the areas in which it applies can serve to limit the general applicability to banks of the antitrust laws.

1. The district court was of the opinion that the broad principles of law enunciated in antitrust cases involving commercial and industrial organizations do not apply with the same force and effect to a "regulated" industry as to one in the so-called "free enterprise" field (R. 3635). However, in dealing with industries subject to broad regulation, this Court has frequently considered the question whether the regulatory legislation conferred exemption from the antitrust laws, and in these decisions it has always

[13] Commercial banks are not permitted to pay interest on demand deposits and the maximum interest which they may pay on time and savings deposits is prescribed (Fdg. 13a, R. 3490). The banks are also subject to supervision and regulation designed to assure the safety and liquidity of their assets and investments (Fdgs. 22a–23a, R. 3491).

applied the antitrust laws with full force and effect to conduct not specifically exempted.[14]

The district court's view was, we believe, properly laid to rest in the numerous cases in which this Court held that the application of the Sherman Act to railroads is in nowise limited by reason of the fact that many aspects of the railroads' business are strictly regulated (see, *e.g.*, *United States* v. *Union Pacific R.R. Co.*, 226 U.S. 61; *United States* v. *Southern Pacific Co.*, 259 U.S. 214) and the early rate-fixing cases (*United States* v. *Freight Association*, 166 U.S. 290; *United States* v. *Joint Traffic Association*, 171 U.S. 505). For example, in *United States* v. *Southern Pacific Co.*, 259 U.S. 214, this Court held a merger of railroads within Sherman Act prohibitions notwithstanding extensive federal regulation of railroad rates and practices. The Act makes unlawful, the Court said, merger of competitive rail systems when the effect is "to suppress or materially reduce the free and normal flow of competition," and in the case before it the Court found this effect because the merger would suppress competition as to significant elements thereof which were outside the sphere of regulatory control (259 U.S. at 230–231). The Court said (*id.* at 231):

> While many practices, formerly in vogue, are eliminated by the legislation of Congress regu-

[14] *United States* v. *Borden Co.*, 308 U.S. 188; *Milk Producers Assn.* v. *United States*, 362 U.S. 458 (milk distribution case); *United States* v. *R.C.A.*, 358 U.S. 334 (television stations); *California* v. *Federal Power Comm.*, 369 U.S. 482 (distribution of natural gas). See also *Far East Conference* v. *United States*, 342 U.S. 570 (water transportation).

> lating interstate commerce, and through rates and transportation may be had under public supervision, there are elements of competition in the granting of special facilities, the prompt carrying and delivery of freight, the ready and agreeable adjustment and settlement of claims, and other elements which that legislation does not control.

See, also, *Georgia* v. *Pennsylvania R. Co.*, 324 U.S. 439, 456–457.

2. There is even less basis for a contention that, because of the regulation of various banking practices, competition among banks is either absent, unnecessary, or undesirable. A great portion of the business of banking, including some of its most important aspects, is not regulated and Congress in enacting the Bank Merger Act expressly recognized and declared (a) that commercial banks compete in their banking services, (b) that maintenance of this competition is of public importance, and (c) that bank mergers threaten seriously to impair maintenance of this competition.

The Senate and House Committee reports described the competition among banks as follows (S. Rep. 196, 86th Cong., 1st Sess., p. 16; H. Rep. 1416, 86th Cong., 2d Sess., p. 3):

> Competition in banking takes many forms—competition for deposits by individuals and corporations and by personal and business depositors; competition for individual, business, and governmental loans; competition for services of various sorts. * * *

Both reports declared the importance of this competition (*ibid.*):

> Vigorous competition between strong, aggressive, and sound banks is highly desirable. * * * Competition for deposits increases the amounts available for loans for the development and growth of the Nation's industry and commerce. Competition for loans gives the borrowers better terms and better service and furthers the development of industry and commerce. * * *

And, as we have noted above, both reports also declared that bank mergers have been and are a serious threat to maintenance of competition (S. Rep. 196, 86th Cong., 1st Sess., p. 8; H. Rep. 1416, 86th Cong., 2d Sess., p. 5):

> The large numbers of mergers in recent years, the vast resources involved in these mergers, and the increases in the size of the largest banks, particularly those which have grown through mergers, all give rise to concern for the maintenance of vigorous competition in the banking system. * * * The reduction in the number of banks and the loss of competition between merged banks also give rise to concern. * * *

II

COMMERCIAL BANKING IS THE MOST RELEVANT PRODUCT MARKET, AND THE PHILADELPHIA FOUR-COUNTY AREA IS THE MOST RELEVANT GEOGRAPHIC MARKET, FOR MEASURING THE TRADE-RESTRAINING AND ANTI-COMPETITIVE EFFECTS OF THE PROPOSED MERGER

Where, as here, the issue is whether the acquisition of one competitor by another violates the antitrust

laws, it is necessary to determine the "area of effective competition," that is, the trade as to which the two have been substantially competitive. This inquiry, in turn, involves ascertaining what products both sell (sometimes called the relevant product market) and what areas or regions both serve with the same or substantially the same product (sometimes called the relevant geographic market). These determinations, which enable the court to ascertain the extent and seriousness of the trade-restraining effects of the acquisition, see *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 324, are as important to a determination under Section 1 of the Sherman Act as to a decision under Section 7 of the Clayton Act. See *United States* v. *Columbia Steel Co.*, 334 U.S. 495. We shall, therefore, discuss the appropriate product and geographic markets in the present case before considering the legality of the merger under the distinct provisions of the Sherman and Clayton Acts.

The court below held that the relevant product market is commercial banking and that the relevant geographic market is an area wider than the Philadelphia four-county area (but how much wider the court was unwilling definitely to find). The government believes that the holding concerning the relevant product market is correct, and while it does not anticipate that appellees will contend otherwise, we undertake to show the validity of the holding. The holding respecting the relevant geographic market we vigorously contest.

A. COMMERCIAL BANKING IS THE MOST RELEVANT PRODUCT MARKET

A large company ordinarily sells a wide variety of goods and services, and frequently a considerable portion of these are designed to serve particular needs. If such a company combines with another by merger or otherwise, it is necessary to determine which of its products or services are truly competitive with the products and services of the company with which it is combining and which of these are competitive with the products of other remaining competitors. The words "relevant product market" are a short-cut designation of the area of effective "product" competition.

There is no difficulty in the present case in identifying the area of effective competition between the combining companies. All commercial banks, at least all those of substantial size, perform the same functions and render the same services. Since they are competitive with each other in every aspect of their business, the starting point for a determination of the relevant "product" market necessarily is the entire business in which they are engaged, in short, commercial banking.

This is not, however, the end of the process of defining a product market. From the standpoint of anti-competitive effects of the merger on the customers served or potentially served by the two banks whose independent existence the merger would bring to an end, it may be necessary to consider whether there are other institutions to which the customer might turn to obtain the substantial equivalent of

what he loses by being denied, because of the merger, an important alternative source of commercial banking service. As to this question, we submit that the record conclusively establishes that no other financial institution could fill the gap caused by the narrowing of the available suppliers of commercial banking service.

The most important elements of the service of commercial banks are supplied only by them. The district court found: that "[c]ommercial banks are the only financial institution in the United States authorized to receive demand deposits" (Fdg. 49, R. 3338); that "[o]nly commercial banks provide checking account services" (Fdg. 57, R. 3340); and that "[u]nsecured, short-term commercial loans are readily available to Philadelphia businessmen only from commercial banks" (Fdg. 72, R. 3342). The banks, accordingly, supply services ("products") which not only are not reasonably interchangeable with the services of others, but are, in fact, unique. It is therefore clear that in this case commercial banking, as such, is not only a relevant product market but it is the most relevant market for appraising the validity of the merger. Moreover, the numerous federal and State statutes applicable solely to commercial banks [15] represent implicit recognition of the separate and distinct character of their business and functions, both by Congress and State legislative bodies.

In *Brown Shoe* this Court emphasized the importance of a realistic determination of the relevant

[15] For Federal legislation, see in general 12 U.S.C. 1–548, 1811–1848.

product market. 370 U.S. at 326. On this issue the ruling below was entirely realistic and, we submit, clearly correct. The court said (R. 3651–2):

> It is the conglomeration of all the various services and functions that sets the commercial bank off from other financial institutions. Each item is an integral part of the whole, almost every one of which is dependent upon and would not exist but for the other. The Court can perceive no useful purpose here in going any further than designating commercial banking a separate and distinct line of commerce within the meaning of the statute. It is undoubtedly true that some services of a commercial bank overlap, to some degree, with those of certain other institutions. Nevertheless, the Court feels quite confident in holding that commercial banking, viewed collectively, has sufficient peculiar characteristics which negate reasonable interchangeability.

Within the "outer boundaries" of a product market, "well-defined submarkets may exist which, in themselves, constitute product markets for antitrust purposes." *Brown Shoe* at 325. In some commercial bank mergers it may be necessary to examine the merger's effect on a particular segment of the business of the merging parties, to determine whether that segment of their business is a sufficiently distinct and economically significant submarket so that, as to this submarket, the merger unreasonably restrains or monopolizes trade or otherwise has competitive effects prohibited by the antitrust laws. But such an examination need not be made where, as here, the facts establish that the merger's effect throughout the gen-

eral product market, commercial banking, violates the antitrust laws.

B. THE PHILADELPHIA FOUR-COUNTY AREA IS THE RELEVANT GEOGRAPHIC MARKET

The record in this case plainly indicates that the great majority of banking customers in the four-county area surrounding Philadelphia must obtain the banking services they need locally, in the four-county area itself. This area is therefore the relevant geographic market for assessing the effects of the PNB-Girard merger.

In *Brown Shoe*, this Court held that a horizontal merger violates Section 7 of the Clayton Act if it has effects of the kind prohibited by that section in "any" relevant geographic market (370 U.S. at 337). It is no less firmly established that the Sherman Act's prohibitions apply to restraints and monopolizations of trade which are operative in any significant geographic area. This Court has declared that the prohibitions of the Act "have both a geographical and distributive significance and apply to any part of the United States as distinguished from the whole * * *." *Indiana Farmer's Guide Co.* v. *Prairie Farmer Co.*, 293 U.S. 268, 279; *United States* v. *Yellow Cab Co.*, 332 U.S. 218, 226. In *United States* v. *Columbia Steel*, 334 U.S. 495, the Court said (p. 519) that "we have consistently held that where the relevant competitive market covers only a small area the Sherman Act may be invoked to prevent unreasonable restraints within that area", and it held (pp. 520, 527) this to be the rule for both vertical and horizontal combinations.

A geographic market, to be relevant for antitrust purposes, must correspond to the "commercial realities" of the industry and be "economically significant". *Brown Shoe, supra,* 336–337. We submit that here the Philadelphia four-county area unquestionably is, under these tests, not only a relevant geographic market, but far and away the most relevant market. It is beyond dispute that the defendants directly and substantially compete with each other in that area, that this is the primary area of their banking operations and *inter sese* competition, and that the business which they draw from this area dwarfs in size and importance that drawn from without. This is confirmed by the following considerations.

(1) All of the defendants' banking offices are located, as by law they must be, within this area.

(2) By far the greater part of the deposits they receive, the loans they make, and the trusts they administer represents business done with customers in the four-county area. For the two banks combined, customers in the four-county area represent the following percentages of the total amounts of the various categories of deposits and loans, and of the total number of trusts:

	Percentages	Record Ref.
Demand deposits of individuals	89	Fdg. 275, R. 3380
Demand deposits of partnerships and corporations	71	Fdg. 275, R. 3392
Time and savings deposits	88	Fdg. 269, R. 3385
IPC deposits (time and demand)	79	Fdg. 280, R. 3393
Loans to individuals	72	Fdgs. 260, 261, R. 3379
Commercial and industrial loans	57	Fdg. 259, R. 3377
Personal trusts (by number of accounts)	[16] 77	Fdg. 268, R. 3383

[16] This percentage is computed from figures given in the table preceding this finding (R. 3382).

The amount of business done by the two banks in the additional six counties of the 10-county Delaware Valley area suggested by defendants (Fdg. 50a, R. 3494) is minute in comparison to their business in the four-county area. The additional six counties together account for only 2 percent of the combined banks' individual demand deposits (1/44th of the total the two banks received from customers in the four-county area); 4 percent of demand deposits of partnerships and corporations (1/18th of their total from customers in the four-county area); 7 percent of loans to individuals (1/10th of their four-county total); 7 percent of commercial and industrial loans (1/8th of their four-county total); 2 percent of savings deposits (1/48th of their four-county total); and 4 percent of business time deposits (1/17th of their four-county total).[17] These figures show that the geographic area within which PNB and Girard are effective competitors for banking business can most realistically be defined as the four-county area. They also indicate that banking customers within a given area do not readily use the services of comparatively distant banks.

(3) The court below repeatedly recognized the great importance to a bank, in its competition for business, of proximity to those needing banking services. In condonative explanation of defendants' prior mergers, the court said that "mergers with existing banks in the suburbs of Philadelphia were, in many cases, the only feasible way for larger banks to follow the mi-

[17] Fdgs. 275, 260, 258, 272; R. 3389, 3392, 3379, 3376, 3388. Figures are not available for the amounts of other categories of business done in the six additional counties.

gration of many of their customers into these areas." (R. 3661; see also Fdg. 99a, R. 3502). It found that "PNB and Girard have opened new branch offices in the four-county area to serve existing customers and to participate in the growth of new communities" (Fdg. 100a, R. 3502); that the "Philadelphia banks compete to acquire desirable branch sites" (Fdg. 293, R. 3396); and that in order "to maintain its competitive position Girard believes it must keep a strategic branch system" (Fdg. 294, R. 3397). The "need to have a convenient location" in order "to serve more efficiently and conveniently the customers" each bank had in particular areas so as "to protect and retain existing business" was found to be the motivation for the establishment or purchase of a number of branch offices by both PNB and Girard (Fdgs. 296, 299, 454, R. 3397, 3398, 3441; see also Fdg. 315, R. 3400).[18] Since their offices are limited to the four counties, the foregoing considerations ensure that this is the area in which the two banks will do most of their business.

[18] Compare the similar finding of the Federal Reserve Board in another proceeding, quoted in *Transamerica Corp.* v. *Board of Governors*, 206 F. 2d 163, 167–8:

> Because of the frequency of need for access to one or more of the services of commercial banks, such banks draw their business largely from areas within which customers may conveniently visit the banks as occasion may require. Thus, in this aspect of their customer relations, commercial banks are largely local, and for the usually needed customer services a distant bank cannot adequately serve a customer. Very large concerns with national credit standing have access to credit from banks in many parts of the country and may also maintain accounts in widely scattered banks. This does not apply, however, to the great multitude of the customers of commercial banks. The

(4) Both of the banking agencies which submitted reports to the Comptroller on the merger application found the four-county area to be the relevant geographic market. The Federal Reserve Board stated that the four-county Philadelphia area is the area where "the principal competitive impact of the proposal will fall," and that bank examiners in confidential sections of their bank examination reports had expressed the view in all cases involving Philadelphia, Camden, Trenton, and Wilmington banks, that the "primary competition" of these banks is represented by the banks in the city of the particular bank's location (GX 161, R. 2824). Similarly, the report of the Federal Deposit Insurance Corporation listed as "competing" banks only banks in the four-county area, and it dealt with the competitive effects of the merger on the basis of its effects in that area (GX 163, R. 2845–2857).

In sum, it is clear that the four-county area is the relevant geographic market for banking services. Both the fact that the great bulk of the business of Girard and PNB arises from sources within the four-county area and the fact that the banks have recognized and emphasized the importance of maintaining offices near to their customers, show conclusively that banking customers need and deal primarily with

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smaller concerns, local business enterprises, and ordinary citizens must depend upon their local commercial bank or banks for the financial services peculiar to such banks; for all these customers there is no alternative or substitute, because distantly located banks do not serve or supply their needs.

nearby banks. The few largest customers of PNB and Girard may have available to them banking sources from outside the four-county area. But the great multitude of banking customers can turn only to local banks for the services they desire and are significantly affected by an elimination of competition in the four-county area. Since the four-county area is the only market in which by far the greater part of banking customers in the area deal, it is plainly the relevant market for assessing the effects of the PNB-Girard merger.

III

THE PROPOSED MERGER VIOLATES SECTION 1 OF THE SHERMAN ACT

The illegality of the proposed merger between the second and third largest banks in the Philadelphia area can be demonstrated in either of two ways. We submit, first, that the elimination of all competition between two sound firms, the second and third largest in the most relevant market, which do 35 percent of all the business, is itself sufficient to invalidate the merger without further inquiry. This position is squarely supported by the railroad merger cases, whose authority, we submit, was not impaired by *United States* v. *Columbia Steel Co.*, 334 U.S. 495.

Second, even if the *Columbia Steel* case requires a broader framework of inquiry, the proposed merger is unlawful. For, judged upon the elements there held relevant, the proposed merger would be in unreasonable restraint of trade.

A. THE MERGER BETWEEN PNB AND GIRARD WOULD VIOLATE SECTION 1 BECAUSE IT ELIMINATES ALL COMPETITION BETWEEN TWO MAJOR FIRMS IN THE MOST RELEVANT MARKET

1. The proposal to merge PNB and Girard involves these salient facts: The merger would unite banks which respectively have deposits of $924,000,000 and $651,000,000, loans of $524,000,000 and $399,000,000 and assets in the trusts administered of $400,000,000 and $2,500,000,000.[19] The two banks actively compete with each other as to this vast volume of business, and their competition embraces every aspect of the business in which they are engaged.[20] All of this competition the merger would "completely" eliminate.[21] There was no business necessity for the merger on the part of either bank; each was in good financial condition and under sound and able management.[22] The merging companies together control approximately 36 percent of the deposits, 34 percent of the net loans, and 37 percent of the assets of all commercial banks in the four-county area (R. 3656–7). See also Statement *supra*, pp. 4–12.

The immediate effects of the elimination of competition between PNB and Girard are also shown in the record by nonstatistical evidence. That the forces of competition operate, and operate strongly in the business of commercial banking is demonstrated by the testimony of officers of the defendant banks and defense witnesses.

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[19] Fdg. 93a, R. 3501; Fdg. 338, R. 3405.

[20] Fdgs. 292 (R. 3396), 316 (R. 3401), 337 (R. 3405), 348 (R. 3406), 355 (R. 3408), 363, 365, 368–371 (R. 3409–11).

[21] Fdg. 373, R. 3410.

[22] Fdgs. 11, 15, R. 3327, 3328.

A vice president of PNB stated that a bank's superiority in service is perhaps the most important factor in obtaining a customer of another bank as a depositor (R. 1733). An assistant vice president of PNB testified that differences between banks in their service charges on checking accounts are a factor in acquiring and retaining business (R. 813). A defense witness, a former treasurer and a long time director of a large chemical company, expressed the opinion that any company financial officer wishing to arrange a loan from a bank would like to be able to deal with two or three banks "so that he can play one against the other," and that there is "no substitute" for this ability to bargain as to terms (R. 2098, 2106). Another defense witness, an officer of a large public utility company, testified that competition between banks "produces better services," that in loans to small business banks compete with each other as to their lending service, and that in loans running into millions they compete as to the rate of interest to be charged (R. 2204).[23]

Girard, the district court found, "is an active and alert competitor of PNB throughout the area in which PNB has banking offices."[24] Each of 11 Girard offices, which together had a total of $348,138,000 in

[23] A government witness, formerly the president of a New York commercial bank, testified that in borrowing from a bank the rate of interest is always negotiated competitively unless the borrower already has a bank loan at the prime rate, and that in that situation there is "a whole variety of collateral services in which banks may compete with each other" (R. 757, 780–1, 783).

[24] Fdg. 287 (R. 3395).

IPC deposits,[25] was located within two miles of one or more of 17 PNB offices, which together had total IPC deposits of $352,608,000. By far the greater portion of this business was conducted by offices of one of the merging banks located within one mile of one or more offices of the other bank.[26] As to personal loans, a vice president of the consumer credit department of Girard testified that branches of Girard within five miles of a branch of PNB compete to make such loans,[27] and loans of individuals, partnerships, and corporations amounting to $409,613,000 are held by offices of one of the two banks located within two miles of an office of the other, again by far the greater part involving an office of one of the two banks within one mile of an office of the other.[28] Hundreds of millions of dollars in deposits and tens of millions in loans were even shown to involve customers who not only had both banks available to them but used both extensively[29] and thus could be expected readily to shift funds and loans between banks in response to competitively offered benefits.

One is not left entirely to speculation in assessing the effects of eliminating this substantial competition between PNB and Girard. The average interest rate

[25] IPC deposits are deposits (either demand or time) of individuals, partnerships and corporations as distinguished from deposits of governmental agencies and banks. "The largest part of a bank's earnings are derived from its deposits, without which it could not conduct its business" (Fdg. 27a, R. 3492).

[26] Fdg. 308 (R. 3399).

[27] Fdg. 315 (R. 3400).

[28] Fdg. 308 (R. 3399).

[29] Fdg. 290 (R. 3396).

charged by each of the two banks on the same categories of loans was markedly different.[30] For example, the interest rates charged by Girard on equipment loans were higher than those charged by PNB.[31]

> The recommendation of the equipment loans task force committee composed of officers of both defendants was that Girard's higher consumer credit interest rates be utilized by the resulting bank rather than the simple interest rate on which PNB makes equipment loans. The committee believed that competition would be such that the merged bank could obtain the higher rate [Fdg. 328, R. 3403].

The merger would, of course, also affect the rate of interest paid by the banks on time deposits. Again the effect of the complete elimination of competition between them is indicated by the trial court's findings. "On February 1, 1961, officers of the defendants compared seven existing practices of Girard with the practices of PNB in paying interest and assessing charges on savings accounts. In every instance the practice followed by Girard was more favorable to the bank than the practice of PNB. In every instance it was recommended that the Girard practice or one even more lucrative for the resulting bank be adopted. It was estimated that these practices had resulted in a saving of $138,000 in the interest Girard paid its savings depositors in 1960" (Fdg. 349, R. 3407). Since the merged bank plans to follow these practices, it is evident that a substantial reduction

[30] Fdg. 317 (R. 3401).
[31] Fdg. 327 (R. 3403).

of income to savings depositors of PNB will result from the combination of these competing banks.

2. Such a merger between two leading firms in the same market, which control a large portion of the business—here a little more than one-third—violates Section 1 of the Sherman Act. Nothing more need be proved. The merger automatically puts to an end all competition between PNB and Girard. See *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 335. Where, as here, the companies are leaders in the trade and commerce common to both, the merger by its own force eliminates substantial competition and significantly narrows the number of major units competing in the market. Moreover, the competition is suppressed, not for the uncertain duration of a consensual agreement which the parties themselves may at any time abrogate or breach, but forever. Section 1 was manifestly intended to reach restraints achieved by combining into a single enterprise, subject to common control, companies which were formerly independent. In the last quarter of the nineteenth century trusts had frequently been employed to obtain control over former independents and thereby suppress all competition among the controlled companies.[32] It is thus significant that the prohibition of Section 1 of the Act runs against "[e]very contract, combination *in*

[32] In that era, many State corporation laws did not permit a corporation to own stock of another corporation, and the trust device—vesting in trustees legal title to and voting rights in stock of the companies brought into the combination—was frequently used as the means for exercising control over two or more corporations. Use of the trust device is shown in *Standard Oil Co.* v. *United States*, 221 U.S. 1, 33–41.

the form of trust or otherwise, or conspiracy" (emphasis added) in restraint of interstate trade.

This interpretation is squarely supported by a series of decisions of this Court under Section 1 invalidating horizontal mergers between competitors when all that appeared was that two major firms in the same market had, without business necessity, combined and thereby suppressed competition between themselves. The starting point[23] is *Northern Securities Co.* v. *United States*, 193 U.S. 197. A holding company had been formed to acquire controlling stock in two railroads operating parallel lines across the northwestern tier of States. The government's sole complaint was that the merging companies had, by "repressing free competition between them," combined in illegal restraint of interstate commerce (193 U.S. at 335). The Court held that the combination

[23] Three of the Court's early horizontal merger decisions have little pertinency here. The ground of decision in *United States* v. *E. C. Knight Co.*, 156 U.S. 1, was that acquisition of the stock of nearly all the companies engaged in refining sugar constituted a monopolization of restraint of manufacture, not of interstate commerce, a view long since repudiated. While *Standard Oil Co.* v. *United States*, 221 U.S. 1, and *United States* v. *American Tobacco Co.*, 221 U.S. 106, are well known, important cases, the opinions are not very illuminating as to issues in the instant case. In the words of a prominent student of and commentator on the antitrust laws, the *Standard Oil* opinion "is more concerned with the profundities of the rule of reason than with an explicit statement of the grounds of decision," and the government's case was of such strength that it is "difficult to appraise the legal significance" of the numerous facts which the Court reviewed. Handler, *A Study of the Construction and Enforcement of the Federal Antitrust Laws*, TNEC Monograph No. 38, Senate Committee Print, 76th Cong., 3d sess., p. 51. These comments equally apply to the *American Tobacco* opinion.

constituted "a menace to, and a restraint upon, that freedom of commerce which Congress intended to recognize and protect, and which the public is entitled to have protected" (193 U.S. 327). The Court's holding was made without reference to or determination of the extent to which the traffic of the railroads brought under one control was subject to the competition of other railroads, that is, the strength of the remaining competition. In fact, only a minor part of the business for which the two roads competed was free from the competition of other carriers. Handler, op. cit. *supra*, fn. 33, at pp. 48–49.

In *United States* v. *Union Pacific R.R. Co.*, 226 U.S. 61, the Court unanimously held that acquisition by Union Pacific of a controlling stock interest in Southern Pacific violated the Sherman Act. The lines of the two railroads were widely separated, that of the Union Pacific running from Kansas City, Missouri, via Ogden, Utah, to Portland, Oregon, and that of the Southern Pacific from New Orleans via El Paso to Los Angeles and then up the coast to San Francisco and Portland (226 U.S. at p. 80). The Court recognized that the business for which the two railroads were in competition was "a comparatively small part" of their total traffic, but the Court found violation of the Sherman Act because traffic for which they did compete with each other amounted to "many millions of dollars," and because the acquisition could be expected to eliminate competition as to this traffic (226 U.S. pp. 88–89). As in the *Northern Securities* case, the combination was declared unlawful because of the elimination of the merging companies' *inter*

sese competition without reference to the strength or weakness of the remaining competition.[34]

In *United States* v. *Reading Co.*, 253 U.S. 26,[35] the Court vigorously reaffirmed the principles of the *Union Pacific* and *Northern Securities* cases. It held that the fact that the combination in issue brought

[34] The Court's decision in *United States* v. *Winslow*, 227 U.S. 202, during the same term as *Union Pacific*, was plainly not in conflict with *Union Pacific*. The issue before the Court in *Winslow* was whether a Sherman Act indictment, which alleged a merger of several companies engaged in making and selling machines for the manufacture of shoes, charged an offense under the Act. The Court, accepting the view that the indictment charged a merger of companies which "did not compete with one another" (227 U.S. at 217), held that the Act was not violated by bringing about, by merger, a vertical integration of the shoe machinery business. In *United States* v. *United Shoe Machinery Co.*, 247 U.S. 32, the same merger was attacked in a civil proceeding. The Court concluded that the evidence adequately supported the finding below that the defendant companies were "not in competition" at the time of their merger (247 U.S. at 41) and held, adhering to its reasoning in *Winslow*, that in the circumstances shown the merger of companies making complementary, not competitive, machines did not violate the Sherman Act (see 247 U.S. at 45).

[35] Two months earlier, in *United States* v. *United States Steel Corporation*, 251 U.S. 417, a four-justice majority of this Court refused to order dissolution of the Steel Corporation, which had been organized in 1901 to acquire and hold stock of twelve previously independent steel manufacturers, because it found weighty "countervailing considerations" which made it inappropriate to order dissolution (251 U.S. at 452). The nub of these countervailing considerations was that dissolution, if enforced against the merger consummated nineteen years earlier, would drastically and retroactively unsettle vast property interests and materially disturb the nation's foreign trade.

As Justice Day pointed out in dissent (*id.* at 463), the Court declined to grant relief against a "plain violation" of the Act on the ground of "public policy" considerations.

under unified control "two great competing coal companies" and "two great competing interstate carriers" was enough "to bring it, without more, within the condemnation of the Anti-Trust Act" (253 U.S. at 59). The shipments of anthracite coal falling into common hands by the combination amounted, the Court noted, to over one-third of the total for the country. See also, *United States* v. *Lehigh Valley Railroad Co.*, 254 U.S. 255.

The *Reading, Union Pacific* and *Northern Securities* decisions were reaffirmed in *United States* v. *Southern Pacific Co.*, 259 U.S. 214, where the Court held that the acquisition by the Southern Pacific of stock of the Central Pacific, which formed a connecting link for transcontinental shipments by a competitor of the Southern Pacific, violated the Sherman Act because the control could be utilized to divert transcontinental traffic to the Southern Pacific's line.

There is no reason to read the foregoing decisions as if they barred every merger between competing companies, and then to condemn them as impossibly restrictive, or to confine them to railroad mergers. Each of the cases must, of course, be read in the light of the facts concerning the merging companies which were obvious to the Court, even if not mentioned in the opinion. The merging companies, in each case, were major competitive factors in the relevant market, and they were strong companies in no danger of failure absent merger.[36] The cases therefore stand for the proposition that, where merging companies

[36] Cf. *International Shoe Co.* v. *Federal Trade Commission*, 280 U.S. 291.

are major competitive factors in a relevant market, the elimination of competition between them, by merger, itself constitutes a violation of the Sherman Act.

Applying that principle to the facts of this case, we find present all the basic elements determinative of illegality. What the defendant banks' proposed merger basically involves is acquisition by PNB of the substantial share of the market held by Girard and consequent elimination of the substantial competition of another concern which was a major factor in the market. No showing was made that this combination represents, in the words of the Court in *United States* v. *Reading Co.*, 253 U.S. 26, 57, "normal expansion to meet the demands of a business growing as a result of superior and enterprising management." Rather it was "deliberate, calculated purchase for control" of Girard's share of the market (*ibid.*).

There is, moreover, similarity in a fundamental and crucial sense between the restraints of trade held illegal in this Court's railroad merger decisions and the restraints which would result from merger of the defendant banks. Transportation and banking, each in its own way, performs a function vital to all trade and commerce, and might properly be called nerve centers for the country's trade and industry. Transportation is indispensable to trade and commerce of every variety. Similarly, commercial banks are today an indispensable source of the money and credit vital to every form of trade and industry. In the instant case the district court said: "It is the com-

mercial bank, even though strictly regulated, which comprises the backbone of the monetary system of the United States" (R. 3635). The Senate and House Committee reports on the bill which became the Bank Merger Act quoted the following from an article on banking by a well-known law professor: "Operations in deposit banking not only affect the commercial field, but also determine in great measure the supply of credit, the volume of money, the value of the dollar, and even, perhaps, the stability of the currency system."[37] In this field, as in the field of transportation, the protection of competition is the defense of all commerce, and not merely a segment, from the harms which led to the passage of the antitrust acts; the ultimate adverse effects of the concentration of banking power, through merger, are likely to extend to other industries.

3. There is nothing inconsistent with these conclusions from the earlier railroad merger cases in *United States* v. *Columbia Steel Co.*, 334 U.S. 495.[38] In that

[37] Berle, *Banking Under the Anti-Trust Laws*, 49 Col. L. Rev. 589, 592 (quoted in S. Rep. 196, 86th Cong., 1st Sess., p. 18; H. Rep. 1416, 86th Cong., 2d Sess., p. 9).

[38] *United States* v. *International Harvester Co.*, 274 U.S. 693, decided in the period between the railroad cases and *Columbia Steel*, is at times discussed in connection with the Sherman Act merger cases, but did not rule upon the question of illegal restraint of trade resulting from merger of competing companies. The defendant corporation had been formed in 1902 to acquire the assets and business of five manufacturers of harvesting machinery. A consent decree entered in 1918 in a Government proceeding seeking dissolution of the merger required the defendant to divest itself of part of its harvesting machinery business and placed certain limitations on its sales activity. The decree also entitled the United States to apply for further

case the government attacked as a violation of the Sherman Act the acquisition of the physical assets of Consolidated Steel Corporation ("Consolidated") by United States Steel Corporation ("U.S. Steel").[39] At the time of the acquisition U.S. Steel and Consolidated both made fabricated structural steeel products, the former selling these products on a nation-wide basis and the latter selling them in 11 states (referred to as the Consolidated market).[40] The government charged, among other things, that the acquisition would illegally restrain trade in that it would eliminate competition between U.S. Steel and Consolidated in the sale of these products.

Before beginning its analysis of the horizontal effects of the transaction before it, the Court noted that the standards for assessing the merger should be analogous to or at least determined in light of the standards of Section 7 of the Clayton Act even though the

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relief at the expiration of 18 months after termination of the war if at that time the decree had not brought about a competitive situation "in harmony with law" (see 274 U.S. at 697). The government sought additional relief pursuant to this provision, and on appeal from dismissal of its petition this Court held that the consent decree precluded the government from seeking any relief by way of dissolution beyond that given by the consent decree (*id.*, at 702–703).

[39] When we refer to U.S. Steel, the reference includes the acts and business of its various subsidiaries.

[40] U.S. Steel's fabricating plants were in the East while Consolidated had one plant at Los Angeles and one at Orange, Texas (334 U.S. 501).

Both companies also made, and sold on a nation-wide scale, pipe for oil and gas pipelines, but, because the government's stronger case and thus the more important portions of the Court's opinion involved structural steel products, we shall limit our discussion to these.

particular transaction did not fall under the Clayton Act.[41] "It must be assumed," the Court said (334 U.S. at 507 n. 7), "that the public policy announced by § 7 of the Clayton Act is to be taken into consideration in determining whether acquisition of assets of Consolidated by United States Steel with the same economic results as the purchase of the stock violates the prohibitions of the Sherman Act against unreasonable restraints."

Turning to the case before it, the Court listed the factors it thought relevant, at once emphasizing the importance of the share of the business controlled by the merging parties and yet refusing to draw a sharp numerical line of illegality for all market contexts in terms of the amount of business brought under a single control (334 U.S. at 527–28):

> * * * In determining what constitutes unreasonable restraint, we do not think the dollar volume is in itself of compelling significance; we look rather to the percentage of business controlled, the strength of the remaining competition, whether the action springs from business requirements or purpose to monopolize, the probable development of the industry, consumer demands, and other characteristics of the market. We do not undertake to prescribe any set of percentage figures by which to measure the reasonableness of a corporation's enlargement of its activities by the purchase of the assets of a competitor. The relative effect of percentage command of a market varies with the setting in which that factor is placed.

[41] The Clayton Act was amended to include asset acquisitions two and one-half years after the decision in *Columbia Steel*.

The importance attached to the first of these factors was made particularly clear when the Court applied them to the proposed acquisition (334 U.S. at 529):

> * * * If we make the doubtful assumption that United States Steel could be expected in the future to sell 13% of the total of structural steel products in the Consolidated trade area and that Consolidated could be expected to sell 11%, we conclude that where we have the present unusual conditions of the western steel industry and in view of the facts of this case as developed at pages 512 to 516, of this opinion, it can not be said there would be an unreasonable restraint of trade. * * *

The "unusual conditions" and particular facts which are set out at pages 512 to 516 and which, in the Court's view, removed this combination of a 13 percent seller and an 11 percent seller from the prohibition of combinations in Section 1 were, in essence, that as a result of wartime developments, western sources of supply were developing for western steel fabricators and eastern fabricators such as U.S. Steel had lost the freight rate advantages previously enjoyed.[42] As a result, the Court said, the government's prewar statistics were "of little relevance" (p. 514). The Court also indicated (p. 513) that the government's figures negated the regional market area on which the

[42] In addition, before the war, rolled steel had been sold on the West Coast at a price computed on eastern basing points. It was contemplated that a change in the basing point for postwar prices to Geneva, Utah, would so reduce prices as to affect substantially the competitive position of eastern sources (*id.*, 502–504).

government had relied; and (p. 515) that the government had failed to establish that the two companies had actually produced similar products.[4]

Columbia Steel plainly did not hold that the elimination of *inter sese* competition between merging companies in a market which remains competitive after the merger can never in itself violate Section 1, and the opinion indeed suggests that a merger of an 11 percent seller with a 13 percent seller might, if these shares were firmly established, raise serious doubts under the Sherman Act. Faced with a narrowing of competition by combination that was both far less certain and less significant than in the railroad merger cases, the Court held only: (1) that these precedents were too "dissimilar" on their facts to determine "whether the competition which will be eliminated through the [combination] * * * is sufficient to warrant injunctive relief" (334 U.S. at 531), and (2) that in these circumstances a number of other factors bearing on the substantiality of the competition being eliminated must also be considered.

In contrast to *Columbia Steel*, here there is no question as to the substantiality of the competition being eliminated in a merger of PNB and Girard. They are the second and third largest firms in the relevant market. Between them they control 35 percent of the business, not the "doubtful" 24 percent in *Columbia*

[4] The two companies submitted bids for the same project "in a very small number of instances," and the government introduced "very little evidence" to show that "the types of structural steel products sold by Consolidated are similar to those sold by United States Steel" (*id.*, 499, 515).

Steel. Nor is there anything analogous to the "unusual conditions" of the western steel industry which undermined the significance of the "doubtful" market share percentages in that case (334 U.S. at 529).

We believe, therefore, that under the decisions of this Court, the elimination of the substantial competition which has existed between these two major banking enterprises in the four-county Philadelphia area, is itself sufficient to establish that the merger violates Section 1 of the Sherman Act. But even if the *Columbia Steel* case requires examination of other market factors, the same conclusion follows. For the examination of those factors confirms the conclusion that the merger would result in unreasonable restraint of trade.

B. THE UNLAWFULNESS OF THE MERGER BETWEEN PNB AND GIRARD IS CONFIRMED BY CONSIDERATION OF THE FACTORS DEEMED RELEVANT IN *COLUMBIA STEEL*

1. *The proposed merger would eliminate all competition between two major firms in the most relevant market.*

We have shown already that the proposed merger would combine the second and third largest banks in the four-county Philadelphia area. It would eliminate all competition between them and give a single firm 35 percent of the market. These are the salient facts in appraising the over-all effect of the combine. The other factors pertinent under *Columbia Steel* (see p. 51, *supra*) may conveniently be grouped under three heads: the trend towards concentration of banking power; the effect of the merger upon remaining com-

petition; and the presence or absence of business justification.

2. *The proposed merger would accelerate a dangerous trend towards concentration of banking power.* The Senate and House Reports on the Bank Merger Act (S. Rep. 196, 86th Cong., 1st Sess., p. 8; H. Rep. 1416, 86th Cong., 2d Sess., p. 5) both expressed "concern for the maintenance of vigorous competition in the banking system" in light of the "large numbers of mergers in recent years, the vast resources involved in these mergers, and the increases in the size of the largest banks, particularly those which have grown through mergers * * *." Competition, the reports indicated, was threatened not only by "the loss of competition between merged banks" but also by the "reduction in the number of banks" (*ibid.*).

Philadelphia has been no stranger to these processes of concentration. There were 33 commercial banks with Philadelphia headquarters in 1950, 20 in 1955, and only 14 in 1960, a 58 percent decline in this 10-year period (GX 183, R. 2878). The number of commercial banks with headquarters in the four-county area fell from 108 in 1947 to 42 in 1960, a 61 percent decline (GX 184, GX 185, R. 2879). During this 10-year period the seven largest banks in the four-county area have increased their combined share of the area's total commercial bank resources from about 61 percent to about 90 percent (R. 2850; see, also, Fdg. 388, R. 3415).

Girard and PNB played leading roles in the process of concentration even prior to the instant merger.

During the 10-year period 1950–1960 PNB acquired nine banks and 18 of its present 27 offices (Fdgs. 7–8, R. 3326). During the same period Girard engaged in six mergers acquiring 32 of its 38 offices. For the 10-year period mergers contributed 63 percent of PNB's growth in deposits and 91 percent of Girard's growth (Fdg. 432, R. 3434). The district court's findings indicate, with one possible exception, that all the banks acquired by either PNB or Girard during this period were in competition with the acquiring bank (Fdgs. 435, 436, 440–445, 457; R. 3435–3436, 3437–3438, 3442).

The merger between PNB and Girard would bring together banks having assets of over $1,000,000,000 and $740,000,000, respectively, or, in combination, more than 35 percent of the total assets of all commercial banks in the four-county area (GX 8, R. 2362). The combined bank would, as we have seen, control 34 percent of all loans and 36 percent of the deposits of all banks in the four-county area (R. 3657). Moreover, 24 of the 40 banks remaining after the merger are located outside Philadelphia (GX 184, R. 2878, 3656), and their activities are directed toward serving local residents and businesses. The merger would reduce to seven the number of commercial banks in the four-county area with legal lending limits of up to $1,000,000. It would reduce to four and three, respectively, the number of competitors for loans up to $2,500,000 and $5,000,000 (Fdg. 158a, R. 3510). The fact, therefore, is that after merger of the defendant banks there would remain a mere handful of banks capable of provid-

ing the varied banking services (some of them directly dependent upon size of resources or capital) which PNB and Girard now independently offer. An important and substantial alternative choice of banking service, and the competition arising from the availability of this choice, would be eliminated by the merger.

Finally, there is on the present record only the most remote possibility of entry of a new competitor to offset the competition eliminated by the merger of Philadelphia's second and third largest banks. In the period 1951–1961, inclusive, only one new bank started operations in the Philadelphia four-county area (while during this period many of the area's banks went out of existence), and the deposits of this bank, ten years after it opened its doors, were only 1/3 of 1 percent of the deposits held by the area's commercial banks.[44] Furthermore, no existing area bank can in the foreseeable future fill the competitive gap, or correct the competitive imbalance in the banking structure, resulting from merger of PNB and Girard.[45]

The increase in concentration resulting from the merger of these two banks alone cannot be considered in isolation from the rule it establishes. In deter-

[44] The bank referred to, Bank of Old York Road, was organized on April 1, 1951 (R. 2250) and in 1961 its deposits were only about $15,400,000 (R. 2251), whereas in October 1960 the deposits held by all commercial banks located in the four-county areas amounted to approximately $4,623,000,000 (GX 161, R. 2829). Of these total deposits, PNB has 21.3 percent, Girard 14.5 percent, and the two combined would have 35.8 percent (*ibid.*).

[45] The significance of this competitive imbalance is discussed *infra*, pp. 59–65.

mining whether merger of the defendant banks would violate the Sherman Act, this Court must take into consideration, we submit, what would be implicit in a holding sanctioning the merger. In *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 343–344, this Court noted that

> If a merger achieving 5% control were now approved, we might be required to approve future merger efforts by Brown's competitors seeking similar market shares. The oligopoly Congress sought to avoid would then be furthered * * *

If the Act permits merger of the banks presently the second and third largest in the Philadelphia four-county area, then it equally permits merger of the banks now ranking first and fourth.[46] Nor would the Act be a bar if the probable next step occurred and the remaining area banks merged (other than perhaps some very small banks providing for a limited number of customers banking service of a limited type). The claim would be that this last step was permissible because the banks other than the top two were so unequal to them in resources and service capability that, without merger, the smaller banks would be unable to survive. See *Brown Shoe*, 370 U.S. at 346.

The belief that merger would thus beget merger has solid support in experience. The history of bank

[46] The district court found that PNB utilizes and sells its stature and lending limit (a function of its size) as an instrument of competition (Fdg. 289, R. 3395–3396). Subsequent experience has shown that the impetus of such a rule would not be restricted to the area's largest banks. See the application of Liberty Real Estate Bank and Trust Co. for consent to merger, discussed *infra*, p. 65.

mergers has been one of competition in size. The district court found (Fdg. 438, R. 3437):

> PNB used the aggressive expansion programs of its nearest rivals, the Pennsylvania Company for Banking & Trusts (now the First Pennsylvania Banking & Trust Co.) and Girard, to justify in part its acquisition in 1953 of the National Bank of Conshohocken when discussing this acquisition with an official representative of the Comptroller of the Currency.

3. The proposed merger would increase the domination of the market by a few large banks.

The effects upon a market of a single firm of dominant size are subtle. It can become a price leader, although it does not have power of a monopolist to raise prices without losing substantial business. Its superiority of resources makes plain to any who would cut prices that the dominant firm can tolerate a price war for longer than its competitors. In every area of competition overwhelming size and resources on the part of a dominant firm constitute a concentration of power which, whether rationally or irrationally, overhangs a market, dampening if not stifling the enthusiasm of those who would otherwise more actively compete.

These effects have been well described in an article by Professor Bok:

> The willingness of small firms to be dominated by a large rival rests in the end upon a psychological state of mind about which economists know very little. To some extent, the smaller firms may simply wish to enjoy

> the stability or the higher profit margins that may result from following the lead of a single member of the industry. On the other hand, the willingness to defer to the leader can also be attributed in part to a recognition—real or imagined, demonstrated or assumed—that the financial strength or the lower costs of the leader will allow him to get the better of any firm which competes too rigorously, persistently cuts prices, or tries in other ways to dispute his leadership.[47]

The district court appears to have concluded that the suppression of competition resulting from merging Philadelphia's second and third largest banks would be of little consequence because there would remain 41 commercial banks in the four-county area (assuming a highly improbable termination of the long-continued merger trend in the area). We submit that this mere counting of noses leaves out of sight the point of real significance, namely, the size and capacity for competition of the remaining banks.

If the merger were carried out, the next largest bank in the area would be about 60 percent as large as the merger-created bank, each of the two next largest a little over 25 percent of its size, and the fourth largest about 15 percent (*supra*, p. 10). The remaining 37 banks would together have only 17.7 percent of the area's commercial bank deposits (GX 161, R. 2829), or an average for the 37 of 45/100 of 1 percent of the total, as against the merged banks' 35.8

[47] Bok, *Section 7 of the Clayton Act and the Merging of Law and Economics*, 74 Harv. L. Rev. 226, 275.

percent, a ratio of 1 to 80. After the merger the two largest banks in the area would together control well over 50 percent of the bank assets in the four counties.

The increase in dominance of the largest area bank caused by the merger is no less significant in assessing the validity of the merger than is the absolute dominance of the merged company.[48] The increase in dominance of the largest area bank resulting from the merger can be shown by taking the total deposits of the bank with the largest deposits as 100 and comparing them, before and after the merger, with the deposits of the nearest competitor. Using this procedure the Federal Reserve Board showed that the merger would result in the following very sharp increase in the dominance of the largest area bank, *i.e.* of the merged bank (R. 2833):

	Before Merger	*After Merger*
Bank No. 1	100	100
Bank No. 2	97	62
Bank No. 3	65	28
Bank No. 4	45	26
Bank No. 5	42	15

A bank comparable in size and strength to the proposed merger-created bank might be formed by merg-

[48] Compare Bok, op. cit. *supra*, n. 47, at p. 281:

> In view of what has just been said, the better course would be to adopt a rule based upon increases in the spread between the market shares of the first firm and its nearest competitor. Such a standard would conceivably extend not only to mergers by the largest firm but also to substantial mergers by lesser-ranked firms which lifted those firms to the top of the heap with a larger margin of superiority than the spread enjoyed by the erstwhile leader.

ing two or more of the principal remaining area banks, but this would further intensify imbalance in the banking structure—it would mean that there would be in the area two giants and an uncertain number of small banks which were not effective competitors of the giants as to many important banking functions and services.

The primary harm caused by the emergence of a single dominant firm is not necessarily to its competitors, who may even prosper under the shelter of its leadership, but to the customers of all these banks who suffer from the inevitable stifling of competition. But the dominance of PNB-Girard will also, we submit, affect the position of the other banks in the four-county area.

The defendants proposed a finding, which the district court approved, that the merger "would have no adverse effect on other Philadelphia banks" (Fdg. 145a, R. 3509). This is contrary to the plain implications of the district court's finding that PNB competes by "selling * * * the bank's stature or lending limit" (Fdg. 289, R. 3395–3396) and its findings indicating that, on at least one occasion, the aggressive expansion program of PNB's competitors, which were "threatening its claim to being the largest bank in Philadelphia," motivated an earlier merger (Fdgs. 437–438, R. 3436). The latter findings recognize the obvious fact that disparity in size between banks is a potent weapon in the competitive struggle to retain or attract business. The merger will unquestionably increase to a dramatic extent the gap between the merging banks and their smaller competitors (see

pp. 60–61, *supra*) and to that extent will jeopardize the ability of smaller banks to retain or attract business. The Federal Reserve Board also recognized that fact in its report to the Comptroller on the proposed merger. The Board said that "it seems reasonable to believe the proposal would give the resulting bank a substantial lead in the big account category and place it in a strong position to expand that lead considerably," and that the resulting bank "would obtain a dominant position, with attending competitive advantages, strongly adverse to the preservation of effective competition" (GX 161, R. 2833, 2834).

On other occasions, as well, the Federal Reserve Board, the administrative agency charged with the duty of enforcing Section 7 of the Clayton Act insofar as banks are concerned,[19] has found that the aggrandizement of one bank by merger with another is a material and serious threat to small banks operating in the same area. On April 30, 1962, the Board denied two merger applications, each seeking consent to merger of a bank in Nassau County, New York, with a large New York City bank (*The Chase Manhattan Bank Application*, 48 Fed. Res. Bull. 544; *Chemical Bank New York Trust Company Application*, 48 Fed. Res. Bull. 548). In the former ruling the Board said (*id.* 547) that "smaller banks, competing in the retail field, would almost necessarily encounter difficulty in maintaining their position against

[19] The Board instituted and pursued to the end a Section 7 proceeding involving interests of great magnitude. See *Transamerica Corp. v. Board of Governors*, 206 F. 2d 163 (C.A. 3), certiorari denied, 346 U.S. 901.

the increased competitive impact which would result from" the proposed merger. In the latter ruling the Board said (*id.* 553–554):

> The merger would eliminate a prosperous and sound alternative source of banking services, and would substitute for it a large and powerful institution which would, in competing with other such institutions, diminish the prospects of smaller banks in the County.

On May 4, 1962, the Board denied an application filed under the Bank Company Holding Act of 1956, 12 U.S.C. 1841 *et seq.*, for approval of the formation of a bank-holding company (*Morgan New York State Corporation Application*, 48 Fed. Res. Bull. 567). In this ruling the Board said (*id.* 577) that approval of the application "would necessarily tend toward" excessive imbalance in the competitive positions of the banks in the areas effected—"that is, away from the balance in which healthy competition is preserved."

In concluding that "previous mergers have not hindered the growth of the smaller banks," the district court relied in part upon the rate of growth of the four-county area's small commercial banks (R. 3659). For reasons stated below, there is no basis for reassurance in the defense exhibit undertaking to show the growth rate of banks in the four-county area.[50] The court also rested its statement on testi-

[50] The exhibit (see Fdg. 110a, R. 3504) is DX 18 (R. 3060). It charts the percentage growth of deposits, 1951–1960, of the banks having their main office in Philadelphia County, in Bucks County, in Delaware County, and in Montgomery County, compared in each case with the like percentage growth of PNB and Girard. But growth in terms of percentage

mony of representatives of four Philadelphia banks, none of them among the city's seven largest banks. We believe it is significant that the largest of the banks (Liberty Real Estate Bank and Trust Company) whose representatives testified for the defendants later filed an application for consent to its merger with another four-county area bank, and the application stated that "the smaller banks must combine so as to remain effective in their area" (Application, p. 4–A, on file with F.D.I.C.). It would thus appear that, even under the present degree of banking concentration, small banks in the four-county area do not easily survive.

4. No business factors justify the restraint of competition.

Here, as in *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 346, we believe that the merging companies have failed to make a convincing showing that the

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has little practical significance. A bank having $2,000,000 of deposits at the end of 1949 and $5,000,000 ten years later would have an increase of 150 percent, while PNB, with some $745,000,000 in deposits in 1951 (GX 57, R. 2441) and some $986,000,000 in 1960 (GX 161, R. 2829), would have an increase of only 32 percent, but the dollar amount of the latter's increase would be over 90 times that of the small bank. In addition, banks in the three suburban counties contiguous to Philadelphia County, naturally had a greater growth rate than PNB and Girard because of the more rapid growth in population, trade and industry in these counties than in the city of Philadelphia. Cf. the statement by the Federal Reserve Board in *Morgan New York State Corporation Application*, 48 Fed. Res. Bull. 567, 578 that "smaller banks tend to be found in faster-growing areas while larger institutions tend to be found in older, more settled urban areas" and thus "the growth rates of smaller banks may sometimes compare favorably with those of larger banks * * *."

merger should be evaluated in light of any such mitigating factors "as the business' failure or the inadequate resources of one of the parties that may have prevented it from maintaining its competitive position" or "a demonstrated need for combination to enable small companies to enter into a more meaningful competition with those dominating the relevant markets." The absence of the first factor is undisputed and was found by the district court. Nor can it be argued that the merger was necessary "to enable small companies to enter into a more meaningful competition with those dominating" commercial banking in the Philadelphia area. However, the district court's opinion indicates that it felt another mitigating factor might help to justify the merger—an increase in competition in a product "submarket" offsetting any loss in competition in the main product market.

The district court indicated its belief that the "larger bank * * * will be able to compete on better terms and in a better atmosphere with the banks of other cities" in making very large loans and that this improved position of a Philadelphia bank "will benefit the city and area" (R. 3667).[51] We submit (*a*) that neither conclusion is legally relevant to the antitrust issues before this Court, and (*b*) that, in any event, neither conclusion is supported by evidence convincing enough to be given weight in a case involving a clear and pronounced threat to competition in the four-county area.

[51] The district court itself commented that it did not consider the asserted advantages to the Philadelphia community "particularly relevant" (R. 3656).

The legality of the merger is to be judged from the standpoint of the Sherman Act's objectives, not by whether the merger would bring some additional banking business to Philadelphia or induce some additional business to locate there. In terms of the Sherman Act's objectives, there is no basis for concluding that any increase in competition in the product "submarket" of very large loans can offset the harm to competition in the broader product market for commercial banking services. See *Paramount Famous Lasky Corp.* v. *United States*, 282 U.S. 30, 44.

It is true that the merger would create a bank with a legal lending limit considerably larger than that of any existing Philadelphia bank. It may also be true that this would tend to increase not only the number of competitors but also the amount of competition in the submarket for loans over $8,000,000 (which PNB can itself now lend to a single customer).[1] However, this increase in competition in the submarkets for very large loans—at the expense of a reduction in competition in the market for all other loans—results from every bank merger. To recognize such an increase in competition in a limited submarket as a justification for a reduction in competition in a much larger

[1] The legal lending limit is the maximum which a bank can lend to any single customer. In the case of a national bank this is 10 percent of the bank's total capital and surplus exclusive of undivided profits.

The lending limit of the merger-created bank would be $15,000,000 (Fdg. 193a, R. 3517), while at present the four leading Philadelphia banks have the following lending limits: PNB, $8,000,000; First Pennsylvania Banking and Trust Company, $7,704,850; Girard, $6,000,000; Provident Tradesmens Bank and Trust Company, $5,000,000 (DX 15, R. 3052).

product market, without any showing of the greater importance of competition in the newly reached field of larger loans, would be to sustain every bank merger simply because every merger results in a larger bank.

The evidence totally fails to show either that a significant increase in competition in loans over $8,000,000 would result from the merger or that a bank with a higher lending limit would substantially benefit Philadelphia by leading to the location of additional manufacturing enterprises in the Philadelphia area. The market for very large loans can be accommodated by the Philadelphia banks through a joint participation in the loan (Fdgs. 88–90, R. 3346). Defendants attempted to counter by showing, and the district court found, that there was banking business which would be attracted by the merged bank from outside the Philadelphia area—"business which might well be and perhaps probably should be handled here, and which cannot be handled under present circumstances"—resulting in benefit to the area (R. 3667; Fdgs. 198a, 205a, R. 3517, 3518). Reliance was placed by defendants upon the testimony of officers of six companies engaged in large operations conducted in part in the Philadelphia area or nearby. But their testimony pertinent to this point, which we summarize below, falls far short of supporting defendants' claim.

Atlantic Refining. It regularly maintains deposits of $2,000,000 to $3,000,000 in three New York banks, which have petroleum engineers and economists extremely helpful in any kind of oil financing and which have contacts and information of great value in con-

nection with foreign undertakings (R. 2065-6). For the foreseeable future the company would rely on the New York banks for this type of advice and help, which a Philadelphia bank could not provide "under any circumstance" (R. 2071-2, 2074). Even if all Philadelphia banks should merge, New York will continue to be the center of international finance (R. 2074).

Rohm & Haas. No Philadelphia bank can supply service related to foreign operations "remotely approaching" that supplied by banks in other cities, and it takes one or two generations to set up a foreign banking system (R. 2112–3). The company has had unusual growth, which has not been adversely affected by the maximum loan limit of Philadelphia banks (R. 2108). Its $20,000,000 line of credit with Philadelphia banks is more than sufficient to cover its borrowing needs (R. 2092, 2110).

Triangle Publications. It had in the past borrowed $10,000,000 from a Chicago bank. Its reason for having wished to borrow from one bank rather than a participation loan was that the company, which is closely held (R. 2116), did not want to divulge information concerning its business to more people than necessary (R. 2117).

Bankers Securities Corporation. A Boston bank was the lead bank in a $10,000,000 loan, with PNB, Girard and a third Philadelphia bank each having a $2,500,000 participation (R. 2127). It would continue its banking relationship with the Boston bank irrespective of a PNB–Girard merger (R. 2134–5).

Sun Oil. It has had since 1948 a line of credit with a group of banks but until 1956 made little use of this credit (R. 2141). A New York bank had originally been the lead bank but in a 1956 credit agreement PNB was made the lead bank (R. 2142–3). A subsidiary obtained a $10,000,000 loan (originally expected to be $7,000,000) from a New York bank because the desired loan was thought to be too close to PNB's loan limit (R. 2144).

Pennsylvania Power and Light. The lead banks in its bank borrowings have been New York banks, the relationship with these having started in 1920 when the Power Company was organized (R. 2167–2171). The advantage to the company of its New York bank connections is that these banks, in addition to their larger lending limits, have departments offering valuable specialized services for public utility companies (R. 2171–2).

Girard's president testified that there were five companies whose deposits or additional deposits might be obtained by a bank larger in size than Girard now is, but his testimony disclosed that, with one possible exception (Lehigh Portland Cement), this result was mere hope or surmise (R. 2222–4).[53]

The evidence not only fails to establish that the higher lending limit of the merged bank would bring new enterprises to the Philadelphia area, but the most pertinent testimony is to the contrary. Defense witness Graves, executive vice president

[53] Atlantic Refining and Sun Oil were two of the companies named, and their situation is covered by the testimony given by their officers.

of a non-profit corporation set up jointly by the City Government and Chamber of Commerce of Philadelphia, knew of no instance in which a plant had failed to locate in Philadelphia because of inadequate commercial banking facilities there, and no instance in which a plant had left the Philadelphia area because of inadequacy in its commercial banking facilities (R. 2285–6). Similarly, Girard's president knew of no business which would come to the Philadelphia area as a result of a PNB-Girard merger, and no business which had failed to come to Philadelphia because of the small size of its banks (R. 2224–2225).

This case can be summarized in a few words. The merger admittedly will unite two of the principal banking institutions in Philadelphia—already the second and third largest—into a single huge concern with total deposits of more than $1,600,000,000, total loans of more than $950,000,000 and total trusts with assets of nearly $2,900,000,000. It will completely eliminate active competition between the merging banks. It will give the merged bank a commanding position in the relevant market, with 36 percent of all deposits, 34 percent of all net loans, and 37 percent of all assets of all commercial banks in the four-county Philadelphia area. It will further increase the too-rapid trend towards concentration of banking power—an increase in which the previous mergers of each of these banks have played a significant role. Against this, the banks offer no serious business justification. They are in excellent economic condition. The only ad-

vantage they suggest is that a few big concerns *might*—it was not shown that they *would*—find it an advantage to do business with a Philadelphia bank having a higher lending limit. This narrow advantage to some hypothetical big borrower would not justify the injury to thousands of existing customers resulting from the restraint of competition which this merger would plainly cause.

IV

THE PROPOSED MERGER VIOLATES SECTION 7 OF THE CLAYTON ACT

If the Court agrees with our analysis in Point III that the merger violates Section 1 of the Sherman Act, there is no occasion to consider whether it violates Section 7 of the Clayton Act. The complaint in this case, however, also alleged violation of the latter section, and we now show briefly that the merger contravenes its provisions.

We recognize that when the bill which became the Bank Merger Act of 1960 was under consideration in Congress, both the Department of Justice and the Banking and Currency Committees of the House and Senate were of the opinion that bank mergers were asset acquisitions and not within Section 7 of the Clayton Act.[54] However, these views, on a matter not directly involved in the Bank Merger Act, are not decisive. See *United States* v. *duPont & Co.*, 353 U.S. 586, 590. The decisive considerations, we believe, demonstrate that Section 7 does cover bank mergers.

[54] See Girard Motion to Affirm, 10–12.

A. SECTION 7 IS APPLICABLE TO THE MERGER

The question whether Section 7 applies at all to this merger arises out of the following circumstances:

Prior to 1950, Section 7 covered only stock acquisitions. Its failure also to reach asset acquisitions made it manifestly inadequate to deal effectively with many corporate combinations which posed a serious anticompetitive threat.[55] It was this gap in the statutory scheme, which prohibited anticompetitive corporate combinations accomplished by stock acquisitions, but permitted identical combinations when achieved by asset acquisitions, or it seemed,[56] statutory merger,

[55] See *Brown Shoe, supra*, 370 U.S. at 312–316; Handler and Robinson, *A Decade of Administration of the Celler-Kefauver Antimerger Act*, 61 Col. L. Rev. 629, 652–653.

[56] *In Arrow-Hart & Hegeman Elec. Co.* v. *Federal Trade Commission*, 291 U.S. 587, 595, the Court said that Section 7 does not forbid "the merger of corporations pursuant to state laws," but we believe this statement is limited by its context. The critical facts in that case were: The controlling stockholders of two companies, desiring to bring them under common control, formed a holding company, which exchanged its stock for all the common stock of the two manufacturing companies. After the Commission had issued a Section 7 complaint against the holding company, steps were taken to escape the Commission's jurisdiction. Two new holding companies were formed, each acquired all the common stock of one of the manufacturing companies in exchange for its own stock, and each issued its stock directly to the stockholders of the original holding company. This company thereupon dissolved and the two new holding companies and their respective manufacturing subsidiaries merged into one corporation. The Commission, after issuing a supplemental complaint against the corporation thus created, ordered it to divest itself of the stock of one of the manufacturing companies and to include in the divestment the company's manufacturing properties and facilities.

The Commission contended that, in issuing an order requiring stock divestment, it might validly disregard steps taken to de-

which led to the Celler-Kefauver Anti-Merger Act of 1950. The basic purpose of the 1950 statute was to plug this loophole and to "make clear" that the substantive provisions of Section 7 applied to "all types of mergers and acquisitions, vertical and conglomerate as well as horizontal" (H. Rep. 1191, 81st Cong., 1st Sess., p. 11).

The 1950 statute extended the prohibitions of Section 7 to cover asset acquisitions by any corporation subject to the jurisdiction of the Federal Trade Commission. There is no indication in the legislative history why the prohibition on asset acquisitions was limited to such corporations, and was not made coextensive with the broader ban on stock acquisitions.

Banks are not subject to the jurisdiction of the Federal Trade Commission, and it is thus clear that an asset acquisition by a bank would not be covered by Section 7. But a statutory merger or consolidation, such as is here involved, is neither a pure asset nor a pure stock acquisition. It is, rather, a hybrid form of corporate combination which partakes of and has the characteristics of both.

1. Since the anticompetitive effect of a statutory merger or consolidation is just as great as that of a

---

feat the Commission's jurisdiction. But this Court said that each of the manufacturing companies had preferred stock which was outstanding in the hands of the public prior to the merger, that the merger required consent by the preferred stockholders, and that the Commission was therefore not entitled to act upon the basis that the existing, merger-created corporation was a mere creature or *alter ego* of the offending original holding company. See 291 U.S. at 597–598. The Court further held that the Commission, unlike a court of equity, did not have the power to grant relief beyond that specifically authorized by statute (pp. 598–599).

stock acquisition, effectuation of the policies of the 1950 Act requires that this form of corporate consolidation should not be treated as an asset acquisition—and hence not covered by Section 7 if made by a corporation not subject to the jurisdiction of the Federal Trade Commission—unless it plainly and unequivocally is one. The question, therefore, is whether—in light of the legislative intent in the 1950 Act to erect "a barrier to what Congress saw was the rising tide of economic concentration" and "to create an effective tool for preventing all mergers having demonstrable anticompetitive effects" (*Brown Shoe, supra,* 370 U.S. at 317, 319)—statutory mergers of corporations not subject to the jurisdiction of the Federal Trade Commission shall be deemed outside the prohibitions of Section 7. The legislative history shows that Congress intended the prohibitions of Section 7 to cover "all types of mergers and acquisitions" that had the proscribed anticompetitive effect; this history nowhere suggests that Congress intended an exception for such an important area of the economy as bank combinations, which are traditionally accomplished through statutory mergers and consolidations rather than through acquisitions of assets or stock. Moreover, statutory mergers, far from being plainly and unequivocally asset acquisitions, are very different from the ordinary purchase of assets.

A merger necessarily involves the complete disappearance of one of the merging corporations. A sale of assets, on the other hand, may involve no more than a substitution of cash for some part of the selling company's properties, with no change in corporate structure and no change in stockholder

interests. Shareholders of merging corporations surrender their interests in those corporations in exchange for their very different rights in the resulting corporation. In an asset acquisition, however, the shareholders of the selling corporation obtain no interest in the purchasing corporation and retain no interest in the assets transferred. In a merger, unlike an asset acquisition, the resulting firm automatically acquires all the rights, powers, franchises, liabilities, and fiduciary rights and obligations of the merging firms. In a merger, but not in an asset acquisition, there is the likelihood of a continuity of management and other personnel. Finally, a merger, like a stock acquisition, necessarily involves the acquisition by one corporation of an immediate voice in the management of the business of another corporation; no voice in the decisions of another corporation is acquired by purchase of some part of its assets. Plainly, a statutory merger is quite unlike the typical acquisition of assets, such as was involved in *Columbia Steel,* the case which provided the impetus for the 1950 Act.

Among the many differences mentioned above is one distinction which is of central importance to the purposes of Section 7. Mergers, like stock acquisitions, necessarily involve the acquisition by the corporation of an immediate voice in the management of another business. Indeed, it was this expansion of power over corporate decisions affecting competition which must have appeared the primary threat to competition when the first Section 7 was passed in 1914. In contrast, no voice in the decisions of a different business is necessarily acquired when a cor-

poration purchases some part of the assets of that business.

From the standpoint of the evils Section 7 was designed to prevent—threat of substantial lessening of competition or tendency to monopoly resulting from bringing the economic power of independent corporations under single control—agreement between two corporations and their respective stockholders to effectuate a merger and the direct acquisition of stock of another corporation are both essentially different from—and inherently more dangerous than—the ordinary purchase of some part of the assets of another corporation, as to which purchase the scope of the 1950 Act is limited to corporations subject to the jurisdiction of the Federal Trade Commission. In this respect a merger, even more than a stock acquisition, stands in sharp contrast to the ordinary purchase of assets. It is this contrast which, we submit, best explains the statute's otherwise-wholly-irrational distinction between asset acquisitions, as to which its scope is limited, and all other prohibited combinations.

2. In its essential elements, the PNB-Girard merger more closely resembles a stock acquisition than an asset acquisition.

The merger agreement provided that Girard be consolidated with PNB pursuant to Section 20 of the national banking laws, 12 U.S.C. (Supp. II) 215, under the charter of PNB, that all of PNB's stock remain outstanding as shares of the merged bank, that each share of Girard be converted into 1.2875 shares of the merged bank, that the merged bank be subject to all the liabilities of PNB and Girard, and that all of their property and property rights be vested in it

(GX 117, R. 2717; GX 119, R. 2718–20). This agreement provided, in substance, for an exchange of Girard stock for PNB stock.

The essence of the transaction was that the outstanding stock of two banks, presently under separate and different ownership, would be brought under common ownership by exchange of Girard stock for stock of a bank operating under the name and charter of PNB and possessed of PNB's assets and business (plus those of Girard). The carrying out of this transaction would have exactly the same effect as an exchange of all of Girard's stock for PNB stock, followed by dissolution of Girard (then a 100 percent subsidiary of PNB). The basic objective of the transaction was the joining together of two going corporate organizations and a commingling of the interests of their shareholders. Certainly from the standpoint of the stockholders of the two banks the heart of the transaction was the agreed basis for exchange of stock—1.2875 shares of PNB for each share of Girard.

In completing the analogy to an acquisition of stock in Girard by PNB, one final point deserves mention. In the case of bank mergers, as with most statutory mergers, the surviving corporation would be obligated by statute to pay to any shareholder of the acquired corporation who dissented from the plan of merger the value of the shares he held at the date of merger. The surviving bank is, in short, required by statute to purchase at least some of the shares of stock of the acquired corporation, assuming that less than all of the latter's shareholders agreed to the merger. 12 U.S.C. (Supp. II) 215(b); 12 U.S.C. (Supp. II) 215a(b).

Recognition of these similarities of a statutory merger to a stock acquisition—as well as an awareness of the differences from an asset acquisition (see *supra*, pp. 75–77)—may have led this Court in *Brown Shoe Co. v. United States*, 370 U.S. 294, to treat the Brown-Kinney merger as a stock, not an asset, acquisition, although the merger was effectuated pursuant to statutory provisions similar, in all material respects, to those involved here.[57] At the outset of its opinion it said that the action brought by the United States alleged that "a contemplated merger" between Kinney and Brown, "through an exchange of Kinney for Brown stock," would violate Section 7 of the Clayton Act. 370 U.S. at 296. The Court then said (*ibid.*):

> The Act, as amended, provides in pertinent part:
>
> "No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital * * * of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly."

In the Court's view it was apparently the stock acquisition prohibition of Section 7 which was controlling, and the asset acquisition prohibition, represented by asterisks in the Court's quotation of the section, was not considered pertinent.

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[57] Compare §§ 86, 89 of the New York Stock Corporation Law with 12 U.S.C. (Supp. II) 215.

The question of whether the Brown-Kinney merger was a stock or asset acquisition was not raised or argued in *Brown Shoe*, *supra*.

B. THE PROPOSED MERGER VIOLATES SECTION 7

At the 1961 term this Court fully and carefully considered the circumstances under which a horizontal merger violates Section 7 of the Clayton Act.

The Court, in *Brown Shoe Co.* v. *United States*, 370 U.S. 294, first recognized that the "dominant theme pervading congressional consideration of the 1950 amendments was a fear of what was considered to be a rising tide of economic concentration in the American economy" and that a "keystone in the erection of a barrier" to this tide was "provision of authority for arresting mergers at a time when the trend to a lessening of competition in a line of commerce was still in its incipiency" (370 U.S. 315, 317). In establishing standards of illegality to effectuate these purposes of Congress, the Court held that, while "the market share which companies may control by merging is one of the most important factors to be considered" (370 U.S. 343) and is a factor to be considered in light of the effects of approving all industry mergers of this size and not merely the effects of the one before the Court (370 U.S. 343–344), Congress indicated plainly that a "merger had to be functionally viewed, in the context of its particular industry" (370 U.S. 321–322).

Congress, the Court noted, had indicated that the courts should consider, among others, such factors as whether "a whole or material part of the competitive activity of an enterprise, which had been a substantial factor in competition, had been eliminated" and whether "the relative size of the acquiring corporation had increased to such a point that its advantage

over competitors threatened to be 'decisive'" (370 U.S. 321, n. 36). To these considerations the Court added: the degree of concentration of the industry in which the merger was to take place, the trend of the industry towards concentration and dominance by a few firms, the ease of entry of new firms, and the presence of such mitigating factors as the business failure of one of the parties or the need of two small firms to merge if they are to become meaningful competitors in the market (370 U.S. 322, 345–346).

In our discussion of the validity of the PNB-Girard merger under Section 1 of the Sherman Act we have developed in detail the relevant facts bearing upon the factors discussed in *Brown Shoe*. We therefore believe it sufficient to indicate in summary fashion that in terms of these factors, there is here far greater danger and probability of a substantial lessening of competition than in *Brown Shoe*. Here, the share of the relevant market which the merger would bring under the control of the merging parties, 36 percent,[58] would incontestably be far greater than in *Brown Shoe*, and this increase in concentration would occur in an industry in which there is every reason to believe that approval of this merger would require the court "to approve future merger efforts * * * by * * * competitors seeking similar market shares" (370 U.S. 344).[59] The whole of the competitive activity of an enterprise, which had been a substantial factor in competition, would be eliminated.[60] These changes would take place in an indus-

[58] See *supra*, p. 39.

[59] See *supra*, pp. 58–59.

[60] See *supra*, pp. 39–43.

try which has, in the last decade, been characterized by an alarming rush towards concentration [61] and by surprisingly few new entries to replace the disappearing competitors.[62] The result of the merger would be to create in the relevant market a dominant giant which would dwarf the comparative position of the Brown-Kinney combine.[63] There are, as in *Brown Shoe*, no substantial mitigating factors.[64]

In sum, we submit that under the tests of illegality applied in *Brown Shoe* and under the holding in that case, the merger of PNB and Girard very plainly violates Section 7 of the Clayton Act.

CONCLUSION

The judgment of the district court should be reversed, and the cause should be remanded to that court to enter judgment enjoining the proposed merger.

Respectfully submitted.

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[61] See *supra*, pp. 55–56.
[62] See *supra*, p. 57.
[63] See *supra*, pp. 60–62.
[64] See *supra*, pp. 65–71.

APPENDIX

Section 18(c) of the Federal Deposit Insurance Act, as amended by the Bank Merger Act of May 13, 1960, 74 Stat. 129, 12 U.S.C. (Supp. II) 1828(c), provides in pertinent part:

> * * * No insured bank shall merge or consolidate with any other insured bank or, either directly or indirectly, acquire the assets of, or assume liability to pay any deposits made in, any other insured bank without the prior written consent (i) of the Comptroller of the Currency if the acquiring, assuming, or resulting bank is to be a national bank or a District bank, or (ii) of the Board of Governors of the Federal Reserve System if the acquiring, assuming, or resulting bank is to be a State member bank (except a District bank), or (iii) of the Corporation if the acquiring, assuming, or resulting bank is to be a nonmember insured bank (except a District bank). * * * In granting or withholding consent under this subsection, the Comptroller, the Board, or the Corporation, as the case may be, shall consider the financial history and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, and whether or not its corporate powers are consistent with the purposes of this chapter. In the case of a merger, consolidation, acquisition of assets, or assumption of liabilities, the appropriate agency shall also take into consideration the effect of the transaction on competition (including any tendency toward monop-

oly), and shall not approve the transaction unless, after considering all of such factors, it finds the transaction to be in the public interest. In the interests of uniform standards, before acting on a merger, consolidation, acquisition of assets, or assumption of liabilities under this subsection, the agency * * * shall request a report on the competitive factors involved from the Attorney General and the other two banking agencies referred to in this subsection * * *. The Comptroller, the Board, and the Corporation shall each include in its annual report to the Congress a description of each merger, consolidation, acquisition of assets, or assumption of liabilities approved by it during the period covered by the report, along with the following information: * * * a statement by the Comptroller, the Board, or the Corporation, as the case may be, of the basis for its approval. * * *

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OCTOBER TERM, 1962

NO. 83

United States of America,
Appellant,

v.

The Philadelphia National Bank and
Girard Trust Corn Exchange Bank

BRIEF FOR APPELLEES

On Appeal from the United States District Court for the Eastern District of Pennsylvania

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962

No. 83

United States of America,

Appellant

v.

The Philadelphia National Bank and Girard Trust Corn Exchange Bank

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

BRIEF FOR APPELLEES

QUESTIONS PRESENTED

1. Whether the proposed merger of appellees, pursuant to the national banking laws and the approval of the Comptroller of the Currency acting under the Bank Merger Act of 1960, is subject to section 7 of the Clayton Act.

2. Whether it was clearly erroneous for the district court to find that the record established that the merger of appellees would not constitute an unrea-

sonable restraint of trade under section 1 of the Sherman Act.

STATUTES INVOLVED

Section 1 of the Sherman Act, 26 Stat. 209, as amended, 15 U.S.C. § 1, and section 7 of the Clayton Act, 38 Stat. 731, as amended, 15 U.S.C. § 18, are printed at pages 2-3 of appellant's brief. The Bank Merger Act of 1960, 74 Stat. 129, 12 U.S.C. § 1828(c) (Supp. II), and section 215(e) of the National Banking Laws, 73 Stat. 462, 12 U.S.C. § 215(e) (Supp. II), are set forth in the appendix to this brief at pages 81 and 82.

STATEMENT OF THE CASE

INTRODUCTION

The Philadelphia National Bank ("PNB"), a national bank, and Girard Trust Corn Exchange Bank ("Girard"), a Pennsylvania state bank, adopted a plan of merger on November 15, 1960 and filed an application for approval of the merger (GX 57, R. 2423)* with the Comptroller of the Currency as required by the Bank Merger Act and section 215 of the national banking laws. In accordance with the provisions of the Bank Merger Act the Comptroller received advisory reports "on the competitive factors involved" from the Board of Governors of the Federal

* Appellees have followed the method of designating exhibits and findings of fact set forth at page 4, footnote 2 of appellant's brief.

Reserve System (GX 161, R. 2822), the Attorney General (GX 162, R. 2834) and the Federal Deposit Insurance Corporation (GX 163, R. 2845). After consideration of the competitive factors and the banking factors specified in the Act, the Comptroller found that the merger would be in the public interest (GX 164, R. 2857) and gave his approval of it on February 24, 1961 (DX 14, R. 3049). The following day the complaint in this action was filed by the Attorney General to enjoin the merger as an alleged violation of section 7 of the Clayton Act and section 1 of the Sherman Act.

The trial began on June 5, 1961 and ended on August 3, 1961. Appellant offered 255 exhibits and called 21 witnesses. Appellees offered 70 exhibits and called 29 witnesses. After hearing oral argument the district court filed, on January 15, 1962, an opinion accompanied by findings of fact and conclusions of law (R. 3629) and an order dismissing the complaint (R. 3669). Appellant took an appeal to this Court and probable jurisdiction was noted on May 21, 1962, 369 U.S. 883 (1962).

The district court's conclusion that the proposed merger would not violate section 7 of the Clayton Act or section 1 of the Sherman Act was based on evidence which disclosed the nature of commercial banking, the complexity of banking markets, the peculiar nature of the regulated competition among commercial banks, and particularly the structure of commercial banking in the Philadelphia area. In reaching this conclusion the district court found that "commercial banking is wholly different from industrial or commercial busi-

nesses" (Fdg. 9a, R. 3490), and rejected the argument of appellant that statistics and size comparisons, which might be some evidence of power to control the market in industry or commerce, have a similar significance in commercial banking. Whatever appellant's figures might mean if they really represented market shares, and if this case dealt with steel companies, shoe companies, or railroads, the district court found that they do not establish, or even imply, a substantial lessening of competition, or a tendency to create a monopoly, or an unreasonable restraint in the field of commercial banking in the Philadelphia area.

This Statement will be devoted to the facts that led the district court to reject appellant's argument, which it said was not supported by "a single shred of evidence" (R. 3666).*

COMMERCIAL BANKING AND COMPETITION

Commercial banks are the only institutions which are permitted by law to receive demand deposits (R. 3646), and by far the largest part of a commercial bank's resources is derived from such deposits. For example, approximately 72% of the merged bank's resources will be demand deposits which the depositors can withdraw immediately, and approximately 15% will be time and savings deposits which the depositors can withdraw upon short notice (GX 57, R. 2449). Consequently a total of 87% of the merged bank's assets will be subject to the dictates of its customers.

* A summary of the evidence may be found at pages 4 and 22-31 of Girard's motion to affirm.

Unlike an industrial or commercial enterprise which owns or controls its assets, a commercial bank "owes" the great bulk of its resources and owes them to the very persons whose patronage it seeks to retain.

The funds so obtained by commercial banks plus their relatively small invested capital, less the reserves required by law and sound banking practice, are lent to customers in a variety of ways, such as by short-term secured and unsecured loans, mortgage loans, and installment loans on automobiles and other consumer goods (GX 57, R. 2451). In addition, some commercial banks, including appellees, provide trust services and many other services such as investment advice, credit information, and payroll accounting (DX 38, R. 3176). However, the bulk of a commercial bank's business generally consists of short-term loans because long-term loans would inhibit immediate repayment of the demand deposits from which the largest portion of the loans has been made (R. 3647).

Customers with high borrowing requirements regularly maintain substantial demand deposits which on the average far exceed their loans (Fdg. 197a, R. 3517). For example, the average demand deposits of PNB's largest borrowing customers are twice as great as their average loans (DX 26, R. 3163) and Girard's are more than one and a half times as great (DX 40, R. 3181). This excess of deposits, less reserves, is available for lending to other customers (R. 937).

A commercial bank is, in general, not permitted to have outstanding loans to any one customer in excess of 10% of the bank's capital and surplus (R.

3647). This lending limit is of no consequence to the average borrower, but it is a matter of concern to larger borrowers who generally seek out a bank which has a limit safely beyond the borrower's anticipated requirements (Fdg. 179a, R. 3513-3514). While loans which exceed a single bank's limit can be participated in by other banks, borrowers prefer not to deal with a number of participating banks because of the administrative burden, the added cost of maintaining deposit balances with a number of banks, the confidential nature of banking relationships and the time consumed in developing them (Fdg. 186a, R. 3515, 3667). For that reason and because of the possible loss of customers and deposits, large banks seldom participate loans to other large banks (*Ibid.*).*

Commercial banks are subject to extensive regulation by law and by the Federal Reserve Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and state banking authorities (Fdg. 10a, R. 3490). The principal purpose of this regulation is to protect the banks' depositors and the economy from what have been the disastrous effects of unrestricted competition in the past (Fdg. 11a, R. 3490; R. 1370-1371).

Banks must obtain approval from public authorities not only in order to enter the business but also for the establishment and location of the offices where they will conduct it (Fdg. 19a, R. 3491).

* Small banks participate loans to large banks where they already maintain substantial deposits as compensation for such participations and other correspondent services (Fdg. 186(d)a, R. 3515).

Commercial banks are not permitted to pay interest on demand deposits and the maximum interest which they may pay on time and savings deposits is fixed by regulation (Fdg. 13a, R. 3490).

The maximum interest rates which may be charged on loans are fixed by state usury laws and, while in many states these laws do not apply to loans to corporations, in practice they become a ceiling for most such loans (R. 1463-1464). Minimum interest rates are directly affected by a variety of forces operating in the money market. These include the open market practices of the Federal Reserve Board in buying and selling government securities, which affect the supply of lendable funds; the reserve requirements of the Federal Reserve Board and the state banking authorities, which also affect the supply of lendable funds; and the rediscount rate fixed by the Federal Reserve Banks for loans they make to member banks. All of these forces significantly influence the supply of and demand for money and thus directly affect the "prime rate" charged by the nation's largest banks to their customers with the highest credit standing (Fdg. 17a, R. 3491).* The prime rate in turn sets a practical minimum for interest rates throughout the country. Between these maximum and minimum rates the interest charged by a bank to a particular customer depends primarily upon that customer's credit standing. Since credit evaluations by different banks are generally similar (Fdgs. 30a-31a,

* The merged bank would not be large enough to have any influence in setting the prime rate (Fdg. 18a, R. 3491).

R. 3492; R. 940, 1243) there is little price competition in the setting of interest rates (R. 1364, 1366-1369).

In addition there are simple business reasons why there is no significant interest rate competition among commercial banks. If a bank were to reduce its rates it would soon exhaust its available funds, and if it were to increase them it would quickly lose borrowers to other banks (Fdgs. 32a-33a, R. 3492).

Commercial banks must be concerned not only with competition from other commercial banks but also with competition from other financial institutions and alternative investments. Exhibit D 41 (R. 3182-3184) shows such competition for each banking function. For example, when interest rates are favorable large corporate depositors invest working capital, that might otherwise be on deposit, in short term government obligations, commercial paper, bankers' acceptances and repurchase agreements (R. 1381, 1719-1721). Again, the amount of savings deposits held by commercial banks is far less than the amount held by mutual savings banks, savings and loan associations and credit unions which are permitted to pay higher rates (DX 32, R. 3168; DX 34, R. 3171; DX 61, R. 3283; R. 1388-1391). In their lending functions commercial banks must meet competition not only from those institutions but also from small loan companies, consumer discount companies, commercial finance companies, insurance companies, pension trusts and factors (R. 1393-1401, 1729-1730).

The nature of commercial banking makes possible successful competition between small banks and large.

On the strength of the testimony of experienced banking witnesses, the district court found that the principal factors in competition among commercial banks are convenience, quality of service, personal relationships, and the capacity to meet the requirements of customers (Fdg. 37a, R. 3493). In this connection the district court made these two significant findings:

> "Large commercial banks do not have a competitive advantage for business within the range of the resources of smaller banks. In that range, small banks are able to compete as effectively as large banks." (Fdg. 40a, R. 3493).
>
> "The growth of a small bank is not adversely affected by the existence of a large competing bank; in most cases small banks grow faster than large banks, which find it difficult to maintain their positions relative to small banks." (Fdg. 41a, R. 3493).

Stated another way, this equality of competitive opportunity in commercial banking prevents large size from conferring "dominance", the power to control either customers or other banks. Each bank available to a potential or existing customer has the same chance to attract or hold that customer so long as his requirements are within the range of the bank's resources.

STRUCTURE OF PHILADELPHIA BANKING

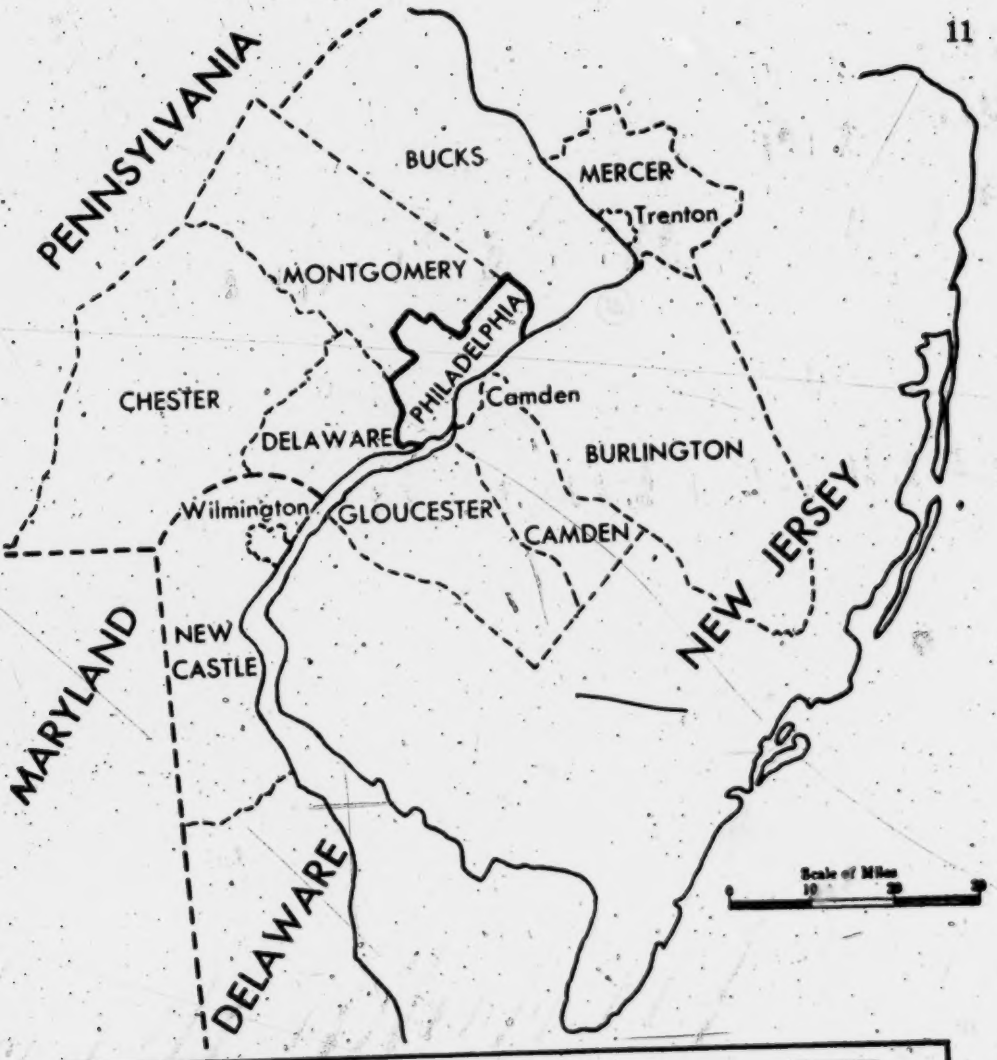
Commercial banks sell their services in local, regional, national and international markets, which

overlap and are difficult to define (Fdg. 45a, R. 3494). Appellees do business in all of these markets, but appellant has chosen as the relevant geographic market a local area determined by political boundaries alone. Appellant has defined this market as Philadelphia County and the three adjacent Pennsylvania counties, Bucks, Montgomery and Delaware. The map on the following page shows those counties as well as the others referred to in the record, which are a part of the Third Federal Reserve District.

Philadelphia is the industrial, commercial and financial hub of a metropolitan area consisting of those four counties and Chester County in Pennsylvania, as well as Camden, Burlington and Gloucester Counties in New Jersey (R. 2276, 2290). This is the standard census area (R. 2274). The district court concluded that at the very least the relevant geographic market consists of this eight-county area, or the slightly larger ten-county area which includes also Mercer and New Castle counties, "and definitely New York City" (R. 3653).

Even the most modest customers are free to do business across political boundaries and do so (Fdg. 49a, R. 3494). Banks in New York, Chicago, San Francisco and many other large cities actively solicit and obtain accounts in the Philadelphia area* and conversely appellees solicit and obtain business from

* Fdg. 52a, R. 3495-3496; R. 1237-1238, 1611-1612, 1614-1616, 1620-1623, 1625-1628, 1663, 1702-1704, 1714, 1797, 1825-1826, 1898-1899, 1941, 2025-2028, 2065-2070, 2098-2100, 2103-2104, 2112, 2117-2123, 2126-2133, 2142-2145, 2148, 2152-2155, 2167-2175, 2180-2181.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Trenton
MONTGOMERY
PHILADELPHIA
CHESTER
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DELAWARE
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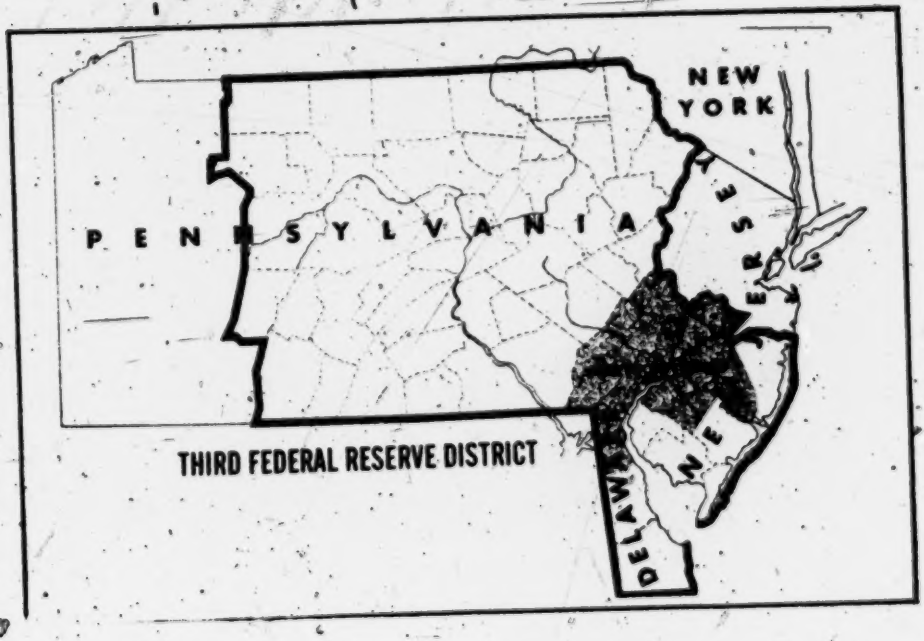
NEW YORK
PENNSYLVANIA
NEW JERSEY
DELAWARE
THIRD FEDERAL RESERVE DISTRICT

distant places (Fdgs. 50a-51a, R. 3494-3495). The far reaching nature of appellees' banking business is reflected by the fact that 44% in dollar amount of their loans are made to borrowers located outside the four-county area (DX 30, R. 3167). Actually appellees derive a greater amount of their commercial and industrial loans from the northeastern United States outside the Third Federal Reserve District than they do from Bucks, Delaware and Montgomery Counties (DX 63, R. 3285).

The district court concluded that a relevant market area must be determined not only from the point of view of the bank but also from the point of view of the customer, and that the customer's geographic market for banking services is determined by the location of the alternative sources from which he can obtain those services (Fdgs. 46a-49a, R. 3494). Customers of appellees representing at least 68% in dollar volume of their commercial and industrial loans, and at least 64% in dollar volume of their business demand deposits have banking choices which include commercial banks located outside the four-county area (Fdg. 52(e)a, R. 3496; DX 43, R. 3185). Upon the basis of such evidence the district court concluded that the relevant market area is probably "the greater part of the northeastern United States" (R. 3653).

Despite the fact that the district court refused to accept the four-county area as the relevant market, it nonetheless tested the competitive effects of the proposed merger in that limited area (R. 3654). It

noted that borrowers would have available the following alternatives within that area after the merger* (Fdg. 158a, R. 3510, 3660):

Size of Loan	Number of Commercial Banks in the 4-County Area After the Merger Able to Accommodate Such Customers
Under $10,000	41
$ 10,000–$ 24,999	39
25,000– 49,999	35
50,000– 99,999	27
100,000– 249,999	18
250,000– 499,999	10
500,000– 999,999	7
1,000,000– 2,499,999	4
2,500,000– 4,999,999	3
5,000,000– 7,999,999	2
8,000,000–15,000,000	1

The district court found that these banks "today are strong and vigorous competitors in offering commercial banking services to the public" (Fdg. 123a, R. 3505). It also found that banks from other cities are active competitors in this area, particularly for the larger loans. Many of these competitors are located in New York City where, for example, there are 17 banks with lending limits higher than $1,000,000 (DX 39, R. 3179). The district court ob-

* PNB has a lending limit of $8,000,000 and Girard's limit is $6,000,000. The merger agreement provides for an increase of the capital stock and surplus of the proposed new bank at merger from the combined total of $140,000,000 to $150,000,000, principally by a transfer from undivided profits (GX 57, R. 2452). The merged bank will therefore have a lending limit of $15,000,000.

served that "the main bone of contention here is that the merger will have its most serious effects on small and medium size borrowers. The above figures, however, indicate to the Court that there are more than an adequate number of sources for these types of borrowers. In fact, it has been established that a borrower turned down by three banks would be unable, with few exceptions, to obtain a loan at another commercial bank. And, of course, those borrowers in need of larger loans are not limited to the few banks in Philadelphia capable of making such a loan" (R. 3660).

The statistics relied on by appellant to show a restraint of trade in the four-county area include only the amount of loans, deposits and other types of banking business done throughout the United States by each commercial bank with headquarters in the four-county area. For each class of business the amount done by appellees is then expressed as a percentage of the total amount done by all those banks as though this figure represented a market share. For example, the combined total loans of appellees is computed to be 34% of all the loans held by banks physically located in the four-county area. There is no breakdown of these figures between the amounts representing loans made to customers inside the four-county area and those made to customers outside, although as to appellees it is known that 44% of their loans are made to borrowers located outside the four-county area (DX 30, R. 3167). Nor has appellant included

any figures showing the amount of loans made to customers inside the area by banks located outside the area, although witness after witness testified that large banks from New York and other cities regularly solicit and obtain business in the Philadelphia area (R. 3653; see fn., p. 10, *supra*).

No witness was offered by appellant to provide any interpretation or explanation of these figures or of their significance in support of appellant's theories. The district court necessarily concluded that there is no evidence disclosing appellees' portion of the banking business done in the four-county area or any other area (Fdgs. 56a-57a, R. 3496-3497).

CONCENTRATION IN COMMERCIAL BANKING

The proposed merger would reduce from 42 to 41 the total number of existing banks in appellant's four-county area capable of lending a single customer up to $10,000. It would reduce from 8 to 7 the number of banks in that area capable of lending as much as $1,000,000 to a single customer. It would not reduce the number of banks from New York, Boston, Chicago and other cities doing business in Philadelphia, but it would for the first time create a bank in Philadelphia capable of lending up to $15,000,000 to one borrower. The district court concluded that "all types of customers, including small businessmen, would have ample alternative choices for commercial banking services after the merger" (Fdg. 161a, R. 3511) and that the availability of these alternatives

"leads to the inescapable conclusion that any tendency toward monopoly or oligopoly at this stage is non-existent" (R. 3662).

Prior to 1951, PNB and Girard were wholesale banks dealing primarily with large customers (Fdg. 101a, R. 3502). Because of the population growth in suburban areas, the expansion of commerce and industry, and the increase in the importance of small customers, PNB and Girard independently changed their policies and began to enter into retail banking services and branch banking (Fdg. 102a, R. 3502-3503). The mergers which both banks engaged in after 1951 were for the purpose of effectuating this new policy (*Ibid.*). The district court concluded that "it has been shown that mergers with existing banks in the suburbs of Philadelphia were, in many cases, the only feasible way for larger banks to follow the migration of many of their customers into these areas. In addition, in many cases, it appears the small banks in the four-county area have found mergers with larger banks to be a solution to their problems of inadequate banking services, rising costs, and management succession." (R. 3661). The district court added that "although the defendants have engaged in prior mergers, these mergers have had valid business purposes as the motivating force" (R. 3661).

These mergers with smaller banks in the suburbs have increased the banking services available in those communities while at the same time they have not prevented substantial growth of the other banks in those

areas (Fdgs. 103a-105a, 108a-122a, R. 3503-3505). On the basis of the testimony of the Philadelphia banking witnesses, including appellant's one expert on Philadelphia banking (R. 976), the district court concluded that the effect of prior bank mergers in the Philadelphia area had been to increase and sharpen competition among commercial banks (Fdg. 107a, R. 3503).

The district court, after reviewing the "concentration" percentages computed by appellant,* found that "no dangerously potential concentration will result from this merger" (R. 3656-3658). In reaching this conclusion, the court considered percentage figures from other cities in the United States. On the following page there is set forth a list of 110 cities in the United States with population of 100,000 or more ranked in accordance with the percentage of total bank assets held by the largest bank in each city. The largest bank in each of 78 of those cities holds more than the 36.2% which would be held by the merged bank in Philadelphia. Moreover, of 224 cities with population of over 50,000, there are 190 which have a commercial bank holding 35% or more of the total commercial banking assets in the city, and 96 which have a bank holding more than 50% of such assets (DX 46, R. 3193-3207; Fdg. 136a, R. 3507). There was no evidence offered to show that such concentration in any bank in any city had given it an advantage

* As generally used by appellant the term "concentration" appears to mean the percentage of banking resources in a particular locality held by a bank or banks. See Fdgs. 374-384, R. 3411-3413.

Assets of the Largest Commercial Banks as Per Cent of Total Assets of all Commercial Banks in Cities with Population Over 100,000

Percentages as of June 30, 1956, except Philadelphia, December 31, 1960, giving pro forma effect to the merger

1. Gary, Ind.	88.4	56. Cleveland, Ohio	45.2
2. Dearborn, Mich.	82.2	57. Rochester, N. Y.	44.9
3. Niagara Falls, N. Y.	79.2	58. Duluth, Minn.	44.7
4. Cambridge, Mass.	73.1	59. Amarillo, Texas	42.9
5. Greensboro, N. C.	69.4	60. Tulsa, Okla.	42.3
6. Savannah, Ga.	69.1	61. Indianapolis, Ind.	41.1
7. Birmingham, Ala.	63.3	62. Wichita Falls, Texas	41.0
8. Yonkers, N. Y.	62.2	63. Miami, Fla.	40.9
9. Paterson, N. J.	61.9	64. New Orleans, La.	39.9
10. Dayton, Ohio	61.5	65. Erie, Pa.	39.6
11. Corpus Christi, Texas	60.4	66. Lincoln, Nebr.	39.2
12. Pittsburgh, Pa.	60.0	67. Los Angeles, Calif.	39.1
13. Montgomery, Ala.	59.3	68. Columbus, Ga.	39.0
14. Toledo, Ohio	59.1	69. Nashville, Tenn.	38.6
15. San Francisco, Calif.	58.7	70. Rockford, Ill.	38.4
16. Providence, R. I.	57.9	71. Minneapolis, Minn.	38.3
17. Camden, N. J.	56.6	72. Evansville, Ind.	38.3
18. Scranton, Pa.	56.6	73. Springfield, Mass.	38.2
19. Phoenix, Ariz.	56.5	74. Trenton, N. J.	37.8
20. Charlotte, N. C.	56.2	75. Waterbury, Conn.	37.7
21. Worcester, Mass.	56.0	76. Fort Worth, Texas	37.4
22. Knoxville, Tenn.	55.6	77. Peoria, Ill.	37.2
23. St. Paul, Minn.	55.6	78. Youngstown, Ohio	37.1
24. Madison, Wis.	55.5	79. **Philadelphia, Pa.**	**36.2**
25. Norfolk, Va.	55.1	80. Tampa, Fla.	36.2
26. Jackson, Miss.	55.0	81. Newark, N. J.	35.9
27. Chattanooga, Tenn.	54.0	82. Elizabeth, N. J.	35.8
28. Boston, Mass.	54.0	83. Dallas, Texas	35.8
29. Albany, N. Y.	54.0	84. New Haven, Conn.	35.6
30. Columbus, Ohio	53.5	85. Syracuse, N. Y.	35.2
31. Buffalo, N. Y.	52.7	86. Atlanta, Ga.	35.2
32. Bridgeport, Conn.	52.3	87. Lubbock, Texas	35.0
33. Tacoma, Wash.	50.5	88. Kansas City, Mo.	34.8
34. New Bedford, Mass.	49.7	89. Jacksonville, Fla.	34.8
35. Hartford, Conn.	49.2	90. Austin, Texas	34.7
36. Oklahoma City, Okla.	48.3	91. Little Rock, Ark.	33.9
37. Allentown, Pa.	48.3	92. Cincinnati, Ohio	33.8
38. Milwaukee, Wis.	48.2	93. Houston, Texas	32.9
39. Portland, Oreg.	47.9	94. Canton, Ohio	32.0
40. Omaha, Nebr.	47.9	95. St. Petersburg, Fla.	31.4
41. Mobile, Ala.	47.7	96. Des Moines, Iowa	31.2
42. Utica, N. Y.	47.6	97. Richmond, Va.	31.0
43. Wichita, Kans.	47.6	98. Louisville, Ky.	30.7
44. Albuquerque, N. M.	47.4	99. Washington, D. C.	30.5
45. El Paso, Texas	47.1	100. Topeka, Kans.	28.7
46. Detroit, Mich.	46.9	101. St. Louis, Mo.	27.8
47. Akron, Ohio	46.7	102. Baton Rouge, La.	27.8
48. Seattle, Wash.	46.1	103. San Antonio, Texas	27.7
49. Spokane, Wash.	45.8	104. Jersey City, N. J.	26.8
50. Memphis, Tenn.	45.7	105. Chicago, Ill.	25.8
51. Portsmouth, Va.	45.6	106. Salt Lake City, Utah	24.5
52. Hammond, Ind.	45.5	107. Kansas City, Kans.	24.1
53. South Bend, Ind.	45.5	108. Baltimore, Md.	23.1
54. Fort Wayne, Ind.	45.5	109. Denver, Colo.	22.5
55. Shreveport, La.	45.4	110. New York, N. Y.	21.0

(DX 47, R. 3208)

over other banks or had had any effect whatever on competition. The only evidence was to the contrary (R. 1954, 1956).

Lewellyn A. Jennings, former First Deputy Comptroller of the Currency, who had more than thirty years' experience in banking throughout the country (R. 1929-1935), testified that the large percentage of local bank assets held by the largest bank in so many cities is due to "a need in these communities for a lead bank large enough to accommodate the borrowing needs, the general banking needs of commerce and industry in the communities" (R. 1956). Mr. Jennings also testified that studies of banks over the ten-year period, 1946-1956, showed that in most large cities the largest banks lost ground to their competitors (R. 1958-1960; DX 46, R. 3195-3207; DX 21, R. 3099-3151), and that studies of the 100 largest banks in the United States showed that they held 56.7% of all commercial bank deposits in 1949 and only 45.7% in 1958 (R. 1962; DX 48, R. 3247). Finally, he stated that "concentration," measured as appellant measures it in this case, "is not an effective deterrent in any way to the adequate functioning and the competitive position of the smaller institutions" (R. 1959). This is consistent with the conclusion of the FDIC in a study of banking concentration (DX 48, R. 3258) that "..... there is no fixed relationship between changes in concentration and changes in competition."

REASONS FOR THE MERGER

Philadelphia area banks have met the postwar problems presented by the wider distribution of population and the increasing needs of individuals and of small businesses by enlarging the number of banking offices in the area from 178 to 283 and by providing a full line of banking services at these locations (GX 13(S), R. 2385; R. 1596-1598). There is ample banking accommodation to meet the needs of individuals and smaller businesses (R. 3660). On the other hand, banking resources and lending limits have not kept pace with the credit requirements of the larger local enterprises. Exhibit D 25 (R. 3157) shows that in the Philadelphia area between 1940 and 1960 the total sales of large corporations, value added by manufacture and personal income have each increased four-fold. During the same period the total assets of Philadelphia banks and the PNB lending limit, which is the largest in the area, have increased by only half as much. Although Philadelphia is fourth or fifth among the twelve largest metropolitan areas in the United States when ranked on the basis of the usual measures of economic activity, it ranks only ninth on the basis of the size of its largest bank (GX 57, R. 2531-2535).

PNB has a lending limit of $8,000,000 and Girard's limit is $6,000,000 (DX 15, R. 3052). On the basis of the testimony of executives of eight competing Philadelphia banks, executives of seven of the larger companies in the Philadelphia area, an officer of the Philadelphia Industrial Development Corporation, the

Mayor of Philadelphia, a former First Deputy Comptroller of the Currency and a member of the Pennsylvania State Banking Board, the district court found "There is presently no Philadelphia bank large enough to serve adequately the banking needs of large industry in the Philadelphia area" (Fdg. 178a, R. 3513).

The district court found that the higher lending limit of $15,000,000 and the additional resources of the merged bank would permit it to serve more adequately the credit requirements of large industry, to give greater assistance to new or growing companies, and to attract new business to the Philadelphia area, which in turn would benefit other local banks (Fdgs. 193a-207a, R. 3517-3518).

As a result of the inadequacy of banking resources in the Philadelphia area, larger local enterprises have been forced to establish relationships with banks in other cities. Each appellee has lost business as a result of this movement and each is greatly concerned that it will lose more as its present customers' banking requirements increase (R. 1613-1623, 1699, 1706).

The numerical extent of the competition which appellees face from larger banks in other metropolitan centers is evident from the fact that there are twenty commercial banks in the United States which have lending limits greater than that of PNB, of which nine are in cities smaller than Philadelphia (DX 24, R. 3154; Fdg. 135a, R. 3507). The intensity of com-

petition from banks in other cities was attested to by the local businessmen and bankers who testified (Fdg. 52a, R. 3495-3496; see fn., p. 10, *supra*). For example, it was said that Philadelphia "swarms" with solicitors from outside banks (R. 1825-1826); that deposit accounts from $10,000 up are regularly sought in Philadelphia by outside banks (R. 2025-2028); and that Philadelphia is the "happy hunting ground" for New York banks (R. 1899). None of this testimony was contradicted.

The fundamental reason for the proposed merger is to correct this imbalance in Philadelphia and to meet this competition from larger banks throughout the country by providing a bank in Philadelphia with resources, lending limit and services more in keeping with the banking requirements of the larger local enterprises. This business is important to appellees. In June 1960, at least 70% of PNB's total business demand deposits were from customers for whom there is competition from banks elsewhere. Loans to such customers amounted to 74% of all its commercial and industrial loans (DX 43, R. 3185). In the case of Girard, at least 55% of its business demand deposits and 59% of its commercial and industrial loans were those of customers of the same type (DX 43, R. 3185).

Although the substantial resources and higher lending limit of the merged bank will tend to attract larger customers, to be truly competitive with the New York banks the merged bank must also offer more specialized services than are presently possible

with the existing resources and staff of each appellee. For example, departments will be organized by categories of industries in order to render expert business and banking advice (R. 1607-1608, 1710). The additional resources will also enable the bank to develop its foreign services by increasing the capital of PNB's international investment company and by forming an international banking corporation with an office in New York and, later, London (R. 1710-1712).

The district court summarized this final aspect of the case by saying (R. 3667):

> "The testimony discloses that the competitive effect upon all Philadelphia commercial banks will be minimal. The larger bank, however, will be able to compete on better terms and in a better atmosphere with the banks of other cities and states that have been draining this area of banking business which might well be and perhaps properly should be handled here, and which cannot be handled under present circumstances. That it will benefit the city and area has been established clearly by a fair preponderance of the evidence, as has been set forth in the Findings of Fact of the defendants previously affirmed."

SUMMARY OF ARGUMENT

I

Section 7 of the Clayton Act is inapplicable because the proposed merger does not involve an acquisition of stock. *Arrow-Hart & Hegeman Elec. Co.* v. *Federal Trade Commission*, 291 U.S. 587 (1934);

United States v. *Celanese Corp.*, 91 F. Supp. 14 (S.D.N.Y. 1950); *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 313 (1962). The 1950 amendment extended the Act to control asset acquisitions, but only in the case of corporations subject to the jurisdiction of the Federal Trade Commission, and banks are not subject thereto. The inapplicability of section 7 of the Clayton Act to bank mergers has been consistently recognized by Congress, and was repeatedly asserted by the Department of Justice until it brought this suit.

II

The decision below was based on appellees' evidence that the proposed merger will not create an unreasonable restraint of trade in violation of section 1 of the Sherman Act, and also on the absence of any evidence from appellant that the merged bank will have the power to inhibit competition, to dominate or influence its competitors or to affect adversely the availability and adequacy of banking services to the public.

Appellees' evidence, consisting of testimony of experts with long experience in commercial banking, and of many bankers and businessmen in the Philadelphia area, showed that the merger could not and would not have an adverse effect on competition. This evidence showed that a large bank has no competitive advantage over smaller banks for business within the resources of the smaller bank, that small banks grow more rapidly than large banks, and that

because of the nature of banking and the vigor of competition among the 41 Philadelphia area banks the merged bank will have no power to affect adversely its competitors or banking competition.

The evidence showed that past mergers of Philadelphia area banks were a response to the needs of the area for better banking service. Those mergers did not adversely affect competition but on the contrary increased and sharpened it. Appellant's claim of "undue concentration" is nothing more than the use of a term common to antitrust cases involving industrial or commercial business and is based solely on statistics. Appellant made no attempt to explain the applicability of that concept to commercial banking. Banking "concentration" in Philadelphia after the proposed merger will be well below that in most other large cities, none of which was shown to be without effective banking competition or adequate banking service.

Appellant fails to recognize the essential differences between competition in commercial banking and competition in other industries. These differences arise from the unique nature of commercial banking and money and credit, and from the effect of governmental regulation which restricts competition in banking for the protection of depositors and the public. The result is that competition among banks is largely limited to convenience and quality of service and involves "price" competition only to a minor degree. Small banks can thus compete effectively with large banks for business within the range of the resources of the small bank.

Ignoring this fundamental difference appellant seeks to apply to this case the concept of "share of the market" utilized in antitrust cases involving industrial and commercial enterprises. Moreover, the statistics introduced by appellant are restricted to Philadelphia and three of its six contiguous counties and are meaningless since the relevant geographic market is far larger than those four counties. Appellant's statistics are also valueless because they include as banking business in the Philadelphia area all of the business of Philadelphia area banks from wherever derived and because they exclude extensive business done in the area by banks located in New York and elsewhere.

The evidence also establishes that the purpose of the proposed merger is to give Philadelphia for the first time a bank large enough to meet the banking needs of the larger business customers in the area and to check the flow of banking business from the Philadelphia area to large banks in New York and other cities. The merged bank will have the resources necessary to retain and acquire such business and to offer competition which does not now exist, all of which will in turn benefit the entire Philadelphia community. This benefit to the community and increase in competition will promote, not defeat, the Congressional purposes expressed in the Bank Merger Act of 1960 and the antitrust laws.

ARGUMENT

I. SECTION 7 OF THE CLAYTON ACT IS NOT APPLICABLE BECAUSE THE PROPOSED MERGER WILL NOT INVOLVE AN ACQUISITION OF STOCK.

Appellant is seeking in this case to have this Court do what Congress has repeatedly refused to do—apply the Clayton Act to bank mergers. The plain meaning of section 7 of the Act, the settled interpretation of that language by this Court and the repeated manifestations of Congressional intent forbid that result.

Section 7 of the Clayton Act as originally enacted in 1914 applied only to acquisitions of "stock or other share capital." When this section was amended by the Act of December 29, 1950, 64 Stat. 1125, 15 U.S.C. § 18, to extend its application to acquisitions of assets, the extension applied only to corporations "subject to the jurisdiction of the Federal Trade Commission." Banks are not subject to the jurisdiction of the Federal Trade Commission* so that, as appellant admits (Appellant's Brief, p. 74), section 7 applies to the proposed merger only if it involves an acquisition of stock as that term is used in the Act. That is not the case here.

A merger of corporations does not involve an acquisition by the resulting corporation of stock of any of the corporations participating in the merger.

* Federal Trade Commission Act, § 5(a)(6), 38 Stat. 719, as amended, 15 U.S.C. § 45(a)(6); Clayton Act, § 11, 38 Stat. 734, as amended, 15 U.S.C. § 21.

This Court so ruled in *Arrow-Hart & Hegeman Elec. Co.* v. *Federal Trade Commission*, 291 U.S. 587 (1934), which involved the question whether the language here invoked by appellant applied to a statutory merger under a state law substantially the same as section 215 of the national banking laws (Appendix, p. 82), under which the proposed merger will take place. It was said in that case:

> "The statute does not forbid the acquirement of property, or the merger of corporations pursuant to state laws, nor does it provide any machinery for compelling a divestiture of assets acquired by purchase or otherwise, or the distribution of physical property brought into a single ownership by merger." (291 U.S. at 595).
>
> "If the merger of the two manufacturing corporations and the combination of their assets was in any respect a violation of any antitrust law, as to which we express no opinion, it was necessarily a violation of statutory prohibitions other than those found in the Clayton Act." (291 U.S. at 599).

That decision was by a divided Court but the dissenting opinion agreed that "It is true that the Clayton Act does not forbid corporate mergers * * *." (291 U.S. at 600).

Appellant seeks to explain away this Court's interpretation of the stock acquisition clause of section 7 by saying that it should be "limited by its context" (Appellant's Brief, p. 73, fn. 56). But even in its con-

text the opinion in *Arrow-Hart* has been recognized as confirming the plain meaning of section 7 that the stock acquisition clause does not cover corporate mergers. *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 313 (1962); *United States* v. *Celanese Corp.*, 91 F. Supp. 14 (S.D.N.Y. 1950); *Report of the Attorney General's National Committee to Study the Antitrust Laws* 115-116 (1955).* The very fact of the limited scope of the original section is what led to the extension of the statute by the 1950 amendment to cover acquisitions of assets by corporations subject to the jurisdiction of the Federal Trade Commission. H. Rep. No. 1191, 81st Cong., 1st Sess. 5, 11-12 (1949); S. Rep. No. 1775, 81st Cong., 2d Sess. 2 (1950); *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 316 (1962).

Appellant's argument ignores not only this background of the settled interpretation of the stock acquisition clause of section 7 but also the recognized legal effect under applicable law of the transaction proposed by appellees. Under the national banking statutes the only transfer which will occur in the proposed merger will be the transfer by operation of law

* Appellant refers on pages 19 and 79 of its brief to this Court's summary of the government's complaint in *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 296 (1962). While the complaint alleged in paragraph 15 that Brown would acquire the stock of Kinney, this was denied in the answer. The point received no further attention since Brown was subject to the jurisdiction of the Federal Trade Commission and therefore clearly subject to section 7. Appellant admits in a footnote that the question "was not raised or argued."

of the assets of Girard to the resulting bank. 73 Stat. 462. 12 U.S.C. § 215(e) (Supp. II) (Appendix, p. 82); *Ex parte Worcester County National Bank*, 279 U.S. 347, 360 (1929); *United States* v. *Seattle-First National Bank*, 321 U.S. 583, 587-589 (1944). Since the corporate existence of Girard is automatically merged into and continued in the resulting bank, the shares of stock owned by the shareholders of Girard will not be acquired or transferred but will automatically be converted into the number of shares of stock of the resulting bank stipulated in the Agreement of Consolidation with appropriate adjustments for fractional shares. The section of the Agreement (GX 119, R. 2721-2724) dealing with the exchange of certificates evidencing the shares of the resulting bank into which the Girard shares will have been converted merely provides the mechanics for handling the certificates in order to reflect this result.*

There are many differences between an acquisition of stock and a merger. For example, a merger such as appellees' may be effected upon the affirmative vote of the holders of only two-thirds of the outstanding stock of each bank. 12 U.S.C. § 215; but if PNB were acquiring all of the Girard stock each Girard shareholder could decide for himself whether to transfer his shares. A merger requires public notice whereas

* As pointed out by the district court (R. 3643-3645), the Agreement was expressly made pursuant to the terms of section 215 of the national banking laws and thus there is no basis for suggesting that the Agreement, even if it could do so, would achieve a result different from that provided by section 215(e) of such laws.

stock can be acquired privately. A shareholder dissenting from a merger has the right to receive the appraised value of his shares, 12 U.S.C. § 215, whereas no shareholder has a comparable right in an acquisition of stock. Furthermore the corporate existence of a merged company is terminated by a merger, but remains unaffected by an acquisition of stock. In sum, the merger of appellees has none of the characteristics of an acquisition of stock within the meaning of section 7 or the fundamentals of corporation law.

Appellant also argues that a merger is different from a "normal" acquisition of assets for cash because the latter does not involve a continuity of interest by the shareholders of both corporations.* It then argues that this continuity of interest "must have appeared the primary threat to competition when the first section 7 was passed in 1914" (Appellant's Brief, p. 76). This argument ignores the fact that a purchase of stock for cash, which is clearly covered by section 7, also extinguishes the interest of the old stockholders, and that an acquisition of assets in exchange for stock involves a continuity of interest. More importantly, the argument misrepresents the legislative purpose in enacting section 7. As this Court recently stated in *Brown Shoe Co.* v. *United States*,

* Appellant says that the district court determined that the merger involved an asset acquisition (Appellant's Brief, p. 12). Actually it determined merely that the merger was not within section 7 because it did not involve a stock acquisition (R. 3644).

370 U.S. 294, 313-314 (1962), in reviewing the legislative history of the section:

> "The possibility of asset acquisition was discussed, but was not considered important to an Act then conceived to be directed primarily at the development of holding companies and at the secret acquisition of competitors through the purchase of all or parts of such competitors' stock."

Nor does the 1950 amendment to section 7 lend any support to appellant's argument, for banks were excluded from the extension of the Act to acquisitions of assets. In fact, following the 1950 amendment, numerous bills were introduced to extend section 7 to cover bank mergers.* These bills were not passed. Instead, Congress passed the Bank Merger Act of 1960, 74 Stat. 129, 12 U.S.C. § 1828(c) (Supp. II), which vested the authority to pass upon bank mergers in the federal banking agencies and required those agencies to consider the competitive factor along with six banking factors in determining whether a merger would be in the public interest.

Appellant admits that the legislative history of the Bank Merger Act shows a recognition by the Department of Justice and the Congressional committees that section 7 does not apply to bank mergers (Appellant's Brief, p. 72) but now tries to explain away

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* These bills are summarized in Funk, *Antitrust Legislation Affecting Bank Mergers*, 75 Banking L. J. 369 (1958). See also Wemple & Cutler, *The Federal Bank Merger Law and the Antitrust Laws*, XVI Bus. Law. 994 (1961).

this fact by stating that these views were "not directly involved." This has not heretofore been the considered opinion of the Department of Justice but is one that has been conceived for the purposes of this case. Thus, appellant's present contention that a bank merger is subject to the Clayton Act is in direct conflict with the proposals for legislation made by Attorneys General for years prior to the enactment of the Bank Merger Act of 1960. Repeatedly they stated to Congress that section 7 does not apply to bank mergers.* For example, Attorney General Brownell, speaking of bank mergers, told the Senate Committee on Banking and Currency (Hearings Before a Subcommittee of the Senate Committee on Banking and Currency on the Financial Institutions Act of 1957, 85th Cong., 1st Sess., Part 2 at 1030 (1957)):

> "On the basis of these provisions the Department of Justice has concluded, and all apparently agree, that asset acquisitions by banks are not covered by section 7 as amended in 1950."

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* Hearings Before a Subcommittee of the Senate Committee on Banking and Currency on the Financial Institutions Act of 1957, 85th Cong., 1st Sess., Part 2 at 1030, 1033 (1957); Hearings Before the Antitrust Subcommittee of the House Committee on the Judiciary, 85th Cong., 1st Sess., Ser. 2 at 43, 49, 72 (1957); Hearings Before the Antitrust Subcommittee of the House Committee on the Judiciary, 84th Cong., 1st Sess., Ser. 3, Part 1 at 244, 266 (1955); Hearings on S. 3911 Before a Subcommittee of the Senate Committee on Banking and Currency, 84th Cong., 2d Sess. at 61, 66 (1956); Hearings Pursuant to S. Res. 231 Before the Subcommittee on Antitrust and Monopoly of the Senate Committee on the Judiciary, 85th Cong., 2d Sess. at 182 (1958); Hearings on S. 1062 Before the Senate Committee on Banking and Currency, 86th Cong., 1st Sess. at 9 (1959).

The inapplicability of section 7 to bank mergers was not only a representation made to Congress by the Department of Justice but was also recognized by it as a basis for the conduct of its duties. In passing upon an application for informal clearance of a bank merger in 1955, the Department stated (Hearings Before the Antitrust Subcommittee of the House Committee on the Judiciary, 84th Cong., 1st Sess., Ser. 3, Part 3 at 2141 (1955)):

> "After a complete consideration of this matter, we have concluded that this Department would not have jurisdiction to proceed under section 7 of the Clayton Act. For this reason this Department does not presently plan to take any action on this matter."

The fact that section 7 does not apply to bank mergers was a principal reason for the enactment of the Bank Merger Act. Thus the Report of the House Committee on Banking and Currency, under the heading "Need for Improved Controls Over Bank Mergers," concluded:

> "The Federal antitrust laws are also inadequate to the task of regulating bank mergers; while the Attorney General may move against bank mergers to a limited extent under the Sherman Act, the Clayton Act offers little help." H. Rep. No. 1416, 86th Cong., 2d Sess. 5 (1960); see also p. 9 of the Report.

The Senate Report similarly states:

> "Since bank mergers are customarily, if not invariably, carried out by asset acquisitions, they

are exempt from section 7 of the Clayton Act. (Stock acquisitions by bank holding companies, as distinguished from mergers and consolidations, are subject to both the Bank Holding Company Act of 1956 and sec. 7 of the Clayton Act.)" S. Rep. No. 196, 86th Cong., 1st Sess. 1-2 (1959).

"In 1950 (64 Stat. 1125) section 7 of the Clayton Act was amended to correct these deficiencies. Acquisitions of assets were included within the section, in addition to stock acquisitions, but only in the case of corporations subject to the jurisdiction of the Federal Trade Commission (banks, being subject to the jurisdiction of the Federal Reserve Board for purposes of the Clayton Act by virtue of section 11 of that act, were not affected)." *Id.* at 5.

This was also recognized by Representative Spence, Chairman of the House Committee on Banking and Currency, when he said during debate on the bill:

"The Clayton Act is ineffective as to bank mergers because in the case of banks it covers only stock acquisitions and bank mergers are not accomplished that way." 106 Cong. Rec. 7257 (1960).*

The exclusion of bank mergers from the prohibitions of section 7 is no mere "otherwise-wholly-irrational distinction" (Appellant's Brief, p. 77) but

* Similar statements appear throughout the legislative debates. See 105 Cong. Rec. 8076 (Sen. Robertson), 8128 (Sen. Clark), 8130 (Sens. Sparkman and Javits) (1959); 106 Cong. Rec. 9711-12 (Sen. Fulbright), 9715 (Sen. Johnson) (1960).

is rather the result of a deliberate legislative policy that banks cannot be governed by the same antitrust rules as those governing industrial and commercial corporations. As Senator Robertson, chairman of the Senate Committee on Banking and Currency, stated during the debate on the Bank Merger Act:

> "The significance of the banking system to the monetary and fiscal policies of the Government, to the businesses and individuals who depend on bank loans for growth and development, and to depositors who must have confidence in the security of their deposits, is too important to permit unrestricted competition.
>
> "In the opinion of the committee it is impossible to subject bank mergers to the simple rule of section 7 of the Clayton Act. Under that act, a merger would be barred if it might tend substantially to lessen competition, regardless of the effects on the public interest." 105 Cong. Rec. 8076 (1959).

See also S. Rep. No. 196, 86th Cong., 1st Sess. 19-20 (1959).

Federal regulation of banking began long before the passage of the Sherman Act, and in the year before the Clayton Act was passed Congress adopted the Federal Reserve Act, which provided extensive regulation for national banks and also for state banks which joined the Federal Reserve System. Following the disastrous period of bank failures in the late 1920's and early 1930's, the Federal Deposit Insurance Act was passed and the Federal Reserve Act was

amended to restrict further the freedom of action of banks. Under the power vested in the federal banking agencies by these various acts, the agencies have exercised stringent supervisory authority over banks, leading one commentator to describe this system of regulation as more intensive than the regulation of any other industry. 1 Davis, *Administrative Law Treatise* § 4.04.

This scheme of federal regulation in the banking field reflects the Congressional policy that free competition among banks must be subordinated to the preservation of a sound banking structure. As Senator Fulbright, one of the sponsors of the Bank Merger Act, stated during the debate on that bill:

> "Banking is too important to depositors, to borrowers, to the Government, and the public generally, to permit unregulated and unrestricted competition in that field.
>
> "The antitrust laws have reflected an awareness of the difference between banking and other regulated industries on the one hand, and ordinary unregulated industries and commercial enterprises on the other hand. The 1950 amendment to section 7 of the Clayton Act, which for the first time imposed controls over mergers by means other than stock acquisitions, did not apply to bank mergers which are practically invariably accomplished by means other than stock acquisition. Accordingly for all practical purposes bank mergers have been and still are exempt from section 7 of the Clayton Act." 106 Cong. Rec. 9711 (1960).

"It is this distinction between banking and other business which justifies different treatment for bank mergers and other mergers. It was this distinction that led the Senate to reject the flat prohibition of the Clayton Act test which applies to other mergers." *Id.* at 9712.

In adopting the Bank Merger Act of 1960 Congress decisively rejected the proposals to subject bank mergers to section 7. By so doing it reaffirmed the recognized and settled interpretation of the statute as its legislative will.* What appellant asks this Court to do, therefore, is not merely to legislate but also to create an antitrust prohibition which Congress has expressly refused to enact.

Although the district court concluded that section 7 is not applicable to this merger, it nonetheless applied the standards of that section in order to resolve

* This Court recently emphasized that it would not disturb prior decisions where Congress had adopted regulatory legislation with specific reference to those prior decisions. The Court said:

> "Since these earlier decisions are part of the arch on which the new structure rests, we refrain from disturbing them lest we change the design that Congress fashioned." *State Board of Insurance* v. *Todd Shipyards Corp.*, 370 U.S. 451, 458 (1962).

An example of the effect on the Congressional scheme of regulation of bank mergers which would result from a ruling that they are within the scope of the Clayton Act is found in the expansion of the powers of the Federal Reserve Board which would be a consequence of such ruling. Under the Bank Merger Act the Comptroller of the Currency approved this merger and the Federal Reserve Board had merely an advisory function. If bank mergers such as this constitute stock acquisitions, the Federal Reserve Board would also have authority under Section 11 of the Clayton Act, 38 Stat. 734, as amended, 15 U.S.C. § 21, to set aside the merger.

all questions expeditiously and found that the proposed merger would not substantially lessen competition or tend to create a monopoly (R. 3646, 3668). Appellant's factual argument in this Court is primarily based upon an alleged violation of section 1 of the Sherman Act, and therefore the balance of appellees' Argument will be similarly restricted. However, virtually everything which follows hereafter and which demonstrates that there has been no violation of section 1 of the Sherman Act is applicable to the standards of the Clayton Act.

II. THE EVIDENCE AFFIRMATIVELY SHOWS THAT THE PROPOSED MERGER WILL NOT RESULT IN AN UNREASONABLE RESTRAINT OF TRADE WITHIN THE BAN OF SECTION 1 OF THE SHERMAN ACT.

The granting of an injunction under the Sherman Act must be governed by the same high standards of proof applicable in other cases. Chief Justice Hughes stated in *Appalachian Coals, Inc.* v. *United States*, 288 U.S. 344, 377 (1933):

> "The fact that the suit is brought under the Sherman Act does not change the principles which govern the granting of equitable relief. There must be 'a definite factual showing of illegality.'"

See also *United States* v. *Yellow Cab Co.*, 338 U.S. 338, 341 (1949).

In this case appellant has been forced to abandon as worthless the testimony of its witnesses* and now

* The district court said the theories of appellant's principal witnesses "were completely destroyed on cross-examination" (R. 3634).

bases its prayer for injunction on inferences derived from statistics, inferences which were flatly negated by the testimony of qualified bankers, businessmen and economists. Appellant's evidence does not meet the test of "a definite factual showing of illegality", and the district court so found (R. 3662-3663).

A. COMPETITION IN COMMERCIAL BANKING IS FUNDAMENTALLY DIFFERENT FROM COMPETITION AMONG INDUSTRIAL AND COMMERCIAL BUSINESSES.

The effects of a merger under the antitrust laws must be examined in the context of the unique conditions of the particular business. *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 321-322 (1962); *United States* v. *Columbia Steel Co.*, 334 U.S. 495, 527-528 (1948). Such an approach is of special importance in this case, the first in which this Court has had to review the application of the antitrust laws to a bank merger. The district court recognized, as has Congress (Appendix, pp. 85, 87, 91, 96-97, 106), that commercial banking is fundamentally different from industrial and commercial businesses (R. 3635; Fdg. 9a, R. 3490; R. 1522, 1977-1979). Appellant seeks to obscure this by asserting that such a distinction would exclude banking from the antitrust laws or weaken or modify their effect on banking (Appellant's Brief, pp. 15, 25-26). What the district court found was merely that in measuring the effect of the merger on competition among banks, the special nature of that competition must be recognized and given effect. It

accordingly made detailed findings with respect to the character of the competition which exists among commercial banks (Fdgs. 9a-43a, R. 3490-3493).

The unique characteristics of competition among commercial banks arise from the nature of commercial banking and the effect on it of governmental regulation. Banks are dependent for the bulk of the funds with which they operate on the will, or whim, of their depositors. They do not own the funds they lend, they owe them (R. 1977, 1522). No matter how large or small a bank may be it cannot prevent its depositors from withdrawing all of their demand deposits at any time (Fdg. 27a, R. 3492; R. 1562, 1977-1978). As for its borrowers, the money market and the forces that control interest rates are so vast that no bank can raise the interest rates it charges on loans above current levels without losing its borrowers to other banks (Fdg. 33a, R. 3492; R. 938, 1555-1556). Stated in other terms, banks have no power to control the supply of the raw material they use nor to dominate their customers, and an almost negligible ability to vary the prices they pay or charge. For the same reasons one bank cannot dominate others.

The type of business a bank may do is limited by governmental restrictions on the nature, amount, volume and purpose of the loans it may make, by regulations requiring that a bank's investments be of a certain high rating, by strict requirements of liquidity of assets enforced by bank examiners, and by the dictates of sound banking practice on ratios of capital,

loans and deposits, which the periodic examination of banks by federal and state authorities assures (Fdgs. 14a, 22a-25a, R. 3490-3492; R. 1523-1528, 1547-1548, 1551, 1943-1945). A bank's profits are limited not only by these factors but also by the narrow range of interest rates it may charge on loans within the legal and practical maximum fixed by usury laws and a fluctuating minimum set by the money market in response to forces over which only the government has any control (Fdgs. 15a-18a, 26a, R. 3490-3492; R. 938, 1364-1369, 1543-1546, 1552-1555, 1941-1942). Accordingly, customers with the highest credit rating may demand and obtain the minimum, or "prime rate", whatever it may be. A bank's power to attract the deposits it must have to do its business is restricted by governmental regulation of the interest it may or may not pay on deposits (Fdg. 13a, R. 3490; R. 1366, 1537). As a result, competition among commercial banks is narrowly limited. It consists primarily of convenience and quality of service, and involves "price" competition only to a minor degree (Fdgs. 12a, 26a, 28a-29a, 32a-37a, R. 3490, 3492-3493; R. 1364-1365, 1942). This limitation of competition is not merely the result, it is the very purpose of the extensive governmental regulation of commercial banks (Fdg. 11a, R. 3490; R. 1365). The public interest in the soundness of the banking system and the protection of depositors requires that commercial banking not be subjected to those competitive pressures which, under our economic system, are relied on to determine the course of indus-

trial and commercial businesses (Appendix, pp. 86-88, 107, 108).

The effect of governmental regulation on banking competition was recognized by Congress in its consideration of the Bank Merger Act. The House Report states, "banking is a licensed and strictly supervised industry that offers problems acutely different from other types of business"; and the Senate Report similarly declares, "it is impossible to require unrestricted competition in the field of banking and it would be impossible to subject banks to the rules applicable to ordinary industrial and commercial concerns, not subject to regulations and not vested with a public interest." H. Rep. No. 1416, 86th Cong., 2d Sess. 9 (1960); S. Rep. No. 196, 86th Cong., 1st Sess. 16 (1959).

Appellant has failed throughout this case to appreciate the differences between competition in commercial banking and that existing in other businesses. Wholly disregarding these differences it indiscriminately uses percentages and theories from cases involving other businesses and brushes to one side the testimony of persons familiar with commercial banking that these percentages and theories do not support the conclusions which appellant seeks to draw from them. Such an approach was expressly disapproved by this Court in *Federal Communications Commission* v. *RCA Communications, Inc.*, 346 U.S. 86, 98 (1953), as follows:

> "What may substantially lessen competition in those areas where competition is the main

> reliance for regulation of the market cannot be automatically transplanted to areas in which active regulation is entrusted to an administrative agency; for reasons we have indicated above, what competition is and should be in such areas must be read in the light of the special considerations that have influenced Congress to make specific provision for the particular industry."

By employing such extravagant terms as "huge banks," "immediate dominance," "concentration of banking power," "dominant giant" (Appellant's Brief, pp. 16, 17, 71, 82) appellant seeks to distract attention not only from its use of inapplicable tests as a basis for its conclusions but also from the total absence of evidence supporting any of its conclusions. The use of such terms cannot obscure the fact that the record shows the inability of a large bank to affect the business done by smaller banks, to suppress or stifle competition, to limit the freedom of action of other banks, to control the activities of its customers, to fix the price of money or to create a monopoly.

B. THE "MARKET SHARES" WHICH ARE THE PRINCIPAL BASIS OF APPELLANT'S CASE ARE SO DISTORTED AS TO BE MEANINGLESS.

Market shares are only one of the factors which must be considered in determining the effect of a merger on competition. In this case, they form the principal thrust of appellant's attack. Thus, it is important to appreciate at the outset that appellant has freely used selected statistics which inflate the appar-

ent size of appellees' shares of local business. Actually the percentages offered by appellant do not establish a basis for determining appellees' share of any market.

Any attempt to test commercial banking against traditional antitrust concepts must start with facts that are basic to banking. The concepts of geographic market and product market cannot be applied in the customary way to commercial banking. "Money knows no home;" it goes where the return is greatest (R. 1535-1536). It is impossible to place useful geographic boundaries around such broad categories as "loans" or "deposits" or "trust business." Only when these terms are related to each of the many different types of customer can any geographic division begin to have meaning. Large borrowers and large depositors find it worthwhile to go long distances, even outside the country, to obtain the best terms. As to some the market is worldwide and as to many others the market is at least nationwide.* At the other end of the scale is the person of modest means who is unable, nor is it worth his while, to do his banking more than a short distance from home. All this is necessary to an understanding of the significance of the district court's finding that the key to a study of competition in banking is the number and location of alternative choices available to any customer (R. 3653).

* The statement on page 35 of appellant's brief that "banking customers within a given area do not readily use the services of comparatively distant banks" is not supported by the record. See fn., page 10, *supra*.

Only when statistics reflect those facts can they have any meaning in a banking antitrust case. See Appendix, pages 99-100.

Some knowledge of the volume and kind of business done in a given area by all banks, wherever located, is essential to an insight into the level of competition in banking in that area. Not one clue to this can be found in appellant's statistics, and for that reason they are valueless in this case.

Although the evidence is undisputed that appellees compete for a significant volume of business throughout the northeastern United States and, with respect to some of their services, throughout the entire country, appellant argues that the market should be narrowed to the small area consisting of Philadelphia County and the three contiguous Pennsylvania counties of Bucks, Delaware and Montgomery. This excludes even the three contiguous New Jersey counties and the other areas, both within and outside Pennsylvania, which make up the economic and industrial complex known as the "Delaware Valley".* Moreover, in computing appellees' alleged share of the banking business in this area appellant has included, as though it were derived therefrom, all of appellees' business, wherever obtained. In addition, appellant has included in its computations only the business of the commercial banks with head offices physically located in the four-county area despite the undisputed evidence that many other banks from

* This area is shown on the map appearing on page 11 *supra*.

cities throughout the country solicit and obtain substantial business there.

1. *The four-county area proposed as the relevant market by appellant does not correspond to the economic or commercial realities of commercial banking in the Philadelphia area.*

After giving recognition to the intricate and complex overlapping of numerous markets in the field of banking (Fdgs. 44a-53a; R. 3494-3496, 3652-3653), the district court found as a fact that the geographic market in which the proposed merger should be tested is far larger than the four Pennsylvania counties to which appellant restricted its evidence (Fdg. 53a, R. 3496, 3652-3653). The court reached this conclusion on the basis of extensive testimony that competition for commercial banking services must be measured by the location of alternative sources from which a banking customer can obtain such services (Fdgs. 44a, 46a, R. 3494; R. 1371-1374).

A relevant geographic market must "both 'correspond to the commercial realities' of the industry and be economically significant." *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 336-337 (1962). The nature of commercial banking permits wide mobility for banks and their customers. The transportation cost of money is zero. Loans can be arranged by telephone, deposits can be made by mail (R. 2065, 1376). There is nothing for a banking customer to try on or look at nor is there any problem of spoilage. A striking

illustration of this mobility is the number of representatives of the large banks in New York and elsewhere who are in Philadelphia continuously soliciting business,* and conversely the number of customers located in the Philadelphia area who go to New York or other cities when their banking needs cannot be met by banks located in Philadelphia (R. 1609-1625, 2152, 2254-2256). As the district court said (R. 3653):

> "It was very surprising to learn at the trial of this case that not only New York banks solicit and receive substantial business from customers within the four-county area, but also large banks from all the larger cities in the nation do likewise."

Appellant ignores the economics of the Philadelphia area. The city stands at the center of the "Delaware Valley," an area much larger than the four counties, bounded by Trenton on the north and Wilmington on the south. The standard census area includes not only the four counties but also Chester, Camden, Burlington and Gloucester Counties and the evidence establishes that this is properly considered the metropolitan area from the standpoint of the economy of the region (R. 2273-2276).

Bank customers are not restricted by political boundaries in seeking banking accommodation. For example, many individuals working in Philadelphia live in other Pennsylvania counties or in New Jersey

* See fn., page 10, *supra*, particularly the testimony at R. 1626-1628, 2025-2028.

and consequently have available banking choices in each area. Similarly, individuals living in Pennsylvania work in Trenton, New Jersey, or in Wilmington, Delaware, and deal with banks in those cities (R. 1633-1634). This interrelationship of the entire area is even more significant for industrial and business customers in view of the role which Philadelphia plays in providing essential services for the area.

Appellant seeks to overturn the district court's findings of fact by pointing to the limitation of appellees' offices to the four-county area under Pennsylvania law,* to selected statistics on the source of certain types of appellees' business, to but one of the several reasons why appellees open branches, and to the advisory opinions of the Federal Reserve Board and Federal Deposit Insurance Corporation (Appellant's Brief, pp. 34-37).† None of these shows the district court's conclusion to be erroneous.

The suggestion that the four-county area must be the relevant geographic market because appellees have opened branch offices to follow their customers and because such offices are located only in the four-county area, is refuted by the mobility of bank customers

* In Pennsylvania a bank may open branches only in the county in which its principal office is located or in a county contiguous to it in the same state.

† Appellant erroneously states (Appellant's Brief, p. 10) that the FDIC considered appellees to be in competition principally with banks in the four-county area, when in fact the report explicitly recognized that appellees are "active competitors" of banks in a far broader area, including New York and Pittsburgh (GX 163, R. 2848-2850).

and the existence of numerous banking alternatives outside the area.

Appellant's use of statistics emphasizing the physical location of appellees' customers is likewise misleading.* In an effort to show a strictly local market, appellant separates commercial banking into its component parts in order to emphasize those banking services which are local in nature, such as savings deposits and loans to individuals. If the market is to be determined on the basis of particular banking services, it is at least equally relevant that 43% of appellees' commercial and industrial loans, a major source of a bank's income, are made to customers outside the four-county area (DX 63, III, R. 3286). Furthermore, although appellant breaks down commercial banking to give emphasis to the local services rendered by appellees, it ignores the intense competition offered appellees by other financial institutions in these same services. See Appendix, pages 100-101. For instance, appellees' combined share of all time and savings accounts in all institutions in the four-county area is less than 6% (DX 32, R. 3168), their share of real estate loans is less than 3% (DX 65, R. 3287) and

* The language, "primary area," used on page 34 of appellant's brief to describe the significance of the four-county area for appellees' business, is almost identical with language used in most of the findings requested by appellant referred to in the table on that page. All of those requests were refused by the district court, which approved the statistical tables that accompanied these findings but said that "the conclusions therefrom which the plaintiff asked the court to draw are denied, and the remaining parts are refused as stated" (R. 3664).

the number of their non-bank competitors making loans is in the hundreds (DX 65, R. 3288-3291; DX 66, IV, R. 3295-3297).

More importantly, if one considers the locations of the customers' alternative choices, which the district court found to be the proper test, the most relevant statistics are that 68% in amount of appellees' commercial and industrial loans are made to, and 64% of their business demand deposits are received from, customers with known alternative choices outside the four-county area (Fdg. 52(e)a, R. 3496; DX 43, R. 3185)*. In these circumstances the use of the four-county area as a geographic market to test the competitive effect of the merger is totally unrealistic.

Finally, appellant's reference to the advisory opinion of the Federal Reserve Board is one of the numerous instances of appellant's reliance (Appellant's Brief, pp. 15, 37, 61, 63) on that board's opinion because of the lack of any affirmative evidence in this case which supports appellant's views. The Board's opinion was not supported by any witness, and was based on material which was not made part of this record and therefore could not be tested at the trial. It is thus entitled to no weight. See *United States* v. *International Harvester Co.*, 274 U.S. 693, 703 (1927). As an opinion announced prior to this suit, it

* In view of these undisputed facts, appellant's statement (Appellant's Brief, p. 38) that only appellees' "few largest" customers "may" have choices outside the four-county area is insupportable, to say the least.

was necessarily formed without the benefit of the facts developed in the course of the trial. It was upon the basis of those facts that the district court reached its conclusion.

2. *Appellant's statistics do not separate the business of local banks done outside the four-county area from that done within it.*

Appellant's constant repetition of its inflated percentage figures cannot hide the fact that these figures do not represent appellees' shares of the banking business in the four-county area. Appellant's percentages are based upon all of the business done by appellees throughout the country in spite of the fact that the record shows the amount of business done by appellees in the four-county area alone. No figures were introduced showing the amount of business done within the four-county area by the other banks located there. This failure so to limit the percentages is no minor imperfection. For example, appellant claims that appellees' "market share" will be 34% of all loans and 36% of all deposits (Appellant's Brief, p. 56). However, 44% of all of appellees' loans are made outside the four-county area (DX 30, R. 3167). If this amount is excluded from appellant's figures, the percentage drops from 34% to 22%. Similarly, if recognition is given to the fact that 32% of appellees' deposits are received from outside the four-county area, the percentage drops from 36% to 28% (DX 30, R. 3165-3166). Even these figures are greatly overstated and therefore valueless because they give no effect to the substantial volume of business done within the four-county area by banks outside it.

There is no justification for appellant's assumption that appellees' share of the business done in the four-county area by the banks located there is the same or even roughly the same as their share of such banks' total business done everywhere. On the contrary, there are many indications in the record that appellees do a far greater percentage of their business outside the four-county area than most of the other banks located within it. For example, approximately 60% in amount of appellees' commercial and industrial loans are loans of $500,000 or more, of which one-half are to borrowers located outside the four counties (DX 30, R. 3167). Of all their commercial and industrial loans 43% are made to outside borrowers *(Ibid.)*. The record indicates that most of the other banks in the four-county area, being smaller banks, do the largest percentage of their business in that area and that most of their loans are in amounts smaller than those of appellees (R. 1231-1232, 1235-1236, 1794-1795, 1909-1910, 1921-1923, 1927, 2082). Thus a comparison of the total business of those banks with the total business of appellees, which do so much business outside the four counties and make the larger loans, is necessarily distorted.

3. *Appellant ignores all of the competition in the four-county area furnished by competitors located elsewhere.*

The inaccuracy of appellant's figures is further magnified by a failure to reflect in the statistics any figures for any banks except those with head offices in

the four-county area. Thus there is nothing to suggest the total volume of banking business done within the area, so that the percentage of that business done by PNB or Girard cannot even be approximated (Fdgs. 56a, 57a, R. 3496-3497).

Substantial business done in an area by competitors located outside it must be included in analyzing a market. *United States* v. *Columbia Steel Co.*, 334 U.S. 495, 502-503, 530 (1948); *Erie Sand & Gravel Co.* v. *Federal Trade Commission*, 291 F.2d 279 (3d Cir. 1961). Cf. *Tampa Electric Co.* v. *Nashville Coal Co.*, 365 U.S. 320 (1961). Appellant's brief would lead this Court to believe that the only competition for banking services in the four-county area is furnished by banks with headquarters in that area. The record is replete, however, with testimony as to the active and successful solicitation of business in the four-county area by banks located elsewhere (see fn., page 10, *supra*).* Appellant gives no recognition to

* In its brief in opposition to appellees' motions to affirm (pp. 8-9), appellant labelled this testimony "speculation" and pointed to a 1955 Federal Reserve study to show that New York banks had "only" $113,000,000 in commercial and industrial loans to borrowers located in Philadelphia. The information for this study was provided by the New York banks on a confidential basis, but when appellees attempted to bring it up to date and to include all categories of bank services, appellant refused to permit its use in evidence on a similarly confidential basis (R. 18-39). The figures in the 1955 study show not only that New York banks had $113,000,000 in such loans in Philadelphia alone, but also that they had $337,000,000 in the Third Federal Reserve District, which is almost as much as appellees together had in 1960 (DX 1, R. 2992, 2997-2998; DX 63, III, R. 3286).

any of these competing banks in its statement that the merger "would reduce to four and three, respectively, the number of competitors for loans up to $2,500,000 and $5,000,000" (Appellant's Brief, p. 56). In view of the record in this case it is preposterous to suggest that banks in New York and other large cities should not be numbered among the competitors for business of that size in Philadelphia.*

The statistical invalidity of appellant's figures led the district court to make the following finding (Fdg. 56a, R. 3496):

> "Plaintiff has introduced no evidence bearing on defendants' proportion of the entire banking business done within the four-county area by all banks deriving business from that area, in any category of business."

C. THE EVIDENCE ESTABLISHES THAT THE MERGER WILL NOT HAVE AN ADVERSE EFFECT ON BANKING COMPETITION OR ON COMPETITORS OR CUSTOMERS OF APPELLEES IN THE PHILADELPHIA AREA.

The preceding section of this brief was directed to the fundamentally misleading character of appellant's statistics and their inadequacy as a support for appellant's conclusions. These statistics were discussed at length, not because appellees deem them significant,

* If in *Columbia Steel* appellant had excluded the business done in the area by outside firms, the "market share" of the acquired corporation would have risen from 10.6% to 16.8% and the acquiring corporation would not have been included in the market at all. *United States* v. *Columbia Steel Co.*, 334 U.S. 495, 513 (1948).

but because appellant, having failed in its efforts to produce a single informed witness who would say that the proposed merger would cause any restraint of trade or commerce,* was forced to rely on statistics alone as a basis for the inferences on which its case is founded. The important evidence in this case, however, and that which will now be discussed, is the testimony of bankers, businessmen, and economists, all familiar with banking and banking needs in the Philadelphia area, who uniformly said that the merger would produce no restraint. The testimony of those familiar with conditions elsewhere throughout the country likewise showed that the existence of a bank as large as the merged bank has not produced such a restraint in any market and would be totally unable to do so in an area such as Philadelphia. On the contrary, the record establishes that the effect of the merger will be to increase and sharpen competition and to benefit the community as a whole.

1. *The elimination of competition between appellees does not of itself constitute an unreasonable restraint of trade.*

The elimination of competition between Girard and PNB, of which appellant tries to make so much, would be significant only if this might in fact have some adverse effect on competing banks or on the

* Although 359 pages of the printed record are occupied by the testimony of appellant's witnesses offered as experts, Professors Smith and Goodman, none of it is cited to support appellant's position.

ability of the public to obtain ample and satisfactory banking accommodation. No qualified witness could be produced by appellant who would testify that either result would be brought about by the merger, and appellant is forced to ask this Court to infer it from the mere fact that the merger will make one bank out of two. But a merger of two competitors has never been prohibited as a *per se* offense under either the Sherman Act, *United States* v. *Columbia Steel Co.*, 334 U.S. 495 (1948), or the amended Clayton Act, *Brown Shoe Co.* v. *United States*, 370 U.S. 294 (1962). In fact, in each of these cases this Court found that the validity of a merger must be measured by its "effect on competition generally in an economically significant market," 370 U.S. at 335. See 334 U.S. at 527-528.

The resources, facilities and personnel of both Girard and PNB will continue to be available to the public in the merged bank, as will those of the other 40 banks of the four-county area, the 75 more in the ten-county area, and the many banks elsewhere.* The end of competition between Girard and PNB will in no way insulate these other banks from competition with the merged bank or free the merged bank from having to compete with them, or give it any power to control or restrain the actions of its competitors or their customers.

* The "hundreds of millions of dollars" of deposits in both appellees belonging to the same customers (Appellant's Brief, p. 41) involves only 400 such customers, most of whom are of the type whose banking choices are not limited to the Philadelphia area (GX 57, R. 2509-2511).

Despite the holdings of this Court in *Columbia Steel* and *Brown Shoe*, appellant continues to press its argument that the elimination of competition between appellees of itself constitutes a restraint of trade, relying on five cases relating to railroad combinations decided between 1904 and 1922. These cases were cited to this Court in *Columbia Steel* but the Court did not even stop to examine them because the factual situation was so dissimilar "that they furnish little guidance." 334 U.S. at 531.

Appellant misses the mark in its attempt (Appellant's Brief, p. 48) to find a similarity between commercial banks and railroads when this Court refused to find such a similarity between steel companies and railroads. An important element in these decisions was the monopoly power possessed by the transcontinental railroads and the anthracite carriers. This was stated clearly in *Northern Securities Co.* v. *United States*, 193 U.S. 197, 327-328, 330-331, 363 (1904) and reiterated in the decisions which followed it. *United States* v. *Union Pacific R.R.*, 226 U.S. 61, 83, 88 (1912); *United States* v. *Reading Co.*, 253 U.S. 26, 47-48 (1920); *United States* v. *Lehigh Valley R.R.*, 254 U.S. 255, 269-270 (1920); *United States* v. *Southern Pacific Co.*, 259 U.S. 214, 230-232 (1922). The last of these cases repudiates appellant's contention. The Court there said that the principle of these earlier cases "was broader than the mere effect upon existing competition between the two systems" (259 U.S. at 230). Furthermore, in the anthracite carrier cases, the

Court pointed to the extensive purchases of independent coal properties, to the combination among the competing carriers to defeat the construction of a new competing railroad, and to the agreement to eliminate the independent coal producers as competitors through restrictive contracts. *United States* v. *Reading Co.*, 253 U.S. 26, 45, 49-50 (1920); *United States* v. *Lehigh Valley R.R.*, 254 U.S. 255, 267-270 (1920). That these cases are totally dissimilar to the instant one is made clear by the abundance of evidence which supports the district court's finding that the merged bank could not possibly control the price and supply of bank credit because "entirely too much competition exists at all levels to permit such an occurrence" (R. 3658). They therefore provide no basis for appellant's argument that the ending of competition between appellees would in itself violate the Sherman Act.

Appellant's argument is inconsistent with the Congressional policy expressed in the Bank Merger Act (Appendix, pp. 84, 89, 95) and would make section 7 of the Clayton Act superfluous since that statute as construed by this Court in *Brown Shoe* would be less restrictive than the newly-suggested prohibitions of the Sherman Act proposed by appellant. This Court said that the standard of illegality set forth in section 7 "reflects a conscious avoidance of exclusively mathematical tests" (370 U.S. at 321, fn. 36). The Court emphasized that the Clayton Act's "concern was with probabilities, not certainties", thereby distinguishing it from other antitrust legislation, including the Sher-

man Act, which existed for "dealing with clear-cut menaces to competition" (370 U.S. at 323). The virtually mechanical prohibition of mergers under the Sherman Act which appellant suggests is not compatible with this interpretation of section 7 by the Court.

2. The merged bank will not be able to dominate or have a competitive advantage over other Philadelphia area banks.

The district court found on the basis of all the evidence that the increase in size of the merged bank "would not be sufficient for market domination" (R. 3658). Despite this finding appellant argues (Appellant's Brief, p. 59), without reference to the record, that the merged bank will be able to dominate its competitors and that the increase in size of the merged bank "will jeopardize the ability of smaller banks to retain or attract business" (Appellant's Brief, p. 63). These theories have no support in the record and are directly contrary to the affirmative testimony of the executives of seven smaller banks in the Philadelphia area, the very banks which appellant asserts will be jeopardized by the merger (R. 1795-1803, 1823-1829, 1874-1877, 1900-1907, 1925-1927, 2086-2087, 2252-2255). As to this the district court said:

> "This Court fails to see how any court, without some factual basis being laid therefor, could accede to [appellant's] request and this is all the more true in this particular case where experienced, substantial bankers throughout this entire area

have appeared in open court, subjected themselves to searching cross-examination, and have unanimously demonstrated that the proposed merger would not cause an undue concentration of banking, would not tend toward a monopoly, and definitely would increase the vigor of competition which the Congress of the United States from the passage of the Sherman Act down to the present date has, by law, attempted to foster." (R. 3666).

Appellant assumes that as a bank grows in size it somehow obtains an advantage over smaller competitors. Obviously larger size enables a bank to attract the business of larger borrowers, which it could not obtain if it were smaller. But large size gives a bank no advantage in seeking to attract the kind of banking business that is within the capacity of its smaller competitors (Fdg. 40a, R. 3493; R. 1237, 1377, 1824, 1866-1867, 1901-1903). This is one of the significant results which flow from the nature of commercial banking. The principal source of every commercial bank's funds is its deposits (Fdg. 27a, R. 3492). Since competition for deposits is largely limited to convenience, quality of service and personal relationships (Fdg. 37a, R. 3493), a large bank has no competitive advantage over a small bank in the attraction of deposits from persons who may be served by both. Indeed there was testimony in the case that the smaller bank has the advantage in these respects (R. 1892-1893). This is also true for loans.

There is no testimony, on which even appellant is willing to rely, that the proposed merger would adversely affect competition in commercial banking. Aside from a number of references to the record to support the statement that banks compete (Appellant's Brief, pp. 39-40) which appellees do not challenge, appellant is able to point to two items alone as lifting the supposed adverse effect of the merger from the realm of "speculation" (Appellant's Brief, pp. 41-42). These two items, which are all appellant can glean from thousands of pages of testimony and hundreds of exhibits, are nothing more than "recommendations" of working committees of appellees on two minor aspects of the future operations of the merged bank. There is no evidence that either of these recommendations were ever approved or adopted or will be followed by the merged bank as appellant asserts.*

The absence of any evidence that the merger will lessen banking competition, coupled with the positive testimony of every competent witness that the merger will increase it, is the heart of this case. The very fact that appellant, in the face of the unanimous opinion of witnesses acquainted with commercial banking in the Philadelphia area, bases virtually its entire case on the relative size of the merged bank, demonstrates appellant's total failure to appreciate the fundamental differences between commercial banking and indus-

* The exhibits which formed the sole basis of appellant's requested findings (Fdgs. 328, 349, R. 3403, 3407; GX 145, GX 143) were never explained or discussed by any witness nor printed in the record.

trial or commercial businesses. In the light of these differences it was incumbent upon appellant to offer at least some evidence to show the applicability of "size," "concentration," "history of mergers in the industry" and similar concepts which have been found pertinent in industrial and commercial fields. Appellant was unable to produce any such evidence.

The growth of commercial banks in the Philadelphia area in the past confirms the testimony that a larger bank has no advantage over its smaller competitors. The competitors of appellees who testified in this case pointed to the rapid growth of each new banking office and of a new bank which had been established within short distances of the offices of larger banks (R. 1822-1823, 1867-1869, 1922-1924, 2250-2252). The percentage growth of deposits of Delaware Valley banks during the past ten years likewise confirms these findings. Although PNB and Girard are the second and third largest banks, 107 of the 115 banks in the area have experienced in recent years a percentage deposit growth greater than that of either PNB or Girard (Fdgs. 109a-122a, R. 3504-3505; DX 18, R. 3060-3070).*

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* The experience of smaller banks throughout the United States has been comparable. Even the officers of small banks in many parts of the country whom appellant brought to Philadelphia to testify against bank mergers in general admitted that their banks had no difficulty competing with large banks (R. 309-312, 483-484, 651-652, 810).

The percentages of the deposits held by the largest banks in the United States and in particular areas have generally decreased (Fdgs. 140a-142a, R. 3508; R. 1958-1972, 1980-1981; DX 46, R. 3193-3207; DX 48, R. 3244-3257).

All of the foregoing testimony and evidence led the district court to find:

> "Large commercial banks do not have a competitive advantage for business within the range of the resources of smaller banks. In that range, small banks are able to compete as effectively as large banks." (Fdg. 40a, R. 3493).

Moreover the merged bank would have no power to force other banks to raise service charges or interest rates on loans, or to lower rates of interest on deposits. If the merged bank increased its own charges or interest rates on loans above the going rates it would simply lose business to other banks, of which there are more than enough to absorb any business so lost. Nor would the merged bank have any power to affect the free choice of banks by depositors or borrowers, or affect the supply of money in the area or in any way impose its will on other banks or the public (Fdgs. 149a-154a, R. 3509-3510; R. 938-940, 1411-1412, 1731-1732, 1801-1802, 1827-1829, 1874-1877, 1905-1907, 1975-1980, 2029, 2253-2254).

3. *Appellant's contention that banking concentration in Philadelphia will be undue and dangerous is refuted by the evidence.*

Despite the express finding of the district court that "no dangerously potential concentration will result from this merger" (R. 3658), appellant argues that the proposed merger is part of a "dangerous trend toward concentration" in the four-county area

(Appellant's Brief, p. 55). Appellant emphasizes the fact that the number of commercial banks with head offices in the four-county area has diminished in the last 15 years, but ignores the increase in banking offices from 178 to 283 during the same period (GX 13(S), R. 2385). Appellant offered no evidence that the earlier number of banks was the proper number or that the present number is inadequate, and left untouched the question of the effect of this change on the banking business. There is no evidence to suggest that the greater number of banks in 1947 competed with one another more vigorously than the banks do today, or that banking customers in the Philadelphia area were better served then than now. In fact, all the evidence is to the contrary.

Witnesses with knowledge of the Philadelphia area uniformly testified that the reason for past mergers was the pressing need of customers for increased banking services which the existing small banks could not provide (R. 992-994, 1872-1873, 2259-2262, 1833-1838). This need arose from the movement of population and industry to the suburbs, the change in emphasis from wholesale banking serving large corporate customers to retail banking for smaller customers, the greater demand for services which this change placed on the smaller suburban banks, and the liberalization of branching restrictions to accommodate this need (Fdgs. 97a-107a, R. 3502-3503). Indeed the witnesses were emphatic in stating that such mergers, which improved the quality of banking services throughout

the area, have made banking competition far more vigorous today than it was fifteen years ago (Fdg. 107a, R. 3503; R. 994-995, 1237, 1633, 1794, 1824, 1923, 2251). The witnesses further testified that the proposed merger will similarly increase competition and will not affect the ability of other banks to compete effectively (R. 1400, 1412-1413, 1634-1636, 1795, 1825-1829, 1875-1877, 1903, 1925-1927, 1973-1974, 1979, 2252-2254).

Appellant's argument on the reduction in numbers is directly contrary to the statement at page 60 of its brief that "this mere counting of noses leaves out of sight the point of real significance, namely, the size and capacity for competition of the remaining banks." The FDIC reached a similar conclusion in one of the few available studies of banking competition and concentration:

> "No easy or simple answer can be given to the question of the extent to which bank competition has been affected by changes in the number of banks and in the relative position of banks since 1921. If there have been significant changes in the nature of competition among banks, or an appreciable reduction in the intensity of competition among them, the evidence of such changes must come from something other than an examination of changes in the number of banks and in their relative position." Annual Report of the FDIC for 1960 (DX 48, R. 3260).

With respect to the change in the relative positions of banks in the four-county area resulting from

the merger, appellant points to its calculation that the merged bank will hold more than 35% of the assets of the 41 banks in that area (Appellant's Brief, p. 56). This percentage, called "concentration" by appellant, is subject to the same major statistical infirmities as are appellant's "market shares". Moreover, concentration in banking, great or small, without evidence of its effect if any on competition, has no legal significance.* A violation of section 1 of the Sherman Act is not established merely by proof that a merger will bring together a certain percentage of banking resources within a particular area. See *United States* v. *Columbia Steel Co.*, 334 U.S. 495, 527-528 (1948). Even in the more prohibitory standards of section 7 of the Clayton Act, Congress reflected "a conscious avoidance of exclusively mathematical tests." *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 321 fn. 36 (1962).

An examination of concentration in commercial banking in other cities of the United States, computed as appellant has computed it for the four-county area, discloses that in 190 of 224 cities with more than 50,000 population, the largest bank held 35% or more of the bank assets (DX 46, R. 3193-3207). The same is true for 78 of 110 cities with more than 100,000 population (DX 47, R. 3208; *supra*, p. 18), and for 18 of the 34 most populous metropolitan areas in states which,

* Among the banks in the national market with which appellees must compete for the business of their larger customers, the increase in concentration resulting from this merger will be negligible (DX 24, R. 3154).

like Pennsylvania, permit limited area branch banking (DX 55, R. 3266-3267).

There are hundreds of cities and even some states in which the largest bank holds a far greater proportion of bank assets than the merged bank will hold in Philadelphia. Appellant saw fit to call witnesses from small towns as far west as California to express their general displeasure with bank mergers (R. 3634). However, it failed to produce a single witness from any of those hundreds of cities to say that any restraint of trade existed there. Thus, there is no evidence to support appellant's contention that an even smaller concentration in Philadelphia would have an adverse effect on competition. On the other hand, appellees produced expert testimony that there is adequate banking competition in each of those cities which have greater concentration than there will be in Philadelphia after the merger (R. 1954, 1956). Whatever may be the effect of concentration in other industries, ratios alone in commercial banking do not furnish a reliable test of the power of banks to compete with one another. The FDIC reached the same conclusion in the study referred to above (DX 48, R. 3258), saying that ". . . there is no fixed relationship between changes in concentration and changes in competition."

Appellant's suggestion that this merger will force the other large banks located in Philadelphia to merge is without any support in the record. What appellant is really saying is that, while this merger will not

restrain trade, some future merger will do so. However, such a merger will first have to be approved under the Bank Merger Act and appellant will be given notice of such a merger with full opportunity to contest it. As the district court stated (R. 3662):

> "Every future merger in the four-county area will be subject to the close scrutiny of the appropriate state and federal agency. At some point any trend, if discernible in the future, will be checked."

The district court found, on the basis of the evidence offered by appellees, that the 41 banks of the four-county area after the merger will provide a more than adequate number of alternative sources of credit for small and medium size borrowers, particularly in the light of the fact that a prospective borrower turned down by three banks would probably be rejected on credit grounds by any bank (R. 3660; R. 1398, 1716). The other major class of bank customer, the depositor, can obviously go anywhere. The availability to larger customers of the increased lending limit and resources of the merged bank far outweighs a reduction in the number of local banks by one, especially since none of those banks prior to the merger could meet many of their needs. The extravagant statement on page 72 of appellant's brief, that "thousands of existing customers" would be injured by the supposed "restraint of competition" is wholly without justification. It is particularly significant that not one of these "thousands" could be found to challenge the affirma-

tive evidence of appellees' witnesses that existing customers would be benefited by the merger (Fdgs. 190a-195a, 199a-201a, R. 3516-3518).

D. THE MERGED BANK WILL BE BETTER ABLE TO SERVE THE CONVENIENCE AND NEEDS OF THE PHILADELPHIA COMMUNITY AND WILL INCREASE REGIONAL AND NATIONAL COMPETITION.

The proposed merger "is not motivated by an intent or purpose to restrain trade or adversely affect competition" (Fdg. 170a, R. 3512). Its purpose is to prevent the further loss of banking business by appellees to the larger banks from other cities which compete in the Philadelphia area and to provide more adequate banking service to local enterprises (Fdgs. 173a-185a, R. 3513-3515; R. 931-937, 1602-1608).

The district court made detailed findings on the need for the larger bank and the benefits to the community in having such a bank (Fdgs. 173a-207a, R. 3513-3518). In its decision the court stated that it was convinced the merger meets the test of reasonableness under section 1 of the Sherman Act (R. 3663) and concluded (R. 3667):

> "That it will benefit the city and area has been established clearly by a fair preponderance of the evidence, as has been set forth in the Findings of Fact of the defendants previously affirmed."

Appellant's argument that these findings are irrelevant in determining whether there will be a viola-

tion of section 1 is directly contradicted by the line of cases beginning with *Standard Oil Co.* v. *United States,* 221 U.S. 1 (1911), which hold that the Act condemns only unreasonable restraints of trade. See, e.g., *Chicago Board of Trade* v. *United States,* 246 U.S. 231, 238 (1918); *United States* v. *Columbia Steel Co.,* 334 U.S. 495, 527-528 (1948); *United States* v. *duPont & Co.,* 351 U.S. 377, 387 (1956); *Northern Pacific R.R.* v. *United States,* 356 U.S. 1, 5 (1958).* The test of reasonableness is of particular importance in commercial banking because of the Congressional policy that competition in this field must be subordinated to the promotion of a sound and adequate banking system. This policy is set forth most clearly in the legislative history of the Bank Merger Act, portions of which appear in the appendix to this brief, pages 84 et seq., particularly 90, 95, 99, 100, 106. Congress rejected the strict standards of section 7 of the Clayton Act for bank mergers and instead required that the competitive factor be considered along with six banking factors, one of which is "the convenience

* Appellant's reference to the district court's comment that it did not consider the benefits particularly relevant (Appellant's Brief, p. 66, fn. 51) is taken out of context. The court's comment was made in discussing section 7 of the Clayton Act at a time when there was no guide from this Court on the relevance of demonstrable benefits from a merger. Since that time this Court has stated in *Brown Shoe Co.* v. *United States,* 370 U.S. 294, 334, 346 (1962) that even under section 7, consideration should be given to "countervailing competitive, economic or social advantages."

and needs of the community." It is in this context that the rule of reason must be applied.

Appellant is forced to argue that the findings of the district court on the reasonableness of the merger are clearly erroneous. Even a brief review of the evidence demonstrates that these findings are fully supported in the record.

Banks in Philadelphia have not kept pace with the ever-increasing credit requirements of large industrial and commercial enterprises in the Delaware Valley. Exhibit D 25 (R. 3157) graphically contrasts the growth of the general economy in the Delaware Valley with bank growth. Banks have lagged far behind (R. 1350-1351). The evidence establishes that there is no bank in Philadelphia today large enough to provide the services needed by many of the larger Philadelphia area customers (Fdg. 178a, R. 3513; R. 1411, 1877, 2069, 2286).

There are other measurements of the inadequacy of local banking resources. Philadelphia is fourth or fifth in a ranking of the twelve largest metropolitan areas in the United States on the basis of various measures of economic activity, yet Philadelphia ranks ninth on the basis of the size of its largest bank (Fdg. 182a, R. 3514-3515; R. 1344-1345; GX 57, R. 2531-2535). The largest bank in Philadelphia ranks twentieth in the United States and is smaller than one or more banks in San Francisco, Pittsburgh, Boston, Detroit, Cleveland and Dallas, each of which has less popula-

tion than Philadelphia (Fdg. 181a, R. 3514; R. 933-935, 1951, 2288-2290; DX 20, R. 3097; DX 24, R. 3154).

Because Philadelphia does not have a bank large enough to meet the needs of its large business enterprises, a great deal of banking business has shifted to New York and to other cities which have larger banks than has Philadelphia (Fdg. 180a, R. 3514; see fn., page 10, *supra*). It is the purpose of the proposed merger to stop this trend and, if possible, reverse it (R. 1602-1605, 1714).

The size of a bank's resources and lending limit are critical factors in the selection of banks by larger customers. This is so even though in many cases the customer's ordinary credit requirements can be satisfied, since sound business judgment requires flexibility well within a bank's lending limit to provide an adequate margin between ordinary and peak borrowing requirements (Fdgs. 179(a)a, 179(c)a, R. 3513-3514; R. 1949-1951, 2127-2128, 2098-2099, 2063). It is undesirable, from the point of view both of the bank and of the customer to have loans at or near the bank's lending limit (R. 1605-1606). The record shows that as a consequence appellees have lost to larger banks customers with expanding credit requirements even though such requirements were still well below appellees' lending limits (Fdg. 179(c)a, R. 3514; R. 1609-1623).

More importantly, the size of a bank's resources affects the degree of risk which a bank may justifiably

take on loans to particular customers (Fdg. 179(b)a, R. 3514). For example, Girard has lost customers to larger banks outside Philadelphia even though the customers' needs were far below its lending limit, simply because Girard's total resources did not warrant risking in one loan an amount which the other bank with larger resources could readily make (R. 1609-1623). Such customers are far more numerous than the hypothetical "few big concerns" which appellant suggests as the only beneficiaries of the merger (Appellant's Brief, p. 72).

The merged bank will not only have a lending limit and resources more comparable to the banking needs of Philadelphia, it will also have sufficient resources to enable it to develop services which will be competitive with those offered by large banks elsewhere, such as special departments for types of loans and industry groups and more extensive foreign services (R. 1602-1603, 1706-1714). The offering of these facilities will not adversely affect existing relationships between other Philadelphia banks and their customers (R. 2070, 2122, 2146, 2178).

The public will benefit from the fact that the merged bank will be better able to hold and to obtain large customers. An analysis of the accounts of the largest customers of appellees shows that over the entire year 1960 those customers on the average maintained deposits which exceeded their loans by substantial margins. In the case of PNB average deposits were twice as large as average loans; and in the case of

Girard average deposits were more than one and a half times its average loans (DX 26, R. 3163; DX 40, R. 3181). This is the type of customer which appellees seek to hold and to acquire by the merger. The excess of deposits over loans thereby produced will constitute additional credit available in Philadelphia.

The evidence establishes that a merger is the only feasible way to obtain a bank large enough to meet the banking needs of the Philadelphia area (Fdg. 189a, R. 3516), and that, contrary to appellant's argument (Appellant's Brief, p. 68), the requirements of large borrowers cannot be satisfied by participations of several banks in one loan. The district court found that this argument "ignores again the realities of the situation" (R. 3667). Its findings 186a and 187a (R. 3515-3516) explain why such participations are unsatisfactory to both bank and customer and do not provide an effective substitute for the inadequate lending capacity of appellees.

Appellant's "summary" of the testimony of the officers of some of appellees' large customers is seriously misleading in the light of the entire testimony of those witnesses (Appellant's Brief, pp. 68-70). For example, the summary for Atlantic Refining omits the testimony that the company's expected growth will require additional banking relationships, that the company would like to deal with a Philadelphia bank, and that a $15 million lending limit would make this possible (R. 2068). The summary for Rohm & Haas omits the testimony that the lines of credit from five Phila-

delphia banks aggregating $20,000,000 constituted an unsatisfactory arrangement, and that a larger bank in Philadelphia will keep growing businesses from going elsewhere for accommodation (R. 2100-2101, 2104-2105). The summary for Triangle Publications omits the testimony that the company did not want to participate the $10 million loan because it would be more difficult to negotiate, take longer and require greater compensating deposits (R. 2117-2118), and that the company would have considered a Philadelphia bank for this loan if there had been one large enough (R. 2122). The summary for Bankers Securities omits the testimony that the company would prefer to do business with Philadelphia banks but cannot do so now because of the size of these banks (R. 2127-2132). In the summary for Sun Oil, the loan obtained by the subsidiary was $12 million and the testimony was that the subsidiary would have had the merged bank handle it if the merged bank had been in existence at that time (R. 2145). The summary for Pennsylvania Power & Light omits the testimony that the company would increase its proportion of borrowings from Philadelphia banks if there were a larger bank (R. 2177-2178), and that it would move business from its New York bank if the merged bank could develop the specialized services which are now supplied there (R. 2200). Finally, appellant omits entirely the testi-

mony of the president of Automotive Rentals, Inc., the remaining witness of that group, who listed the benefits from the merger which he expected for his company and concluded that the merger is "not only good for me, for us, from a selfish standpoint; it must be good for hundreds of others—small people, not only in the automobile field, but in other small fields of endeavor in the area that I am talking about. It makes sense to me" (R. 2154-2155).

The fundamental theory of appellant would result in banks being kept small irrespective of "the convenience and needs of the community" (Appendix, p. 81). The incapacity of Philadelphia banks to care for the banking needs of the community has produced a great flow of banking business to New York and other cities. If appellant's purpose in this case is accomplished, that disparity will be preserved, the development of a healthy competition between New York and Philadelphia will be prevented and Philadelphia banks will be frozen in their present position of relative incapacity to meet the needs of their customers, without thereby helping any other Philadelphia banks or businesses. This is to frustrate, not to accomplish the Congressional purpose in adopting the Bank Merger Act.

The proposed merger is the first major effort to provide a Philadelphia bank which can become competitive with the larger banks in New York and other

cities. The record shows how many cities smaller than Philadelphia have larger banks which presently draw business from the Philadelphia area. To prevent the creation of a bank which can offer effective competition in this field is to defeat, not to promote the purposes of the antitrust laws. This is particularly indefensible in the absence of any evidence whatever that local competition will be served by preventing the merger. All demands for smaller accommodation can be met adequately by the many banks which will continue to serve the area after the merger. Demands for larger accommodation can be met for the first time in Philadelphia by the merged bank, competitively with large banks elsewhere. The evidence shows and the district court found that the only effect that preventing the merger will have on competition will be to inhibit it.

CONCLUSION

The decision of the district court was based on a determination of the particular facts of this specific case following a thorough analysis of extensive evidence. The court concluded that appellant's claim was founded on nothing more than inferences drawn from mathematical ratios which were not shown to have any significance in the field of banking, and which were affirmatively refuted by the testimony of bankers and businessmen alike, competitors and customers of appellees and other banks in the Philadelphia area.

The decision of the district court was a necessary consequence of appellant's failure to prove any violation of the antitrust laws. The judgment below is correct and should be affirmed.

Respectfully submitted,

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APPENDIX

I. STATUTES.

Section 18(c) of the Federal Deposit Insurance Act, as amended by the Bank Merger Act of May 13, 1960, 74 Stat. 129, 12 U.S.C. § 1828(c)(Supp. II), provides in pertinent part:

> * * * No insured bank shall merge or consolidate with any other insured bank or, either directly or indirectly, acquire the assets of, or assume liability to pay any deposits made in, any other insured bank without the prior written consent (i) of the Comptroller of the Currency if the acquiring, assuming, or resulting bank is to be a national bank or a District bank, or (ii) of the Board of Governors of the Federal Reserve System if the acquiring, assuming, or resulting bank is to be a State member bank (except a District bank), or (iii) of the Corporation if the acquiring, assuming, or resulting bank is to be a nonmember insured bank (except a District bank). * * * In granting or withholding consent under this subsection, the Comptroller, the Board, or the Corporation, as the case may be, shall consider the financial history and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served and whether or not its corporate powers are consistent with the purposes of this chapter. In the case of a merger, consolidation, acquisition of assets, or assumption of liabilities, the appropriate agency shall also take into consideration the effect of the transaction on com-

petition (including any tendency toward monopoly), and shall not approve the transaction unless, after considering all of such factors, it finds the transaction to be in the public interest. In the interests of uniform standards, before acting on a merger, consolidation, acquisition of assets, or assumption of liabilities under this subsection, the agency * * * shall request a report on the competitive factors involved from the Attorney General and the other two banking agencies referred to in this subsection * * *. The Comptroller, the Board, and the Corporation shall each include in its annual report to the Congress a description of each merger, consolidation, acquisition of assets, or assumption of liabilities approved by it during the period covered by the report, along with the following information: * * * a statement by the Comptroller, the Board, or the Corporation, as the case may be, of the basis for its approval. * * *

Section 215(e) of the National Banking Laws, as added, Sept. 8, 1959, 73 Stat. 462, 12 U.S.C. § 215(e) (Supp. II), provides:

The corporate existence of each of the consolidating banks or banking associations participating in such consolidation shall be merged into and continued in the consolidated national banking association and such consolidated national banking association shall be deemed to be the same corporation as each bank or banking association participating in the consolidation. All rights, franchises, and interests of the individual consolidating banks or banking associations in and to every type of property (real, personal, and

mixed) and choses in action shall be transferred to and vested in the consolidated national banking association by virtue of such consolidation without any deed or other transfer. The consolidated national banking association, upon the consolidation and without any order or other action on the part of any court or otherwise, shall hold and enjoy all rights of property, franchises, and interests, including appointments, designations, and nominations, and all other rights and interests as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and committee of estates of lunatics, and in every other fiduciary capacity, in the same manner and to the same extent as such rights, franchises, and interests were held or enjoyed by any one of the consolidating banks or banking associations at the time of consolidation, subject to the conditions hereinafter provided.

II. SELECTED EXCERPTS FROM THE LEGISLATIVE HISTORY OF THE BANK MERGER ACT OF 1960 SUPPORTING THE VIEW THAT THE DOMINANT INTENT OF CONGRESS WAS THAT ANY REVIEW OF BANK MERGERS SHOULD TAKE COGNIZANCE OF ALL THE SPECIAL FACTORS WHICH PERTAIN TO BANKING, MONEY AND CREDIT.

Excerpts from "Regulation of Bank Mergers", Report of the Senate Committee on Banking and Currency together with Supplemental Views to accompany S. 1062, S. Rep. No. 196, 86th Cong., 1st Sess. (1959)

The purpose of the bill is to provide for control of all mergers by asset acquisition by banks under the jurisdiction of the Federal banking agencies, under uniform and clear standards calling explicitly for consideration of both banking factors and competitive factors, but without giving sole and controlling effect to any single factor. (p. 1)

* * * * * *

Bank mergers are generally considered to be covered by the restrictions of the Sherman Antitrust Act, but up to this year, no proceeding under the Sherman Antitrust Act had been instituted which involved a bank merger or a consolidation. Since bank mergers are customarily, if not invariably, carried out by asset acquisitions, they are exempt from section 7 of the Clayton Act. (Stock acquisitions by bank holding companies, as distinguished from mergers and consolidations, are subject to both the Bank Holding Company Act of 1956 and sec. 7 of the Clayton Act.) (pp. 1-2)

* * * * * *

In the light of the information set forth above, there is no justification for continuance of the present incomplete and confusing statutory provisions dealing with bank mergers. On the contrary, it is essential to provide immediately for effective and uniform regulation of bank mergers, under standards appropriate to the industry. (p. 13)†

* * * * *

There is no question that competition is desirable in banking, and that competitive factors should be considered in all aspects of the supervision and regulation of banks.

But it is impossible to require unrestricted competition in the field of banking, and it would be impossible to subject banks to the rules applicable to ordinary industrial and commercial concerns, not subject to regulation and not vested with a public interest.

Ever since the days of the first and second Banks of the United States and *McCulloch* v. *Maryland* (4 Wheat. 316, 1819), it has been generally accepted that banking is a field subject to special regulation by virtue of its effect upon and relation to the fiscal and monetary policies of the Federal Government under article I, section 8, of the Constitution of the United States.

This Federal control over banking long antedated the antitrust laws. (p. 16)

* * * * *

† This is the concluding paragraph of the section of the Senate Report captioned "The Need for Regulation of Bank Mergers". Some of the language of that section, which appears on page 8 of that Report, is identical with language on page 5 of the House report. (See Appellant's Brief, pp. 22, 28, 55).

Time and again the Nation has suffered from the results of unregulated and uncontrolled competition in the field of banking, and from insufficiently regulated competition. (p. 17)

* * * * *

The rapid increase in the number of small weak banks, to such a large number that the Comptroller could not effectively supervise them or control any but the worst abuses, was one of the factors which led to the panic of 1907.

The banking collapse in the early 1930's again was in large part the result of insufficient regulation and control of banks, in effect the result of too much competition.

* * * the reform legislation of 1913, while removing many of the defects of the banking system as a system, *did very little to strengthen the individual commercial bank.* * * * The country continued to be served or disserved by thousands of small, weak, independent banks having inadequate capital, incapable executives, and poor outside connections.

* * * the banking collapse did not begin in 1931, but was really under way throughout the period of the 1920's. During that decade * * * thousands of banks failed, but the appalling weakness of the banking structure was not immediately realized, because most of the failures occurred in isolated agricultural communities. ["Money and Banking," Raymond P. Kent, New York, 1947, pp. 303-304.] (p. 17)

* * * * *

It was in the light of this background that section 6 of the Federal Deposit Insurance Act

was written, requiring consideration of the following factors before granting insurance to a bank: the financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the communities to be served by the bank, and whether or not its corporate powers are consistent with the purposes of the act.

The basis for handling banking through banking laws, specially framed to fit the particular needs of the field, instead of relying on unrestricted competition and antitrust laws, is set forth in "Banking Under the Antitrust Laws," by A. A. Berle (49 Columbia Law Review (1949) 589, at p. 592):

> Operations in deposit banking not only affect the commercial field, but also determine in great measure the supply of credit, the volume of money, the value of the dollar, and even, perhaps, the stability of the currency system. Within this area considerations differing from and far more powerful than mere preservation of competition may be operating under direct sanction of law. It is the theory, in ordinary commercial fields, that competition is the desirable check on price levels—the process by which the efficient are rewarded by survival, and the inefficient eliminated by failure. The price of business failures is not regarded as too high for the community to pay in view of advantages to consumers, stimulus toward greater efficiency, and freedom of enterprise. But it is doubtful (to say the least) whether any such assumption

is indulged in with respect to deposit banks; certainly the theory is not there accepted to the full extent of its logic. A bank failure is a community disaster, however, wherever, and whenever it occurs.† While competition may be desirable up to a point in deposit banking, there is a clear bottom limit to its desirability. So long as 90 percent of the monetary needs of the country are supplied through bank credit, deposits, and checks, under a system which contemplates many thousands of banks and also a uniform, smooth, free flow of bank checks, a high degree of cooperation among banks is essential. So long as certain kinds of banking paper are accepted as a basis for currency through the operations of the Federal Reserve rediscount, a high factor of uniformity is needed. The economic and social premises of the Sherman Act in respect of other businesses are not fully accepted by the Congress, the States, or the public as the only considerations applicable to deposit banking.

A BALANCED JUDGMENT REQUIRED

In considering what standards to provide for the reviewing banking agencies, the committee had before it the banking factors set forth in section 6 of the Federal Deposit Insurance Act, the differing antitrust standards of the Sherman Act and the Clayton Act, and also special provisions for regulated public utilities exempted from the anti-

† The foregoing portion of this quotation was also quoted at page 9 of the House Report.

trust laws, such as these covered by the Interstate Commerce Act.

The committee concluded that reference to the banking factors in section 6 of the Federal Deposit Insurance Act, while essential, would not alone suffice, because the section 6 standards do not give sufficient weight to the factor of competition.

The committee concluded, on the other hand, that imposing the strict rule of section 7 of the Clayton Act, as amended in 1950, as interpreted in the *Bethlehem-Youngstown* case, would give absolute and controlling weight to the lessening of competition, regardless of other factors. The committee did not consider that it would be in the public interest to regulate bank mergers under standards which would mean that the demonstrable benefits of a merger are irrelevant and outside the province of the administrator, and which would make no distinction between good mergers and bad mergers.

A number of examples were cited to the committee where the public interest would clearly require that a proposed merger should be approved even though a definite and substantial lessening of competition could be expected:

The representative of the American Bankers Association testified as follows:

> Moreover, there are certain circumstances in which bank mergers may substantially lessen competition and yet be desirable in the interest of the public and sound banking, such as the following practical examples:
>
> . . .

5. Where the acquired bank is an uneconomic unit or is too small to meet the needs of its community by providing loans of sufficient size or by providing needed banking facilities. (pp. 18-20)

* * * * *

Representative Celler testified:

> In addition to the acquisition of a bank which otherwise would be faced with a possibility of failure, there are other circumstances in which, from a banking standpoint, the acquisition of a bank by another bank may be in the public interest . . . The same principle applies where there are not adequate banking facilities. These various situations are illustrative of the circumstances where the consummation of the transaction would not be contrary to the public interest. (Hearings on S. 1062, pp. 98-99)

The committee agreed that in the situation described by the witnesses, and in similar situations, approval of the merger would be in the public interest, even though this would result in a substantial lessening of competition. In cases such as these the benefits would be demonstrable, the merger would be a "good merger," and approval should be granted in spite of the lessening of competition.

Since there was widespread agreement that some mergers were in the public interest and should be approved, even though they might result in a substantial lessening of competition, the committee concluded that the strict rule of the

1950 amendment of section 7 of the Clayton Act was inappropriate to the field of banking.

To adopt this rule for bank mergers might result in the disapproval of bank mergers which all would agree were in the public interest; it might, on the other hand, as the result of the legislative history of the new provisions for banking, bring about a relaxed and modified interpretation of section 7, which would be inappropriate in the case of ordinary unregulated industrial and commercial concerns where unrestricted competition is in the public interest. Either of these results would be undesirable. The committee, therefore, concluded that it was preferable to handle bank mergers under rules specially designed for the banking industry.

The committee concluded that the balanced approach set forth in S. 1062 was the most appropriate for the banking industry. The committee noted the close resemblance to the test provided in section 5 of the Interstate Commerce Act, and further noted that that section provides an exemption from the Sherman Act as well as the Clayton Act, a provision not contained in S. 1062.

S. 1062 provides for full consideration of the public interest in the soundness and good management of the banking system, through recognition of the several banking factors of section 6 of the Federal Deposit Insurance Act, and equally full consideration of the public interest in promoting competition and preventing monopoly. S. 1062 gives no one of these factors controlling weight, but requires that all be considered, that

all be duly weighed, and that a balanced judgment be reached by the banking agency on the basis of all these factors. (pp. 20-21)

* * * * * *

The committee is convinced that there is need for uniform regulation of bank mergers, consolidations, and other asset-acquisition transactions involving banks insured by the Federal Deposit Insurance Corporation. The proposed legislation would achieve this by placing the administration of this law in the hands of the Federal banking supervisory agencies. This bill follows the traditional structure of statutes enacted by the Congress in the regulation of other aspects of the banking industry. (p. 21)

* * * * * *

In passing on applications for mergers, the agency is to take into consideration both the banking factors and the competitive factors which may be involved in the merger. No one of the banking factors alone will be of controlling weight, and no one of the competitive factors alone will be of controlling weight. All must be considered and weighed together by the banking agency involved before it can reach its decision on the application. (p. 22)

* * * * * *

The committee recognizes that in a relatively small number of cases the balancing of the various factors will be difficult—some banking factors may be favorable, some may be unfavorable; some competitive factors may be favorable, others unfavorable.

In such cases, the decision will not be simple. Full consideration will have to be given to the basic purposes of the statute: to promote a sound banking system, in the interest of the Government, borrowers, depositors, and the public; and to promote competition as an indispensable element in a sound banking system. (p. 23)

* * * * * * *

The Attorney General is required to give a report on the competitive factors involved in the proposed merger. Under S. 1062 the competitive factors involved in the merger are only one element of several to be considered in passing on the application. The committee wants to make crystal clear its intention that the various banking factors in any particular case may be held to outweigh the competitive factors, and that the competitive factors, however favorable or unfavorable, are not, in and of themselves, controlling on the decision. And, of course, the banking agencies are not bound in their consideration of the competitive factors by the report of the Attorney General. They will have much information in their own files, and they may obtain information or advice on the competitive factors from other sources. The committee amendment is only intended to make sure that the banking agencies get a report on the competitive factors from the Attorney General in each case. (p. 24)

Excerpts from "Regulation of Bank Mergers", Report of the House Committee on Banking and Currency on S. 1062, H. Rep. No. 1416, 86th Cong., 2nd Sess. (1960)

There are differing views about the effect and the significance of the mergers which have taken

place. But there is general agreement that legislation providing for uniform and effective regulation of mergers is required for the future. (p. 5)

* * * * *

The Federal antitrust laws are also inadequate to the task of regulating bank mergers; while the Attorney General may move against bank mergers to a limited extent under the Sherman Act, the Clayton Act offers little help. (p. 5)

* * * * *

Because section 7 is limited, insofar as banks are concerned, to cases where a merger is accomplished through acquisition of stock, and because bank mergers are accomplished by asset acquisitions rather than stock acquisitions, the act offers "little help," in the words of Hon. Robert A. Bicks, acting head of the Antitrust Division, in controlling bank mergers. (p. 9)

* * * * *

Because banking is a licensed and strictly supervised industry that offers problems acutely different from other types of business, the bill vests the ultimate authority to pass on mergers in the Federal bank supervisory agencies, which have a thorough knowledge of the banks, their personnel, and their types of business. For the same reason, the bill requires consideration of the six banking factors now listed in section 6 of the Federal Deposit Insurance Act. Thus the supervisory agency would consider the financial history

and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, and whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act.

Reference to these factors, while essential, would not alone suffice, because the section 6 standards do not give sufficient weight to the factor of competition. (pp. 9-10)

* * * * * *

This course [to apply the Clayton Act test generally, with specific exemptions] seems unnecessarily hazardous, however, in view of the wide variety of situations in which a merger may be proposed in all good faith as a means of providing better banking service. Your committee concluded that it would be unwise to attempt to anticipate all possible situations where a merger would benefit the public, and incorporate them in a rigid, specific list of exemptions.

Your committee is convinced the Senate's approach is basically sound. Where demonstrable benefits would flow from a proposed merger, these should be weighed against any adverse effect on competition. Your committee feels, however, that the language of the Senate bill can be improved, to insure that the intent indicated in the legislative history of the bill in the Senate will be properly carried out. Your committee concurs with the Senate committee report's repeatedly expressed intent to allow approval of bank mergers that would be in the public interest. (p. 11)

Excerpts from Senate debate on S. 1062, May 6, 1960, Vol. 106 Congressional Record.

Mr. Fulbright.†

Mr. President, I move that the Senate concur in the amendment of the House.

* * *

As it passed the Senate, S. 1062 expressed the view of the Senate, for the third time, that bank mergers should be regulated by the Federal banking agencies on the basis of banking factors and competitive factors, with no single factor being in itself controlling. S. 1062 was a clear statement, for the third time, of the Senate's view that the provisions of section 7 of the Clayton Act should not apply to bank mergers.

The amendments to S. 1062 made by the House do not change this aspect of the bill. The House has agreed with the Senate that bank mergers should be controlled by the Federal banking agencies on the basis of both banking factors and competitive factors, and that section 7 of the Clayton Act should continue to be inapplicable to bank mergers.

Banking is regulated and subject to many controls not applicable to the ordinary industrial or commercial enterprise: entry into the field of banking is restricted; the establishment of branches is restricted; and the practices and procedures of banking, from the payment of interest on deposits to the kinds of loans made and the reserves which must be maintained, are closely regulated and controlled. Competition in banking is desirable and beneficial; but unrestricted competition in banking, with the bank failures which would result, is no more possible than it is in

† Co-sponsor of S. 1062.

field of public utilities or other industries affected to a greater or lesser extent with the public interest. Banking is too important to depositors, to borrowers, to the Government, and the public generally, to permit unregulated and unrestricted competition in that field.

The antitrust laws have reflected an awareness of the difference between banking and other regulated industries on the one hand, and ordinary unregulated industries and commercial enterprises on the other hand. The 1950 amendment to section 7 of the Clayton Act, which for the first time imposed controls over mergers by means other than stock acquisitions, did not apply to bank mergers which are practically invariably accomplished by means other than stock acquisition. Accordingly for all practical purposes bank mergers have been and still are exempt from section 7 of the Clayton Act.

It is not clear whether the Sherman Antitrust Act of 1890 would now be held to apply to banking in general and to bank mergers in particular, though it seems clear that Senator John Sherman, the former Secretary of the Treasury, for whom the act was named, and the 51st Congress, did not expect or intend banking to be covered by an act applicable to interstate commerce. And even if the Sherman Act is held to apply to banking and to bank mergers, it seems clear that under the rule of reason spelled out in the Standard Oil case, different considerations will be found applicable, in a regulated field like banking, in determining whether activities would "unduly diminish competition," in the words of the Supreme Court in that case. (p. 9711)

The requirement that a favorable finding must be made if the merger is to be approved means only that a beneficial result must appear after the weighing of the seven specific factors set forth in the bill. It does not require the agency to go beyond these seven factors and find an independent and separate public interest in the merger.

The requirement of a favorable finding after weighing these seven factors does not seem out of place in this legislation. A favorable finding would have to be made, for example, in other cases which the banking agencies must consider, such as the chartering of a new bank. It is this distinction between banking and other businesses which justifies different treatment for bank mergers and other mergers. It was this distinction that led the Senate to reject the flat prohibition of the Clayton Act test which applies to other mergers. (p. 9712)

* * * * *

Mr. Bennett.†

Mr. President, in order to make clear to the banking agencies, which will administer this act, the understanding and intention of the Senate in accepting the amendments of the House and passing the amended bill, I ask unanimous consent that this set of questions and answers be printed in the Record following the statement by the Senator from Arkansas, as though I had asked the questions and the Senator from Arkansas had made the answers.

The Presiding Officer. Without objection, it is so ordered.

† Member of Senate Committee on Banking and Currency.

EXHIBIT 1

BANK MERGER BILL

Question. As I understand it, this bill is not directed against nor intended to proscribe or limit size as such, without regard to the banking and competitive tests set forth in the bill, and hence a merger of two large banks should be approved if found to be in the public interest under the tests set down in the bill. Suppose, for example, a situation where such a merger would increase the extent, quality, and efficiency of services rendered to the public, enhance local, regional, or national competition, and meet all the other specific tests in the bill, would not such a merger be considered to be in the public interest under this bill, regardless of size?

Answer. Yes. The bill is not directed against size as such, nor does it impose limits on the size of banks. Size may be, of course, an element to be considered as part of the banking tests and as part of the competitive test under the bill. But it is not controlling. If a merger of two large banks qualifies under the tests set forth in the bill, it should be approved and it will be approved, no matter how big the two banks may be.

Question. The competitive factor in the bill I take to refer, in appropriate cases, not only to local but also to State, regional, and national competitive effect. Is this correct?

Answer. Yes. The Federal banking agency reviewing a proposed merger should consider whatever field of competition the merging banks are engaged in and the new bank will engage in.

Some banks are engaged only in local competition. Other banks are primarily engaged in regional competition. Other banks engage in national or international competition. The field of competition which is actually involved is the field which should be given consideration in reviewing a merger. This is true also of the Justice Department reports on the competitive factors involved in the merger. These, too, should be concerned with the kinds of competition the two banks are now engaged in and the kind of competition the merged banks will be engaged in.

Question. In considering a proposed merger, should the needs of the community and the area and the country as a whole for increased financial services resulting from an expanding economy be considered?

Answer. Yes. The Federal banking agency reviewing a merger under S. 1062 would certainly give due regard to the adequate accommodation of the growing capital requirements of an expanding economy in the community, in the area, and in the country generally. This would not, of course, be the controlling factor any more than any other single factor and, of course, other means of providing increased financial services would be borne in mind.

But there is no question that the Federal banking agency should give due regard to the adequate accommodation of the growing capital requirements of an expanding economy.

Question. In considering a proposed merger, would the responsible Federal banking agency be

able to take into consideration the competition which the merging banks face, and the merged bank would face, from other kinds of financial institutions—savings and loan associations, credit unions, insurance companies, finance companies, and the like?

Answer. Yes, indeed. All competition which the merging banks now face, and which the merged bank would face, must be taken into consideration by the banking agency. This includes both competition from other banks and trust companies and competition from other financial institutions which may provide the same or similar services. It includes competition for the public's funds, in the form of deposits, savings accounts, and the like, and it includes competition in supplying the public's needs for funds in the way of personal loans, consumer credit, mortgages, business loans, and so on.

Question. Mergers already effected have given some banks distinct competitive advantages because of increased lending limits, increased quantity and quality of services, increased availability of highly specialized and technical personnel, and increased overall resources. Other banks have not so grown in size through mergers because of lack of feasible merger opportunities, State laws, management policy, or other reasons. If the effect of the adoption of this bill is to discriminate against these latter banks and thereby to affect adversely their future opportunity to acquire or regain reasonable competitive equality through merger, then we shall be protecting and making permanent a competitive advantage or, a

kind of monopolistic position. It is my understanding that such a discriminatory result is not intended, and that the competitive test in this bill should not be so construed. Is that correct?

Answer. S. 1062 is not intended to have any discriminatory results. It is not intended to discriminate against banks which have been unable to merge in the past because of State laws or any other reasons. The fact that a bank has been unable to merge in the past, and therefore is at a competitive disadvantage with other banks, is something which can be and should be taken into consideration by the banking agency reviewing a merger application. The bill is not intended to prevent banks which have not been able to merge from acquiring or regaining reasonable competitive equality through merger.

Of course, this does not mean that merely because a bank was unable to grow by merger before the enactment of S. 1062, it would thereby have a right to engage in a merger which otherwise would be ruled out by the standards of S. 1062. The standards set forth in S. 1062 are the controlling tests; the competitive disadvantage which a bank is suffering from because it could not previously merge is to be considered as just one of the factors entering into these tests. (p. 9713)

* * * * *

Statement by Senator Johnson of Texas.

This bill establishes uniform and clear standards, including both banking and competitive factors, for the consideration of proposed bank mergers. It eliminates a number of gaps in the

statutory framework, which now permit many bank mergers to occur with no review by any Federal agency. It provides for a thorough review by the appropriate Federal bank supervisory agency, under these comprehensive standards, and with the benefit of any information which may be supplied by the Department of Justice in the report required from them, of the bank mergers by asset acquisitions and other means which are now and will continue to be exempt from the antimerger provisions of section 7 of the Clayton Antitrust Act. (pp. 9714-9715)

Excerpts from House debate on S. 1062, April 4, 1960, Vol. 106 Congressional Record

Mr. Spence.†

This puts control in the banking agencies, which have expert knowledge of the problems involved. At the same time, they will be required to get a report from the Attorney General, whose experience in the antitrust field qualifies him to furnish valuable advice in the administration of the bill. (p. 7257)

* * * * *

Mr. Brown of Georgia.‡

This puts the responsibility for acting on a proposed merger where it belongs—in the agency charged with supervising and examining the bank

† Chairman of House Committee on Banking and Currency.

‡ Chairman of Subcommittee No. 2 of House Committee on Banking and Currency which held the hearings on S. 1062.

which will result from the merger. Out of their years of experience in supervising banks, our Federal banking agencies have developed specialized knowledge of banking and the people who engage in it. They are experts at judging the condition of the banks involved, their prospects, their management, and the needs of the community for banking services. They should have primary responsibility in deciding whether a proposed merger would be in the public interest. (p. 7257)

* * * * *

There is general agreement that stronger, clearer, more uniform controls over bank mergers are needed. This bill will meet this need, in a way that assures a balanced consideration of the total effects of a merger, with appropriate consultation among all interested agencies. In this way, we can expect that bank mergers which will be beneficial will be approved, and those which will not will be stopped. (p. 7258)

* * * * *

Mr. Celler.†

In these circumstances, I think that the bill, provided it is properly administered, constitutes a significant step forward. True, it does not contain all the safeguards that I believe necessary to cope with the rash of bank mergers that have beset the Nation. For example, it would, in my opinion, have been preferable to have made provision for a hearing on the record and the right of court

† Chairman of House Committee on the Judiciary.

review, together with adoption of the competitive test contained in section 7 of the Clayton Act with specific exceptions for cases involving probable failures, management problems, inadequate capital or unsound assets, or overbanked communities. (p. 7258)

* * * * * * *

Mr. Multer.†

Much controversy arose during the course of the hearings on this bill in both Houses of Congress with reference to the extent that the competitive and monopolistic factors should be considered as determinative of these applications. All concerned agreed that all of the banking factors must be considered. There also seemed to be no disagreement that the competitive and monopolistic factors should also be considered. Under the Sherman Antitrust Act and under the Clayton Act the sole tests revolve around the lessening of competition and the creation of monopolies.

The language of S. 1062 as amended by the House Banking and Currency Committee and as it appears in the bill we are now about to pass in the House makes it clear that the competitive and monopolistic factors are to be considered along with the banking factors and that after considering all of the factors involved, if the resulting institution will be in the public interest, then the application should be approved and otherwise disapproved. (p. 7259)

† Member of Subcommittee No. 2 of House Committee on Banking and Currency.

Excerpts from Senate debate on S. 1062 prior to amendment by House, May 7, 11, and 13, 1959, Vol. 105 Congressional Record†

Mr. Robertson.‡

These illustrative examples indicate the difficulties of applying the language of the Clayton Act to bank mergers. They also indicate the basic reasoning behind the committee's bill. This is that the banking business is fundamentally different from ordinary business. It is highly regulated and restricted. It is a quasi-public utility. I do not believe that anyone could safely say that the exceptions provided in the O'Mahoney amendment are the only ones which would occur and in which a merger might be desirable, even though it would substantially lessen competition. (p. 7692)

* * * * * * *

Letter from Mr. Coburn, General Counsel of the Federal Deposit Insurance Corporation.

Our economy is generally expanding, but the rate of growth will vary as between regions and the banks must be able to adjust to and serve the ever-changing needs of trade and commerce within their communities. With growing communities, there is need for enlarged financial services, and hence it is found that the needs for larger

† These relate to the amendment offered by Senator O'Mahoney which would have given controlling effect to the standards of the Clayton Act with specific and narrow exceptions. This amendment was defeated by a vote of 55 to 29. (p. 8139)

‡ Chairman of Senate Committee on Banking and Currency and co-sponsor of S. 1062.

loans, the need for additional categories or types of credit, the need for generally expanded banking services may be one of the underlying factors that encourage merger transactions. Within proper limits, these may be representative of sound justification for mergers which are consistent with the public interest. (p. 7827)

* * * * * * *

Mr. Robertson.

The situation should not continue any longer. Competition in banking should be encouraged and safeguarded. Vigorous competition, between sound and strong banks in a sound banking system, is important and desirable. Such competition will benefit depositors, borrowers, and the Government, and all of them have a vital interest in banking.

But unlimited and unrestricted competition in banking is just not possible. We have had too many panics and banking crises and bank failures, largely as the result of excessive competition in banking, to consider for a moment going back to the days of free banking or unregulated banking.

Instead, in the National Bank Act of 1864, the Federal Reserve Act of 1913, and the Banking Acts of the 1930's including particularly the Federal Deposit Insurance Act, we have taken the position, from which I trust we will never retreat, that banking is affected with a public interest and must be regulated like public utilities and monopolies.

* * *

The significance of the banking system to the monetary and fiscal policies of the Government,

to the businesses and individuals who depend on bank loans for growth and development, and to depositors who must have confidence in the security of their deposits, is too important to permit unrestricted competition.

In the opinion of the committee it is impossible to subject bank mergers to the simple rule of section 7 of the Clayton Act. Under that act, a merger would be barred if it might tend substantially to lessen competition, regardless of the effects on the public interest.

* * *

The committee did not recommend that bank mergers should be exempted from the Sherman Act, but it does recommend continuance of the existing exemption from section 7 of the Clayton Act. (p. 8076)

* * * * *

Mr. Javits.†

The second point, which I think is very important, is this: Shall we give the Attorney General more authority with respect to bank mergers than with respect to other mergers? I feel that there is reason for even less authority, because there are other regulatory agencies, such as the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve Board. There is not the same situation in respect of ordinary corporate merger cases. Here we have a regulated situation. (p. 8129)

* * * * *

† Member of Senate Committee on Banking and Currency.

Mr. Robertson.

Mr. President, if the Congress wishes to put banks on the same basis as steel corporations, automobile corporations, and other corporations, Congress should repeal all present laws on the subject of banks, and could put them lock, stock, and barrel under the Clayton Act, not only in the case of mergers by stock acquisition, but also in the case of mergers by asset acquisition. But if the Senator from Tennessee were to introduce a bill to that effect, it would not receive 10 favorable votes; and he would find that such a bill would be bitterly criticized by his banking friends in his home State. (p. 8132)

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CITATIONS

Cases:

Brown Shoe Co. v. *United States*, 370 U.S. 294 — 2, 3

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Bank Merger Act of May 13, 1960, 74 Stat. 129, 12 U.S.C. (Supp. II) 1828(c) — 3

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676096—63—1

In the Supreme Court of the United States

OCTOBER TERM, 1962

UNITED STATES OF AMERICA, APPELLANT

v.

THE PHILADELPHIA NATIONAL BANK AND GIRARD TRUST CORN EXCHANGE BANK

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

REPLY BRIEF FOR THE UNITED STATES

I

THE PHILADELPHIA FOUR-COUNTY AREA IS THE RELEVANT GEOGRAPHIC MARKET

Defining a geographic market as an aid in assessing the competitive effects of a proposed merger is a practical matter which necessarily requires approximations. Even as a matter of theory there is no perfect definition of the markets in which Philadelphia National Bank ("PNB") and Girard Trust Corn Exchange Bank ("Girard") compete. As a practical matter defining a geographic market requires making the best possible estimate of the area of competition which will be significantly affected by

the proposed merger. However, the fact that any market definition must be less than perfect does not make unnecessary an attempt to define a geographic market and measure competition within it, for determination of a relevant market appears to be a "necessary predicate" to resolution of the question whether a horizontal merger violates the antitrust laws.[1]

Appellees deny that the Philadelphia area is a relevant geographic market but nowhere in their brief do they state what area, in their view, is such a market. The brief (Br. 11, 46) does refer to three widely differing areas and intimates that the most relevant geographic market must be one of these areas.[2] We submit that the substance of appellees' position is that there is no geographic market truly relevant to their proposed merger. If so, they are, in effect, using an elaborate circumlocution to deny that bank mergers are within the reach of the antitrust laws. We submit that there is a relevant geographic market for assessing the effects of a bank merger as well as of any other merger and that the evidence in this case shows overwhelmingly that the Philadelphia four-county

[1] *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 335; *United States* v. *Columbia Steel Co.*, 334 U.S. 495, 527.

[2] The areas referred to are: (1) 5 Pennsylvania counties and 3 New Jersey counties; (2) these counties, an additional New Jersey county, a Delaware county, "and definitely New York City"; and (3) "the northeastern United States."

area is the most relevant market in which PNB and Girard compete.[3]

The market selected for analysis of competitive effects must correspond to "commercial realities" and be "economically significant". *Brown Shoe Co. v. United States*, 370 U.S. 294, 336–337. The Philadelphia area[4] "is, beyond any doubt, an economically significant market—the deposits of the area's banks exceed $4,600,000,000 and their loans are in excess of $2,700,000,000 (GX 161, R. 2829–2830). And it is equally clear that the area constitutes a geographic market corresponding to commercial realities. A bank can receive deposits and service its deposit accounts only at or from its banking office (or offices). Only a bank having its main office in Philadelphia can have branch offices throughout the four-county area. The banking needs of the hundreds of thousands of individuals residing in the Philadelphia area, and of the many large and small enterprises carried on in this

[3] As required by the Bank Merger Act, the Federal Reserve Board and FDIC reported on the effect of the proposed merger on competition. Each of these banking agencies concluded that the Philadelphia area is, with respect to competition, a separate and distinct market and that in this geographic market the merger would have a materially adverse effect on competition (G. Br. 10–11, 37).

[4] For convenience, we use the words "Philadelphia area" to refer to Philadelphia County and the three contiguous Pennsylvania counties in which all of appellees' banking offices are located.

area, can be satisfactorily met only by banks located in this area.

As appellees state (Br. 47), bank deposits "can be" made by mail and bank loans "can be" arranged by telephone, and in very unusual, special circumstances this may be a satisfactory substitute for proximity between bank and customer. But the record and findings in this case firmly establish that banking operations do not even remotely partake of a mail-order type of business. The district court's findings explicitly recognize the great importance to a bank, in its competition for business, of proximity to those needing banking services (G. Br. 35–36). In this connection we additionally refer to the finding that large companies in the Philadelphia area consider it important to be able to do business with Philadelphia banks "because of the close contacts which are required between their top officers and the bankers" (Fdg. 176a, R. 3513). For the vast amount of local business these banks are, for all practical purposes, the sole competitors, insulated as to this business from outside competition. In these circumstances the Philadelphia area indubitably is a geographic market which has clear cut and substantial commercial reality.

The fact that Philadelphia area customers are the source of the great preponderance of appellees' business (G. Br. 34) shows this area to be a relevant geographic market. Appellees have attempted to discount our showing on this point by charging us with having used "selected statistics which inflate the apparent size of appellees' shares of local business"

(Br. 44–45). Appellees furnish no substantiation of their charge. Indeed, the categories of business as to which we showed the percentage derived from Philadelphia area customers[8] clearly are fairly representative of the business engaged in by appellees. Moreover, the statistics used by the government not only failed to "inflate the apparent size of appellees' shares of local business," but actually minimized them. In an effort to avoid controversy over statistics, we used figures in our brief which were based upon appellees' (defendants') exhibits that showed business derived from the Philadelphia area by dollar amount. But markets are composed of people rather than dollars. Measured by numbers of depositors and borrowers, the proportion of appellees' business done in the Philadelphia area is substantially greater than the proportion measured by dollar amount and shown in our brief. The exhibits clearly show that the overwhelming preponderance of all appellees' customers are located in the Philadelphia area. Thus 96 percent of all deposits under $10,000 (which constitute 90 percent of all deposits) and 80 percent of deposits over that amount are made by depositors in the Philadelphia area; and 72 percent of all commercial and industrial loans are made to

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[8] For ready reference, we here enumerate these categories (G. Br. 34):

Demand deposits of individuals
Demand deposits of partnerships and corporations
Time and savings deposits
IPC deposits (time and demand)
Loans to individuals
Commercial and industrial loans
Personal trusts (by number of accounts)

borrowers in the Philadelphia area. (Details and sources of these data are set forth in tables appended hereto.)

Appellees argue that the Philadelphia area is not an economically significant market which corresponds to commercial realities because there are many banking customers in the area who can bank outside the area. The only * specific support offered for this conclusion is in the field of commercial and industrial loans and business demand deposits, where it is said 68 percent and 64 percent of appellees' business is done with customers having "known alternative [banking] choices" outside the Philadelphia area (Br. 51). We seriously contest the accuracy of the claim that over 60 percent of the customers even in these two areas can easily shift to banks outside the area. We also question the relevance of these figures to defining a geographic market for commercial banking services. But primarily we re-emphasize that the existence of alternative sources for a number of area customers in the fields of commercial and industrial loans and business demand deposits—even if established—would not cast serious doubt upon the significance of the Philadelphia area as the most relevant geographic market for the over-all banking services in which PNB and Girard compete.

* Appellees also object that their share of time and savings accounts and real estate loans, while perhaps large in relation to all commercial banks, is small in relation to all institutions in the four-county area engaged in such business. This is not relevant to a definition of the geographic market although it, of course, has weight in assessing the effects of the merger on competition in one small segment of the agreed-upon product market (commercial banking).

The figures said to reflect the percentage of appellees' business in commercial and industrial loans and business deposits coming from customers having what are said to be "known alternative choices" outside the Philadelphia area plainly do not accurately reflect commercial realities. In the exhibit (DX 43, R. 3185) giving the cited percentages Philadelphia area customers are classified as having banking choices outside that area if the customer (a) had a loan or line of credit exceeding $500,000, or (b) had known banking connections outside the area, or (c) had its headquarters, a major branch, or subsidiary outside the area, or (d) was a subsidiary of a company located outside the area. But none of the stated circumstances gives rise to or supports the presumption that a bank outside the area could serve the banking requirements of a business carried on in the Philadelphia area, as fully and satisfactorily as could a bank located in that area. Any such presumption is substantially negated by the fact that the customers in question, notwithstanding an alternative banking choice, did maintain deposits with, and/or borrow from, one or both of the appellees. For this reason we submit that in these two fields, as in other areas of banking activities, the far more relevant statistics are that 57 percent and 71 percent of appellees' business by dollar volume, and 72 percent and 80–96 percent by numbers of accounts, is done with customers in the four-county area.

Even if these figures for customers with "known alternative choices" outside the Philadelphia area for

two particular types of commercial banking services accurately reflected the number of customers who could as easily deal with non-area banks for these services, they would have little significance in defining the relevant geographic market. Accepting, *arguendo*, the estimates by the senior vice president of the PNB that at least 68 percent in dollar volume of appellees' commercial and industrial loans are made to "customers with known alternative choices outside the four-county area" (appellees' brief, pp. 12, 51), this means that about 32 percent in dollar volume of appellees' commercial and industrial loans—or about $134,000,000—are made to customers whose banking choices are limited to commercial banks located inside the four counties (DX 30, R. 3165–3167). The significance of this volume of commercial and industrial loans to customers limited to banks in the four-county area is revealed by the fact that this amount represents more than the total dollar volume of *all* types of loans to *all* customers by each of 35 of the 39 other commercial banks in the four-county area (DX 15, R. 3052–3058).[7]

Finally, industrial and commercial loans and business deposits are but two subcategories of the business of commercial banks which has been found to be the most relevant product market. As to such other services of commercial banks as receipt of demand

[7] Stated another way, defendants' combined amount of this one category of loans to customers limited to four-county area banks exceeds the total dollar volume of all types of loans to all customers by every bank but four in the area.

deposits and checking account services there is no competition at all from other financial institutions and there is no indication of substantial competition from non-area banks. As to "the conglomeration of all the various services and functions that," the district court found, "sets the commercial bank off from other financial institutions" (R. 3651) and which constitute the undisputed product market in this case, there is no reason to believe that non-area banks furnish significant competition to PNB and Girard.

II

THE PROPOSED MERGER VIOLATES SECTION 1 OF THE SHERMAN ACT

This Court's decisions establish that the Sherman Act is violated by an agreement or combination to merge under the circumstances shown here, namely, (1) the merging companies are engaged in the same trade in the same geographic market, rank second and third in that market, and control more than one-third of the trade therein and (2) a preceding series of mergers has sharply reduced the number of those competing in the market and has greatly expanded the larger companies' share of the market. We understand appellees' principal defense to be that competition among commercial banks involves such peculiar circumstances and conditions that this Court's merger decisions are inapplicable, or only doubtfully applicable, to appellee's merger.

We here comment only on certain of appellees' contentions, referring to our original brief for a full

consideration of the applicability of the Sherman Act to this merger.

(1) Appellees imply (Br. 6, 43) that the government's attack on the proposed merger runs counter to the major objective of bank regulatory legislation—to prevent "the disastrous effects of unrestricted [banking] competition." But disapproval of the merger would not open the door, by one inch, to "unrestricted" bank competition. Competition among the Philadelphia area banks, following such disapproval, would be neither more nor less unrestricted than it is today.

(2) Appellees assert (Br. 7–9, 25, 41–42) that, because of federal regulation and other factors, there is no significant price competition among banks and the respects in which banks can be otherwise competitive is circumscribed. They imply (Br. 40, 43–44) that decisions dealing with mergers of industrial concerns therefore have only limited application to bank mergers. But this Court has consistently held to the view that the broad prohibitions of the Sherman Act embrace restraint of trade by agreement or combination in a trade or industry in which legislation or other factors have the effect of narrowing the channels in which competitive forces operate freely. If in a particular trade legislation restricts some competition, it is the more important that the competition remaining not be restrained by private combination or agreement. See *United States* v. *Southern Pacific Co.*, 259 U.S. 214, 230–231, and other cases

cited in our main brief at page 26. Appellees admit (Br. 9, 42, 65–66) that banks are competitive with respect to service to customers.[8]

Indeed, appellees' emphasis on convenience and quality of service as the principal means by which banks compete does not avoid the significance of the restraint that will be imposed upon competition by this merger. PNB and Girard have competed extensively in these ways. This has been the primary purpose of each bank in establishing its large system of branch offices. The proposed consolidation will eliminate all competition in services and convenience between a bank with 38 banking offices and a bank with 27 banking offices, all of which provide essentially competitive banking services to many thousands of local customers.

There are, moreover, advantages of dominance that result from an ability to offer a customer who has many outlets (e.g., a chain store) an opportunity to deal with a single bank with almost twice as many branches as any other local bank. The combined bank's advantage in this regard over the six largest remaining banks in the Philadelphia area can be seen from the ranking of the banks by number of branch locations, before and after the consolidation:[9]

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[8] There is, moreover, undisputed evidence that there is significant price competition among commercial banks (see G. Br. 40).

[9] Based on GX–187, R. 2886.

	Before Consolidation
Girard	38
First Penna	38
PNB	27
Fidelity-Phila	27
Prov. Tradesmens	20
Central Penn	18
Broad St. Trust	16

	After Consolidation
PNB-Girard	65
First Penna	38
Fidelity-Phila	27
Prov. Tradesmens	20
Central Penn	18
Broad St. Trust	16
Liberty Real Est	10

(3) Appellees have 37 percent of the total assets, 36 percent of the total deposits, and 34 percent of the total loans of all Philadelphia area banks (R. 3657), but they contend (Br. 52–54, 67) that these percentages do not accurately show the degree of their hegemony in this area. They contend that these figures should be disregarded because they do not specify the amount of business done in the Philadelphia area by non-area banks and do not deal separately with the area and non-area business of each Philadelphia bank. We submit that appellees' contentions in this regard are little more than claims that there are no practically-obtainable figures to indicate the share of PNB and Girard in the Philadelphia area market.

As to the amount of business done in the Philadelphia area by banks outside the area, it is, of course, impossible to poll every prospective customer in the area to determine with whom he banks and in what amounts. It is almost as impracticable to poll every bank which could be expected to do some business with customers in the four-county area. It is therefore necessary to rely upon figures for the Philadelphia area banks which certainly handle the overwhelming portion of local business. This is not to

suggest that the appellees were in any way barred from introducing evidence to show the extent of the competitive role played by non-area banks in banking in the Philadelphia area. But lacking any such meaningful showing, figures reflecting the banking business done by Philadelphia banks are the best available basis for estimating PNB's and Girard's share of this business. Moreover appellees' present contentions are inconsistent with their objection at trial to the relevance of evidence going to the amount of business in the four-county area done by a Camden bank. (R. 1908–1909.)

Appellees' objection to a failure to segregate the area and non-area business of each Philadelphia bank is equally weak. It is not merely that the administrative burden resulting from requiring every area bank to undertake such a segregation of customers in every aspect of its business would be imposing. The results of such a segregation would, we submit, be less meaningful for most purposes than those obtained by considering the total business of each Philadelphia area bank. Appellees plainly have 37 percent of the total assets of Philadelphia area banks. They contend, however, that as to deposits and loans their share of the Philadelphia area banking business cannot be determined absent data showing the deposits received from non-area depositors and the loans made to non-area borrowers by every Philadelphia bank. But, from the point of view of their combined economic power, appellees' deposit business, like the deposit business of all the other area banks, is the sum of *all*

their deposits, and their loan business, like the loan business of the other banks, is the sum of *all* their loans. The most meaningful measure of appellees' leadership position in the Philadelphia area is their share of the total deposit business and total loan business done by the banks in that area. It is immaterial in this connection that a depositor or borrower has its headquarters in Dallas, St. Louis, Chicago, New York or any other city. The fact that it does maintain an account with a Philadelphia area bank shows that it believes that the banking needs of business or other operations which it carries on in that area are most advantageously served by a bank located within the area. Finally the record contains nothing to refute the normal inference that appellees' share of the total business done by all area banks is substantially the same as its share of the business done in the four-county area by all area banks.

(4) Appellees contend (Br. 17, 60–62, 66) that the merger would not result in undue dominance by the largest bank in the Philadelphia area and that it would actually increase competition therein.

Concerning the first of these points we observe that the Federal Reserve Board believed that a merger creating a bank with deposits over 60 percent greater than those of its nearest rival and well over 250 percent greater than those of its next two nearest rivals would give to the merged bank "a dominant position * * * strongly adverse to the preservation of effective competition" (G. Br. 10). This conclusion is confirmed by appellees' emphasis (Br. 73, 74) on the fact that the size of a bank's resources and lend-

ing limit are "critical factors" in its selection by larger customers, and that the merged bank would have resources enabling it to provide services "competitive with those offered by large banks elsewhere." If these factors would enable the merged bank to get business now done by non-area banks, they would likewise enable it to capture business now done by its area competitors. The merger would further extend the gap between the merged bank and its area competitors.

It is also plain that the record does not reveal any probative evidence that competition would be more than momentarily benefitted by the merger. Several witnesses testified that eliminating all competition between the second and third largest banks in the area would "increase competition" because following the merger some portion of the deposits held by PNB or Girard might be shifted to another bank.[10] This kind of limited temporary shifting of accounts plainly does not show that competition is increased by a merger which would automatically eliminate all competition between banks doing hundreds of millions of dollars of business. However, most of the witnesses who testified that competition would be in-

[10] The president of Girard described this as a "short-term effect" of the merger (R. 1634–1635). He explained that business concerns "want more than one bank" and that therefore a company having accounts with both PNB and Girard is, upon their merger, "a sitting duck for competition" (R. 1635). He said that likewise a bank having both PNB and Girard as correspondent banks might, after their merger, wish to establish a correspondent relationship with an additional area bank (*ibid.*).

creased by the merger obviously meant that other banks in the area would be pressed harder to maintain their position after the merger in the face of the competitive advantages held by the merged bank. As one competitor called by appellees testified, after the merger, competition "will get worse."[11] But competition is only temporarily heightened by widening the competitive gap between competitors. The ultimate result of a marked difference in ability to compete is always either a failure of the weaker competitor or an accommodation by which all competitors survive but competition is, by tacit understanding, eliminated.

(5) Appellees contend (Br. 70–75, 77–79) that any restraints of trade resulting from the merger are reasonable, permissible restraints because the merged bank would be able to obtain business now going to New York or other non-area banks, with consequent benefit to "the Philadelphia Community." We do not here discuss at length the legal validity of this

[11] Testimony of Samuel Weinrott, Chairman of the Board of Industrial Valley Bank and Trust Co. (R. 1825). Mr. Potts, President of PNB, admitted that the merger would give the resulting bank "a competitive advantage" (R. 900, 901, 902). Mr. Brown, President of Girard, testified that the merger would cause competitors to work harder (R. 1648). Professor Harris, a defense expert, testified that one of the effects of the merger would be "that competition may be even made somewhat keener on the part of other banks now seeking to maintain their position on the fac[e] of this merged institution" (R. 1401). Mr. McGinley, President of Beneficial Savings Bank, testified that the merger would increase competition with his bank because the merged bank would have a larger number of offices and a larger advertising budget (R. 2029).

contention (see G. Br. 67).[12] But we reiterate that the most persuasive and weighty testimony bearing on the claimed result of the merger is that setting forth the experience and views of officers of companies which have had actual or potential need for large bank loans or bank credit, and that this testimony strongly indicates that the merged bank would capture little, if any, business from non-area banks (see G. Br. 68–71).

Appellees' claim is that the merged bank's greater resources and higher lending limit would enable it to capture business from New York or other non-area banks. The evidence shows, however, that the amount loaned by New York banks to borrowers in a particular city bears little relation to the size of the resources or to the lending limit of the largest bank in the city. An October 1955 survey by the Federal Reserve Board stated the total loans by New York banks to borrowers in ten cities (DX 1, R. 2997). The record shows the assets (as of June 30, 1956) of the largest bank in each of these cities,[13] and it shows as to six of the

[12] It is well established that a merger is illegal if it has, in *any* significant geographic market, effects of a kind condemned by the antitrust laws (G. Br. 33). Accordingly, a merger is illegal if it has such forbidden effects in a particular geographic market, and it is not saved from illegality by a showing that in other areas in which the merging parties do business the merger's effects might not be violative of the antitrust laws. Since it is beyond all question that the Philadelphia area is where appellees' merger would have its greatest competitive impact, the legality of the merger must be tested by its effect in that area.

[13] DX 21, R. 3101–2, 3109, 3119, 3121–2, 3125, 3137, 3142, 3145.

cities the lending limit of the bank with the highest limit (DX 24, R. 3154–5). The following tabulates, in thousands of dollars, the pertinent data:

City	New York bank loans	Assets of largest bank	Largest bank lending limit
Chicago	$375,000	$2,847,000	$27,500
Houston	375,000	659,708	----------
Los Angeles	218,000	2,184,618	55,000
Detroit	138,000	1,910,114	14,000
Dallas	125,000	778,181	10,500
Philadelphia	113,000	1,064,136	8,000
Baltimore	98,000	287,628	----------
Minneapolis	97,000	438,640	----------
San Francisco	93,000	7,701,486	55,000
St. Louis	89,000	636,472	----------

On appellees' theory, a city having a bank with assets and a lending limit greatly in excess of the assets and of the lending limit of any Philadelphia bank should have very small borrowings from New New York banks compared with the borrowing from such banks in Philadelphia. The complete inconsistency between appellees' theory and the actual facts is shown by comparing Philadelphia with Los Angeles, Detroit, or San Francisco.

(6) Appellees contend (Br. 58) that an "important element" of the railroad merger cases on which we rely was "the monopoly power possessed by the transcontinental railroads and the anthracite carriers," and that this was "stated clearly" in *Northern Securities Co.* v. *United States,* 193 U.S. 197, and "reiterated in the decisions which followed." We sub-

mit that, with one exception,[14] "monopoly power" was not a significant element in these decisions, and that the holding in each of them was that the merger violated the Sherman Act, irrespective of any resulting monopolization of trade, because it suppressed or severely abridged competition between the merging parties. See, *United States* v. *Reading Co.*, 253 U.S. 26, 48; *United States* v. *Yellow Cab Co.*, 332 U.S. 218, 227–28.

Appellees are incorrect in stating (Br. 58) that *United States* v. *Southern Pacific Co.*, 259 U.S. 214, "repudiates" the government's construction of the merger cases. In that case, the Court rejected the railroad's contention that the decision in *United States* v. *Union Pacific Co.*, 226 U.S. 61, rested only on the fact that "a then existing competition" was restrained by the merger, and said that the principle of that decision "was broader than the mere effect upon existing competition between the two systems" 259 U.S. at 230. The "broader" aspect of the prior decision was not, as appellees imply, monopoly power, but restraint upon potential as well as existing competition. *Southern Pacific* was so cited in *United States* v. *Columbia Steel Co.*, 334 U.S. at 528.

We again repeat that our interpretation of the Court's railroad merger decisions is, not that they bar every merger between competing companies, but that they stand for the proposition that where merging companies are major competitive factors in a rele-

[14] The decision in *United States* v. *Lehigh Valley Railroad Co.*, 254 U.S. 255, was rested in part on illegal monopolization.

vant market, the elimination of competition between them, by merger, itself may constitute a violation of the Sherman Act (G. Br. 47–48).

CONCLUSION

For the reasons set forth in our main brief and in this brief, the judgment of the district court should be reversed, and the cause should be remanded to that court to enter judgment enjoining the proposed merger.

Respectfully submitted.

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APPENDIX

Distribution of Regular Checking Accounts by Size of Account in Philadelphia National Bank as shown by Government's Exhibit 137, p. 2766 et seq.

Number of accounts under $10,000	**39,348**	**(90%)**
Number of accounts between $10,000 and $50,000	**3,007**	**(7%)**
Number of accounts over $50,000	**1,316**	**(3%)**
Total number of accounts	**43,671**	**(100%)**

Number of deposits in Philadelphia National Bank and Girard Bank from Philadelphia four county area

	PNB	Girard	Both banks combined
Demand deposits			
Under $10,000			
No. from Phila. area	NA	NA	NA
Percent of total no. from Phila. area	97.4% (x)	94.9% (d)	96% (x)
$10,000 and Over—IPC			
Total no. from all areas	4,056(b)	4,797(b)	8,853(b)
No. from Phila. area	3,060(b)	4,019(b)	7,079(b)
Percent of total from Phila. area	75.4% (b)	83.8% (b)	80.0% (b)
Savings and Time Deposits			
Under $10,000 (savings & time deposits)			
Total no. from all areas	93,195(c)	147,360(d)	240,555(x)
No. from Philadelphia area	88,071(c)	143,526(d)	231,597(x)
Percent of total no. from Phila. area	94.5% (c)	97.4% (x)	96.3% (x)
Over (10,000 (time deposits only)			
Total no. from all areas	94(e)	54(d)	148(x)
No. from Philadelphia area	56(e)	46(d)	102(x)
Percent of total no. from Phila. area	59.5% (e)	85.2% (d)	69% (x)

Note: Number of savings accounts over $10,000 originating in Philadelphia area is not shown in exhibits. However, Gov. Exh. 13 (8) (R. 2387) shows that savings accounts of such size constitute less than 1.3% of all savings accounts of Girard.

Sources:

(a) Gov. Exh. 195 (R. 2902)
(b) Gov. Exh. 29 (Rev.) (R. 2411)
(c) Gov. Exh. 31 (8) (R. 2413)
(d) Gov. Exh. 13 (8) (R. 2387)
(e) Gov. Exh. 28-A (8) (R. 2410)
(x) Calculated from foregoing data
NA indicates not available

Number of Commercial and Industrial Loans of Philadelphia National Bank and Girard combined in Philadelphia four-county area as shown by Government Exhibit 181, p. 2872

Size of loan	Number of loans all areas	Loans in Philadelphia 4-county area	
		Number	Percent
Under $50,000	5,058	3,810	75
Under $500,000	6,858	4,980	73
Under $1,000,000	7,146	5,130	72
Over $1,000,000	70	34	49
Total, all amounts	7,216	5,164	72

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